

1
2
3
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MEETING
STATE LANDS COMMISSION

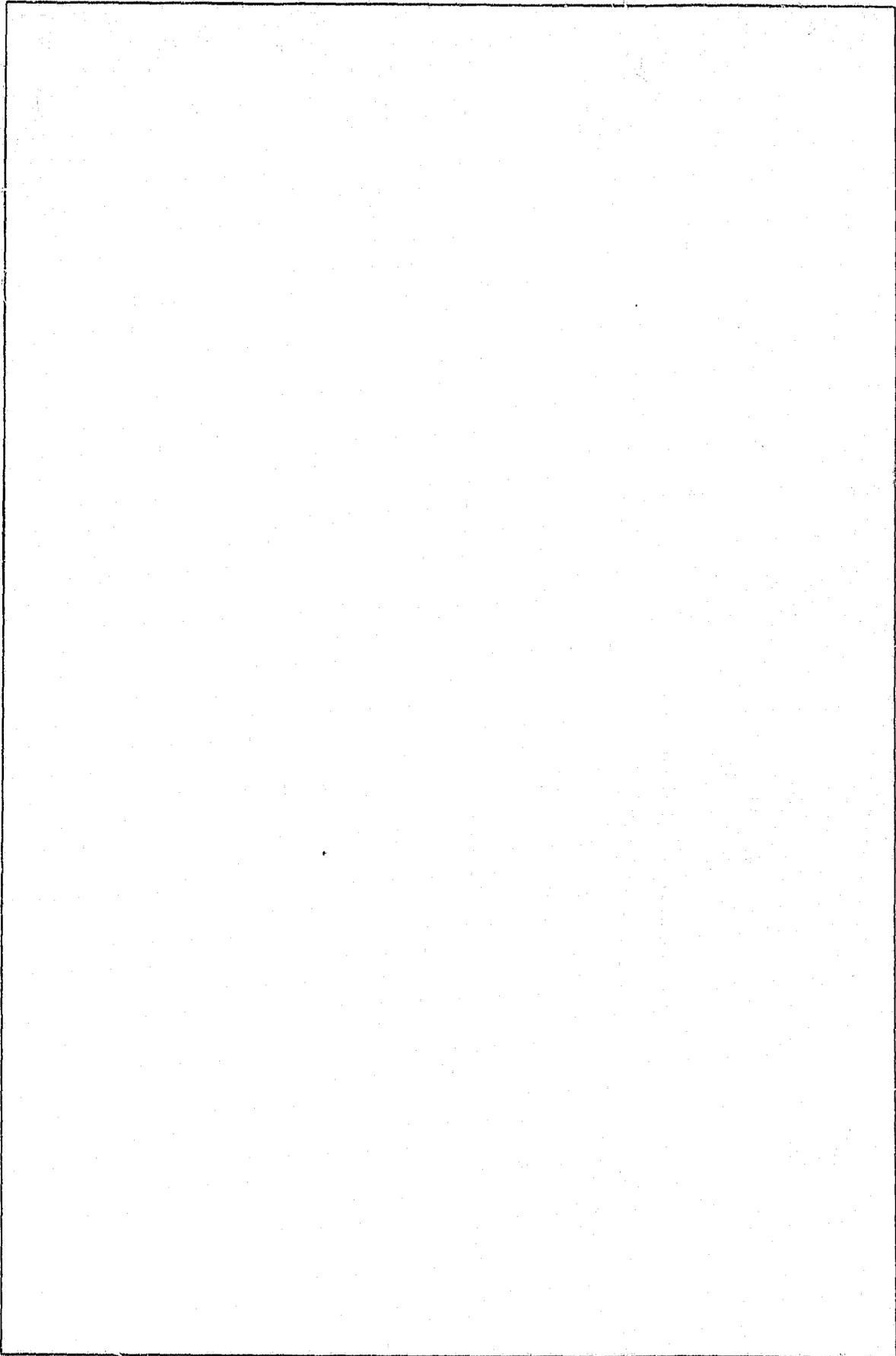
ROOM 2170
STATE CAPITOL
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, SEPTEMBER 30, 1976
10:00 A.M.

C. S. R. License No. 3252

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26 NESS COURT
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I N D E X

	<u>Page</u>
1	
2	
3	iii
4	1
5	1
6	1
7	12
8	13
9	16
10	22
11	29
12	36
13	37
14	39
15	41
16	52
17	52
18	54
19	55
20	55
21	57
22	61
23	62
24	62
25	62

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1	Calendar Item 31	63
2	Calendar Item 32	63
3	Calendar Item 33	64
4	Calendar Item 34	64
5	Calendar Item 35	64
6	Calendar Item 36	65
7	Calendar Item 37	74
8	Calendar Item 38	74
9	Calendar Item 39	77
10	Calendar Item 40	78
11	Calendar Item 41	78
12	Calendar Item 42	79
13	Calendar Item 44	79
14	Calendar Item 45	80
15	Mr. Turner	80
16	Mr. Dolle	83
17	Calendar Item 46	92
18	Adjournment	94
19	Reporter's Certificate	95
20		
21		
22		
23		
24		
25		

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MEMBERS PRESENT

- Hon. Kenneth Cory, Controller, Chairman
- Mr. Sid McCausland, Commissioner
- Mr. Richard Thomson, representing Mervyn M. Dymally

MEMBERS ABSENT

- Hon. Mervyn M. Dymally, Lieutenant Governor
- Hon. Roy M. Bell, Director of Finance

STAFF PRESENT

- Mr. William F. Northrop, Executive Officer, State Lands Commission
- Mr. R. S. Golden, Assistant Executive Officer, State Lands Commission
- Mr. Robert C. Hight, Staff Counsel, State Lands Commission

ALSO PRESENT

- Mr. N. Gregory Taylor, Deputy Attorney General
- Mr. Jan Stevens, Deputy Attorney General

P R O C E E D I N G S

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1 CHAIRMAN CORY: Calling the meeting to order.

2
3 Confirmation of the minutes of the meeting of
4 August 26th, there are no corrections or additions to
5 those minutes; nobody from the audience? Without
6 objection then, we will confirm them as presented. We
7 need to put them in the minutes. Mr. Thomson and
8 Mr. McCausland and Mr. Cory are here in terms of who
9 our forum amounts to. If you could inform your staff of
10 who we are before we get here, we wouldn't have to do
11 that, Mr. Executive Officer. We have our names, our
12 real names here? If you would hire people that can read,
13 we wouldn't have to do that.
14

15 Okay. We have a report from our inefficient
16 Executive Officer. How's that for getting even?

17 EXECUTIVE OFFICER NORTHROP: That's good. You win.

18 We have before you a copy of California
19 Disposition of Alaskan Oil Gas. It's this yellow booklet.
20 It's a working paper that's been returned from the printers.
21 It will be circulated among the interested agencies
22 according to the Commission's previous instructions.

23 CHAIRMAN CORY: Let it also be circulated among
24 the people in the private sector that have an interest in
25 the subject matter for corrections.

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1 EXECUTIVE OFFICER NORTHROP: Right. We will
2 get comments on it from the private sector.

3 CHAIRMAN CORY: Any comments from members?
4 Okay. Proceed.

5 EXECUTIVE OFFICER NORTHROP: The River; it is
6 suggested membership in the River Marina Waterways Liaison
7 Committee have been forwarded to you and I think you have
8 a copy in front of you. And if you have no objections,
9 immediate steps will be taken to set up the committee as
10 outlined and the committee will consist of a Mr. Dick Atlee
11 from State Lands, Roy Minnick from State Lands,
12 Lynn Patton from State Lands, Peter Douglas -- or a
13 representative from the Assembly Committee at Energy &
14 Land Use -- and Mr. Testa, a representative from the
15 Senate Committee in the same area, Mr. Frank Goodson
16 from the Resources Secretariat, a representative of
17 the Planning Conservation League, Mr. Al Thews,
18 representing the Boat-Owners' Association, Mr. Richard Farrell,
19 representing Marina Recreation Association, Mr. Kirk West,
20 representing Cal-Tax and Ben Crouch, representing the
21 Sacramento River Property Owners' Association.

22 CHAIRMAN CORY: Suggested additions?

23 COMMISSIONER McCAUSLAND: I move for adoption,
24 Mr. Chairman.

25 COMMISSIONER THOMSON: Second.

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1 CHAIRMAN CORY: No objection? That shall be
2 the order.

3 EXECUTIVE OFFICER NORTHROP: The Governor signed
4 into law most of the legislation which was sponsored by
5 the Commission. The legislative status report is being
6 prepared and will be forwarded to each member upon
7 completion. The Governor signed Assembly Joint
8 Resolution No. 60, requesting the State Lands Commission
9 to commence a school land consolidation program. A
10 staff report suggesting land exchange alternatives has
11 been redrafted. These proposals will be based on the
12 Federal legislation, which is necessary to effect this
13 extensive land exchange between State and Federal govern-
14 ment.

15 The Lake Tahoe Regional Planning Agency --

16 CHAIRMAN CORY: Hold it a minute. Why does
17 the Governor sign a Joint Resolution?

18 EXECUTIVE OFFICER NORTHROP: That's a good
19 question. I really don't know. I think we also have an
20 ignorance of the legislative process, too.

21 COMMISSIONER McCAUSLAND: It would seem that
22 Mr. Stevens would be able to research that quickly.

23 MR. STEVENS: Consult the histories and the
24 legislators.

25 CHAIRMAN CORY: Okay. Go ahead.

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1 EXECUTIVE OFFICER NORTHROP: The Tahoe
2 Regional Planning Agency --

3 CHAIRMAN CORY: I'm getting older, Northrop,
4 I'm not getting any slower, so just don't let up.

5 EXECUTIVE OFFICER NORTHROP: I am, unfortunately.
6 The Tahoe Regional Planning Agency, the Corps of
7 Engineers, the State of Nevada are interested in performing
8 a massive environmental assessment to the Lake Tahoe
9 shoreline. The agencies are willing to underwrite a share
10 of the cost for the study. They requested that the State
11 Lands Commission participate.

12 These same organizations are also interested
13 in removing pilings in underwater obstructions from the
14 Lake. Again, they want to cooperate with the Commission on
15 a cost-sharing basis. The staff is working with the
16 Resource Agency and the Department of Finance to identify
17 appropriate sources of funding for the project.

18 The staff of the Division of the Attorney
19 General's office have been contacted by the City of
20 Hermosa Beach about the potential drainage from oil and
21 gas from tidelands granted to the City by the State,
22 adjacent to Torrance Field. In order to determine if the
23 drainage is occurring, it would be necessary to make a
24 geological engineering study. Because of the state-wide
25 interest, it has been proposed that the City and State share

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1 the cost of this study on a 50/50 basis, with the City
2 paying a maximum of \$3,500 for the estimated \$7,000 project.

3 Mr. Everitts, our staff, met on Monday with
4 the City officials and a tentative contract has been
5 reached; the contract will be prepared and the costs
6 calculated in accordance with the State Administrative
7 manual. We'll report back in some final form.

8 CHAIRMAN CORY: The grant for the City of
9 Hermosa Beach is for the submerged --

10 EXECUTIVE OFFICER NORTHROP: Yes. It happens
11 that we did not receive a grant to the three-mile limit,
12 but rather somewhere short of that, and it appears that
13 there is an area of potential drainage in there; is that
14 correct?

15 CHAIRMAN CORY: Who would receive the revenue if
16 we decided there was drainage and we decided to drill to
17 protect our interest? That's our option, isn't it?

18 EXECUTIVE OFFICER NORTHROP: I believe we have a
19 sanctuary problem there, as well.

20 CHAIRMAN CORY: In that area the sanctuary is
21 breachable --

22 EXECUTIVE OFFICER NORTHROP: From the shore side.
23 We have the same problem in Los Angeles, you know.

24 CHAIRMAN CORY: But, does not the statute that
25 establishes the sanctuary provide that we can't drill to

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1 protect our interests?

2 EXECUTIVE OFFICER NORTHROP: Right.

3 CHAIRMAN CORY: Now, if that's our interest, who
4 gets the revenue?

5 MR. TAYLOR: The City of Hermosa Beach.

6 CHAIRMAN CORY: Why do we pay any of the cost if
7 they get all the revenue?

8 EXECUTIVE OFFICER NORTHROP: Well if it's
9 established that some of the oil is not our property, and
10 it goes into a unit, we will then participate to that
11 percentage of the oil in our property.

12 CHAIRMAN CORY: So, you're saying that that may
13 be some area which has not yet been granted to the City of
14 Hermosa Beach which would mean we have an interest. Is
15 that a 50/50 shot?

16 EXECUTIVE OFFICER NORTHROP: No, I would imagine
17 that the chances -- the reason it's to our benefit, I
18 suppose, is the fact if we don't do this we're not going to
19 get any of it, unless we go out and redrill or drill next
20 to the offset for the parts left for lease in the actuary.

21 MR. TAYLOR: Mr. Chairman, because of their
22 trustee, we have to review anything they ask to do. There
23 is no staff time involved in that, which we don't get reim-
24 bursement for. It was considered that part of the,
25 essentially we have to do the -- of drainage whether we get

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1 the full contract or not. We would have to review the
2 report and do the work and in a sense, this is an expedite
3 on the review process. And that was the basis on which the
4 agreement was made to split the cost. But all of the
5 income from this will go to the City of Hermosa Beach for
6 trust purposes at the present time. However, the City has
7 also indicated the desire to amend its ~~press~~ grant as far
8 as purposes of expenditure are concerned. I'm sure there
9 are also being adjustments as far as income because the
10 indication to the legislature has not been followed in the
11 previous practice with regard to a hundred percent guarantee.

12 CHAIRMAN CORY: Agree with 35 hundred, gentlemen?

13 COMMISSIONER McCAUSLAND: Two on one.

14 COMMISSIONER THOMSON: Agree.

15 CHAIRMAN CORY: Okay.

16 EXECUTIVE OFFICER NORTHROP: Staffs of
17 Division of Lawrence Berkeley Laboratory this month
18 completed preparation for report on the assessment of
19 geothermal resources and State submerged lands. This
20 report, you may recall, is the last of three funded under
21 a grant from the Federal Energy Administration to the
22 State Energy Commission. The two other studies include
23 a report on developments of regulations of California
24 deep water offshore drilling, and a report and assessment
25 of the oil and gas resources in a State-owned offshore land

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1 in San Pablo Bay. The geothermal study results, the first
2 effort of the Commission to assess the geothermal potential
3 on State-owned land and include a designed construction in
4 the testing of an instrument that was approved, as you recall,
5 by this Commission, to measure heat flow and conductivity in
6 lake bottoms.

7 We hope to be able to extend and refine the study
8 with additional data as funds become available so that we
9 will eventually have a fairly good field for the extent
10 location and long-range geothermal energy potential on
11 State lands.

12 The staff has made a request to the office of
13 the Attorney General for an opinion on the constitutionality
14 of the provision in the Public Resources Code requiring the
15 Commission to issue recreational pier permits to certain
16 notorious owners, free of rent. In response to that
17 request, the Attorney General's office issued last week an
18 opinion that the portion of the Code requiring the issuance
19 of a rent-free recreational pier permit is unconstitutional
20 under the State Constitution, because it provides for a
21 gift of public property.

22 We have been advised during the course of the
23 informal discussion with the Attorney General's office that
24 recreational pier permits may be treated as a separate
25 item for a leasing period with a provision for rate tailored

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1 to the limited nature of private recreational piers.
2 Regulations designed to accomplish this objective will
3 be prepared by the staff in consultation with the
4 Attorney General's office. These proposed regulations will
5 be presented to you next month for your consideration at
6 that time.

7 CHAIRMAN CORY: Lots of print in that one.

8 EXECUTIVE OFFICER NORTHROP: The State Lands
9 Division will be holding hearings on October 18th, 19th and
10 20th in San Diego, Long Beach, and San Francisco,
11 respectively, to solicit public comments on the proposed
12 Article 6.5 to be added to the State Lands Commission
13 regulations entitled "Two" of the California Administrative
14 Code. The new Article 6.5 covers a variety of topics
15 related to protection of State Lands and Resources under
16 the jurisdiction of the State Lands Commission within the
17 coastal zone.

18 Based on public comment, and further staff
19 analysis, these regulations will be put into final form
20 and hopefully presented to the Commission for their
21 consideration at the November meeting.

22 COMMISSIONER McCAUSLAND: Mr. Chairman, when we
23 adopted the resolution authorizing the setting of public
24 hearings, the future of the legislature was in doubt. Could
25 you tell me how the law -- as signed by the Governor -- impacts

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1 upon this course of action?

2 EXECUTIVE OFFICER NORTHROP: The law, as signed
3 by the Governor, sets some relatively wide parameters in
4 the coastal area. What we are trying to do now is to
5 adopt those parameters into specificity and that's what the
6 meeting will be for.

7 COMMISSIONER McCAUSLAND: What viscosity would
8 you anticipate?

9 EXECUTIVE OFFICER NORTHROP: So, that would be
10 mainly the intent of it, Mr. McCausland, is to adopt those
11 regulations, that broad format, into State Lands
12 regulations.

13 COMMISSIONER McCAUSLAND: As we move towards
14 specificity, I hope that we'll have quite a few working
15 sessions with this Commission. It's certain that we're
16 not going to get crosswise with them.

17 EXECUTIVE OFFICER NORTHROP: The State Coastal
18 Commission has been invited, and has accepted, participation
19 in these meetings.

20 COMMISSIONER McCAUSLAND: I would hope,
21 Mr. Chairman, that we view them as partners in this
22 endeavor, rather than the witnesses.

23 CHAIRMAN CORY: Okay.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
25 Western Oil and Gas Association filed suit on regulations --

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1 COMMISSIONER THOMSON: Yes.

2 COMMISSIONER McCAUSLAND: Second.

3 MR. HIGHT: Mr. Chairman, last Friday Western
4 Oil and Gas Association filed a lawsuit, basically
5 contending that the newly adopted lease regulations --

6 CHAIRMAN CORY: Who is the Western Oil and
7 Gas Association?

8 MR. HIGHT: To my understanding it's a group
9 formed to represent the major oil companies in the northwest
10 part of the United States.

11 CHAIRMAN CORY: Okay. Go ahead.

12 MR. HIGHT: Okay, This lawsuit, in addition to
13 Western Oil and Gas, Pacific Refining, Edington Oil
14 Company --

15 COMMISSIONER McCAUSLAND: Pacific Refining,
16 Edington Oil Company --

17 CHAIRMAN CORY : Pacific Refining. Did we
18 approve the leases?

19 MR. HIGHT: Yes, two months ago. Edington Oil,
20 Atlantic Richfield, Exxon, Getty, Lion, Standard of
21 California, and Union of California and Shell. Okay. And
22 Shell Oil Company.

23 The lawsuit basically challenges the regulations
24 on grounds of violation of the United States Constitution
25 in that they are a burden on interstate commerce and they

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1 impose a duty on tonnage. We feel naturally that the
2 lawsuit is without merit and will be reporting to you this
3 progress.

4 CHAIRMAN CORY: No action is required on it?

5 MR. HIGHT: No.

6 COMMISSIONER McCAUSLAND: But, do we get a copy
7 of the petition or filing, if that would be appropriate?

8 CHAIRMAN CORY: Okay.

9 MR. TAYLOR: Would you like a copy of the
10 complaint?

11 COMMISSIONER McCAUSLAND: Yes.

12 CHAIRMAN CORY: Any other questions; anything
13 else?

14 EXECUTIVE OFFICER NORTHROP: That concludes my
15 report, Mr. Chairman.

16 CHAIRMAN CORY: Okay. Going to the credit
17 agenda, we have the consent calendar which are items C-1
18 through 19. Are there any Commission members or anyone in
19 the audience who wishes to have any of those items discussed
20 in detail?

21 MR. TAYLOR: Mr. Chairman, on C-7, we're going
22 to insert a paragraph in the lease to the Department of
23 Fish and Game to retain the right to fix the common
24 boundary between this parcel and the West Bay parcel so
25 that we don't have to obtain the approval of the

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1 Department of Fish and Game at a subsequent time. We just
2 retain the rights to fix the boundary.

3 CHAIRMAN CORY: We have a West Bay suit pending
4 and we're swapping some land in C-7 with Fish and Game.
5 So, rather than to have another agency be involved, and
6 Fish and Ga is aware of that.

7 MR. TAYLOR: We'll make them aware. They won't
8 have any problem.

9 COMMISSIONER McCAUSLAND: Let's still move it up.

10 CHAIRMAN CORY: Without objection then, the
11 consent calendar items, C-1 through 19, inclusive -- with
12 the one item noted -- will be approved as presented.

13 Calendar Item 20, approval of gas sale
14 agreement , P.G. & E. This is Standard of California?

15 EXECUTIVE OFFICER NORTHRUP: Yes. This is an
16 agreement with Standard of California for a dollar twenty
17 per MCF. It runs for a period from July 1st to the end of
18 this year. A six-month period at which time we will then
19 negotiate, or enter into, an additional contract for the
20 time period from then on.

21 CHAIRMAN CORY: And this is the -- a difficult
22 position or situation that people have in essence agreed that
23 this is, there's some acceptance of this position at this
24 point?

25 EXECUTIVE OFFICER NORTHRUP: Yes. Standard Oil

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1 Company has represented and indicated to me that they
2 accepted the six-month provision and the price is the
3 identical price of the two-year contract which they
4 requested earlier.

5 CHAIRMAN CORY: Is there any questions from the
6 audience on this item?

7 COMMISSIONER McCausland: I have one,
8 Mr. Chairman. I just looked at the complete calendar item
9 this morning, but I read the proposed agreement last night
10 and I can understand our desire to keep pace with the
11 market on as timely a basis as we possibly can, and I
12 appreciate the staff's effort to get us the price they
13 could in this situation. I think the price they've said
14 is very appropriate, but I can't believe that it's worth
15 the staff time to do this over again in six months. I'd
16 be more inclined to think that if we looked at this again
17 in 12 months, that in terms of staff time and the appropri-
18 ateness of the product, we'd probably be just as well off.

19 CHAIRMAN CORY: How many acts a month are we
20 getting on this?

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
22 Mr. Everitts will give us the advance on it. And I will
23 perhaps, should point out to the commissioners --

24 CHAIRMAN CORY: What's the volume?

25 MR. WILLARD: The volume I would guess --

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1 Standard's production is around 41 million MCF, State
2 shared about eight and a half. That's an annual basis.

3 CHAIRMAN CORY: On an annual eight and a half?

4 MR. WILLARD: Revenue, we're talking about the
5 difference --

6 CHAIRMAN CORY: Well, we're looking at
7 four and a half million MCF -- our share per year?

8 MR. WILLARD: Our share is eight and a half.

9 EXECUTIVE OFFICER NORTHROP: Four and a half
10 million for six months.

11 CHAIRMAN CORY: So if we -- the question of
12 allocation of staff time, we're looking at four and a half
13 million if we extend it to 12 months and the arbitration
14 decision for the Rio Vista field for Occidental --

15 EXECUTIVE OFFICER NORTHROP: Is a dollar
16 thirty-five.

17 CHAIRMAN CORY: A dollar thirty-four, a dollar
18 thirty-five.

19 COMMISSIONER McCAUSLAND: But, if I recall our
20 discussion from last time, that included compression charges.

21 CHAIRMAN CORY: No, it did not. So, that's the
22 distinction of what I can see, since that has already been
23 accepted by the Superior Court, I've got some reluctance.

24 COMMISSIONER McCAUSLAND: If that's pending, I'm
25 satisfied.

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1 CHAIRMAN CORY: They won't accept it and we may
2 have to come back on adjustment, whether or not that
3 appeal comes in.

4 Okay. Any other questions on the item? Without
5 objection, we will approve Item 20 on a six-month basis
6 at a dollar twenty.

7 Item 21?

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
9 Item 21 was an item, the resumption of drilling on the
10 items of -- outlined in the four platforms outlined in
11 red on the map there that was previously approved by
12 the Commission in 1974. January of '75, this present
13 Commission asked Standard to go back and take another look
14 at it. They prepared the EIR, they're back at this time
15 for approval.

16 CHAIRMAN CORY: This is the approval to go ahead
17 and resume it --

18 EXECUTIVE OFFICER NORTHROP: Resume drilling on
19 those four platforms, the incompleated areas of those
20 formations.

21 COMMISSIONER McCAUSLAND: Mr. Chairman, I think
22 one of the major concerns that people had when we went
23 into this moratorium with the provisions to protect the
24 public in the event of a blowout or major spill, the staff --
25 with the benefit of the audience -- reviewed the provisions

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1 of the agreement as it now stands.

2 EXECUTIVE OFFICER NORTHROP: I thank you.
3 Mr. Everitts from our production mineral operation will
4 make that presentation.

5 MR. EVERITTS: Well, since the first of 1975,
6 we've written procedures that call for very stringent
7 casing design that prevents the type of thing that would
8 have -- that did happen in the Union, at Platform A. We've
9 set up training requirements for crews; we require that
10 the individual crews to have hands-on training; we require
11 all the supervisors to have hands-on training; we require
12 24-hour supervision by a company supervisor, as well as
13 the rig contractors. We've set up arbitration procedures
14 for immediate settlement of any damage due to an oil spill.
15 We've reviewed bonding requirements on it. We've insisted
16 on on-site oil spill cleanup equipment. We've generally
17 strengthened all these environmental type concepts and
18 concerns that we were aware of.

19 COMMISSIONER McCAUSLAND: Mr. Chairman, I read
20 the entire Environmental Impact Report on this project and
21 all of the comments submitted by all interested parties, and
22 while I still have serious concerns about the ultimate
23 protection of the environment, I believe that State Lands
24 Commission's responsibility in this case has been well met
25 and we have made more than reasonable efforts to build

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1 maximum protection in this action. I'd like to move
2 adoption of Calendar Item 21.

3 CHAIRMAN CORY: We have a motion. Before we
4 proceed, the oil layer is brought ashore by pipeline; is
5 it common pipeline or is there separate pipeline from each
6 platform?

7 MR. EVERITTS: Well, there's a line connected,
8 the two platforms, "Hilda" and "Hazel". And then the lines
9 go ashore from that lease. Their separate lines sink, so
10 we have lines going ashore from this lease. There's
11 six-inch lines and a total of lines, 10-inch lines going
12 ashore.

13 CHAIRMAN CORY: So I make sure for the record here
14 those platforms do now exist and we're just putting
15 additional holes from the existing platforms, so in terms
16 of visual pollution, that already occurs if there is any.

17 MR. EVERITTS: That's true.

18 CHAIRMAN CORY: So, the added question would be
19 that it would be a greater volume of oil, we've maximized
20 our protection casing to avoid the Federal problem that
21 they had on the Union lease, confidence here. What about
22 the actual lines going ashore, bringing greater volume of
23 oil, presumably more oil? How do we -- since they're under-
24 water, how are they looked at, protected, scrutinized, to
25 make sure that they aren't leaking?

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1 MR. EVERITTS: I'll answer that. But actually
2 the volumes, you have oil volume, will continue to decline
3 for two or three years and will peak a couple times. It
4 will be something that we're producing right now. But,
5 the oil that will be produced from now on is going to
6 be somewhat less than any peak we've ever had. Nevertheless,
7 we require a weekly inspection, visual surface inspection to
8 see if there's any oil disturbance. It's actually done
9 daily because the crew boat makes -- one way or the
10 other -- follows the lines back every day. The lines are
11 protected.

12 We have coupons in the lines to visually
13 inspect the effect of any corrosion that might be going on.
14 The corrosion, if it's going to happen in the pipeline,
15 it's going to happen in the coupon. It's a very standard
16 procedure on any buried line.

17 Annually we inspect the lines with divers. The
18 lines are coated, they're pigged, not electronically,
19 they're pigged more to make sure that there's no paraphernalia
20 or anything blocking the lines. The lines are pressure
21 monitored, so if there were a leak, you'd catch that.

22 CHAIRMAN CORY: How often are they pigged?

23 MR. EVERITTS: It should be quarterly -- I'm not--

24 CHAIRMAN CORY: Is that a requirement -- if the
25 lease -- if we approve this or do we have power to make that

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1 adjustment at any point?

2 MR. EVERITTS: We have the power to make that
3 adjustment.

4 COMMISSIONER McCAUSLAND: If I understand,
5 Mr. Chairman, this particular pigging operation though, is
6 not designed to catch flaws in the line. It's designed to
7 catch buildup of deposits in the line and it's the pressure
8 drop that would be indicative of a leak; is that not true?

9 MR. EVERITTS: Yes. We feel that the pressure
10 drop would be very indicative. If the thing shuts off,
11 there's an automatic shutter if there's a leak.

12 COMMISSIONER McCAUSLAND: The Chairman, I think,
13 would be interested in knowing if it's possible to have
14 the pig modified to actually also be capable of catching
15 flaws in it.

16 MR. EVERITTS: It is technically possible to do.

17 CHAIRMAN CORY: What do we do in Long Beach?
18 What is the requirement?

19 EXECUTIVE OFFICER NORTHROP: Mr. Thompson,
20 Manager of Long Beach operation, please?

21 MR. THOMPSON: In Long Beach, because of the
22 proximity of the beaches there, we take and run every six
23 months, we run an electronic survey to determine block-up.

24 (Next sentence was inaudible.)

25 CHAIRMAN CORY: I would think that the staff

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1 should negotiate with the operator or start discussing that
2 because I think the people of Santa Barbara County should
3 have the same measure of protection that we're providing in
4 Long Beach. I realize that it is -- we've done our utmost
5 there in Long Beach to protect that and I think just
6 maybe the same standards --

7 MR. EVERITTS: There are Standard Oil
8 representatives here that are listening to you and I'll be
9 in touch with your people next week.

10 CHAIRMAN CORY: Okay. Ready to proceed? I just
11 don't want to get caught where we have one standard one
12 place and a place that's already had difficulties, you
13 better at least have the same standard for all of our
14 citizens.

15 MR. EVERITTS: I agree.

16 CHAIRMAN CORY: Okay. Without objection then,
17 Item 21 will be approved as presented. I'm sorry.

18 MS. SIDENBERG: We understood, Mr. Chairman,
19 that there would be an opportunity to present our comments
20 on the final draft EIR.

21 CHAIRMAN CORY: Please come forward. I'm sorry.

22 COMMISSIONER McCausland: I move we rescind our --

23 CHAIRMAN CORY: Without objection, we'll rescind
24 the action of approval and please come forward. I'm sorry,
25 we didn't have communication that anyone wanted to speak on

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1 the item and it was our error. Would you identify yourself
2 for the record?

3 MS. SIDENBERG: I'm Lois Sidenberg, President
4 of the Carpinteria Valley Association. That's an
5 approximately 385-member organization concerned with the
6 Protective and Improvement Association. They're -- all the
7 members are property owners and/or residents in the
8 Carpinteria Valley, the City of Carpinteria and Summerland.
9 This, of course, is the area that is most effected by
10 operations of both Summerland and Carpinteria.

11 I wanted to take this opportunity to call to
12 your attention some of the unsatisfactory responses to our
13 critique of, and questions on the March 1976 draft EIR.
14 We thought that this was going to be a consideration to it
15 today. We still feel that the questions have not been
16 satisfactorily resolved. In the August 1976 final EIR, the
17 responses to our comments at the last hearing are contained
18 on pages 78 to 81 of the August draft and are on pages 84
19 and 85. And our statements are on page 76 and 77, and 82 and
20 83, in case you want to refer.

21 In response to objections on the degrading visual
22 impact of the four unsightly platforms off Carpinteria
23 and Summerland, it was stated that it be "a part of the
24 environment for over ten years." We grant that. This
25 doesn't mean that we should have to accept them indefinitely

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1 or the complaints have not been myriad over the past years
2 as to their adverse visual impact on shorefront and hillside
3 residential properties which depend in great part on the
4 beauty of the area for its economic values.

5 Our point was that if no further production was
6 permitted, the platforms could be removed at an early date.
7 When production dropped too low, it would be of value to the
8 oil company. Two, your response to our questions on
9 expansion of onshore facilities and putting idle oil
10 treating equipment back into service was also unsatisfactory.
11 It was too indefinite, containing too many if's and's and
12 but's and the final EIR does not present any more explicit
13 clarification.

14 Three, regarding the statement that there had
15 been no oil spills of consequence since these platforms
16 had been put in operation. It was noted the platform
17 "Hilda" spill on November 11, 1974, resulted in only 15
18 gallons, whereas the Coast Guard estimated that some 15
19 barrels had spilled. We continued to assert that numerous
20 small spills have been noted, some of which could also be
21 attributed to tanker operations and that even a small
22 spill fouls our waters and beaches.

23 Four, we find that neither the response to our
24 comments on the efficacy of present oil spilled containment
25 and recovery equipment or the presentation in the final EIR,

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1 gives assurance that spills of any significant dimension
2 can be contained and recovered with present equipment.
3 To date, we know of no demonstration proving the adequacy
4 of this system. We find the statement, the tide and wind
5 and use currents, to take any major spill out to sea,
6 rather than to shore, an assumption that cannot be
7 proven. Particulary since in some recent incidents, this
8 has not been the case.

9 Another assumption, is a 300-foot boom could
10 contain oil around a 440-foot platform such as "Hazel" does
11 not make sense, even if some oil were carried out to sea.

12 We feel strongly that there must be greater
13 safeguards guaranteed prior to any issuing of permits for
14 further drilling or expanded operations in the tidelands.

15 Five, the question of increased air pollution
16 from platforms, onshore facilities, and particularly tanker
17 operations, has never been adequately considered or
18 satisfactorily answered. Information has been conflicting
19 and these sources of air pollution must be convincingly
20 evaluated to assure no significant increase in this area --
21 and I'm talking about our own particular area, which is
22 presently over Federal standards in air pollution and this
23 should be decided prior to issuing permits.

24 As we have noted previously, it cannot be
25 emphasized enough that agriculture, the backbone of the

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1 Valley's economy, is dependent on clean air.

2 Six, we find the statement that new platform and
3 tanker operations would not increase noise levels in the
4 area as false. The noise from building operations is
5 significant, as we have already found out from past
6 operations. Residents of beach-front sections of the
7 community have also complained of the noise and odors from
8 tanker operations. This problem must also be resolved
9 prior to permitting new drilling. A recommendation is
10 being made that to avoid one of the most hazardous
11 problems related to expanded channel oil operations, that
12 of tanker traffic, considerations should be given to use
13 of pipelines for conveying crude to Los Angeles refineries.

14 We would support this recommendation and urge
15 that action be postponed on this application until
16 investigation has been made of this mode of transportation
17 as well as basing postponement on satisfactory resolution
18 of the other problems we brought to your attention.

19 Thank you. Any questions?

20 COMMISSIONER McCAUSLAND: I just really want to
21 say that I appreciate the time and effort that has gone
22 into the submittal that you've made. I believe most of
23 the points that you reiterated this morning were in your
24 comments on the EIR, and I found them all significant and
25 important and in my assessment of the situation, I felt that

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1 we had negotiated and, in fact, demanded as many of those
2 safeguards as seemed appropriate to that particular operation.
3 If it was possible to run the State of California without
4 oil, there are oil fields all over the State of California
5 that I personally would desire to close down. But, I'm
6 somewhat of a fatalist in the belief that we need oil to
7 fuel our economy and jobs and that there are four platforms
8 off of Carpinteria that are currently producing oil and
9 are capable of producing additional oil for several years.
10 And therefore, I made a somewhat difficult personal
11 decision that drilling in that particular area that's
12 already developed, probably outweighed the other
13 considerations at this time.

14 Thank you Mr. Chairman.

15 MS. SIDENBERG: May I respond to him?

16 CHAIRMAN CORY: Certainly.

17 MS. SIDENBERG: I understand your point. I also
18 think if we're going to go into the oil thing, that the
19 prospect of Alaskan oil coming down in 1978, just having
20 gone through informal discussions with the BLM yesterday, that
21 we're not going to have problems as far as really having
22 a lot of oil. So I don't think that's too good an argument.

23 What we're really more concerned about is that
24 we feel that these safeguards that we've talked about are --
25 do not insure us of the type of protecting our environment

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1 that is so terribly needed to directly effecting us. And
2 that possibly postponing any objection to this until you are
3 able to assure us that, for instance, your containment
4 recovery systems are going to work where they are; that
5 we are not going to have additional air pollution from
6 your storage tanks, from your transferring, from your
7 loading of oil on the tankers, the additional tankers that
8 are going to be needed. All these things effect us very
9 directly and I don't think that we have had the assurance
10 that we need, that we've had specific responses to this
11 that we consider satisfactory.

12 But, I appreciate very much the trouble you took
13 in responding to the gentleman that did it.

14 CHAIRMAN CORY: Mr. Thomson?

15 MR. THOMSON: Yes, I wonder if somebody on the
16 staff could comment on Mrs. Sidenberg's point about pipeline
17 transmittal to refineries, rather than tankers.

18 EXECUTIVE OFFICER NORTHROP: Don, would you care
19 to respond to that?

20 MR. EVERITTS: That's a very difficult -- I guess
21 it's a matter of values. Yes, you can transport oil by
22 pipeline, if you spend the money to build the pipelines.
23 And if you want to, I think you have to go through the
24 ballots to study which is going to be the greatest
25 environmentally degrading in continuing operation or

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1 construction of additional pipelines down the shore.

2 You can do anything if you spend enough money and
3 enough time.

4 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it
5 should be pointed out here -- Mr. Thomson particularly --
6 that Santa Barbara County particularly, I believe the
7 chairman of the, one of the Board of Supervisors, and I
8 think the entire Board of Supervisors if I recall -- is
9 pushing hard for a pipeline, particularly from the Federal
10 offshore to carry oil to the Santa Barbara area or out of
11 the Santa Barbara area, rather than reloading in a tanker
12 truck. And that is a program that the staff -- it hasn't
13 come to an agreement.

14 I think generally it is in sympathy with that
15 concept. However, on this platform, it's a matter of
16 completing several structures to complete a field, and
17 in this particular case it is as Mr. Everitts has said,
18 a matter of economic trade-off with this small amount of
19 oil. It may not even get developed at all. I really
20 don't know. Probably it's a question addressed to the
21 Standard Oil Company.

22 MS. SIDENBERG: Mr. Northrop I think that the
23 entire thrust of this is to endeavor to have the -- all
24 the oil from the platforms consolidated, not only
25 Exxon's, but Arco's and then the Burma's having another

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1 project, have it all consolidated rather than to increase
2 all the tanker traffic, than have them all consolidated
3 under one pipeline that would bring them to the proper
4 storage places and refineries.

5 I think that's what the Board of Supervisors has
6 in mind, and I believe that the office of Environmental
7 Quality, the County office of Environmental Quality, also
8 has that in mind. Thank you.

9 CHAIRMAN CORY: Any other comments?

10 MR. BOIL: Right, my name is Steven Boil. I'm
11 Director of ~~Gettys Oil~~ ^{Get Oil Out, Inc.}, out in Santa Barbara and we've
12 responded to the final impact statement. I believe
13 Mr. Northrop has a copy of this letter because I gave him
14 one. I would like to make just a few comments.

15 It's probably no surprise that our position remains
16 unchanged. We oppose the resumption of drilling on this
17 platform. We, of course, do not appreciate the urgency
18 of drilling for oil on this platform, right, the port oil.

19 As I understand, the statement in the draft
20 Environmental Impact Statement, the net result of these --
21 I believe 36 new wells -- will be to produce about six hours
22 additional oil for us in terms of national consumption.
23 It doesn't seem like a great deal of oil to go to this
24 trouble. I think we're highly sensitized to this matter
25 because the Standard Oil drilling on these four platforms is

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1 not the only oil activity in the channel. We've got
2 Exxon, as you know; we've got the Arco platforms in
3 addition, as Mrs. Sidenberg said, there's the Burma. And
4 in addition to that, of course, there is the tanker traffic
5 from Alaska and just recently, Pacific Lighting has
6 requested a resumption in the Point Conception area to
7 develop an LNG Tanker Plan.

8 Hence, unless activities like this -- although
9 they individually seem small -- are stopped, the cumulative
10 impact of petroleum in the channel at this time is going to
11 be very significant. And this is why we perhaps come on
12 somewhat strong on what seemed like a relatively minor
13 item. It's not clear in the Environmental Impact Statement
14 that these cumulative impacts have been taken into account,
15 particularly in the area of air pollution. I think
16 measurements are fine, monitoring air pollution is great,
17 but I don't need an instrument to tell me when it's smoggy
18 in Santa Barbara. And I do know the smog is increasing for
19 a variety of reasons. And the effect of top loading, and
20 loading petroleum in the channel is going to increase
21 that.

22 Again, on the urgency of drilling these wells, the
23 oil is not going away. And, if anything, Standard Oil --
24 the value of this petroleum may be much greater in the
25 future, that is, leave it there; put it in the bank and take

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1 it out later, perhaps when we really need it. Because
2 right now, in the absence of a new energy policy which
3 stresses conservation in the country, that oil isn't going
4 to last very long and all of the proclaimed advantages
5 of using that oil for our economy and jobs, will disappear
6 in a few years when this oil is gone. We'll have the same
7 problems again. So I don't see that it's urgent to get it
8 out right now. I think those are the gist of my comments.

9 CHAIRMAN CORY: Okay. If I can try to shed some
10 concern, because we have a great deal of empathy for your
11 position, but I think it's important that we belabor the
12 point of where we are in terms of our legal options. And
13 as the attorneys have explained the situation to me, we
14 have very few. The decision was made some time ago. The
15 original decision was made incorrectly, I believe, in the
16 so-called Shell-Cunningham Act, which called for bonus-bid
17 leasing for government property. And I, for one -- as a
18 member of this Commission -- I cannot conceive of
19 circumstances when I would vote in favor of letting any
20 new leases under that statute. Because what it does is
21 set up a bonus bid in which we sell the oil in place, to an
22 oil company and we can take money up front to meet our
23 immediate governmental needs.

24 But, at that point, the title to the oil pass is
25 to the successful bidder. And in this case, Standard and

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1 Exxon and Atlantic jointly did that. And as the lawyers
2 explained it to me, it's their oil and unless we have good
3 grounds for immediate health and welfare safety in stopping
4 them from using that oil, we've got a problem in terms of
5 being sued, in terms of what our obligations are. And
6 unfortunately I cannot find in the Environmental Impact
7 Report something that I can, in good conscience, say that
8 we can stop the contractual right that was extended by a
9 prior Commission to Standard.

10 And it is a fundamental change. It's a
11 fundamental change that is absolutely necessary that we
12 must make at the Federal level also. Because the real
13 name of the game is to get ownership of the oil so that the
14 private sector can then develop that oil as they please and
15 have us at a contractual disadvantage in dealing with them. I
16 find it preposterous. Our Federal government is continuing
17 to enter into these same kinds of contracts when this is
18 a classic case of where we, our lawyers, tell us we are
19 contractually obligated to prove this.

20 MS. SIDENBERG: Would that go back, Mr. Chairman,
21 you may recall that at the time I guess it was in December
22 of '73 or '74, when the former Lands Commission said that
23 only on a condition that we were assured that your recovery
24 contained that recovery and containment systems were
25 really adequate, would they permit, would they issue the

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1 permits. And of course we still claim that nothing that
2 has been told or nothing that we've seen, or nothing
3 that's been demonstrated, would support that. So, I'm just
4 wondering if that isn't a basis on, it was an assurance
5 that was given and there's nothing to prove that it's any
6 different than it was two years ago.

7 CHAIRMAN CORY: The assurance, unfortunately, is
8 not a part of the contract on the State of California and
9 Standard, Exxon and Arco, and I think that's where we're
10 in the road, is that if any Commission members feels in his
11 own mind that they are in fact inadequate to protect a given
12 state in the dark, I think the Commissioner could
13 reasonably come to the conclusion that, no, we could deny
14 the permit. But I think that's the standard as I
15 interpret from the various lawyers and I've asked the
16 question numerous ways.

17 But I unfortunately come to the decision
18 personally that I can't go that far inasmuch as I'd like
19 to. They've made their money; we took it and we spent it
20 and unfortunately we sold out to people of California.
21 I'm not talking about the Commission sitting here now, but
22 the State Lands Commission, our predecessors and the
23 legislature of which I was a part. I was not doing the
24 job; I should have been repealing the Shell-Cunningham Act
25 soon enough. I was caught blind-sighted and that's what I

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1 said. In means of very scientific data I don't see hard
2 evidence that I think would stand up in Court that we
3 could deny Standard Oil, oil which they've purchased and
4 that's unfortunately what I come down to.

5 MS. SIDENBERG: We all have to suffer, the way
6 we did with the Federal leases, right?

7 CHAIRMAN CORY: I'm afraid that's the case
8 although I think we can impose some tougher standards and
9 try to monitor those things and put the blame where it
10 rightfully is. But I just don't see how I can vote other
11 than to approve it.

12 MS. SIDENBERG: Can you establish fines, for
13 instance, for going over the air pollution standards?

14 CHAIRMAN CORY: The Air Resources Board, I believe,
15 can; and we can if they're found --

16 MS. SIDENBERG: How about on spills?

17 CHAIRMAN CORY: The question of spills, I think
18 that we have -- if the operator's not operating to our
19 standards, then I think we can close them down and I think
20 that we are prepared to enforce as vigorously as we at all
21 possibly can, that end of it and Standard Oil Company
22 representatives explained to me they clearly understand
23 that it is their obligation and it is a greater obligation
24 than existed in the industry three and four years ago.

25 But that's of little value to you, I realize.

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1 MS. SIDENBERG: Does the State have inspectors
2 that go out to the platforms, the way the Federal government
3 does?

4 CHAIRMAN CORY: I think we have men that go out
5 and do a better job than the Federal government does.

6 MS. SIDENBERG: Do they do it fairly regularly?

7 CHAIRMAN CORY: Yes, and we will be increasing
8 that monitoring, and I frankly think that the tragedy that
9 the Union had out there, had our standards been met, that
10 would not have occurred. Small spills are going to occur.
11 We do not have the controls, unfortunately, that we have
12 in Long Beach where we in essence have an operating
13 contractor that works for us. And I think that kind of
14 a contract is, if we're going to develop oil the way it
15 should be done, where we can come to the conclusion that
16 it's our oil and we don't want it out of the ground. But,
17 we have opted the other way and we've made a fundamental
18 legal change, the lawyers tell me, and that's where we're
19 really in a box. And I wish I could say no.

20 MS. SIDENBERG: Now, one more question. On the
21 noise factor. Last --. About six months or so, or eight
22 months ago, some work was being done on one of the platforms
23 immediately off of Summerland. The noise was so terrible it
24 went on all night and early in the morning and straight
25 through the night, that people were way back in the Montecito

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1 area and up in the hills, were telephoning about what could
2 be done about it. Now, they claim that there will be no
3 drilling noise. I don't know. Is there any way of
4 controlling that?

5 CHAIRMAN CORY: What about the noise abatement
6 What are your legal options?

7 MS. SIDENBERG: Because that goes on 24 hours.
8 And you know we're a seaside community.

9 MR. TAYLOR: I think -- I can't give you a fast
10 answer to that. I think that would be something the
11 operator would want to work with.

12 CHAIRMAN CORY: Is there somebody from Standard of
13 California who would dare venture forward to discuss the
14 question of noise abatement?

15 MR. CASE: Mr. Chairman, my name is Ed Case. I'm
16 representing Standard. I think the assurance we can give
17 you in that connection is that as to the contractors that
18 run through-boats and supply boats to and from the platforms
19 we would take every effort that we can to see that the crew
20 boat engines are properly muffled to abate the noise.

21 CHAIRMAN CORY: Do you think that was likely the
22 thing that --

23 MS. SIDENBERG: No, these were diesel engines that
24 were going. They were doing some --

25 CHAIRMAN CORY: On the platform?

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1 MS. SIDENBERG: No, off of; some repair work and
2 drilling below the platforms; putting in tables.

3 MR. CASE: Under the structure?

4 MS. SIDENBERG: Yeah, right beside the structure.
5 The boat would come up and then work there. You may recall.

6 MR. CASE: I'll have to identify that.

7 CHAIRMAN CORY: What I want to do is use this
8 opportunity to put you on notice. We've got some people
9 there who are disturbed; concerned.

10 MR. CASE: I'm well aware.

11 CHAIRMAN CORY: I thought you would probably not
12 need to be reminded, but just to make sure. It would seem
13 to me that one of the things that we will be looking at,
14 asking our staff to check into is the noise abatement problem
15 and if it is the kind of thing that can be avoided, I think
16 it absolutely has to be avoided. So, I just want you all to
17 notice as to what it is; if it's boats going to and from, or
18 if it's inadequate mufflers on the platform. I would think
19 that both the Public Relations Department and everybody
20 else would be money ahead, a couple dollars spent to abate
21 that noise before the problems occur.

22 MR. CASE: I agree.

23 CHAIRMAN CORY: Are there any other -- we have
24 Mr. Peter Hall?

25 MR. HALL: Yes, Mr. Chairman and Commissioners, my

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26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 name is Peter Hall. I'm the Administrative Assistant for
2 Assemblyman McDonald, representing Ventura County. We've
3 been in contact with the staff of the Environmental
4 Agency, Ventura County, and learned much to our chagrin,
5 that the County of Ventura which -- if you look at the map
6 on the wall -- which is undoubtedly going to receive the
7 major brunt of air quality impacts and any spill impacts
8 due to the prevailing current and prevailing wind pattern --
9 has never been notified. They've been spending the last few
10 days going through their records to find out if they've
11 received any notification from the State Clearinghouse or
12 from the State Lands Commission, either on the hearing from
13 the draft Environmental Impact Report, or the final
14 Environmental Impact Report. Someone may correct me on this,
15 but this is what we hear from the people on the County staff.

16 They have not had sufficient time based on our
17 contact with them, to put any kind of a response together.
18 They are, I think, understandably concerned about the
19 potential impacts on Ventura County. The State beach areas
20 along the Rincon, they'd like to have an opportunity to be
21 allowed the courtesy to respond before a decision is made
22 by the State Lands Commission to resume its drilling. I
23 don't know what amount of time would be involved, but I
24 think that any time they could be allowed would be much
25 appreciated by the County of Ventura.

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1 CHAIRMAN CORY: Do we have somebody that can tell
2 us where we are on the notification process?

3 EXECUTIVE OFFICER NORTHROP: Yes, I believe we
4 went to the Clearinghouse, I believe Mr. Willard worked on
5 that EIR.

6 MR. WILLARD: My name is Allen Willard of the
7 staff. We have here the mailing list that we used for the
8 EIR, and the various notices. I note on here that
9 Mr. McDonald was sent the notice and indeed a copy of the
10 Environmental Report.

11 CHAIRMAN CORY: What about the County of Ventura?

12 MR. WILLARD: And we sent them in the EIR process,
13 we sent it to the State Clearinghouse. We also sent it
14 to an agency called the Metropolitan Clearinghouse, which
15 their responsibility is to disseminate this to various
16 State agencies and local governmental agencies. We did send
17 it to this Metropolitan Clearinghouse which is supposed
18 to notify interested counties and cities within the area.
19 I can only assume that they did their job. We also
20 advertised the notice of the public hearing in the
21 newspapers.

22 CHAIRMAN CORY: What newspaper?

23 MR. WILLARD: The Santa Barbara News Press and
24 the Ventura Press.

25 CHAIRMAN CORY: You did advertise in the

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1 Ventura newspapers?

2 MR. WILLARD: Yes, we did.

3 MR. HALL: Well, its possible; I don't believe
4 that's quite the way that most projects of this potential
5 impact are handled. I personally read every copy of
6 The Star Free Press, as the Administrative Assistant
7 Assemblyman. I'm not denying that it wasn't there, but I
8 certainly didn't see it.

9 CHAIRMAN CORY: How long have you been in that
10 position?

11 MR. HALL: For the last six months. Was it
12 within the last six months?

13 MR. WILLARD: The hearing was held in May, May
14 I believe.

15 CHAIRMAN CORY: Where are we in terms of legal
16 requirements? Are we faulty in any?

17 MR. WILLARD: Mr. Chairman, I think that the
18 State Lands Commission has, by distributing the EIR to
19 both the State and Metropolitan clearinghouses, and
20 advertising in the local papers, complied with its
21 responsibility under the law in that regard. This is not
22 to say that this resolves a problem of the City of Ventura.
23 It probably would be useful to contact both clearinghouses
24 and find out if, in fact -- and, if so, how -- the City was
25 left off the distribution. But, in my opinion, it was quite

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1 clear that the Commission's complied with its
2 responsibility.

3 COMMISSIONER McCAUSLAND: Mr. Chairman, I'm
4 wondering if the Executive Officer could instruct someone
5 to contact the State, Metropolitan clearinghouses during
6 the course of the session so they might have a report
7 prior to --

8 EXECUTIVE OFFICER NORTHROP: We'll take the
9 steps right now.

10 MR. HALL: Before me I have the notification,
11 State of California, State Clearinghouse for the
12 Environmental Impact Report. Section 27, Area Project
13 Impact, it states the following:

14 "Santa Barbara channel, Carpinteria/
15 Summerland, Santa Barbara County."

16 I think that -- as I've already pointed out -- that the
17 impacts potentially on the entire coastline of Ventura
18 County are quite obvious. Sitting beside me is
19 Mr. Bruce Rosenthal, the Administrative Assistant for
20 ^{the Santa Rosa Range} Santa Rosa Range, representing both Santa Barbara and
21 Ventura Counties. And I would ask that he might have an
22 opportunity to comment on the same question.

23 MR. ROSENTHAL: Mr. Chairman I have not been able
24 to contact Senator Rains, but I'm sure that he would
25 second Ventura County's request that they be given sufficient

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1 time to comment. And it appears that they have not been
2 notified of this action and just seconded McDonald's
3 request.

4 CHAIRMAN CORY: Well, I guess the question before
5 us is whether we proceed or put it over. If we put the
6 matter over, looking at a month, I guess the risk we run
7 at that point, is adversely effected, is the operator. I
8 guess they might end up suing us if they go that way, I
9 don't know.

10 COMMISSIONER THOMSON: Mr. Chairman, are we
11 under any legal compulsion to make a decision now? Has
12 this Commission made any promises to the effect that
13 approval will be granted at this meeting?

14 EXECUTIVE OFFICER NORTHROP: Staff never
15 commits the Commission, Mr. Thomson.

16 COMMISSIONER THOMSON: Very commendable.

17 CHAIRMAN CORY: Do you see any --

18 COMMISSIONER McCAUSLAND: I would like to know,
19 Mr. Chairman, if the Metropolitan Clearinghouse has a
20 record of advice to the parties. I understand the
21 difficulty of getting reports into the right people's
22 hands and if you didn't get it into the right people's
23 hands and we didn't have a particular legal battle, I guess
24 we owe a courtesy to the County, to the people to put it
25 over.

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1 But, we have evidence that a proper notice was
2 served. I think it's timely to proceed.

3 CHAIRMAN CORY: Shall we proceed with the rest of
4 the agenda until we hear back from the staff; they're
5 currently out on the telephone. The point being, if in
6 fact, they say they notified Ventura and Ventura says they
7 hadn't heard. Here we sit. And do we jam it on them or
8 do we put it over? Do you want to wait or do you want to
9 decide blissfully?

10 MR. HALL: I'd like to mention I've spoken
11 personally with the head of the Air Pollution Control
12 District of Ventura County and with the head of the
13 Environmental Agency of Ventura County, both of these
14 individuals are to be relied upon. I've had a lot of contact
15 with both these individuals. This is a matter of extreme
16 importance; one that they certainly would not disregard.

17 CHAIRMAN CORY: I have trouble accepting that just
18 on its face. I mean this problem has been sitting before
19 this Lands Commission for a period of years. There were
20 hearings, I believe, held in Santa Barbara, advertised in
21 local newspapers, and I just got to say some responsibility,
22 even if they didn't get it --

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think
24 it's significant that --

25 CHAIRMAN CORY: I've got the concern. I understand

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1 the dilemma that Mr. Rosenthal and Senator Rains are in,
2 but I just can't believe that this surprised everybody down
3 here; because we've been agonizing for it.

4 MR. HALL: I might also point out they called
5 your office yesterday, or called the State Lands
6 Commission's staff and had considerable amount of difficulty
7 even determining that there was a -- that this matter was
8 being discussed today.

9 COMMISSIONER McCAUSLAND: My problem Mr. Hall is
10 that --

11 CHAIRMAN CORY: We have here, just to give you
12 some information, organizations and people consulted in the
13 draft Environmental Impact Report, March '76, Woodward
14 five consultants, County of Ventura; the Parks Department,
15 Ventura Planning Department, Ken Hoaching (phon.),
16 Ruth Schwartz (phon.), and the Ventura County Department of
17 Agriculture.

18 So they participated in the EIR. Both agencies
19 and the County, unless Woodward is lying to us. It's a
20 possibility. I mean, I don't know.

21 MR. HALL: I don't know to what extent there was
22 involvement. I'm not sure that would constitute a formal
23 action on the part of the State of California to notify
24 the County of the actions that the State is contemplating
25 taking. Are those contacts between the private consultant

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1 and staff members perhaps that they called or received
2 information from?

3 CHAIRMAN CORY: I would presume that those are.

4 MR. HALL: Perhaps several years ago for that
5 matter.

6 CHAIRMAN CORY: It's been within the last 16
7 months. That's when this was started, as I recall. Well,
8 shall we go ahead with the agenda and wait?

9 COMMISSIONER McCAUSLAND: Sure.

10 COMMISSIONER THOMSON: What do we gain by this
11 information from the clearinghouse?

12 CHAIRMAN CORY: Whether or not they in fact did
13 or did not notify --

14 COMMISSIONER McCAUSLAND: I think it's fairly
15 clear that the plan for oil spill containment and blow-out
16 management is not flawless. It has risk factors involved
17 in it. I think that a number of very competent and
18 interested parties have critiqued it and criticized it as
19 well. I think that many of the experts who participated in
20 that evaluation will participate in the next 30 days'
21 evaluation by Ventura County, and then they'll find that
22 the plan is not flawless. But it probably represents the
23 best plan that can be put together to the exploitation of
24 the oil under those four platforms; and that next month
25 there will be someone else finding another reason to further

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1 delay the thing. And I don't mind delaying the thing for the
2 next four years or five years, but I don't want to get
3 caught in a situation where every month we find another
4 reason for why we can't deal with the issue. I have no
5 personal objection to putting it over a month, other than
6 the one that I can't believe that the evidence is going to
7 change.

8 CHAIRMAN COBY: A statement of my sentiments.

9 MR. TAYLOR: Mr. Chairman, this is a matter that
10 has been continued for more than two years with considerable
11 public notice and controversy. This is one of the matters
12 that prompted the Conrad cartoon, and it's certainly been
13 a subject of TV treatment and other matters with the
14 previous commission.

15 The no-oil decision came down in Los Angeles
16 with regard to Pacific Palisades. Standard Oil agreed at
17 that time that that opinion, they didn't admit that it
18 had anything to do with the situation, but they agreed to
19 follow the decision of that opinion and to proceed, rather
20 than with a negative declaration, with a formal
21 Environmental Impact Report.

22 Now that impact report has been much longer in
23 preparation than expected, but it probably is going to be
24 from a complex circumstance. There has been consultation
25 between the staff of the Commission and the Commission itself,

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1 at public hearings; but the legislative representatives and
2 all other interested parties, there have been considerable
3 public notice of the hearings. It was held -- and this was
4 not the only hearings that's been held.

5 MR. HALL: If I may say one more item. What I've
6 suggested, or what I'm pointing out: This is not a matter
7 of opposition to the drilling, if I can make that point
8 clear. This is a matter of the County of Ventura having
9 a great stake in this and desiring to be formally notified
10 and having an opportunity to make -- to examine the nature
11 of this project and its impacts upon the County.

12 This is not a -- in the nature of opposition --
13 but I feel it's in the nature, or will suggest at least,
14 that it's in the nature of common courtesy to be rendered
15 to the State -- by the State to the County of Ventura.

16 CHAIRMAN CORY: I appreciate you making that
17 statement and you almost made me vote the other way. I'm
18 prepared to let it go over, but I think really the County of
19 Ventura, from the evidence we have before us, cannot come
20 with clean hands and say that they are unaware; if they in
21 fact want to come and say that they are unaware of this.

22 If they are sufficiently incompetent, they should
23 not be in office.

24 MR. HALL: They are not unaware of the drilling
25 activity offshore. The leases, they are unaware; and I'll

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1 state this as a matter of record.

2 CHAIRMAN CORY: Mr. Hall --

3 MR. HALL: They are unaware of this statement on
4 the agenda item.

5 CHAIRMAN CORY: Mr. Hall, I used to be on the
6 legislative staff and one of the things -- both as a
7 legislator and as a staff member -- you have to learn is
8 that there comes a point in time when you have an option of
9 making a speech or getting the votes, and you are at that
10 point. I'm prepared, reluctantly to give Ventura County
11 30 days. I don't know if there's another commissioner
12 that's willing to go along. But, if you would rather argue
13 with me on something, we can argue, or you can get what you
14 want.

15 COMMISSIONER McCAUSLAND: I'll move for putting
16 the calendar item over for one month, Mr. Chairman.

17 COMMISSIONER THOMSON: Mr. Chairman, I'll go along
18 very reluctantly because the newspaper items that the staff
19 has provided, as well as the notation in the draft EIR
20 convinces me that Ventura did have sufficient notice; but I
21 will go along on this motion.

22 CHAIRMAN CORY: It will be on the calendar item
23 and we plan on disposing of this item at the next meeting.

24 COMMISSIONER McCAUSLAND: I must say, Mr. Chairman,
25 that this is one calendar item that has caused me several

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1 sleepless nights and I'm quite distraught by the idea that
2 time after time after time, on this Commission and other
3 commissions, I'm forced to agonize over the same decision
4 over and over again. I want the staff to be on notice and
5 I want all such decisions put off until such time as I
6 no longer serve on this Commission.

7 CHAIRMAN CORY: Okay. We're now at Item --

8 FROM THE AUDIENCE: One final remark which may be
9 somewhat redundant, but it seems to me -- I have no idea
10 what the County of Ventura, or the City of Ventura may
11 advance as a critique and certainty -- they should, I think,
12 in my opinion, confine themselves to a critique of the EIR,
13 rather than the general subject of drilling or no drilling
14 on these contracts. But, I would like to have some
15 assurance, if I can, from the Commission that the decision
16 will be reached at the next meeting. We do -- and I say
17 that without being facetious or offhand -- because if the
18 decision is eventually made to permit additional drilling,
19 we are under the obligation to get going and line up
20 equipment and contractors, and we just can't reasonably
21 be in a state of flux at all times.

22 So I urge the Commission to come to a decision
23 next week.

24 CHAIRMAN CORY: First, on our first point, it is
25 my understanding from the attorneys, that the only question

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1 that this Commission has to consider is the question of the
2 EIR. That, in essence, all other subjects of decisions
3 have been made by prior commissions at prior times in terms
4 of the least shall be left and that that's really all we're
5 dealing with, so that that will be the only item before
6 us. And I have, as Sid has said he has done, I have
7 agonized enough over this decision. I don't like the
8 posture that the statutes and the previous decisions and
9 previous commissions have put me in.

10 So, I don't want to go through it again. I'm
11 reluctant to put it over at all. But, assemblymen can come,
12 you know, I look at it and think well, maybe there's a
13 possibility that the people from the County of Ventura
14 didn't inform their immediate superiors and the two
15 policymakers. I'm just reluctant to invite another lawsuit
16 from them because we have acted arbitrarily, and presumably
17 because I felt the Federal government has treated us that
18 way on occasion. And I don't want to be guilty of the
19 same things; that I refuse others.

20 COMMISSIONER THOMSON: Mr. Chairman, would there
21 be any procedural difficulties that would be pending a
22 decision by next month? Would Ventura -- between now and
23 then -- have sufficient time to comment and thus --

24 CHAIRMAN CORY: I would think if we have met the
25 legal requirements, it's time to read them and weep.

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1 EXECUTIVE OFFICER NORTHROP: The fact that they
2 notified us today indicates that they had some prior
3 notice and so they are now on notice that they've got to
4 prepare something.

5 COMMISSIONER THOMSON: There is no time period in
6 the statutes?

7 EXECUTIVE OFFICER NORTHROP: And its policy is
8 usually, when your name appears in the EIR, to give you a
9 copy. So they have a copy of it somewhere.

10 COMMISSIONER THOMSON: I'm personally convinced
11 that they, in fact, had notice, but I'm just asking as far
12 as the technicalites go, if there should be --

13 CHAIRMAN CORY: You guys check that legally,
14 because --

15 MR. TAYLOR: It's our opinion that all
16 requirements of notice have been fulfilled and I would say
17 that the staff has endeavored to go beyond that in soliciting
18 the views of everyone in the area. And this comes as some
19 surprise to us that they would make that charge, and we'll
20 have to check it out, because we feel that we have complied
21 with all the rules and regulations.

22 COMMISSIONER THOMSON: You're saying that members
23 of the staff here have talked to members of the Ventura
24 County?

25 MR. TAYLOR: I don't know that. But I've went back

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1 in reviewing our files, which are in the room, but I can
2 say that the general approach to this entire problem was
3 to contact everyone who possibly had an interest. It's
4 certainly been a controversial one. Everyone knew that
5 this thing was going on.

6 COMMISSIONER McCAUSLAND: I think we put it over
7 to make sure that we have filled to the 'nth degree of the
8 law any possible situations which might force us into court
9 on this issue.

10 CHAIRMAN CORY: All right. Item 22.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
12 Item 22 is a compromise settlement of some title disputes,
13 and Mr. Trout, from our Land section would like to make a
14 presentation at this time.

15 MR. TROUT: Mr. Chairman, I'd like to start out
16 by saying that in this compromised settlement --

17 CHAIRMAN CORY: Mr. Trout, let me caution you
18 and everyone else in this room that the mind cannot cure
19 what the seat cannot endure. And we are rapidly approaching
20 that point. So, let's make it short and fast from here on
21 out.

22 MR. TROUT: We're prepared to make it very short
23 and fast. In fact, I'd just start out by saying that we've
24 worked with the City of San Mateo and the City of Vallejo --
25 that are effected by this settlement -- and have been in

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1 almost daily contact with them. This proposal involves two
2 parcels that Mr. Grimes will point out over on the left
3 there in -- off of Seal's slough in the City of San Mateo,
4 near Foster City. The State has a residual claim for
5 former tidelands in those areas. In exchange for those
6 two interests, the State would be acquiring -- which total
7 something like acres -- the State would be acquiring 393
8 acres in Solano County, near the City of Vallejo, that
9 Mr. Grimes is pointing out. Those two parcels, or those
10 two photographs are at the same scale, so that you can
11 see the relative size of what the State is exchanging.

12 CHAIRMAN CORY: What is the body of water; the
13 outboard of exchange parcel that we're getting?

14 MR. GRIMES: San Pablo Bay.

15 MR. TAYLOR: It's the Sears Point Toll.

16 MR. GRIMES: You can just barely see Mare Island.

17 Well, you can't see it here. It's right down here.

18 COMMISSIONER THOMSON: Is that a beach that we
19 will be receiving?

20 MR. TROUT: There is potential litigation on
21 both of the small parcels shown on the left photograph. The
22 parcel on the right is now under condemnation by the
23 Federal government. That condemnation action would be
24 dismissed and the State would, in effect, recover juris-
25 diction of a formerly sold area of at least 72 acres which

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1 is within the swamp, and Overflow Patent and an additional
2 327 acres of alleged accretions. We think there have
3 always been tidelands. It avoids three lawsuits many
4 times multiplies the area involved and we think it's --
5 we would highly recommend it as being the best way to
6 handle this situation.

7 CHAIRMAN CORY: Any comments from anybody in
8 the audience? Proposal to be made?

9 COMMISSIONER McCAUSLAND: I'll move adoption,
10 Mr. Chairman.

11 COMMISSIONER THOMSON: Second.

12 CHAIRMAN CORY: Moved and seconded. Without
13 objection, it will be approved as presented.

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman we
15 request that Item 23 be put over, please.

16 CHAIRMAN CORY: All right. Item 23 will be put
17 over. Item 24?

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
19 is to request staff for authorization to eliminate a trespass
20 on the Klamath River.

21 CHAIRMAN CORY: I presume there will be discussions
22 before any actual litigation is to be resolved?

23 MR. TAYLOR: There will be.

24 CHAIRMAN CORY: Is there anybody who wishes to
25 address the Commission on Item 24 in the audience?

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1 Without objection, Item 24 will be approved.
2 That will be the order.

3 Item 25?

4 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
5 is a commercial lease on a former trespass in the Lake
6 Tahoe area.

7 MR. TAYLOR: This is a partial settlement.

8 COMMISSIONER McCAUSLAND: Move for adoption.

9 COMMISSIONER THOMSON: Second.

10 CHAIRMAN CORY: Motion is seconded.

11 Without objection --. Is there anybody in the
12 audience on Item 25?

13 Without objection, it will be adopted as approved.

14 Item 26?

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
16 Item 26 stems from a problem that the Standard Oil Company
17 has in continuation of drilling in the Island Esther area
18 and they've asked or requested a 90-day deferment in
19 drilling requirements so they may do some engineering
20 studies in the area.

21 COMMISSIONER McCAUSLAND: Move for adoption.

22 CHAIRMAN CORY: I don't understand what it is
23 that's really here. I mean if we say no, what happens?

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
25 believe we have --

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1 CHAIRMAN CORY: Why are we here for a decision?
2 I mean if it's here for a decision, it implies we have
3 an alternative; is that correct?

4 EXECUTIVE OFFICER NORTHROP: That is correct,
5 Mr. Chairman? Mr. Taylor of the Attorney General's office
6 would care to address himself to the obligation they have to

7 MR. TAYLOR: They have an obligation to drill new
8 wells every so many days and in order to avoid an argument
9 over whether they're in breach of their lease, they're
10 asking a deferment, or a postponement of that deadline
11 while they analyze the terms they've gained from the drilling
12 of some additional wells that were previously authorized
13 by the Commission.

14 CHAIRMAN CORY: And if we don't approve this, where
15 are we? We get to litigate whether or not they're in breach
16 of the lease?

17 EXECUTIVE OFFICER NORTHROP: I believe if they
18 don't continue this, they're in breach of the lease,
19 Mr. Chairman; without this extention, unless they continue
20 drilling. That's the 60-day interval.

21 CHAIRMAN CORY: Has the 60 days expired?

22 EXECUTIVE OFFICER NORTHROP: Hundred-and-twenty-
23 day interval, I'm sorry. And they will pass the 120-day
24 interval without this extension. As I understand, it's
25 October 20 that the interval is up. This extends it to

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1 January 20th.

2 CHAIRMAN CORY: I would prefer that we give them
3 30 days to the next meeting and have somebody explain to us
4 why we should wait. Is that --

5 COMMISSIONER McCAUSLAND: Maybe they can explain
6 to us right now?

7 CHAIRMAN CORY: Mr. Taaffe, can you explain to us
8 why we should do this for you?

9 MR. TAAFFE: I think the -- you asked the initial
10 question: What happens? I think that either the lessee does
11 not commence drilling the next oil well within the time
12 interval specified in the leasing, and is therefore in
13 breach of his obligation for which he's entitled to a notice.
14 We don't like to operate our business in a default position.
15 The other alternative, of course, is to execute a partial
16 surrender of the lease in lieu of fulfilling the complete
17 drilling obligation. We think there's some more oil to be
18 recovered and we think that the drilling that we have done
19 since the moratorium was lifted by our Commission in 1975,
20 is a considerable acceleration of the hundred-and-twenty-day
21 interval. The list that I have here indicates that there's
22 one, two, three, four, five, six, seven, eight, nine, ten,
23 eleven wells that have been either drilled or redrilled
24 since the moratorium was lifted. So we have been, if you
25 will, diligent, and I think the production chart that the

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1 staff has on the wall indicates that there has been some
2 benefit to the State of California as well as the lessee,
3 with respect to that accelerated drilling. The Commission
4 does have, I believe, the right to grant an extension of
5 the drilling obligation and if it's their persuasion to do
6 so. I believe that our reasons for the request for the
7 extension are well contained in our letter of application
8 on September 17th. And I believe that the staff has
9 concurred. I believe that under the circumstances here, a
10 90-day extension to examine the geology and also to
11 determine what additional action should be taken with
12 respect to our objection program, it is a justifiable
13 request.

14 COMMISSIONER McCAUSLAND: Mr. Chairman, I had it
15 understood before that when I read this thing last night it
16 didn't dawn on me that the completion of three wells and
17 six redrills already is basically ahead of the terms of
18 the contract, or in acceleration of the terms of the contract.

19 EXECUTIVE OFFICER NORTHROP: No, they have done
20 this in a shorter time span and the contract makes no
21 provision for that to be some kind of an add-on, where you
22 put it in the bank and you can take it out later. It says
23 in the drilling, in the wells that Mr. Taaffe has discussed,
24 has been at -- "Standard's development of the field" and
25 they went ahead of speed and I'm certain at no time did they

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1 feel they were putting good credits in the bank, so when
2 they got bad things, they could take the brownie points out.
3 The contract calls specifically, "Must drill wells at
4 intervals," and that's what we were requesting, that they
5 maintain this and they asked for an extension that the
6 staff has recommended 90 days.

7 COMMISSIONER McCAUSLAND: Is it a matter of
8 fact that they have drilled more wells per interval than
9 required by the contract?

10 EXECUTIVE OFFICER NORTHROP: That's correct.

11 COMMISSIONER McCAUSLAND: But, at their own
12 volition?

13 EXECUTIVE OFFICER NORTHROP: We didn't say to do
14 it. It's no way we construct your contract to tell anyone
15 how to develop, you just give them parameters.

16 CHAIRMAN CORY: The purpose of the requirements,
17 I presume, is one, to put the operator, or the successful
18 bidder on notice. If he doesn't continue to develop, he
19 loses his interest. And so that it's one of our options
20 that we could have a chance of getting it back if they
21 don't proceed. And I'm sitting here saying that I frankly
22 believe that they're getting that at a far lesser value than
23 current market value and current reasonable men would
24 dictate and that's a hard question, as to why we should
25 give them another shot. And that's the reason, what's in the

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1 back of my mind. That we have a contract right. They just
2 put our feet in the fire or plan to, try to this meeting
3 and we were prepared to have our feet put to the fire on
4 something we didn't like; but they had the contractual
5 right, and by the same token, I'm just wondering if we
6 should put their feet to the fire because I frankly would
7 not have approved resumption of drilling operations.

8 They have a contractual right, so we've got to
9 do it. I'm wondering why they aren't proceeding, or if
10 they want to go up and give it back to us and let it on
11 a net profit lease somewhere and make more money.

12 COMMISSIONER McCAUSLAND: I understand your
13 diabolical sentiments, Mr. Cory. However, it seems to me
14 that if it had been truly remiss in the development and
15 management of that, I'd be more than desirous of making that
16 the test case. But, it looks to me like that's a field that
17 hasn't been all that badly exploited to date, and maybe if
18 anything, we want to manage it more conservatively. I
19 don't know, but boy I'd hate to make this the test case on
20 that particular measure.

21 CHAIRMAN CORY: Well, the test case can't come
22 until we lay a lot of these things back.

23 COMMISSIONER McCAUSLAND: Can I move adoption of
24 the staff recommendation?

25 CHAIRMAN CORY: We have a motion.

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1 COMMISSIONER THOMSON: Mr. Chairman, as a
2 former legislative employee, I always look favorably on
3 motions to put things over, so I second that.

4 CHAIRMAN CORY: His motion is to give them a
5 90-day extension.

6 COMMISSIONER THOMSON: Right.

7 CHAIRMAN CORY: Motion is seconded. All those in
8 favor, signify by saying aye. No?

9 No.

10 You have it, but you should learn something from
11 it.

12 MR. TAAFFE: Mr. Cory, I learn something every
13 time I come up here.

14 MR. TAYLOR: Mr. Cory, as far as your legal
15 question is concerned, I think we would like to discuss
16 that.

17 CHAIRMAN CORY: Item 27; approval of agreement
18 amending oil and gas lease in Beverly Hills, Los Angeles,
19 County.

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
21 is a request by a legislative mandate of request by
22 the Beverly Hills Unified School District for our approval.

23 CHAIRMAN CORY: No objection, Item 27 will be
24 approved as presented.

25 Item 28?

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1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
2 Item 28 is a regular development of the Ottoboni area of the
3 geysers steam field by Union and Magma Power.

4 CHAIRMAN CORY: Okay. Any questions? Anybody in
5 the audience on Item 28? Without objection 28 will be
6 approved as presented.

7 Item 29?

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
9 Item 29 is a result of a bid for a geothermal parcel of
10 a hundred and thirty point one acres. In the County the
11 high bidder was Santa Clara which bid ten percent of the
12 gross plus 28 percent of the net profit. This item
13 authorizes the Executive Officer to notify the surface
14 owner who has first call on the bid, and if he declines
15 the bid then to award it to the City of Santa Clara.

16 CHAIRMAN CORY: Anybody in the audience on
17 Item 29?

18 FROM THE AUDIENCE: We're representing Santa
19 Clara, if there's any question.

20 CHAIRMAN CORY: Item 29 will be adopted as
21 presented.

22 Item 30?

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
24 Item 30 is a dredging permit for the action to the South
25 Bay Area, with approximately 25 thousand cubic yards to be

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1 spoiled on the public site.

2 CHAIRMAN CORY: And it's in accordance with the
3 statutes?

4 EXECUTIVE OFFICER NORTHROP: Yes, sir.

5 COMMISSIONER McCAUSLAND: BCDC has approved it?

6 EXECUTIVE OFFICER NORTHROP: Yes.

7 COMMISSIONER McCAUSLAND: Move adoption.

8 COMMISSIONER THOMSON: Second.

9 CHAIRMAN CORY: Without objection? Anybody, before
10 we put that on Item 30? Without objection, Item 30 will
11 be approved as presented.

12 Item 31?

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman this is
14 a, also for dredging the City of Vallejo.

15 CHAIRMAN CORY: Anybody in the audience on Item 31?
16 If there are none, Item 31 will be approved as presented.

17 Item 32?

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 32
19 is a consolidation of the final report and closing statement
20 of the previous budget augmentations in the Wilmington and the
21 Long Beach unit.

22 CHAIRMAN CORY: Any questions? Anybody in the
23 audience on Item 32? Without objection, we'll approve the
24 final report and closing statement. Such will be the order.

25 Item 33?

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1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
2 Item 33 is unit division on a well bordering two areas
3 in the Long Beach field and cooperative agreement.

4 CHAIRMAN CORY: Anybody in the audience on Item 33?
5 Any questions, Commissioners?

6 Without objection, 33 will be approved as presented.
7 Item 34?

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
9 Item 34 is informative and it gives to the Commission the
10 fiscal information on the yearly production in the parcel
11 "A", Long Beach; it's informative.

12 COMMISSIONER McCAUSLAND: Does it require action?

13 EXECUTIVE OFFICER NORTHROP: No, it doesn't.

14 CHAIRMAN CORY: Okay. We've got the information
15 and we will so note. Okay, Item 35?

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
17 Item 35 is a settlement of a dispute, a county dispute that
18 occurred between the State Lands Commission and the City
19 of Long Beach. The final settlement has been approved by
20 the Long Beach City Council, the Long Beach Board of Harbor
21 Commissioners, and we are asking the Commission approve
22 this settlement.

23 CHAIRMAN CORY: Okay.

24 EXECUTIVE OFFICER NORTHROP: Included in the
25 settlement is the agreement of a lawsuit regarding the

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1 settlement of interest on, or revenue, which both parties
2 agreed probably should be decided in the courts.

3 CHAIRMAN CORY: Is there anybody in the audience
4 on Item 35? Everybody here happy? Considering? Without
5 objection, settlement is approved.

6 COMMISSIONER McCAUSLAND: Reluctantly. I mean,
7 Long Beach got to us again.

8 CHAIRMAN CORY: Relating to nothing other than
9 tidying up affairs, either that chart is wrong or Item 36 in
10 our agenda is wrong in terms of PRC 3095 or 309.5, I don't
11 know which it is, but one you have 3095 and one you have 309.5.
12 Go ahead. I didn't want that one to slip by. I was worried because
13 it didn't conform with the item number.

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
15 Item number 36 is the --

16 MR. THOMPSON: From our Long Beach operation has
17 prepared a chart on the wall, and I understand that the
18 City of Long Beach would like to speak on this issue as well.
19 So, in presentation, Mr. Thompson's promised to make it
20 very brief.

21 COMMISSIONER McCAUSLAND: I had in mind,
22 Mr. Chairman, I thought we had approval of Item 35, which
23 was contingent upon Long Beach withdrawing their request on
24 Item 36.

25 EXECUTIVE OFFICER NORTHROP: Thirty-six was one

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1 of the items that was originally in the depreciated package.

2 COMMISSIONER McCAUSLAND: How many times did
3 we get steamrolled?

4 EXECUTIVE OFFICER NORTHROP: Just watch Long Beach.

5 CHAIRMAN CORY: Long Beach is here?

6 EXECUTIVE OFFICER NORTHROP: I believe
7 Mr. Peterson is here. Are you speaking to this issue
8 Mr. Peterson?

9 MR. PETERSON: No, I did not come prepared to
10 speak on this one. I have some information on it.

11 EXECUTIVE OFFICER NORTHROP: I understood there
12 was someone to speak on it.

13 MR. PETERSON: This is not the one that was
14 subject to settlement.

15 CHAIRMAN CORY: But originally it was part of
16 the negotiations?

17 MR. PETERSON: No, sir.

18 EXECUTIVE OFFICER NORTHROP: We didn't break it
19 out early?

20 MR. PETERSON: No.

21 CHAIRMAN CORY: Okay.

22 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, if
23 Long Beach isn't here what it really amounts to is a discussion
24 by the staff, go ahead.

25 MR. THOMPSON: City of Long Beach requested the

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1 times cost in the neighborhood of plus 45 percent on this
2 project. This is for phase one approval. Phase one
3 considers just the engineering part; phase two is the
4 actual construction. Phase one is \$200,000. They ask for
5 45 percent of that to be considered subsidence costs. We
6 have recalculated; we think that subsidence costs are a
7 little over 13 percent.

8 You implied approval of the second phase, you
9 approved the first phase. The main contention here is the
10 fact that this is the town-lot area which has been filled
11 in various periods of time. The original ground level
12 was here, subsided down to here; the water main was here
13 at one time, subsided down to here, as did the oil well
14 locations down through here. Then this ground was filled,
15 the water main was taken back up and the oil well was
16 placed up. They have requested that it be considered
17 subsidence costs, those costs involved in lowering these
18 oil wells and lowering this water main.

19 CHAIRMAN CORY: Is there a levy or a dike or
20 something that kept that from being intimidated?

21 MR. THOMPSON: This represents roughly about
22 high water, highest part plus this well, about a little less
23 than eight feet. So as this was going down, these hills
24 were placed to prevent the water fill-up. These were
25 placed between 1956 and --

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1 CHAIRMAN CORY: How do you form a low level, if
2 it gets down to subsided ground level? If you were filling
3 before it got there?

4 MR. THOMPSON: This is just a representation of
5 what happened.

6 CHAIRMAN CORY: You're never really there?

7 MR. THOMPSON: Some cases, in some wells behind
8 the dike.

9 CHAIRMAN CORY: Okay.

10 MR. THOMPSON: This doesn't really show them, but
11 you get some ideas of concepts.

12 CHAIRMAN CORY: Notice how quickly Mr. Thompson
13 explained to us where the water wasn't at sea level?
14 Because I was going to nail him on that one, too.

15 MR. THOMPSON: Busy, busy.

16 CHAIRMAN CORY: Our point of dispute is whether
17 they want 45 percent, and you figure it's 13 percent?

18 MR. THOMPSON: We're willing to pay for that.
19 We consider the City was damaged, we're going to have work
20 done. We don't consider that reconstituting a fill that
21 has already been paid for; subsidence costs should be paid
22 again.

23 COMMISSIONER McCAUSLAND: I think that if that
24 requires action of the Commission, I'm sure we're willing to
25 take it, but I can't believe that anyone would assume that

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1 this Commission would look favorably on such a request under
2 any circumstances. We already paid for all that.

3 CHAIRMAN CORY: After you get back, you ought to
4 go down to Long Beach. We need to approve this at 13.6?

5 MR. THOMPSON: This is our recommendation, that
6 you approve it at 13.6.

7 CHAIRMAN CORY: That is deducting all the things
8 we've already paid for, so we don't pay for them twice.
9 Do we have a motion and a second?

10 COMMISSIONER MCCAUSLAND: I understand what that
11 says.

12 CHAIRMAN CORY: I hope you do, because --

13 MR. THOMPSON: You'll get another chance at this
14 in phase two, for the big amount of money. Total company
15 cost in that time will be about five and a half million
16 dollars.

17 CHAIRMAN CORY: Without objection, Item 36 will
18 be approved at 13.6 percent, which is the staff
19 recommendation, as opposed to the 45 percent which
20 Long Beach requested, which is outrageous and we've taken
21 judicial notice of its outrageous nature.

22 FROM THE AUDIENCE: Mr. Chairman, if I may comment
23 on that comment. This was first presented to the staff in
24 May of this year. The response from the staff to the City
25 within the past two weeks -- that is the difference of opinion

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1 between the 13 percent and the 45 percent requested. This
2 matter of the staff has been placed on notice that we
3 do deem the action arbitrary, that there has not been a
4 reasonable opportunity to respond; there's a formal written
5 notice to that effect to the staff.

6 MR. TAYLOR: I think they're proceeding with this,
7 aren't they?

8 EXECUTIVE OFFICER NORTHROP: They're proceeding
9 at the present time, aren't they?

10 MR. THOMPSON: This was put on the September
11 meeting at the request of Border Harbor commissioners,
12 We told them we had problems with it. This project was
13 originally submitted as a 35-acre parcel, was revised to
14 a 75-acre, we have contracted --

15 CHAIRMAN CORY: Arbitrary and capricious, as long
16 as we do the right thing. If they don't like the decision,
17 then we're arbitrating.

18 COMMISSIONER McCAUSLAND: Is it a matter of record
19 that they are opposed to the staff recommendation?

20 MR. TAYLOR: No, I don't think they've opposed it.

21 EXECUTIVE OFFICER NORTHROP: The local paper,
22 some two and a half weeks ago, was quite critical of the
23 Commission because they felt, particularly the chairman, --.
24 The executive officer of the Harbor Commission, Fred,
25 being very critical of the Commission because we didn't think

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1 the 45 percent was the amount indicated.

2 MR. THOMPSON: This is before the Board of
3 Harbor commissioners, several weeks ago, was referred to, so
4 they knew our particular viewpoints, and it's on this
5 meeting at their request because they have to get going ahead,
6 they say to vacate and be competitive in this area.

7 So, they want to go ahead.

8 COMMISSIONER McCAUSLAND: If they don't like the
9 level at which we're willing to participate, shouldn't we
10 put it over until we can negotiate?

11 MR. THOMPSON: This would have to be the City of
12 Long Beach, if they want to withdraw, because I have been
13 requested to have action taken this month.

14 COMMISSIONER McCAUSLAND: Well, I have no instructions
15 on the contrary. I was just given some information on it.

16 MR. THOMPSON: Deal with the motion.

17 COMMISSIONER McCAUSLAND: I'd be willing to leave
18 it done, but if they don't like it, why don't we rescind and
19 wait until we can talk to them about it? It's unfortunate
20 that the Department of Finance refuses to staff the agency
21 at a level where they could respond in a more timely fashion,
22 to applications like this. I understand why it took you
23 several months to get back to them. I'm not going to
24 recommend the staff augmentation.

25 MR. THOMPSON: You gave it to me and took it away.

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1 COMMISSIONER McCAUSLAND: If they'd rather have
2 the discussion before we have a vote, maybe we should wait
3 until we have a discussion.

4 CHAIRMAN CORY: What's Long Beach's choice? It's
5 your decision. The ball's in your court sir.

6 MR. THOMPSON: It's been requested that it be
7 on this month.

8 FROM THE AUDIENCE: You have information I do
9 not possess. I don't know. It's my instruction just to
10 advise the Commission that there was a position taken by
11 the City that this recommendation was arbitrary. I have
12 done that. Staff is on notice in writing of this fact.

13 MR. THOMPSON: This is phase one for the engineering
14 planning of this.

15 MR. TAYLOR: I think the City expects us to act
16 on it.

17 CHAIRMAN CORY: Okay, we'll proceed.

18 MR. TAYLOR: They asked for reconsideration next
19 month. I wonder if they'll have it. There is a finding
20 this time.

21 CHAIRMAN CORY: It would seem to me that as we
22 go through life, we put some checks in the bank from time
23 to time and Long Beach just lost some, and they'll lose a
24 lot more in the future if they ask to have something put on
25 the agenda and then send somebody else in in ignorance to

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1 attack the reason that we're acting, when we proceeded
2 originally at their request. I just don't think that's
3 the way to proceed with the City of Long Beach.

4 COMMISSIONER McCAUSLAND: I have a real serious
5 problem. We just spent hundreds of hours, I assume, of
6 staff time developing a settlement for an agreement that
7 is faulty at the outset. And now we're finally approving
8 another agreement that's faulty at the outset, and we're
9 going to wind up spending hundreds of hours of staff time
10 negotiating a settlement on this one. And I'm not anxious
11 to proceed.

12 MR. THOMPSON: Personally, as staff, I would hope
13 that you would recommend and approve this with our
14 recommendation because then both sides have a starting point.

15 COMMISSIONER McCAUSLAND: We had a starting point
16 on Item 35 and it was, I think --

17 MR. THOMPSON: This is prior. In other words,
18 we now have -- still trying to settle these issues on the
19 door.

20 MR. TAYLOR: What we're trying to do with these
21 items now is to deal with them currently and what happened
22 in Item 35, there had been a backlog built up where there
23 had been no action taken by the Commission. What we're
24 trying to do is to get it out on the table at the beginning,
25 as to the position that the staff is taking so that the City

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1 can't say that we're delaying making a decision.

2 CHAIRMAN CORY: Item 37?

3 EXECUTIVE OFFICER NORTHROP: Item 37 is a
4 proposed annexation as a result of a suit in Alameda County.
5 It annexes the City of Oakland.

6 CHAIRMAN CORY: Anybody in the audience on
7 Item 37? Questions from commissioners? Without objection,
8 37 will be approved as presented.

9 Item 38?

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
11 Item 38 is a request for annexation in the City of Seal
12 Beach for some tide and submerged lands.

13 COMMISSIONER McCAUSLAND: Have we had items like
14 this on the calendar in the past, previous --

15 EXECUTIVE OFFICER NORTHROP: Yes, we have. We've
16 recently had one from Long Beach, as a matter of fact.

17 COMMISSIONER McCAUSLAND: I'm beginning to feel
18 badly about having voted for the one for Long Beach because
19 it seems like --

20 CHAIRMAN CORY: I have no reason to rescind that,
21 it seems.

22 COMMISSIONER McCAUSLAND: I'll move adoption of
23 Item 38, but I think that we should have a discussion
24 about the appropriateness of the entire process that we're
25 going through here. Whether or not we should voluntarily

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1 participate --

2 EXECUTIVE OFFICER NORTHROP: You will recall,
3 Santa Barbara also annexed -- no it was the City of Isle
4 Vista -- annexed the platform "Holly" in the Santa Barbara
5 area in much the same fashion.

6 CHAIRMAN CORY: I don't see any reason why we --

7 MR. TAYLOR: You're required by statute --

8 CHAIRMAN CORY: To approve it?

9 EXECUTIVE OFFICER NORTHROP: Check the boundaries.

10 MR. TAYLOR: I'm sorry.

11 EXECUTIVE OFFICER NORTHROP: This is not the
12 first one. We're on 38.

13 CHAIRMAN CORY: Do we have an option? We have
14 that policy decision.

15 MR. TAYLOR: Right.

16 EXECUTIVE OFFICER NORTHROP: As a matter of fact
17 you will recall we did it, it turned down the city in
18 which -- the City of Truckee -- on the same issue because
19 on the boundary line --

20 CHAIRMAN CORY: We turned something down? You
21 mean, you know --

22 COMMISSIONER McCAUSLAND: But Truckee --

23 CHAIRMAN CORY: I'm willing to disqualify myself
24 having represented part of Orange County and having a
25 conflict of interest. So, the two of you can decide that

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1 we don't have enough votes for a quorum on that one.

2 COMMISSIONER McCAUSLAND: If you stick with that,
3 Mr. Chairman, I've got pretty strict instructions to think
4 that we treated other people in a certain fashion which would
5 require the same criteria in this case. So, I'd be
6 reluctant. If you want to abstain, I just want to say, no.
7 Procedurally, I feel obligated to vote for it.

8 CHAIRMAN CORY: Once you've made a mistake you
9 continue to make it?

10 COMMISSIONER McCAUSLAND: I'm not certain that it
11 is a mistake. I just think that maybe the law is bad and
12 we've talked about a legislative program in that area.

13 CHAIRMAN CORY: We have a policy option as to
14 whether or not it's in the interest of the State of California
15 to approve this annexation. I believe that's the question
16 before the Commission. I don't know. All I can see is that
17 we lose money on the deal.

18 COMMISSIONER McCAUSLAND: That's all I see, too.

19 CHAIRMAN CORY: I don't see any other substantive
20 issue that takes the place of the people of California, other
21 than the State General Fund, that has less money and
22 Seal Beach has more money.

23 COMMISSIONER McCAUSLAND: I don't believe it's a
24 general fund, is it?

25 MR. TAYLOR: Well, it comes out of it. That's how

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1 you view the budget. It comes out of the State.

2 CHAIRMAN CORY: Well, Bill taught me, it's all
3 General Fund money.

4 COMMISSIONER McCAUSLAND: I think Mr. Northrop
5 can say that when he comes to us on other items, we point
6 out to him that none of it's general funds. It depends on
7 who talks.

8 CHAIRMAN CORY: Do you want to approve it?

9 COMMISSIONER McCAUSLAND: \$1,500.

10 CHAIRMAN CORY: Is that the bid?

11 COMMISSIONER McCAUSLAND: Move adoption.

12 COMMISSIONER THOMSON: Second.

13 CHAIRMAN CORY: Without objection, Item 38 will
14 be approved and staff will inform the Commission members of
15 the policy questions so they can formulate a standard by
16 which we can decide how we're going to be rated.

17 Thirty-nine?

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
19 is a cutting agreement with the Federal government regarding
20 boundary lines in the timbered area.

21 CHAIRMAN CORY: Item 39, any questions or
22 discussions? Anybody in the audience? Without objection, it
23 will be approved as presented.

24 All right, the U.S.S. State Lands.

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is

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1 the superstructure of the *La Jenelle* that would be used
2 to create an artificial reef offshore. Now, Fish and
3 Games would like to place in concreted tire modules to
4 enhance that.

5 CHAIRMAN CORY: Anybody in the audience on this
6 item? Questions from the commissioners?

7 COMMISSIONER McCAUSLAND: Did you find any giant
8 sponges growing on it yet?

9 EXECUTIVE OFFICER NORTHROP: No. We haven't.

10 CHAIRMAN CORY: Without objection, Item 40 will
11 be approved.

12 Item 41?

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
14 Item 41, Mr. Hight will give that.

15 MR. HIGHT: Yes, the applicant, Mr. Chairman, in
16 Item 41 had a lease from the State Lands Commission which
17 required him to remove the facilities before the termination
18 of the lease. He now refuses to do so.

19 CHAIRMAN CORY: Do you have a bond?

20 MR. HIGHT: Bond?

21 CHAIRMAN CORY: Do we have a bond, or are you
22 proceeding against --

23 MR. TROUT: I don't believe so. He inherited some
24 old structures and we agreed to take out the old as well as
25 the new. I'm not certain about the bond.

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1 CHAIRMAN CORY: Okay. Is there anybody in the
2 audience on Item 41? We're asking the Division and/or the
3 Attorney Generals to proceed to get the man to live up to
4 his contract. Without objection, 41 will be approved as
5 presented.

6 Item 42?

7 MR. HIGHT: Item 42 is a disclaimer of interest
8 in a lawsuit the Federal government has filed.

9 CHAIRMAN CORY: Okay. Without objection 42 will
10 be approved as presented.

11 Forty-three is off, as I understand it.

12 EXECUTIVE OFFICER NORTHROP: That's right, 43 is
13 off.

14 CHAIRMAN CORY: Item 44?

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
16 Item 44 is a request by the BCDC that the Executive Officer
17 execute an understanding that they are the CCM Group
18 for the Bay Area.

19 COMMISSIONER McCAUSLAND: Mr. Chairman, I move
20 for adoption. It's a bad Federal law, but it's a good
21 program.

22 CHAIRMAN CORY: Okay. Forty-four will be
23 approved as presented.

24 Item 45?

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

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1 Mr. Taylor will address the Commission on item 45.

2 I have no idea what's going on.

3 MR. TAYLOR: We have a deal on this, subject to
4 the other parties approving it.

5 CHAIRMAN CORY: Huh-uh. Just philosophical. I
6 don't see why we should -- if we're negotiating a settlement
7 on anything, why we should vote approval before the other
8 side plants their feet in concrete. I mean, if they
9 aren't willing to fish or cut bait, I don't see that we
10 should proceed. It's just a bad negotiating project.

11 MR. TURNER: Clemons Turner, Deputy City Attorney,
12 Long Beach. What comes first, the chicken or the egg?
13 The City will not commit itself to expend any funds and
14 go ahead with this property acquisition, unless we know
15 that we have the money.

16 COMMISSIONER McCAUSLAND: I would like to go
17 back to Item 38.

18 MR. TURNER: Well, there's a reason for that.

19 CHAIRMAN CORY: Mr. McCausland would like to go
20 back to Item 38.

21 COMMISSIONER McCAUSLAND: I'd like to do the same
22 thing for Item 38.

23 MR. TURNER: Well, there's a reason for this.
24 The property owner is ready, willing and wanted to proceed
25 with an action in adverse condemnation for our harassing

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1 them with respect to this property. We will not commit
2 ourselves to acquire this property until we know we are
3 capable of acquiring it. We will not know whether we are
4 capable of acquiring it until we know we have the money
5 available, and that's it.

6 And we will not have an agreement to buy this
7 until we know we can expend the funds.

8 MR. TAYLOR: Mr. Chairman, there's one loose end
9 on the agreement. We're in agreement with the City with
10 regard to the -- if the maximum value of the property, if
11 there is no Eion easement on it. That would be in excess
12 of \$2 million. There is a stipulation that that would be
13 the maximum amount expended.

14 The question is: How much should be discounted
15 for the effect of a Eion easement if the Court finds it
16 to exist. And on that, there is a difference of opinion.
17 And the compromises and what's thought up, is the landowners
18 will be given the first \$1.1 million, 442 thousand will be
19 put in a bank account, interest-bearing, and then we
20 would go to litigation on the Eion easement if it exists;
21 and then, if it does, how much effect it has on the value
22 of the property.

23 COMMISSIONER McCAUSLAND: Can you define such an
24 easement?

25 MR. TAYLOR: Eion easement is an easement

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1 arising as a result of public use in an area and is
2 continuously, without permission of the landowner, for a
3 period of five years. And there is an argument over whether
4 there is an easement and if so, the extent of it.

5 And after the extent is established, what effect
6 that would have on the value of the property, if any. The
7 one loose end on this things is how much money will be
8 held back for the Gion easement. The attorneys for the
9 parties are willing to recommend to their clients that
10 \$442,000 be placed in a bank account and that the draw
11 allowed to the private property owner at this time be
12 reduced to \$1.1 million. And subject to that understanding,
13 the City wants to note --

14 CHAIRMAN CORY: How do you get 1.1 million, plus
15 400 and some thousand in excess of two million?

16 MR. TAYLOR: There is already agreed that the
17 landowner will not receive \$500,000.

18 CHAIRMAN CORY: So, they're adding another
19 four?

20 MR. TAYLOR: We're talking another 400,000 to the
21 cash; not to the owner.

22 CHAIRMAN CORY: But, the owner hasn't agreed to
23 that; only his attorney said he will recommend it?

24 MR. TAYLOR: Have you had a chance to --

25 FROM THE AUDIENCE: That's correct. No, the owner

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1 has not agreed to it; that's correct.

2 CHAIRMAN CORY: That's my next point. I don't
3 think we should deal with the substantive issue until the
4 other people have put their feet in concrete that yeah
5 they will or they won't. Because if we approve this and
6 they decide they want to negotiate and, "Well, now will
7 you take 360?"

8 COMMISSIONER McCAUSLAND: We have experience
9 with this BCDC, as soon as one party commits themselves to
10 a dollar term, other parties have decided to negotiate a
11 different price. It's difficult.

12 MR. DOLLE: May I be heard, Mr. Chairman?

13 CHAIRMAN CORY: Certainly. Come forward and
14 identify yourself.

15 MR. DOLLE: Thank you. My name is Hodge Dolle,
16 H-o-d-g-e D-o-l-l-e. I'm an attorney for Mr. Taper.
17 The issue, as I see it, before this Commission is whether
18 the Commission should vote to authorize the expenditure of
19 2 million 45, or 42 thousand dollars for the purchase of
20 this property. The appraiser for the Lands Commission is
21 in agreement for the City of Long Beach's appraisal, and
22 the owner's appraisal. They're all agreed. The only
23 question is, when they get into litigation, is this
24 property encumbered by an easement in favor of the public?

25 If it is, the court's going to have to decide how

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1 much less the landowner gets paid. All the City is asking
2 for today is so that they can complete their agreement.
3 They don't want to do it -- as Mr. Turner says, it's for
4 the Commission to go along with its staff and approve
5 the expenditure.

6 CHAIRMAN CORY: But if, in fact, in the final
7 analysis we believe the easement to exist, and let's say
8 a trial court, for some reason, decides it doesn't and we
9 would prefer to appeal it but we've already approved the
10 \$2 million price, Long Beach might decide, "The heck with
11 it; we won't appeal it. We'll go ahead and pay the whole
12 amount."

13 MR. DOLLE: Well, the State's a party to this,
14 so Long Beach can't be. If the State feels that nothing
15 can be paid, there's no way that it can be paid, as long
16 as the State's a party.

17 CHAIRMAN CORY: I'm not sure we're a party.

18 MR. DOLLE: You're a party; yes. That's part of
19 the stipulation.

20 MR. TAYLOR: The stipulation is that we'll be a
21 party. The problem is that the form of the stipulation,
22 at the present time, it calls for how much money will be
23 held back and whether our position is reserved. To the
24 extent of the easement; and that's where we're having
25 problems.

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1 COMMISSIONER McCAUSLAND: With whom are we
2 having problems?

3 MR. TAYLOR: Seems to be a three-way problem.

4 MR. DOLLE: I think it's a two-way problem.

5 MR. TAYLOR: Well, it depends. Sometimes we're
6 on your side and sometimes we're on Clem's side, so I
7 don't know. It's hard to say where it ends up.

8 CHAIRMAN CORY: I just don't think it's ready
9 for Commission action then if the staff doesn't really
10 know where they are.

11 MR. DOLLE: Well, with all due respect
12 Mr. Chairman, it's not ready for acquisition until
13 somebody does some funding, and if nobody does any funding,
14 then the City of Long Beach feels it's unable to acquire.
15 So, we're back to "Go." We have to start somewhere. Now,
16 if the Lands Commission says that the \$2 million is
17 an accurate figure, if it's unencumbered, we can't know
18 if it's encumbered by speculating.

19 CHAIRMAN CORY: No, let's clarify the record.
20 You have a staff report recommending that price. And
21 they're asking us to approve that, the contingencies which
22 all parties have not yet -- as I understand it -- agreed to,
23 and until everybody else has agreed to it, I don't think
24 we should be asked to agree to it.

25 COMMISSIONER McCAUSLAND: Is this going to be a

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1 State park?

2 MR. DOLLE: A City park -- extension of an
3 existing City park.

4 COMMISSIONER McCAUSLAND: Why is the State
5 Department of Parks and Recreation --

6 MR. TAYLOR: Bond act money. Part of the
7 bond act money goes to local agencies for park acquisition.

8 MR. DOLLE: State's already put up a million two.
9 You're being asked for the additional 600,000. Until it's
10 funded, the City of Long Beach isn't going to acquire it.

11 COMMISSIONER McCAUSLAND: Is the Public Works'
12 Board familiar with this?

13 MR. DOLLE: No, the Parks and Recreation.

14 COMMISSIONER McCAUSLAND: If the Parks and
15 Recreation puts it on their list for funding, but the
16 Public Works' Board approves a proven acquisition --

17 MR. DOLLE: It's been approved and the money will
18 be available in about two weeks.

19 MR. TURNER: We have a \$1.1 million grant from
20 the State Department of Recreation and Parks. Money has
21 been requested; we are advised that it could be in our
22 hands in the form of a State check in about two weeks.

23 COMMISSIONER McCAUSLAND: I may be wrong. It's
24 not a Public Works' Board because of the nature of the
25 park.

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MS. STONE: It's a Local 74 Act, and it's all handled through Parks and Recreation.

MR. TURNER: We have -- in addition, we have approximately a little over \$300,000. what we call an over incinerator bond fund and we'll need anywhere from -- we'll need up to a maximum of 600 and 17, 18 thousand dollars more.

COMMISSIONER McCAUSLAND: Under what authority is this item before the Commission today? Was it requested by your office?

MR. TURNER: I requested it of the Attorney General to place the matter on this Commission's agenda.

CHAIRMAN CORY: The time and place Mr. McCausland, the Gion easement on the upper area was not in question, and that has popped up within the last 48 hours, it's my understanding.

MR. TAYLOR: There's been some problems. The problem in the review appraisal is the extent of the Gion easement. That problem arose in the last week. We thought we had one agreement in regard to that and that did fall apart in the last day -- not to the extent of the hearing.

This is before you because the request of the City to put -- possibly spend tideland oil revenue money on it.

1 CHAIRMAN CORY: See, one of the options we're
2 getting into here, if you've got 300,000 of some old
3 bond money you can use, if the Gion easement, the Court
4 comes in at 900,000 for the Gion easement and they've got
5 300,000; they've got 1.2 million in parks, that bond money,
6 that incinerator bond money, you can bet your togus is
7 going to go elsewhere and our money the titler's money is
8 going to go --

9 COMMISSIONER McCAUSLAND: What official action
10 has been taken by the City Council in the City of Long
11 Beach in regard to this property?

12 MR. TURNER: To my knowledge, there has been no
13 official action by the City Council, City of Long Beach.

14 COMMISSIONER McCAUSLAND: Will their action be
15 required prior to acquisition?

16 MR. TURNER: Yes. We intend to enter into a
17 formal written agreement between the property owner and the
18 City of Long Beach because of the decision, we make every
19 effort not to have any official action by the City of
20 Long Beach to do anything until we know we can go. And
21 so, we're keeping our backs to the wall, so to speak,
22 enjoying ourselves, and when we know we can go, then we're
23 ready to go.

24 COMMISSIONER McCAUSLAND: We'll be happy to join
25 you in that.

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1 MR. DOLLE: Trouble is, then who goes first,
2 you see? The owner gets whipsawed back and forth from
3 the State and the City, unable to use these properties and
4 the City says, "We won't acquire it until we get the funding
5 and the State says, "We won't fund it until we know what
6 some theoretical court's going to decide."

7 MR. TAYLOR: That really isn't the question.
8 The question is, will we all hold to the recommendation
9 that's been made today with regard to the amount of money
10 to be held back and the creation of a bank account. And
11 that seems to be where we are. And at that point I think
12 the Lands Commission, because I think you spoke to the
13 Commission about the staff, about placing this on, and I
14 think during that time the staff decided that we would --
15 the Lands Commission would step out first on this if there
16 was an agreement of all the parties because of the
17 round robin nature.

18 This would be put to the Commission for action
19 first. I guess the problem is that if either of you can
20 represent that we've really got a deal, then it's up to the
21 Commission as to whether you want to make a contingent
22 approval.

23 COMMISSIONER McCAUSLAND: I would like, whether
24 it be a stipulation as to the other sources of participating
25 funds and the ratio between them.

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1 MS. STONE: The park funds and the incinerator
2 bond will be exhausted to total land --

3 CHAIRMAN CORY: That is a part of this?

4 MS. STONE: That's part of the calendar item, the
5 way the authorization is worded.

6 MR. TURNER: I'm not sure it's in the stipulation.
7 We have no objection to that.

8 COMMISSIONER McCAUSLAND: I didn't think I
9 personally read a copy of the stipulation.

10 MR. TURNER: We have no objection to that. That
11 I think has been assumed -- at least by the City -- all
12 along.

13 COMMISSIONER McCAUSLAND: If that is in fact made
14 a part of the stipulation, Mr. Chairman, I would be willing
15 to be the first to offer dead center on this item; but I
16 would not want us to up-front money that -- I mean
17 later substitute, I've run into that at enough other
18 occasions to not want to continue that.

19 That's one mistake I'm trying to correct.

20 MR. TAYLOR: The problem with this item is the
21 package and the package -- because of the round robin
22 problem -- has a stipulation in it which makes certain
23 statements with regard to how the Gion easement will be
24 treated as a maximum effect, to our effect of that easement.

25 COMMISSIONER McCAUSLAND: Is there a manner in

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1 which we can further protect the State's interests and
2 the stipulation? You suggested that there might be some
3 faults in our protections under the document as currently
4 drafted.

5 MR. TAYLOR: No, the document, as it is currently
6 before the Commission, would be amended to provide that
7 the private owner would receive only 1.1 million of the
8 minimum purchase price. The same maximum -- that \$442,000
9 of an amount would go into an interest-bearing bank account.

10 CHAIRMAN CORY: Plus the 500,000?

11 MR. TAYLOR: And the \$500,000 would not be paid
12 at all at this time, but if the judgment of the Court was
13 that that was the value of the property, taken into
14 existence or nonexistence of the easement into consideration,
15 the \$500,000 would be paid over later. And that would be
16 the amendment of the stipulation which is before you.

17 But, it would have to be subject to the approval
18 by the City and by Mr. Taper, Mr. Dolle's client.

19 COMMISSIONER McCAUSLAND: I'll move that. I'm
20 not sure that I can describe what that is.

21 CHAIRMAN CORY: We will approve that with the
22 stipulation understood that the title of the money is to
23 last. And with respect to the Gion problem, if the
24 staff could get me photographs --

25 (Thereupon a discussion was held off the record.)

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1 CHAIRMAN CORY: Since we're worrying about how a
2 \$2 million additional acquisition of the park, City, that's
3 some physical difficulty. But I'm not sure that's our
4 decision being made.

5 COMMISSIONER McCAUSLAND: No, it's not. I hope
6 that they're making it.

7 CHAIRMAN CORY: Okay, 45 is approved as
8 presented.

9 Forty-six?

10 MR. TAYLOR: Subject to the other parties'
11 approval.

12 CHAIRMAN CORY: Forty-six?

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
14 is approval of a cost-sharing contract between the
15 City of Long Beach and ERDA, the United States Energy
16 Research and Development Administration, to provide
17 for a pilot demonstration of enhanced oil recovery project
18 in the Long Beach unit of the Wilmington oil field.

19 CHAIRMAN CORY: Any questions on this? Any
20 comments from anybody in the audience. This is in
21 addition to the --

22 EXECUTIVE OFFICER NORTHROP: This is in addition
23 to the micellar project that was approved several months
24 ago.

25 COMMISSIONER McCAUSLAND: Move adoption.

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1 COMMISSIONER THOMSON: Second.

2 CHAIRMAN CORY: Without objection, 46 will be
3 approved as presented. Status of major litigation?

4 MR. TAYLOR: Mr. Chairman, on Monday,
5 Oregon v. Corvallis will be argued before the Supreme
6 Court in Washington D.C. in the afternoon. I think that's
7 the only significant item other than what was reported
8 previously.

9 CHAIRMAN CORY: Are you going to be there?

10 MR. TAYLOR: Yes.

11 CHAIRMAN CORY: Opening day, so it will be an
12 unusually formal session.

13 COMMISSIONER McCAUSLAND: Mr. Chairman,
14 since we continuously bang on these empire buildings
15 more authorization problems, I'd like to have an executive
16 session someday to evaluate their status and how seriously
17 we're going to pursue various causes of the same.

18 CHAIRMAN CORY: Okay.

19 COMMISSIONER McCAUSLAND: There's an awful lot
20 of litigation coming out.

21 CHAIRMAN CORY: It's going to be worse before it
22 gets better.

23 MR. TAYLOR: We have had 20 new lawsuits since
24 the beginning of this fiscal year, which I think is a high.

25 MR. HIGHT: Those, Mr. McCausland, were filed

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1 upon us; we did not file those.

2 CHAIRMAN CORY: Justice must be served, no
3 matter who the aggressor is.

4 MR. TAYLOR: If we count ones that we file, we
5 go up to about 23 or 24, but that's higher. That's almost
6 the equivalent of an annual case load for the Land
7 Commission.

8 COMMISSIONER McCAUSLAND: You're going to be
9 awfully busy Jan. I'm glad you're there.

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
11 next meeting will be in Sacramento, October the 28th.
12 We plan on going to Long Beach in November, at which time
13 we well may have before us expenditures on the Queen Mary.

14 CHAIRMAN CORY: Okay. That will be the Order.
15 Stand adjourned.

16 (Thereupon the meeting was adjourned at 12:20 p.m.)

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

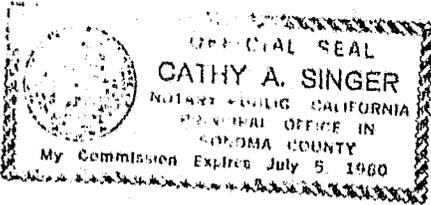
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I, CATHY A. SINGER, a Notary Public in and for the County of Sonoma, State of California, duly appointed and commissioned to administer oaths, do hereby certify:

That I am a disinterested person herein; that the foregoing California State Lands Commission Meeting was reported in shorthand by me, Cathy A. Singer, a Certified 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 20th day of October, 1976.



Cathy A. Singer, CSR
Cathy A. Singer
Notary Public in and for the County of Sonoma, State of California.

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