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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, MAY 31, 1978
10:00 A. M.

DELORES I. DALTON
Shorthand Reporter

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MEMBERS PRESENT

Mr. Kenneth Cory, State Controller, Chairman
Mr. Sid McCausland, representing Roy M. Bell
Ms. Betty Jo Smith, representing Mervyn M. Dymally

MEMBERS ABSENT

Mr. Mervyn M. Dymally
Mr. Roy M. Bell

STAFF PRESENT

Mr. William F. Northrop, Executive Officer
Mr. Richard S. Golden, Assistant Executive Officer
Mr. James F. Trout, Manager, Land Operations
Mr. Robert C. Hight, Staff Counsel

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P R O C E E D I N G S

--o0o--

CHAIRMAN CORY: Call the meeting to order.

The first question is confirmation of the meetings of April 27th and May 10th. Any corrections or --

MS. SMITH: I abstain on the April meeting. I didn't receive them.

MR. McCAUSLAND: No objections on the April meeting and no objections on the May meeting.

CHAIRMAN CORY: Betty Jo says she did not receive the April minutes.

MS. SMITH: I got them this morning.

CHAIRMAN CORY: We will confirm them as presented, and if you come across anything at the next meeting, perhaps you can unconfirm and correct.

All right. We have the report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the format of the Executive Officer's report is a little different today, largely because of item number one we would like to discuss which is the OCS Sale Number 53 which includes everything from north of Santa Barbara to the Canadian border. Staff would like some instructions or would like to share some concerns with the Commission that we are faced with a glut of heavy crude oil in California to the point

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1 that we have many wells shut in and production decline curves
2 that are accelerating daily. Now we see the federal
3 government taking steps to lease oil that adds to that glut,
4 which we wonder if there shouldn't be some communications
5 with the Secretary of Interior from the Commission expressing
6 our concern on that.

7 CHAIRMAN CORY: My concern is really not so much
8 the glut of oil, but whether or not they are going to still
9 be using those archaic giveaway schemes that they have on
10 all of the federal programs of bonus bid leasing, or whether
11 they are going to let profit leasing and finding out what
12 they have got before they try to lease it, or whether they
13 are still turning over all of the decision-making power to
14 the private oil companies. I mean, are they still doing in
15 essence their same old program of bonus bid?

16 EXECUTIVE OFFICER NORTHROP: There is a bill in
17 to change it. Dr. Rote, who will speak on the second
18 issue of tanker regulations, has been a member of the State
19 Task Force that has been working on that with the feds, and
20 perhaps Dr. Rote can answer that.

21 MR. ROTE: Mr. Chairman, Commissioners, I am
22 Dr. Jim Rote. I was Assistant Secretary for Resources for
23 two years, and I am now on your staff as a special
24 consultant, working on tanker terminal regs. As Mr. Northrop
25 said, I have been following the OCS issue quite closely, and

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1 there are bills in the Congress -- HR 1614 and S9, which
2 have passed their respective houses and are now in Conference
3 Committee.

4 There is a provision that does allow for
5 alternative bidding schemes, and we have all been pressing
6 very hard for the passage of this legislation. This would
7 be a major amendment to the 1953 Outer Continental Shelf
8 Lands Act; however, they are hung up again in Conference, so,
9 as last year, this may still drag along.

10 I would hope that we can get into not only an
11 alternative bidding scheme, but we can see a separation of
12 exploration and development where you would have one lease
13 to allow the oil companies to proceed with exploration; but
14 then there would be a holding off and a phase where we could
15 take a closer look at the assessment as to what the resource
16 is before we allow them to go full bore with development and
17 production.

18 To go along with some of the things that
19 Mr. Northrop said, you know, we are looking at development
20 now from Lease Sale 35, which was held in Southern California
21 December of 1975. Some of the companies are now proceeding
22 with development, production, and transportation plans.

23 Right on top of that, we have another Southern
24 California sale, Lease Sale 48, which we are into the EIS
25 process; and that sale is scheduled for June of '79, just a

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1 year away.

2 Lease Sale 53 is now moving along. That's for
3 Central and Northern California. Call for nominations has
4 gone out. They will be received in June, and the tracts
5 will be selected in September. The lease sale itself isn't
6 scheduled until February of '81. But the problem is the
7 Department of Interior is proceeding with this OCS leasing
8 schedule at the same time we are trying to dispose of about
9 a 500,000-barrel-a-day glut on the West Coast. My feeling,
10 and I know Mr. Northrop's feeling, is that we ought to
11 resolve that disposition problem before we add any more oil
12 to that glut. And I think the staff just wanted some
13 direction on that.

14 CHAIRMAN CORY: The thing that goes through my
15 mind is at some point sanity is going to have to start
16 prevailing in Washington. I guess they have been saying
17 that for a couple of hundred years, but I would think it
18 may be somewhat close at hand with the rumors out of
19 Washington. We have heard those rumors in the past.

20 What really disturbs me, if we start solving the
21 problem of getting their oil out of here, the overall
22 national problem we have is what -- seven --

23 EXECUTIVE OFFICER NORTHROP: Seven billion --
24 million barrels a day import.

25 CHAIRMAN CORY: Seven million barrels import daily.

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1 If we could maximize our production and get it to the areas
2 where it is needed, that is not all bad. But the concept
3 of when Congress has passed -- as you say, each house has
4 passed slightly different versions, but an expression of
5 changing the mechanism of leasing, it seems to me just
6 outrageous that we continue on this process of trying to
7 lease before we know what is there. As a citizen of this
8 country, I am offended by that concept, instead of finding
9 out what is there and then -- I think we're probably the
10 only nation left in the world that is willing to bonus bid
11 flat royalty lease a mineral resource. The other countries
12 of the world, the so-called Third World Nations and
13 underdeveloped nations have come to the conclusion that they
14 are better served financially by net profit mechanism and
15 retaining ownership of that resource and allowing operating
16 contractors to extract it.

17 I just really wonder if staff has looked at that,
18 because it seems to me it is getting tantamount in face of
19 all of the evidence to being gift of public funds. I don't
20 know if that gift is permissible under federal law or not.
21 I know it is not under state law. Can the federal
22 government just go giving that stuff away, legally?

23 MR. HIGHT: Mr. Chairman, we are currently looking
24 at that question, and it looks dubious as to whether the
25 federal government can do it. We haven't come to a final

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1 conclusion yet.

2 CHAIRMAN CORY: Well, at some point you might
3 report back to the Commission, because I think maybe at some
4 point we are going to have to do something about it at this
5 end of the question of the glut. But over and above that,
6 I think that we have got to figure out a way to solve the
7 balance of payment problems of this nation and poking more
8 holes in the ground out here to allow people who don't want
9 to particularly bring it out to have control over that oil,
10 to sell the oil in place, really I think goes against the
11 true national interest, since we own the oil. Transferring
12 it to private ownership at a time when we are trying to
13 figure out -- I get really upset over that, but I get upset
14 over what they do in Washington anyway.

15 EXECUTIVE OFFICER NORTHROP: Thank you very kindly,
16 Mr. Chairman. We will move along the items we just
17 discussed.

18 The second item on my report is a discussion --

19 CHAIRMAN CORY: He's going to come back to us with
20 a legal --

21 EXECUTIVE OFFICER NORTHROP: I am going to come
22 back with a letter.

23 CHAIRMAN CORY: Yes. So we know what they are
24 doing before they do it. I am just hesitant to have a
25 letter go out bitching about the glut of oil because that

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1 has to be phrased relatively carefully. I think there are
2 overriding national interests that I am willing to accede
3 to if there is some sense of rational pattern of what they
4 are doing in Washington. I have yet to perceive that
5 rational pattern; but if they can show me what it is, I am
6 willing to not be totally provincial. Translated, I will
7 sell out for the right price.

8 (Laughter.)

9 CHAIRMAN CORY: Just a joke.

10 MR. ROTE: Mr. Chairman, I might add that
11 following Lease Sale 35, Senator Cranston requested of the
12 GAO a post-audit study on that lease sale; and we have
13 that report, and that was quite critical as to how that
14 whole lease sale was conducted and got into the economics
15 of it. So we could draw on that, and perhaps get some
16 information back to you.

17 CHAIRMAN CORY: I would like to see a copy of
18 that. If we have that report, that would be helpful. None
19 of us have enough to read.

20 Okay, Bill.

21 EXECUTIVE OFFICER NORTHROP: Thank you very kindly,
22 Mr. Chairman.

23 The next item -- I am sure most of you recognize
24 not only Jim Rote, but the face of Admiral Higbee, who
25 appeared before our Commission in a hearing in Los Angeles.

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1 Admiral Higbee has agreed to give us a hand in putting
2 together some procedures for inspecting terminals under our
3 new tanker regulations. I would like to have Jim Rote kind
4 of bring you up to speed as to where he is on preparing
5 these. We have asked Jim to come aboard and give us a
6 hand. Jim, in addition to being a Deputy Secretary of
7 Resources, was in charge of the Tanker Safety Ad Hoc
8 Committee, which prepared a report. So, Jim, would you give
9 us a background.

10 MR. ROTE: Thank you, Mr. Northrop.

11 Very briefly, in my role as Assistant Secretary
12 over in the Resources Agency, I did chair an interagency
13 ad hoc tanker task force that looked into a whole series of
14 issues surrounding vessel safety, port and terminal
15 operations, and also oil spill cleanup and liability.

16 We broke up into three subgroups. Subgroup B
17 addressed the tanker terminal regulations. As you recall,
18 this Commission held two fact-finding hearings early in 1977
19 following the Sansinina explosion; and after those hearings
20 your staff prepared Article 6.1 Draft Tanker Terminal
21 Regulations, which were then taken to two hearings and
22 comments were received.

23 This past month I have spent going over those
24 comments which were quite critical, as I am sure you recall.
25 Now that we have the Supreme Court's decision on Arco versus

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1 Ray, I think we all know what the State's role is in this
2 area. We can't go out and try to redesign tankers, but we
3 sure as hell can say something about how the terminals are
4 operated where these tankers call.

5 So I am in the process right now of revising those
6 regulations to reflect the Supreme Court's thinking and also
7 to attempt to incorporate the oil companies' and the Coast
8 Guard's comments.

9 I hope to have those regulations ready for another
10 public hearing in late June, and then, hopefully, bring the
11 regulations to this Commission at your July meeting for
12 adoption.

13 If there are any questions regarding that, I would
14 be free to comment.

15 CHAIRMAN CORY: Do you?

16 MS. SMITH: If you have any drafts, I would like
17 to see them.

18 MR. ROTE: I will have a revised draft by June
19 15th. At that time, we will send them around.

20 MR. McCAUSLAND: I would just like to say, if I
21 might, Mr. Chairman, that I am glad to see you came to the
22 State Lands Commission to finish up this task. There were
23 some of us that felt from the very beginning that if anybody
24 was going to be able to have some handle on the problem,
25 this might accidentally be that body. I hope that we can do

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1 something successful.

2 I know of serious efforts over the past seven
3 years to address this problem, and maybe it's time to bring
4 it home to roost.

5 MR. ROTE: I might add that the Coast Guard has
6 come out with an advance notice of proposed rule making,
7 which means that they are just beginning to think about some
8 tanker terminal regulations nationwide. Admiral Higbee
9 attended a meeting in Long Beach about a week ago, I believe
10 it was. Admiral, you might want to just comment briefly on
11 what the Coast Guard proposes.

12 ADMIRAL HIGBEE: The Coast Guard started off with
13 this task force of theirs, meeting in New York; and then
14 they came to Los Angeles. From here they went on down to
15 Houston. Industry was largely represented down there in Los
16 Angeles, and they came from San Francisco to be there. The
17 Coast Guard's proposals were not welcomed, and I have
18 brought along to Dr. Rote here some of the comments made in
19 great depth against them.

20 Everything in regard to regulatory port procedures
21 is opposed generally by industry. Even if it's good, they
22 don't like it. Even if in their own manuals they have these
23 procedures, it is preferable to them not to have these as
24 statutory ordinances or laws because noncompliance can then
25 be a violation.

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1 Since you have met down in Los Angeles a year or
2 so ago, my hopes faded because I did not see -- because
3 I didn't know that you are active in this field. But they
4 are rekindled now, and I hope to see that you will take
5 effective action.

6 There is a void there now, as, for example, in
7 Long Beach and Los Angeles ports, industry plays one port
8 against the other to get immunity. One port will say, "Well,
9 you come over to our side, and you won't be bothered with
10 this, that, or the other thing." So as a result, security
11 fades, and there is necessity of someone moving in.

12 The Coast Guard has regulatory personnel and
13 inspectors who, because of the rotation of duty, they are
14 on for a year or so, and then these people go. Then they
15 are replaced by other novices. There is need of some
16 permanently trained pros who will stay on the job in that
17 field.

18 For about 35 years, my work has greatly been in
19 the security of port facilities and the behavior of vessels
20 in approaches to ports and in the ports. If I can help your
21 task force committee, I will be pleased to do so.

22 I see gentlemen here who probably have strode
23 through the rubble of a tank ship and oil terminal fire and
24 who have smelled the stench of burned bodies and petroleum-
25 destroyed vehicles. And some of you maybe have even been on

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1 an assault beach, amphibious warfare, and seen something of
2 that sort. If you have seen both of those debacles and
3 horrid scenes, I think you would agree that it is similar
4 to a tank ship and a tanker terminal facility. And I am
5 pleased to know that this Board is on the threshold of going
6 ahead and taking some effective action in it. It is
7 worthwhile.

8 The ports, as I understand it, get their franchise
9 to operate on the state lands from the State Capitol and from
10 the state government, and I can say that there is need in
11 some places for state regulation. I have served in a
12 regulatory status on a federal level and on a municipal
13 level. I was the Port Warden in Los Angeles for 19 years.
14 I founded and was the first president of the Cargo Protection
15 Council. I just know that something has to be done with
16 this. And if your regulations are reasonable and necessary,
17 the higher courts are going to uphold them, which is
18 something I've seen happen year after year. When local
19 regulations have been opposed on the federal level and by
20 industry, and they have taken it to the higher courts, and
21 if they were not reasonable and not necessary, they were
22 denied. But where they have been reasonable and necessary,
23 they have been approved and have become effective.

24 I will be glad to help you. Thank you.

25 CHAIRMAN CORY: Thank you very much, Admiral. And

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1 one of the things from your previous testimony that stood
2 out in my mind is that we are going to have to have a
3 mechanism that the inspections and the enforcement are done
4 at least intermittently on a 24-hour basis rather than just
5 in the daylight hours as you suggested.

6 ADMIRAL HIGBEE: I am so glad you said that,
7 Mr. Cory. I was remarking to your chairman here, the way
8 it is now you have a federal Coast Guard inspection of
9 tank ships before they load or discharge. Any transfer of
10 petroleum. And the fire department is in on it, too. And
11 sometimes some of the port wardens of the city, their
12 officers, look at it. But it's like a football game where
13 there you have the umpire and the field judges and some
14 other officials at the kickoff. As soon as they catch the
15 ball and advance it one yard or more, all officials go home.
16 And the trouble has been that these mishaps have not
17 occurred at the beginning. It's been halfway through, and
18 more often when the vessel has become empty of cargo but is
19 just a big, steel cauldron of captive vapors.

20 So you are going to have to have something in
21 progress that goes the whole way with this thing and not
22 just as a kickoff.

23 CHAIRMAN CORY: We will see that that is done.
24 Thank you very much for being here.

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that

1/2

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1 completes my report.

2 CHAIRMAN CORY: Okay. The next item is
3 Mr. Golden's report. Dick.

4 MR. GOLDEN: Thank you, Mr. Chairman. One item
5 this morning relative to the State Coastal Commission,
6 acting pursuant to legislative directive, ranked and placed
7 in priority order possible onshore liquefied natural gas
8 terminal locations.

9 Subsequent to many open public hearings, in
10 addition to two final days of extensive evaluations in May,
11 the Coastal Commission selected the Horno Canyon site on
12 the Camp Pendleton Marine Corps Base as its top choice. The
13 second selection was Rattlesnake Canyon in San Luis Obispo
14 County. The other two sites, including Point Conception,
15 were relegated to a lower ranking due to their geologic
16 instability or environmental sensitivity.

17 Various general and site specific conditions were
18 placed on these sites. These conditions specified that State
19 Lands staff should be represented on a number of consultant
20 groups. State Lands staff was specifically to be consulted
21 with regard to:

- 22 One, a review of the offshore facilities
23 construction plan and schedule for the
24 berthing and trestle facilities;
25 Two, approval of an oil spill prevention and

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1 contingency plan;
2 Three, the termination of LNG facility operations;
3 and,
4 Four, assisting the construction and operations
5 monitoring process.

6 The State Lands Commission staff submitted
7 several letters to the Coastal Commission expressing our
8 concerns relative to the nominated land sites. The
9 potential for oil and gas development exists in the vicinity
10 of some of the selected sites. For instance, Union Oil
11 Company has applied for an exploratory test well lease off
12 Point Conception. Staff concerns were expressed by letters
13 to the Coastal Commission citing problems of tanker vessel
14 routing and these impacts on oil and gas development.

15 In response to our concerns, the LNG tanker
16 offshore routing task force was proposed by special
17 resolution. The Coastal Commission by this resolution
18 requested the U.S. Coast Guard to consult with the Coastal
19 Commission, State Lands, and other appropriate agencies on
20 matters of safety and other routing implications.

21 That completes my report, Mr. Chairman.

22 CHAIRMAN CORY: You seemed to skip rather briefly
23 over the one thing that I was hoping you would answer for
24 me.

25 MR. GOLDEN: Why did they choose Horno Canyon?

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1 CHAIRMAN CORY: Yeah. Why?

2 MR. GOLDEN: Well, the rationale was that they
3 felt that under the act of the legislature they were
4 required to come up with the most environmentally-positive
5 site they could find, and this was the one that they felt
6 outshone all of the other sites that they had under
7 consideration on shore. Way above.

8 CHAIRMAN CORY: Is that a deterioration of our
9 military preparedness that they were more willing to take
10 on the Marines than the Sierra Club?

11 (Laughter.)

12 MR. GOLDEN: Well, there were a number of concerns
13 expressed at the meeting, both by commissioners and people
14 who had testified previous to that about the Horno Canyon,
15 one of them being the strafing operations and landing
16 operations of the Marines in the area and would this be
17 safe for an LNG. And also the placement of the nuclear
18 plant close by. That was also a concern with the Rattlesnake
19 Canyon site.

20 But ultimately the decision was made purely on
21 the basis of what they felt their charge was, and that was
22 to look at the environmental factors only. And from that
23 point of view, they felt that Horno Canyon was the only one
24 they could really feel very delighted about. The others
25 were ranked down the way because of other problems.

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1 CHAIRMAN CORY: Does airplane strafing -- is that
2 an environmental consideration?

3 MF. GOLDEN: I think they felt that was a human
4 thing imposed on the land and it could be changed. When
5 asked in light of the fact that the House Committee on
6 Armed Services had sent a telegram saying, "No way," and all
7 of the other expressions by the Navy and Marine Corps to
8 the contrary, they said, well, there was a nuclear plant
9 that came in on them.

10 CHAIRMAN CORY: Okay. Thank you.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
12 Number 23 is off the calendar for today.

13 CHAIRMAN CORY: Item 23 is off calendar. That's
14 the only one I liked.

15 The first item we will take up will be the Consent
16 Calendar items which have the prefix C1 through 15. Unless
17 somebody in the audience has any adverse comments to the
18 proposed staff recommendations, these will be approved in
19 one group. Do we want a motion?

20 MR. McCAUSLAND: Move it.

21 MS. SMITH: Second.

22 CHAIRMAN CORY: Without objection, the Consent
23 Calendar will be approved as presented.

24 Item 16. Mr. Northrop.

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is

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1 a contract for the continuation of removal of objects along
2 the San Joaquin-Sacramento River Delta area.

3 CHAIRMAN CORY: Any questions by members?

4 MS. SMITH: No.

5 MR. McCAUSLAND: Haven't we got it all cleaned up
6 already?

7 EXECUTIVE OFFICER NORTHROP: No. We have some
8 considerable area left to go, and what we are attempting to
9 do is to wrap up the areas that we have.

10 MR. McCAUSLAND: How much will the \$250,000 buy?

11 EXECUTIVE OFFICER NORTHROP: I have no idea on
12 mileage.

13 Jim, can you give us some mileage?

14 MR. TROUT: No. It's very difficult on mileage
15 because, one, we don't have --

16 MR. McCAUSLAND: Let me ask a question. Did you
17 go out and ask for a bid that said how much work can we do
18 for \$250,000, or what kind of a bid are you asking for?

19 MR. TROUT: My understanding of the bid procedure
20 is that we have asked for comparative rental rates for
21 equipment and man hours and how much per hour would you
22 charge to do cleanup-type work.

23 MR. McCAUSLAND: We did that once before, and we
24 got a funny bunch of formats back from --

25 EXECUTIVE OFFICER NORTHROP: Mr. McCausland,

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1 Mr. Mills is aware of this problem we have had in the past
2 and has assured me he has done all necessary to eliminate
3 that happening in the future.

4 MR. MILLS: We are bidding this contract on an
5 equipment rental basis, on a strictly hourly basis. We will
6 get an estimated 400 hours of work for the \$250,000,
7 depending on, of course, the amounts bid, it will increase
8 or decrease.

9 MR. McCAUSLAND: What kind of monitoring do you
10 intend to do of the operation so that you have some
11 assessment of --

12 MR. MILLS: We have a site supervisor already down
13 in the Delta working on an existing contract. We will add
14 an assistant to his staff. In addition, some of our
15 engineering people in Sacramento will be making periodic
16 inspections, and we will have overall supervision for the
17 entire project.

18 CHAIRMAN CORY: Any objections?

19 MS. SMITH: No.

20 MR. McCAUSLAND: Thank you.

21 CHAIRMAN CORY: Without objection, authorization
22 is granted as requested in Item 16.

23 Item 17.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 17
25 is an attempt by staff to amend the regulations in Title 2

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1 to have it conform with SB 349, the Recreational Pier Bill
2 that passed last session -- last year -- and it handles our
3 new leasing policy regarding recreational piers and the
4 charges therefor.

5 CHAIRMAN CORY: Where are we with the Attorney
6 General's opinion on agencies and constitutionality of
7 statutes?

8 MR. GOODMAN: Mr. Chairman, I do not know whether
9 that opinion has been finished yet. I can inquire.

10 MS. SMITH: Didn't we also ask the Attorney General
11 to prepare a letter advising us of our different alternatives
12 in regard to dealing with the rec pier bill in an executive
13 session.

14 EXECUTIVE OFFICER NORTHROP: Not that I know of,
15 Ms. Smith, but it well may be we'll have to research those.
16 I know we asked them the constitutionality question, but
17 I don't recall the other one. Does anyone here at the table?

18 CHAIRMAN CORY: Well, we have asked whether or
19 not it is constitutional, and we have not heard back?

20 MR. HIGHT: No, Mr. Chairman. The bill as drafted --
21 I think it's the opinion of the Attorney General's office
22 that as drafted it is constitutional.

23 CHAIRMAN CORY: Okay. They have issued that
24 opinion.

25 MR. HIGHT: No. We have that on --

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1 CHAIRMAN CORY: Word of mouth.

2 MR. HIGHT: Yes.

3 EXECUTIVE OFFICER NORTHROP: Verbal.

4 MR. McCAUSLAND: Get it on tape.

5 (Laughter.)

6 MR. McCAUSLAND: Would the Attorney General's
7 office like to comment on that?

8 MR. GOODMAN: I frankly am not in a position to
9 comment, Mr. McCausland. I'm aware of the situation. I
10 have done some work on the bill. But I know of nothing in
11 writing, and if the Commission --

12 MR. McCAUSLAND: Do we have an opinion forthcoming?
13 I would like to delay action on the regulations until we
14 have an opinion from the Attorney General.

15 CHAIRMAN CORY: What happens if we do that?
16 Anything?

17 MR. TROUT: We just would not be able to issue
18 rent-free leases. We would just hold applications in
19 abeyance; or if people were anxious, they could operate under
20 the present regulations which would require small annual
21 rent.

22 (Inaudible discussion.)

23 MR. TROUT: No, I don't think so. Assuming that
24 we are not talking about a lengthy delay, we don't have
25 problems.

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1 MR. GOODMAN: Our informal advice to staff was
2 that the finding in Section 2 of SB 349 would be very
3 difficult to overcome in court, and those legislative
4 adoptive findings would cause severe problems in any
5 challenge of the constitutionality of the regulation. That
6 is the most likely advice which would be contained in a
7 written --

8 CHAIRMAN CORY: How long would it take to reduce
9 that to writing?

10 MR. GOODMAN: Something happens to opinions when
11 they are requested, either formally or informally. They
12 go through a very protracted process.

13 MR. McCAUSLAND: Well, this one won't have to
14 come out until after the primaries.

15 (Laughter.)

16 MS. SMITH: This bill went into effect in January
17 of this year; right? So what have we been doing in terms
18 of our rentals of rec piers up to this point?

19 MR. TROUT: Ms. Smith, those people who were
20 anxious to get permits have been willing to pay the minimum
21 relatively small fees -- I think \$30 a year or \$40 a year
22 rent -- and we have gone ahead and issued those permits.
23 Others, the applicants have just proposed or thought it was
24 best to just wait until the new regulations come into effect,
25 and those applications we are just holding.

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1 MS. SMITH: Any problem with refunding the money
2 after we get our regs adopted?

3 MR. TROUT: Well, most of the people have opted
4 to go ahead. It's been on the basis that they would not get
5 a refund, and they understood that. They were operating
6 under the regulations in effect. Each one has been given
7 the option, "Do you want to go ahead and pay, or do you
8 want to wait and see what comes out of it?"

9 MR. McCAUSLAND: Mr. Chairman, I have re-thunk my
10 position. I would like to move adoption of the regulation.

11 CHAIRMAN CORY: If their informal opinion is
12 that --

13 MS. SMITH: I don't think it is going to make any
14 difference, because you can't overcome a legislative
15 finding of emergency.

16 CHAIRMAN CORY: Okay.

17 MS. SMITH: The court won't overturn it unless
18 it's clearly --

19 CHAIRMAN CORY: Okay. I'll go along with it.
20 Betty, are you happy with it?

21 MS. SMITH: Uh-huh.

22 CHAIRMAN CORY: We'll go ahead and adopt it?
23 Without objection, amendments are adopted as
24 presented.

25 Item 18, revised minimum non-refundable expense

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1 deposit.

2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
3 is more closely, or attempts to closely come to some sort
4 of compromise in reflecting the cost of preparation of
5 these deposits.

6 CHAIRMAN CORY: Any questions on this item?

7 MS. SMITH: No.

8 MR. McCAUSLAND: No.

9 CHAIRMAN CORY: Without objection, Item 18 is
10 adopted as presented.

11 Item 19, Standard Covenants - State Lands
12 Commission Lease, requiring that the lessee, in addition to
13 preventing pollution and contamination of the environment,
14 will practice water conservation.

15 EXECUTIVE OFFICER NORTHROP: Yes, sir.

16 CHAIRMAN CORY: This is Ron Robie's shop wanting
17 us to --

18 EXECUTIVE OFFICER NORTHROP: Yes, sir. They felt
19 that it was very important that we cover that in our lease.

20 CHAIRMAN CORY: Okay. Anybody in the audience on
21 this item?

22 Without objection --

23 MS. SMITH: There's no enforceability?

24 EXECUTIVE OFFICER NORTHROP: Pardon?

25 MS. SMITH: I mean, there is no enforcement.

1 EXECUTIVE OFFICER NORTHROP: I don't really agree.
2 I think if we find someone who is wantonly wasting water in
3 some of their operations where conservation would be
4 considered, I think, particularly in time of drought or
5 that sort of thing, I think the staff would probably
6 recommend to the Commission that they take some kind of
7 action to at least warn the lessee that he is doing that
8 sort of thing.

9 CHAIRMAN CORY: The only enforceability would be
10 if that would give you grounds to terminate the lease.

11 EXECUTIVE OFFICER NORTHROP: Yes. That's right.
12 In other words, advise him that a lease cancellation is
13 a --

14 CHAIRMAN CORY: But are you willing to say that,
15 yes, if this were a covenant in the lease and somebody were
16 violating it and you put them on notice and they refuse to
17 correct, that we could in fact terminate the lease?

18 EXECUTIVE OFFICER NORTHROP: Yes.

19 MS. SMITH: I had a feeling you could do it. I
20 just didn't know if that would be anything we would
21 terminate a lease over.

22 EXECUTIVE OFFICER NORTHROP: I think if we went
23 through another three or four dry years, I think we might
24 well do that.

25 MS. SMITH: Oh, yeah, in a drought maybe.

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1 EXECUTIVE OFFICER NORTHROP: Well, I think that
2 is really what the situation was.

3 CHAIRMAN CORY: Any objections?

4 Without objection, Item 19 will be approved as
5 presented.

6 Item 20, acceptance of a bid for a thousand
7 dollars on beetle-killed timber in Lake County, with Ron
8 Borges.

9 Anybody in the audience on this item? This is
10 a bid -- and that's the highest we could get for our -- I
11 mean, if pecky cedar is worth so much, why isn't beetle-
12 killed timber worth more?

13 (Laughter.)

14 CHAIRMAN CORY: Okay. No response is necessary.
15 I guess it's the highest bid, and we have got to remove
16 the timber anyway. And it's worth something. It's a
17 thousand dollars that we didn't have.

18 MS. SMITH: No objection.

19 CHAIRMAN CORY: Without objection, Item 20 will
20 be approved as presented.

21 Item 21, acceptance of \$600 --

22 EXECUTIVE OFFICER NORTHROP: There are nine trees
23 involved here, Mr. Chairman. This was a negotiated sale
24 with the High Sierra Land and Timber Company who happened
25 to be working in the area. For nine trees, staff felt that

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1 was a --

2 CHAIRMAN CORY: Is there anybody in the audience
3 on this item?

4 What is the difference between an insect kill and
5 a beetle kill?

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
7 think one calendar item was written by someone who liked
8 the beetle kill concept, and the other one covered the
9 waterfront more specifically.

10 CHAIRMAN CORY: Are they the same creatures that
11 did it in both cases?

12 MR. TROUT: Similar, but not necessarily the same.
13 One is broader than the other.

14 CHAIRMAN CORY: I understand the English language.
15 I don't understand what they are trying to tell me.

16 (Laughter.)

17 CHAIRMAN CORY: I mean, is there one particular
18 beetle that kills timber, and in addition there are a lot
19 of other insects that kill timber? I am just curious what
20 the hell is going on out there.

21 MR. TROUT: There is more than one kind of beetle.
22 One is responsible for Item 20. More than one is responsible
23 for Item 21.

24 CHAIRMAN CORY: Okay. You are sure of that?

25 MR. TROUT: Fairly certain.

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1 CHAIRMAN CORY: Okay. Any questions?

2 MR. McCAUSLAND: No objection.

3 CHAIRMAN CORY: Without objection, we will accept
4 \$600.

5 Item 22, acceptance of a bid of \$426,595 with
6 Coin Lumber Company. This is a bid on Ponderosa and White
7 Fir on school lands in Plumas County.

8 EXECUTIVE OFFICER NORTHROP: Right.

9 CHAIRMAN CORY: Anybody in the audience on this
10 item?

11 Questions from members?

12 MR. McCAUSLAND: No.

13 MS. SMITH: No.

14 CHAIRMAN CORY: Without objection, Item 22 will
15 be approved as presented.

16 Item 23 is off calendar.

17 Item 24, Chevron USA, Inc.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on
19 behalf of the staff, Don Everitts will make a presentation
20 on this item.

21 Mr. Everitts.

22 CHAIRMAN CORY: While Don is coming up, I forgot
23 at the start of the meeting to point out that Mr. Trout--
24 this morning I had the pleasure of presenting him with a
25 Twenty-Five Years of Service Certificate for the State. I

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1 guess a lot of things could be said that probably shouldn't
2 be, but a 25-year old trout smells for itself. Nice to
3 have you with us, Jim.

4 (Laughter.)

5 MR. TROUT: Thank you, Mr. Chairman, I think.

6 MR. EVERITTS: We are proposing to negotiate a
7 lease with Chevron under the terms of Public Resources Code
8 that says where there is no drill site reasonably available
9 or due to an odd shape so that the land actually will not
10 support a well, we can negotiate. This map shows in
11 yellow --

12 MR. McCAUSLAND: Just a second, Don. Is there
13 any objection from anyone on this? I read the calendar
14 item, and I understand it.

15 EXECUTIVE OFFICER NORTHROP: We have got someone
16 here.

17 MR. McCAUSLAND: Go ahead and present the item
18 then.

19 MR. EVERITTS: The yellow area is the area that
20 Chevron has under lease. The solid yellow is all under
21 lease. They have negotiated of our lease about 98 percent
22 of this area. We are currently leasing down in here, and
23 they have about half of that under lease right now.

24 Total acreage is about 1500 acres of their land;
25 approximately 205 acres of our land. This green square

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1 represents the same area shown on this aerial photo, and
2 that yellow square --

3 CHAIRMAN CORY: Don, when was that photograph
4 taken?

5 MR. EVERITTS: Well, I don't --

6 MR. McCAUSLAND: '75. March '75.

7 MR. EVERITTS: I missed it.

8 CHAIRMAN CORY: Would you order braille maps for
9 Everitts.

10 (Laughter.)

11 CHAIRMAN CORY: Explains a lot of your mistakes.
12 Go ahead.

13 (Laughter.)

14 MR. EVERITTS: Sorry about that.

15 The yellow spot represents the proposed well
16 location. This is a residential area across the river.

17 CHAIRMAN CORY: That is Yolo County?

18 MR. EVERITTS: This is in Yolo County, and this
19 is in Sacramento County and the City of Sacramento.

20 CHAIRMAN CORY: Okay. And that is -- could you
21 step aside so I could try to locate -- Greenhaven is like
22 about off the map --

23 MR. TROUT: To the bottom. It's a pocket.

24 MR. McCAUSLAND: This is the end of the little
25 lake right there.

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1 CHAIRMAN CORY: Go ahead. I just wanted to make
2 sure I --

3 MR. EVERITTS: Well, they are proposing to drill
4 at least one exploratory well and then maybe redrill it a
5 couple of times. The play would probably take a maximum of
6 eight wells. The total drilling time might encompass a
7 year, and it might take 15 years to produce the reserve.

8 We have negotiated a 30 percent royalty, \$15 an
9 acre rent, plus a five percent override on anything that is
10 produced from this side that goes through under the river.
11 So really it's a good lease for us.

12 CHAIRMAN CORY: The override, they plan on doing
13 that from the site directional drilling to the whole area?

14 MR. EVERITTS: Well, they may have to move up or
15 down, but they would get a good part of it from that one
16 spot. It would depend on the geology.

17 CHAIRMAN CORY: But the override you are talking
18 about is it is a directional drill under the river?

19 MR. EVERITTS: If they directionally drill under
20 the river, we get a five percent override.

21 CHAIRMAN CORY: On the stuff coming up the hole?

22 MR. EVERITTS: Right. Plus 30 percent of anything
23 they would be draining from the river.

24 CHAIRMAN CORY: And the law of capture puts us
25 where? If we don't lease it, they are probably going to

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1 take it anyway?

2 MR. EVERITTS: They will take it anyway.

3 CHAIRMAN CORY: It's a delightful choice. It's
4 an interesting concept that remains in the law.

5 MR. EVERITTS: They have also made one change in
6 the passing which was to our advantage in that the price as
7 determined by the State will be no less than either the
8 highest price of nearby fields or the exchange value of the
9 gas. At this point, we don't have a signed agreement, but
10 that's in the lease.

11 CHAIRMAN CORY: Some of the sophistry that is
12 going in some of the hearings we have had on gas prices
13 might be avoided, like the change in that contract?

14 MR. EVERITTS: Yes. That's why it was put in
15 there.

16 CHAIRMAN CORY: Okay. Any other things you want
17 to tell us?

18 Rosemary Daniels.

19 MS. DANIELS: Rosemary Daniels, 6660 Harmon Drive,
20 Sacramento, in the Pocket area.

21 I would like to be concise, but with us it's not
22 a concise issue. I am going to take some time if you don't
23 mind.

24 For background, I want to first protest the timing
25 of this hearing for the Pocket people.. Most people work in

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1 the Pocket, husbands and wives both, and many could not be
2 here who would like to be here at the hearing.

3 Going on from here, I want to give you a little
4 background of what happened in the Pocket about four years
5 ago. Around that time, up until about three years ago,
6 representatives from Standard Oil, salesmen, came to the
7 Pocket area and asked for signatures on this leasing
8 document, whereby people would lease their mineral rights
9 to Standard Oil for any natural gas that they found in the
10 area. The people who signed were given \$15. It said \$15
11 an acre. Most people have about a third of an acre or less
12 in land, but at any rate, they were given \$15. They were
13 told they possibly could make as much as, I guess, \$25 a
14 month -- I'm not sure of that -- but if gas was found,
15 there could be a possibility of royalties up to that amount.

16 They implied to the people that they had already
17 made arrangements to come in, that they were coming in. As
18 if they had gone through city government channels. I don't
19 think they had at that time at all.

20 They said there was absolutely no risk to the
21 homes. This was stressed to the people. So they got the
22 50 percent signatures because people felt, "What could we
23 do about this? They are coming in anyway. There is no risk
24 to our homes. So what do we lose?"

25 I think the salesmen definitely misled us. For

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1 one thing, the area does have some subsidence which people
2 were not aware of at the time -- some people were not aware
3 of it at the time. There is subsidence in the area.
4 Apparently, in order to drill for this natural gas, they
5 have to -- they assume the water will fill the vacuum if
6 the gas is there and they take the gas out. But they are
7 not positive. This is not a sure thing. So there is an
8 element of time whereas if there is not water filling up
9 this vacuum, then they will have to pump the water in.
10 That is a risk. That was not a risk that was told to people
11 at all.

12 There is a risk of explosions. We have severe
13 winds in the Pocket that could come down the river, and a
14 fire, if an explosion occurred across the river in the
15 drilling site -- a fire could easily leap across that river.
16 We have, as I said, severe winds, and I've seen fires leap
17 across a fourth of a mile very easily in that area.

18 So we were not told all of these risks at all. We
19 were told that there was no risk at all involved. And they
20 got the signatures.

21 I don't think anybody would have signed if they
22 had been told all of the risks involved. I really don't
23 think they would have got signatures at all.

24 Now we find that the State Lands Commission has
25 decided that only a Negative Declaration is necessary instead

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1 of a Environmental Impact report. I consulted with an
2 environmental lawyer and people from ECOS, and they were
3 very surprised that an Environmental Impact report was not
4 done on this situation.

5 I talked to Mr. Willard from the State Lands
6 Commission. He tells me that there is minimal risk to this
7 operation and there is a good chance that if they drill for
8 gas and water does not fill the vacuum, they probably can
9 pump the water in before the land shifts. Now, these are
10 all vague words to me. I would like some definitions on
11 what they mean by minimal risk and what they mean -- one
12 in a hundred, one in a thousand? What risk are we facing
13 here? I would like some facts on this. Is there anybody
14 from the State Lands Commission who would answer my question?

15 CHAIRMAN CORY: To put it in perspective, the
16 question that we have before us is I think we are in a
17 similar situation as you are. We are a landowner in the
18 area, and our choice is to lease or not lease. Whether or
19 not we lease or do not lease does not preclude them from
20 going ahead and drilling and doing their number.

21 MS. DANIELS: Except that I understood the City
22 Planning Commission or the Board of Supervisors could say
23 that they don't agree to this. Isn't there still the
24 element of city government?

25 CHAIRMAN CORY: Yes. If there is some zoning

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1 restrictions in Yolo County, they can decide they don't want
2 that done. But in terms of our position, it is really
3 identical to the homeowners out there, only we are a little
4 further down the road since everyone else has signed. Our
5 question is whether or not we sign a lease and get some of
6 the money or whether or not we don't sign a lease and the
7 laws are set up, the law of capture, that by going over
8 there in Yolo County and putting the hole in the ground,
9 they can take our gas and don't have to pay for it.

10 MS. DANIELS: But I understood that there still
11 are ways to stop this operation; are there not?

12 CHAIRMAN CORY: There are ways to stop it, but it
13 will take a landowner, I think, going to court or to other
14 governmental agencies. This agency does not have the power
15 to stop that from happening.

16 MS. DANIELS: You do have the power to request an
17 EIR, do you not, though? Is this so?

18 CHAIRMAN CORY: They can still go ahead and drill
19 without it. They can say, "No, we don't want a lease.
20 We're just going to go ahead and poke a hole in the ground
21 and steal your gas."

22 MS. DANIELS: Since you said you were in the area,
23 you know that that is considerably changed. There is much
24 less open space --

25 CHAIRMAN CORY: Yeah, that's why I was wondering

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1 when it was taken.

2 MS. DANIELS: -- in the last three years. I have
3 to admit that I did not read the Negative Declaration, but
4 I had requested the report and it didn't arrive. It was
5 not mailed to me. It was a mistake. Somehow they didn't
6 mail it to me. So I had parts of it read to me over the
7 telephone. On this report, one of the, I think, gross
8 errors was that it said there were very few homes and there
9 was no chance for growth or no possibility of growth. That
10 is absolutely not true, because it's going to be a very fast
11 growing area. It is pretty densely populated as it is right
12 now.

13 I have a lot of other questions. I'm wondering
14 if anybody can define or anybody answer these questions
15 concerning the operation? Is there someone here who can
16 answer my questions?

17 MS. SMITH: Mrs. Daniels, just for your
18 information, based on the document in our calendar, there
19 was a letter dated May the 13th, 1977, from the City of
20 Sacramento, indicating that they would still require
21 Standard Oil to obtain a special permit from the Planning
22 Commission before they start operations. So that is where
23 you should go.

24 MS. DANIELS: That is where we are going to go.
25 But I understood also that this was the place to come to

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1 request an EIR before -- the thing is, what I understand is
2 that this subject has been kind of quickly gone over by the
3 Lands Commission. They have sort of rushed quite a bit by
4 not doing an EIR. And I want to know why.

5 CHAIRMAN CORY: Well, the problem is that the
6 basic jurisdiction -- our question is the same as the
7 landowners'. The same position that you have. We are not
8 licensing or granting the people to do this. If they were
9 wanting to put a drill site on our property, then I think
10 we would say, "We want an EIR," and we would do that. In
11 this particular case they are giving us a real Hobson's
12 choice -- sign up or we are going to go ahead and put the
13 hole in the ground and take your gas and pay you nothing.
14 So our leverage and control over it is relatively small.

15 MS. DANIELS: Even if the City Planning Commission

16 CHAIRMAN CORY: They have control. They have
17 their options.

18 MS. DANIELS: But I was under the impression that
19 this hearing was very important for us because at this
20 hearing was the last time, the last chance we had to request
21 an EIR be done. That's why I am here.

22 MR. HIGHT: You can request that at the city and
23 county level.

24 MS. DANIELS: It still can be requested?

25 MR. HIGHT: Yes.

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1 MS. DANIELS: At that level.

2 AIRMAN CORY: The problem I think that you are
3 going to have is the EIR is probably Yolo County.

4 EXECUTIVE OFFICER NORTHROP: Yes, Yolo is the
5 lead-out.

6 CHAIRMAN CORY: If they are the lead agency --
7 I don't know what their views are likely to be, but since
8 the development seems to be primarily in Sacramento County
9 on the other side, they may have less concern if they take
10 totally a provincial --

11 MS. DANIELS: In Yolo County?

12 CHAIRMAN CORY: Yes.

13 MS. SMITH: That they have already agreed with them
14 that they could do a declaration.

15 MS. DANIELS: Yes, they have. I understood they
16 were going all over Yolo County. The problem is this is
17 really the first time it would come into Sacramento County,
18 the first time into an urban area. We are an urban area.
19 We are in the city limits. We are not in the county. We
20 are in the city. This would be the first time that they
21 would be coming under an urban area in Sacramento County.
22 I think this is kind of a precedent, and I think it is kind
23 of important.

24 MS. SMITH: Perhaps Mr. Everitts can clear this
25 up, but I understand there won't be that much subsidence in

1 the area and that for the amount of subsidence that there
2 will be -- there have already been measures taken to correct
3 it. Is that right?

4 MR. EVERITTS: That's right. There is a network
5 setup as part of the lease. There is a further network
6 setup. Once production is started, measurements will have
7 to be made and regular measurements will have to be kept,
8 and if there is any subsidence exceeding the natural
9 subsidence out there, which is not very much, they will
10 have to stop. It's not a matter of trying to keep producing
11 or repairing it. If there is any indication of any
12 subsidence, they have to quit operations.

13 MS. DANIELS: Concerning that risk of getting the
14 water in time in place of, you know, when you do drill and
15 there is subsidence, the matter of getting the water in
16 time. How risky -- isn't that the main risk that the report
17 says? Isn't that the major risk that the whole operation
18 has of not being able to get the water in case the water
19 doesn't fill naturally?

20 MR. EVERITTS: Well, these sands are basically
21 thin sands and low porosity. All you are producing is gas.
22 And mechanically, it's almost impossible for subsidence to
23 occur due to this. You would have more subsidence out there
24 right now due to withdrawal of fresh water. You have
25 subsidence fluctuations due to the tidal action.

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1 MS. DANIELS: It would seem to me it would
2 compound the subsidence. You have one problem. You begin
3 with subsidence, and then you have more chance with the
4 drilling. It would seem to me it would be a compound thing,
5 rather than making it simpler.

6 CHAIRMAN CORY: Well, Mrs. Daniels, I don't think
7 we can at this point in this meeting write an EIR for you.

8 MS. DANIELS: Okay.

9 CHAIRMAN CORY: The real question in my mind,
10 there appears to be a question of perspective which maybe
11 we could address ourselves to, and the reason I asked the
12 question when the aerial was taken. It seems to me there
13 is likely to be a current aerial that might show
14 substantially more development on the Sacramento side and
15 virtually no change on the Yolo side. So if an EIR is
16 written by somebody standing on the well side, it will come
17 to a certain conclusion as to the type of environment they
18 are affecting and whether or not it should or should not
19 appropriately include the entire area of the field is
20 another question.

21 One of the real parties of interest I think has
22 a representative here, and perhaps they have some knowledge
23 as to the EIR question.

24 Mr. Taaffe, are you -- you are with Chevron. Can
25 you comment on this dilemma?

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1 MR. TAAFFE: Well, I have not personally
2 participated in the negotiations or the preparation of a
3 Negative Declaration. I do have two comments I think.
4 Number one is as to your question about perspective and
5 surface development of the area. All I can say is, even
6 acknowledging that this may be the first operation, the
7 first subsurface operation in the city of Sacramento, our
8 company and other companies in the Los Angeles Basin have
9 conducted extensive operations from centrally located drill
10 sites and densely populated urban communities without mishap.
11 And as mentioned by Mr. Everitts, we have also established
12 these precise level measuring grids to determine whether
13 subsidence may be occurring from the withdrawal of oil or
14 gas, in that case.

15 I think there is little chance of a blowout
16 pursuant to the regulations that are promulgated by the
17 Division of Oil and Gas and which must be followed under
18 the provisions of the lease with the State Lands Commission
19 before any drilling is accomplished.

20 I think it is quite correct that the City of
21 Sacramento must grant a subsurface easement for the purpose
22 of our wells, under the City of Sacramento, the surface of
23 which is not currently zoned for surface operations. And
24 that hearing will be coming up. As I understand, the
25 purpose of this meeting, this Commission authorized the

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1 negotiations for a lease. The lease has been negotiated,
2 and it's now the Commission's question as to whether they
3 wish to grant the lease or not grant the lease. That's
4 about all I have to say.

5 MS. DANIELS: Okay. Where do we get information
6 on these risks involved? I mean, I'm hearing words like
7 "minimum" -- "good chance." I want some definitions. Is
8 the City Planning Commission the only place I can get this?

9 MS. SMITH: When was the Negative Declaration
10 prepared?

11 MR. TAAFFE: What's the date on it? It just has
12 a work order number on it. It's 11 pages long.

13 MS. SMITH: I know it has a work order number on
14 it. I was curious how long ago it was written.

15 CHAIRMAN CORY: Bill, is this a product of our
16 staff work, or this a boiler plate from something that was
17 submitted to Yolo as the lead agency?

18 MR. EVERITTS: We worked it over. I can't say
19 that every word in there is an original word, but we did --

20 CHAIRMAN CORY: The question in my mind --
21 Ms. Daniels, I sympathize with your concern. As wearing my
22 state hat, I'm prepared to go ahead with the lease because
23 I figure we don't have any choice much the way the landowners
24 had. The one thing that does bother me is the question of
25 the Negative Declaration, whether that is appropriate or

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1 whether an EIR should or shouldn't be done. I don't think
2 that question is really before us at this point. I would
3 not want to mislead. I've got some problems with page 3
4 or 129 -- calendar page 129 -- on the statement of the
5 present environment. If that were made explicitly clear
6 that the area around the drill site -- I would think the
7 individual properties have an average size range of ten
8 to forty acres, with a few larger up to 300 acres --
9 smaller, four or five acres. I think that is relevant to
10 the drill site area across the river. I don't think it is
11 relevant to the area on the other side of the river, and
12 that's what I --

13 MR. HIGHT: The next paragraph goes on to describe
14 the area across the river.

15 CHAIRMAN CORY: What I'm saying is I do not want
16 this language to be taken out of context to prejudice
17 Mrs. Daniels' ability to make her claim vis-a-vis the
18 environmental impact on her area. I think it's appropriate,
19 but I would think that Chevron is interested in expediting
20 its possibilities and it would look rather carefully. A
21 lot of environmental suits have been lost. I think
22 people have learned enough that it doesn't save time to
23 try to cut those corners at this point. I would think from
24 my dealings with Mr. Taaffe in the past, he tends to be
25 relatively straightforward on that and wants to do things

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1 right the first time at this point. So I don't know where
2 that stands, but I don't want anybody to misconstrue what
3 this is finding. As I read this, it is really saying that
4 the present environment around the drill site in this rural
5 agricultural setting is not referring to the entire area
6 of the field.

7 Now, the question of the field is one that I
8 would guess that your best shot is probably Sacramento when
9 that easement comes before them.

10 MR. TAAFFE: That's right.

11 CHAIRMAN CORY: And the corporation that Mr. Taaffe
12 works for and I sometimes have some differences. He has
13 always treated me honorably, and we have had clear
14 understandings. When you ask him a hard question, he
15 either tells you he doesn't know or gives you a factual
16 answer. So that's why I am saying right here, the woman
17 will have a chance to make her pitch there, and we are not
18 foreclosing her. This is not the place to fight the battle
19 she wishes to fight.

20 Is that your understanding?

21 MR. TAAFFE: That's my understanding.

22 CHAIRMAN CORY: And Standard Oil is not going to
23 be saying, "No, you had your chance at State Lands. You
24 should have spoken up there."

25 MR. TAAFFE: We are not going to preclude any

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1 legitimate comment.

2 CHAIRMAN CORY: I am just trying to put it in
3 perspective as to what we are doing, because I realize
4 government is very frustrating.

5 MS. DANIELS: It's very scary to come before any
6 commission, believe me. But I had a lot of questions. I
7 really want these answered, and I hope I can get them
8 answered at the Planning Commission.

9 MS. SMITH: Correct me if I am wrong, but my
10 understanding is that the issuance of this lease is contingent
11 upon Standard obtaining all of the permits that are necessary,
12 which includes the permit from Sacramento County, and also
13 upon the receipt of an oil spill contingency plan, above all
14 things, according to the Negative Declaration. So I still
15 think you have some time to fight your battle.

16 MS. DANIELS: I hope so. Thank you.

17 CHAIRMAN CORY: Anybody else in the audience on
18 this item?

19 What is the wish of the Commission?

20 MR. McCAUSLAND: Move to adopt.

21 CHAIRMAN CORY: Approval?

22 MS. SMITH: I'm just curious when the Negative
23 Dec was prepared and how long it's good for, so I'll just
24 abstain. I just wondered when the Negative Declaration was
25 prepared, because they decided not to do an EIR.

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1 EXECUTIVE OFFICER NORTHROP: Don, could you give
2 us a time frame of when the Negative Declaration was
3 prepared?

4 MR. EVERITTS: April, 1977.

5 MS. SMITH: Oh. Second it then.

6 CHAIRMAN CORY: Motion and second that the lease
7 as the staff presented be approved. That is a unanimous
8 vote the lease be approved.

9 Okay. The next item on the agenda is Item 25,
10 deferment of drilling requirements, State Oil and Gas Lease,
11 PRC 3095.1, Belmont Offshore Field, Orange County. They
12 are having some difficulties of drawing water and what else?
13 Some time to not comply with the 120-day drilling
14 requirement. My question is if we don't do this, then
15 Chevron is forced to either drill or abandon that portion
16 which they haven't drilled on; is that correct?

17 MR. HIGHT: Yes. Chevron would be in breach of
18 the lease in the event that they did not drill and we
19 would give them notice, and they would have the option then
20 of terminating that portion which is undeveloped or drilling.

21 CHAIRMAN CORY: They want an entire year?

22 MR. HIGHT: Nine months.

23 CHAIRMAN CORY: Propose deferment from May 20,
24 '78, to May 20 of '79. That's nine months?

25 EXECUTIVE OFFICER NORTHROP: Well, there is a

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1 period in which they are allowed -- they have a lag time
2 period anyway of 120 days.

3 CHAIRMAN CORY: The question in my mind is whether
4 or not that language gives that plus their 120 days, which
5 gives them 16 months.

6 MR. HIGHT: No. It gives them May 20, '79, and
7 they are either in a position of drilling or --

8 MR. EVERITTS: The intent is 12 months, and we
9 have got a clause in there that says if they are not working
10 diligently on the geological study that we want that we could
11 terminate on 30-days' notice.

12 MR. HIGHT: 60-days' notice.

13 MR. EVERITTS: 60-days' notice. The problem is
14 that the last four wells they have drilled have been bombs.
15 They have spent a whole bunch of money and no oil. So we
16 have got to find out what is wrong. We are working with
17 them. The deal is we are going to review their project on
18 a bi-monthly basis.

19 CHAIRMAN CORY: Okay. Without objection then,
20 Item 25 will be approved as presented.

21 Item 26, Thomsen/Tidewater Company, renewal and
22 modification of Mineral Extraction, and this is a minimum
23 30,000 cubic yards, a dollar an acre, plus a volumetric;
24 is that correct?

25 EXECUTIVE OFFICER NORTHROP: That is correct,

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1 CHAIRMAN CORY: Anybody in the audience on 26?
2 Any questions from members?

3 MR. McCAUSLAND: No.

4 CHAIRMAN CORY: Without objection, Item 26 will
5 be approved as presented.

6 Moe Sand Company, which is a similar pricing
7 format.

8 EXECUTIVE OFFICER NORTHROP: Yes, sir.

9 CHAIRMAN CORY: Anybody in the audience on 27?
10 Any questions from members?

11 MS. SMITH: No.

12 CHAIRMAN CORY: Without objection, Item 27 will
13 be approved as presented.

14 Item 28, a prospecting permit, extension of a
15 prospecting permit for our goldminers in San Diego. This
16 is heavy minerals, that is the ones that sink as opposed to
17 the ones that float.

18 EXECUTIVE OFFICER NORTHROP: Right.

19 CHAIRMAN CORY: Anybody in the audience on 28?
20 Any questions from commissioners?

21 MS. SMITH: No.

22 MR. McCAUSLAND: I am curious as to where you got
23 that definition. Do I have to vote for that?

24 CHAIRMAN CORY: No, you don't have to vote for
25 that. I was just chiding the staff. It was a beetle

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1 question.

2 (Laughter.)

3/4

3 CHAIRMAN CORY: Item 29, approval of Eighth
4 Modification. What are we doing here? We are spending
5 more money to get less?

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it
7 looks like the economic projections of the Long Beach Unit
8 will be up about five and a half million dollars additional
9 of what we planned; is that correct, Mr. Thompson?

10 CHAIRMAN CORY: He wasn't listening. That's
11 what that look means.

12 MR. THOMPSON: I thought I heard what he said,
13 and I thought he was probably optimistic.

14 EXECUTIVE OFFICER NORTHROP: I think the number
15 was 5.4 million?

16 CHAIRMAN CORY: He's an engineer. It's not
17 five and a half; it's 5.4

18 MR. THOMPSON: Actually, I think for the end of
19 the year, we will be up slightly because of the fact we
20 had to spend as much. Only for that reason.

21 EXECUTIVE OFFICER NORTHROP: Okay.

22 CHAIRMAN CORY: Any questions from members on 29?

23 MR. McCAUSLAND: No.

24 MS. SMITH: No.

25 CHAIRMAN CORY: Okay. Without objection, approval

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1 of Eighth Modification is granted.

2 Item 30, Abandonment of Injection Well, water
3 injection 1A pursuant to cooperative agreement. Any
4 details we should know about that before it's abandoned?

5 Without objection --

6 MS. SMITH: No objection.

7 CHAIRMAN CORY: Sid?

8 MR. McCAUSLAND: No objection.

9 CHAIRMAN CORY: Without objection, Item 30 is
10 approved as presented.

11 Item 31, a review of the Pilot Scale Demonstration
12 of caustic waterflooding for Enhanced Recovery. You are
13 going to tell us that unless we get a better price for our
14 oil we can't afford to do this project even if it is
15 scientifically successful; is that correct?

16 MR. THOMPSON: Well, again this is a project we
17 had to start engineering on in 1975, and it's a long-term
18 project. It doesn't look too attractive right now. The
19 project is costing more than we estimated because of the
20 extra well work. But the stake is so great, because again
21 if we could increase our production by even one or two or
22 three percent of the amount in oil in place, this is many,
23 many million barrels of oil. But again the project will
24 never get off the ground as far as a full-scale expansion
25 unless the oil price --

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1 CHAIRMAN CORY: What price do you need? If you
2 had world price, would it be attractive?

3 MR. THOMPSON: Probably. On this particular one,
4 we could probably do it at upper tier price. Micellar,
5 we definitely would have to go to world price. But this
6 was caustic. If the mechanics prove out effective in the
7 field tests, the material we are putting in the ground and
8 the treating of water costs would be such that we would do
9 it at upper tier price.

10 CHAIRMAN CORY: Okay. So that is a real
11 expectation, at some point, if you read the fine print of
12 the whole program that they are going to phase all of this
13 garbage out at some point.

14 MR. THOMPSON: Well, as you said, this insanity --
15 if we had thought this insanity was going to be present
16 today, we probably would not have even wasted our time on
17 this in 1975.

18 CHAIRMAN CORY: But if upper tier prices were
19 available, caustic might be --

20 MR. THOMPSON: Assuming that our expansion, when
21 we get in the pilot test, if we really get additional oil
22 recovery, yes, because of the cost of material putting in.
23 That's why we looked at this particular material, because
24 the micellar is very shaky. To begin with we have to use
25 an oil to make micellar injection projects, so there we are

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1 using a high-priced project to go back in for a low price
2 oil. But here we are using caustic material which is a
3 reasonable cost material.

4 CHAIRMAN CORY: Okay. Questions from members?

5 MS. SMITH: No.

6 CHAIRMAN CORY: Okay. You are going to inform us
7 about third quarter.

8 MR. THOMPSON: Parcel A is just another situation
9 in which we are in a bind because of oil pricing. We have
10 cut back some expenditures so in fact we are just staying
11 even. We are spending a little less, but again we are
12 going to get less oil recovery.

13 CHAIRMAN CORY: How much less per day? Per year?

14 MR. THOMPSON: Well, again we are in a decline
15 now, and we are down about three percent over our original
16 estimates this year. This is three percent, and this will
17 compound next year and goes on forever.

18 CHAIRMAN CORY: Okay. Any questions.

19 MR. McCAUSLAND: No.

20 CHAIRMAN CORY: Okay. Thank you.

21 Item 33, litigation, authorization to file
22 disclaimers on behalf of the State Lands and six Federal
23 condemnation actions -- Trinity, Butte, Colusa, and El
24 Dorado Counties.

25 Anybody in the audience on that? Any questions

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1 from members?

2 MS. SMITH: No.

3 CHAIRMAN CORY: Okay. Without objection,
4 authorization is granted on Item 33.

5 Item 34, authorize State Lands Commission staff
6 to accept payment of \$500 from Bel Marin Keys Community
7 Services District.

8 Mr. Northrop.

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
10 is a negotiated settlement between the Service District
11 and the staff. They are asking for your approval. The
12 Bel Marin County's Community Service District removed a
13 quantity of dredge material and spoiled it on Upland
14 ownership in an area of dikeage, I am told, improving the
15 original diking.

16 The amount of -- I suppose first if it had been
17 spoiled in a -- because it's a public service area, we
18 probably would not have charged them if they just spoiled
19 it in a public area, but they didn't. So by count, we
20 feel the amount was approximately \$2,000 worth of filter
21 that was taken. However, Bel Marin Keys Community Service,
22 which is a taxing district, has indicated that they do not
23 have any funds for which to pay the \$2,000. They feel they
24 can come up with \$500, and even that's a considerable
25 hardship to them. But they pleaded hardship on the

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1 additional money, so the staff is recommending we take the
2 \$500 in lieu of the 2,000 because of the hardship, the
3 Community Services District hardship case.

4 (Brief discussion off the record.)

5 CHAIRMAN CORY: Without objection, authorize the
6 staff. We will share the guilt with you.

7 EXECUTIVE OFFICER NORTHROP: Thank you.

8 CHAIRMAN CORY: Okay. Item 35, authorization
9 for staff counsel and/or A.G. to file a disclaimer of
10 interest in lands described in the case of City of Union
11 City versus M. C. Griffa, et al., Alameda. What's that all
12 about?

13 MR. HICHT: This is a suit by the City of Union
14 City, and they named the Lands Commission as a party, and
15 we don't have any lands within this area but some lands
16 around it. And we are dismissing, stipulating that we
17 don't own anything within this area but possibly outside.

18 CHAIRMAN CORY: Okay. For academic reasons and
19 educating myself, what would happen if we made a mistake
20 on that? I mean, Everitts couldn't find the date of the
21 map. We don't have Sid go over each of these maps before
22 they are approved. And what happens if we blow one?

23 MR. HIGHT: We are probably bound by it, unless
24 we can prove by some kind of thought or something we were
25 misled.

1 CHAIRMAN CORY: All right. These are checked and
2 double-checked before --

3 MR. HIGHT: Checked and double-checked and triple-
4 checked.

5 CHAIRMAN CORY: By different people?

6 MR. HIGHT: Yes.

7 CHAIRMAN CORY: Get those braille maps.

8 (Laughter.)

9 MR. McCAUSLAND: We have Don look at it in the
10 morning, and Everitts takes a look at it, and then D. E.
11 looks at it.

12 (Laughter.)

13 CHAIRMAN CORY: With that research, I am prepared
14 to authorize.

15 MR. McCAUSLAND: He only wears the glasses the
16 first time he looks at it. I apologize.

17 Have you been with us for 25 years? Have you got
18 your 25-year pin yet?

19 MR. EVERITTS: 45?

20 CHAIRMAN CORY: 25.

21 MR. EVERITTS: No. 13.

22 CHAIRMAN CORY: And wondering why.

23 FROM THE AUDIENCE: His seeing-eye dog has, though.

24 (Laughter.)

25 CHAIRMAN CORY: Without objection, item 35 is

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32 the Federal Government, a view that their claims remain
34 an interpretation of the submerged land acts which reflects
33 various islands, which also, that decision also changed
35 the owner of the one-mile belt around Anacapa in Santa
31 California and the United States confirm that the state is

30 MR. GOODMAN: In United States versus California,
18 not okay.

18 CHAIRMAN CORN: Okay. That was a bad decision.

17 MR. GOODMAN: I, in stating so.

16 that, I guess, must

12 talk to a member of the Supreme Court about decisions like

14 CHAIRMAN CORN: If, a inappropriate for me to
13 discuss that aspect of that decision.

15 in the Court of Appeals, and the Court of Appeals, therefore,

11 Appeals to the Supreme Court. That appeal is still pending

10 transfer the appeal which is now pending in the Court of

9 State Supreme Court has denied the Commission's motion to

8 California, in which the Lake Tahoe riparian dispute, the

7 MR. GOODMAN: In Lochery versus the State of

6 CHAIRMAN CORN: Oops. Pardon me. Go ahead.

5 of major litigation.

4 MR. GOODMAN: Mr. Chairman, a few items on status

3 any other business to come before us?

2 The next meeting, Sacramento, June 22nd,

1 approved.

1 valid notwithstanding the passage of the Act. They were
2 arguing that the Submerged Lands Act of 1953 in essence
3 did not affect any of their pending claims. The court
4 rejected that claim.

5 In California versus Nevada, I think the Chairman
6 and other members are well aware of what occurred, that is
7 that the court ordered that all of the pending motions be
8 referred to the Special Master for his recommendation. He
9 has now written a letter to California and Nevada Attorney
10 Generals' offices asking whether we think any more pleadings
11 should be filed. He apparently is prepared to make a
12 representation very shortly to the court.

13 In this one and the next case, California versus
14 Arizona, which was our sovereign land dispute with Arizona,
15 it is important note that the court will recess probably
16 on the 26th of June. So the Special Master in California
17 versus Nevada and the court itself in California versus
18 Arizona will have to rule by the 26th of June, or we go
19 over to the next term. We would not get a ruling until
20 October.

21 In California versus Arizona, the matter that is
22 pending is our motion for leave to file the complaint.
23 Arizona has objected to that motion, and the United States
24 has responded by saying that the Supreme Court is the only
25 place in which California can sue Arizona, but that

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1 California can sue the United States only in District Court,
2 which presents a rather novel situation for the Supreme
3 Court to decide. We will have to wait until the 26th of
4 June or next fall to find out.

5 CHAIRMAN CORY: I hate to comment in absentia, (sic)
6 but my recollection was that it was Jan Stevens who came
7 in with this whole program of California versus Nevada.
8 Where is Jan?

9 MR. GOODMAN: Jan just returned --

10 CHAIRMAN CORY: From where?

11 MR. GOODMAN: -- from vacation. Various European
12 countries.

13 CHAIRMAN CORY: He talked us into this suit,
14 and we filed it. And I turn around asking for Jan trying
15 to get him on the phone and he is in Europe.

16 MR. GOODMAN: It was either that or lose six
17 weeks of vacation.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it
19 should be noted that Allan Goodman --

20 CHAIRMAN CORY: Welcome him back.

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it
22 should be noted that Allan Goodman who is representing the
23 Attorney General here this morning, is transferring out of
24 the Sacramento area -- he has worked for Jan Stevens -- to
25 work in the Los Angeles office, as well has become a member

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1 of the -- can we discuss this in public? -- a member of
2 the Board of Regents.

3 MR. GOODMAN: Not for another year, Bill.

4 EXECUTIVE OFFICER NORTHROP: Another year.

5 Anyway, he has worked very well for us. We appreciate it,
6 the staff.

7 MS. SMITH: You are leaving the Attorney General's
8 office?

9 MR. GOODMAN: No, I won't be in Los Angeles. I'm
10 taking Russ Iungerich's office. And some of his cases.

11 CHAIRMAN CORY: Okay. Any other items to come
12 before us?

13 MR. McCAUSLAND: I think we should make him stay
14 until he gets his 25-year pin.

15 (Laughter.)

16 (Thereupon the meeting was adjourned at
17 11:25 a.m.)

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