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MEETING  
STATE OF CALIFORNIA  
STATE LANDS COMMISSION

ROOM 2170  
STATE CAPITOL  
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, JULY 24, 1980

10:00 A.M.

Diane Lynn Walton, C.S.R.  
License No. 3067

PETERS SHORTHAND REPORTING CORPORATION

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MEMBERS PRESENT

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3 Mr. David Ackerman, Chairperson for Mike Curb, Lieutenant  
Governor  
4  
5 Mr. John Jervis, Commissioner, for Kenneth Cory, State  
Controller  
6  
7 Ms. Susanne Morgan, Commissioner, for Mary Ann Graves,  
Director of Finance  
8

STAFF PRESENT

- 9  
10  
11 Mr. James F. Trout  
12 Mr. Robert Night  
13 Mr. Donald Everitts  
14 Ms. Diane Jones  
15 Mr. Harley Pinson  
16 Mr. David Hayward  
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P R O C E E D I N G S

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CHAIRPERSON ACKERMAN: Call the meeting to order.  
Mr. Hight, do you have a legal announcement?

MR. HIGHT: Yes, Mr. Chairman. Mr. Jervis will  
be sitting for the Controller in a nonvoting capacity this  
morning.

CHAIRPERSON ACKERMAN: I have before me the  
minutes of the meeting of June 26th, 1980. If there are no  
corrections or additions to those meetings, they will be  
deemed approved as submitted.

Report of the Executive Officer, Mr. Trout.

ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman,  
in getting started, we would like to point out a couple of  
things. We will need to talk to the Commission briefly in  
executive session following this regular meeting on a matter  
of litigation.

And on the calendar, item C-12 and item C-30 have  
been taken off calendar.

On July 21st, staff was contacted by the San  
Joaquin County Sheriff's Department concerning a safety  
problem at the intersection of Paradise Cut, Sugar Cut and  
Salmon Slough in Southern San Joaquin County. A sand bar  
has developed at that area and there has been one fatal  
accident and several near misses. The Sheriff's Office has

1 asked permission to install warning signs in that location.  
2 Their request came after the calendar had been prepared.  
3 Because of the immediate need for public health and safety,  
4 I think a letter to the Sheriff's Office authorizing them to  
5 go ahead and install the signs at once, and the county will  
6 make application for a permanent permit for the signs.

7 That's all we have to do.

8 CHAIRPERSON ACKERMAN: Any questions by any of the  
9 Commission members?

10 Okay. Is there any staff report on the Coastal  
11 Commission matters this morning?

12 ASSISTANT EXECUTIVE OFFICER TROUT: No report,  
13 Mr. Chairman.

14 CHAIRPERSON ACKERMAN: Okay. We will proceed with  
15 the agenda. The first 16 items on the agenda, with the  
16 exception of item 12, is considered the consent calendar.  
17 These are routine matters, administrative in nature, that  
18 are approved in block by the Commission unless there is an  
19 objection from the audience or any member of the Commission  
20 to have these items set out and heard separately.

21 Is there any objection from anyone in the audience  
22 to approving items on the consent calendar?

23 Any items or questions from any of the  
24 Commissioners?

25 All right. I will entertain a motion to approve

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the consent calendar with the exceptions of items C-12,

COMMISSIONER MORGAN: So moved,

CHAIRPERSON ACKERMAN: Okay. So ordered.

Item Number 17, Ocean Front Oil Company.

ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman, you may remember this item was before the Commission last time. I would like Mr. Everitts and Mr. Pinson, staff counsel, to come up to the table and explain what has happened since last month.

You may recall that Ocean Front Oil Company has one well, which is in a dangerous condition as far as our staff is concerned, and the representative of the Applicant or the owner of the oil wells was here and asked that there be given additional time for an engineering report to be completed. That engineering report was received just day before yesterday, early in the morning. We have had an inadequate time to go through it, and if Mr. Everitts would come up, he can tell us what the status of the project is.

MR. EVERITTS: One of the questions that the Commission asked at the last meeting also was what was the involvement of the Division of Oil and Gas in the project. So, I thought we ought at least to discuss that.

Actually, on November 1, the Division of Oil and Gas wrote a letter to the lessee and advised him that since the well was a flowing well -- November 1, '78 -- the letter

1 was written to the lessee advising that since it was a  
 2 flowing well, that certain safety devices should be  
 3 installed, not the specific downhole subsurface safety valve  
 4 and then surface safety valve, and that sort of thing, and  
 5 gave them until November 15, 1980 to equip the well,  
 6 otherwise they would be in violation and subject to  
 7 penalties of various types.

8 This also is in violation of State Lands  
 9 Commission's lease, and specifically in violation of  
 10 regulations which the Commission approved several months  
 11 ago. So, therefore, we have been involved in it also.

12 The well, furthermore, is not profitable. Lessee  
 13 has never contented that it is profitable, particularly  
 14 under the existing royalty, which is in excess of 100  
 15 percent.

16 CHAIRPERSON ACKERMAN: The output is what, less  
 17 than a barrel a day?

18 MR. EVERITTS: Yes. About a barrel a day at the  
 19 present time. The oil sells for around \$25 a barrel. The  
 20 royalty for them is roughly eight times the selling price,  
 21 which gets you above 100 percent.

22 CHAIRPERSON ACKERMAN: You make it up in volume.

23 MR. EVERITTS: We have had quite a bit of  
 24 conversation with the lessee. They have contacted a  
 25 reputable firm of consulting engineers, who have reviewed

1 the project and have suggested two possibilities. One of  
2 them is that we put in a high-volume subsurface electrical  
3 pump, and pump the well at a high rate, perhaps as high as  
4 5,000 barrels per day -- the theory being that if this can  
5 pump hard enough, maybe we can get some more oil. There was  
6 a suggestion that there may be five to ten barrels of  
7 production available if they go to those high rates, 5,000  
8 barrels of water and oil, maybe the net of five or ten  
9 barrels of oil.

10 The other possibility is that if this does not  
11 make production, then the suggestion of the lessee that he  
12 abandon the existing well and redrill to a location directly  
13 under his lease -- a well from the onshore drilled to off-  
14 shore. Now, if he abandons back to the mean high tideline,  
15 or whatever the legal boundary is these days, it won't be  
16 our problem anymore, because it won't be a state well. And  
17 if he redrills and gets production, it will be his own well,  
18 but at least it will be off our lease, off of our lands.

19 My engineering opinion is that he should abandon  
20 the well on state lands and go ahead and do his redrill  
21 underneath. However, it is his option.

22 CHAIRPERSON ACKERMAN: If he abandons the well,  
23 slant drilling on state lands, then he is still under the  
24 jurisdiction, and do we have any concerns?

25 MR. EVERITTS: No. We would have no concern after

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1 that. It would be strictly a matter between the surface  
2 owner -- I don't know if they are the surface owner or not  
3 -- it would be a matter of City of Huntington Beach and  
4 Division of Oil and Gas.

5 CHAIRPERSON ACKERMAN: If I recall, basically, the  
6 same situation was presented 30 days ago at the last meeting,  
7 and the representative from Ocean Front Oil at that time --  
8 who is in the audience -- was given 30 days to submit the  
9 report, which I understand was submitted Tuesday.

10 MR. EVERITTS: Yes. Was submitted on Tuesday.

11 CHAIRPERSON ACKERMAN: But, you haven't had an  
12 adequate opportunity to review that report?

13 MR. EVERITTS: I have. In my opinion it is not a  
14 very good engineering prospect.

15 MR. PINSON: Mr. Chairman, there are parts of the  
16 proposal that we have accepted and the remaining issues are  
17 technical issues which there isn't enough information to  
18 evaluate, and we have asked for a meeting with the lessee  
19 and Mr. Everitts' staff for next week.

20 As Mr. Everitts mentioned, this began in December  
21 of 1978, when Mr. Northrop wrote to the lessee, and we have  
22 been unable to get a firm proposal for the lessee to either  
23 abandon or properly equip the well until 48 hours ago. And  
24 the item before you is a request for authorization for  
25 litigation, and we feel that the only progress that we made

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1 with the lessee was after the meeting last month when that  
2 recommendation was brought before the Commission. And we  
3 feel that in order to make the further progress with the  
4 lessee that we would like to have that authorization now.

5 MR. HIGHTS: Mr. Chairman, it would be implicit  
6 in that authorization that we would continue to work very  
7 diligently with the applicant, and would not file suit  
8 immediately, but would continue to work in hopes of  
9 resolving the situation.

10 MR. PINSON: And we have made that assurance to  
11 the lessee's attorney.

12 CHAIRPERSON ACKERMAN: There is a representative  
13 I know from Ocean Front. I think if he could come forward,  
14 we would like him to respond to the staff recommendation.

15 MR. MEYER: I am Steven Meyer. I am attorney with  
16 the law firm of Downey, Brand, Seymour & Rohwer. We  
17 represent Ocean Front Oil Company.

18 A proposal was made by my client on Tuesday on  
19 redrilling this well. The delay, as mentioned before, was  
20 getting this engineering report. We made an offer. The  
21 State Lands staff wrote us a letter which we received last  
22 evening, where basically we seem to be in agreement on  
23 principle, but there are technical issues to resolve. My  
24 client is going to be meeting with the State Lands staff  
25 next week to advise them as to the details, how he will

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1 equip this well and the economic -- to demonstrate that this  
2 would be a paying proposition. I think granting  
3 authorization today would be inconsistent with the  
4 settlement negotiations that are going on presently. I  
5 don't suggest that this matter simply be dropped. I can ask  
6 that it be continued for another 30 days or 60 days.

7 I also want to point out one other thing, that  
8 there has been, you know, some small amount of acrimony  
9 between my client and the staff of the State Lands Commission,  
10 which I don't want to dwell on particularly, but it was  
11 pointed out that there has been this long delay since 1978  
12 in handling this matter. Well, my client for a number of  
13 years, previously was paying an 80 to 90 percent, right now  
14 that royalty rate would be 200 percent. He paid it on a  
15 protest for several years, I think, two or three years -- I  
16 don't mean to overstate it, it was two or three years, and  
17 we didn't hear anything.

18 So, there may be some delay on our side, but  
19 certainly there was delay on the staff side, and I certainly  
20 don't want the view, the impression made that our client has  
21 simply been dilatory and has been obstructive because I  
22 don't really believe he has. There has been a lot of  
23 problems in settling this matter, but I think we are on the  
24 verge of settling it. I think we are in agreement in  
25 principle as to how we are going to settle it, and I think

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1 it would be just showing a good faith on both sides if this  
2 authorization were not approved today, but we simply  
3 continue it. If it breaks down in the next 30 days, staff  
4 can always come back and point out what egregious  
5 violations we have committed in these 30 days, and you can  
6 all go ahead and grant authorization.

7 CHAIRPERSON ACKERMAN: Does the staff have any  
8 response?

9 ASSISTANT EXECUTIVE OFFICER TROUT: Well,  
10 Mr. Chairman, without meaning any malice or anything, we  
11 think that approval of the recommendation of the staff to  
12 include litigation as an alternative would make sure that  
13 things proceeded smoothly during the next 30 days. I think  
14 we don't have to run out to the courthouse; we can continue  
15 negotiating. And we'd like very much to report back next  
16 month that we have a settlement and litigation is not  
17 necessary.

18 Nevertheless, staff would like the authority  
19 because we think that would keep things moving along.

20 MR. MEYER: I think things are moving along as  
21 they are. I don't really think this authorization would  
22 move this thing along, but you can come back again -- you  
23 can come back again next time. It's not like continuing it  
24 at this time precludes you from seeking such authorization.

25 CHAIRPERSON ACKERMAN: Any questions from members

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1 of the Commission?

2 COMMISSIONER MORGAN: I don't particularly have  
3 any problem with authorizing what the staff is asking. It  
4 seems to me that there has been delay on both sides and this  
5 would help to move things along. It's a motion of substance,  
6 it seems to me, because the staff always has an opportunity  
7 to take necessary legal steps if they need to. But, I am  
8 concerned that there may be a hazardous situation that  
9 develops from this.

10 MR. MEYER: Let me speak to the hazardous  
11 situation. If the DOG thought this was a hazardous  
12 situation, they wouldn't have given my client two years to  
13 fix it, and they are not required to have it fixed until  
14 November 15th. If this thing was going to blow up down  
15 there, I'm sure the State of California can shut that down  
16 immediately. I just don't think there has been that --  
17 that's really very overstated because of the hazard this  
18 well presents. It is certainly not the view of DOG, and  
19 that's mainly their area of expertise and their area of  
20 interest.

21 COMMISSIONER MORGAN: What is the November date?

22 MR. HIGHT: The Division of Oil and Gas  
23 arbitrarily set a date of November, by which time the well  
24 had to be brought to the safety standards.

25 CHAIRPERSON ACKERMAN: Does that November date

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1 apply whether or not the Lands Commission has any vested  
2 interests? In other words, if they redrill the well or  
3 abandon it, or whatever, they still have to come under the  
4 well and gas safety standards regardless of whether or not  
5 the Lands Commission remains in interest.

6 MR. HIGHT: Yes.

7 MR. EVERITTS: The attorney corrected me a while  
8 ago, let me correct an attorney. That two years is not  
9 arbitrary; it is a matter of regulation. Section 1724.3.

10 COMMISSIONER MORGAN: What two years?

11 MR. EVERITTS: Two years from November 1 of '78.  
12 They have two years to correct the hazardous condition once  
13 the well has been defined as a critical well. This well was  
14 defined as a critical well because it is capable of flowing  
15 and it is within 300 feet of a building capable of human  
16 occupancy, or something like that.

17 CHAIRPERSON ACKERMAN: John, any questions?

18 COMMISSIONER JERVIS: No.

19 CHAIRPERSON ACKERMAN: I think my feeling is that  
20 this is the second meeting with which this item has been on  
21 the calendar. I would be inclined to go with the staff's  
22 recommendation here, I think, with one caveat, and that was  
23 already mentioned by Mr. Hight in that this is just an  
24 authorization to litigation, not a direction from the  
25 Commission to immediately pursue litigation. And I think it

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1 would be inherent in any motion before the Commission that  
2 the negotiations are continuing -- this is just simply an  
3 authorization for future litigation if that becomes  
4 necessary.

5 It seems obvious that if your client wishes to  
6 redrill, abandon the slant drilling and redrill vertically,  
7 that the State Lands Commission no longer then has an  
8 interest and litigation is obviously not necessary. And I  
9 would hope that the staff would pursue the negotiations and  
10 this would only be authorization for litigation, not a  
11 direction by the Commission to litigate at this point in  
12 time. And it is just that we keep getting 30 day delays,  
13 and I would really like to see this matter resolved once and  
14 for all without having to come back to the Commission if at  
15 all possible. And I would be happy to entertain a motion  
16 to approve the staff recommendation.

17 COMMISSIONER MORGAN: I'll approve that.

18 ASSISTANT EXECUTIVE OFFICER TROUT: I think we  
19 would like to request as part of that that there be at least  
20 weekly reports to us from the Applicant or from the company,  
21 so that we have contact as to what they are doing. If we  
22 are going to continue negotiations and withhold litigation,  
23 we think it is appropriate.

24 We would suggest also that maybe the Applicant  
25 could weekly inform us as to what is going on.

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1           COMMISSIONER MORGAN: We don't have any control  
2 over them. We can ask them if they would be willing to help  
3 move things along.

4           ASSISTANT EXECUTIVE OFFICER TROUT: I think that  
5 would be the key, that if we did not hear from them, then  
6 we would feel that we would be justified in going ahead  
7 with the litigation.

8           MR. MEYER: We are negotiating with staff. I  
9 think that places a very -- it places just sort of a -- the  
10 parties may agree to that as we are discussing it, as we  
11 meet next week. But, none of the people who are here, other  
12 than Mr. Pinson, are the ones that we negotiate with. Plus,  
13 it is simply, as you say, simply an authorization. But, I  
14 would --

15           ASSISTANT EXECUTIVE OFFICER TROUT: I think it's  
16 all right.

17           CHAIRPERSON ACKERMAN: Well, the question was just  
18 made if it would be proper to notify the Chairman of the  
19 Lands Commission prior to any litigation measures.

20           ASSISTANT EXECUTIVE OFFICER TROUT: Certainly.

21           CHAIRPERSON ACKERMAN: That would give at least --  
22 it doesn't give carte blanche to the staff to require prior  
23 notification to the Chairman before beginning with any  
24 litigation.

25           MR. MEYER: Okay. If it were to fail, we would

1 like to be able to come back to the Commission and discuss  
2 the background of this case and why it may have failed, and  
3 why my clients should be allowed to continue with the well.  
4 So, I think it would be proper.

5 COMMISSIONER MORGAN: That's the sense of my  
6 motion.

7 CHAIRPERSON ACKERMAN: Without objection, the  
8 recommendations will be adopted as presented, plus the  
9 addition that prior to any litigation, that notification  
10 shall be made to the Chairman of the State Lands Commission.

11 I neglected one formality at the opening of the  
12 meeting, and that is introducing new members of the  
13 Commission. Susanne Morgan, is the new Deputy Director of  
14 the Department of Finance, and she formerly served as the  
15 Chief Deputy Director of the Department of General Services,  
16 in that capacity served on numerous state boards and  
17 commissions as well. So, she brings to the Lands Commission  
18 considerable experience serving on other state boards, and  
19 I think we welcome her and know that she can assist the  
20 Commission.

21 COMMISSIONER MORGAN: Thank you.

22 CHAIRPERSON ACKERMAN: Item 18 on the agenda,  
23 Neushul Mariculture Incorporated.

24 ASSISTANT EXECUTIVE OFFICER TROUT: This is a lease  
25 for two years for industrial use. It is for Solar Bio-Energy

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1 Research facilities. It is the location of the Ellwood Pier,  
2 currently under lease to Aminoil and Arco, as a base for  
3 supplying their offshore oil platforms. It requires the  
4 consent of Arco and Aminoil, and as far as we know there is  
5 no problems with it.

6 CHAIRPERSON ACKERMAN: Is there anyone in the  
7 audience on this item?

8 Any questions from the Commissioners?

9 The item will be approved.

10 Item 19, Granted Lands, City of Capitola. This is  
11 on a reimbursement, I believe.

12 ASSISTANT EXECUTIVE OFFICER TROUT: The City of  
13 Capitola became the successor to the County of Santa Cruz  
14 to a grant of tidelands. The survey was approved by the  
15 Commission several meetings ago. The city is now  
16 establishing a trust fund, and they are advising the State  
17 Lands Commission, as the administrator of the residual  
18 interest, that they are going to advance some money on the  
19 tidelands from the city general fund, and they intend to be  
20 reimbursed out of revenues from the tidelands. So, they are  
21 complying with their trust requirements, and this is a  
22 reasonable condition to impose, and we recommend approval.

23 CHAIRPERSON ACKERMAN: Is there anyone in the  
24 audience on this item?

25 Any questions from Commissioners?

1           The item will be deemed as approved without  
2 objection.

3           Item Number 20, Award of Royalty Oil Sales  
4 Contract.

5           ASSISTANT EXECUTIVE OFFICER TROUT: Item 20, 21,  
6 and 22 all involve the award of royalty oil sales contracts.  
7 We can't take them up together, but they all relate in that  
8 they involve the same subject.

9           On item 20, USA Petrochem bid 86 cents over posted  
10 for the uncontrolled share of oil on the leases that are  
11 listed there. The Accounting Office has determined that the  
12 Petrochem Corporation is a responsible corporation, and we  
13 recommend approval of the award.

14          CHAIRPERSON ACKERMAN: Okay. Is there anyone in  
15 the audience on this item?

16          Any questions from the Commissioners on item  
17 number 20?

18          COMMISSIONER MORGAN: No.

19          CHAIRPERSON ACKERMAN: Approved without objection.

20          ASSISTANT EXECUTIVE OFFICER TROUT: Item 21 is  
21 similar in the sense that it is USA Petrochem. It is a  
22 different series of leases. The apparent high bid by USA  
23 Petrochem is 32 cents over posted, and staff recommends  
24 approval.

25          CHAIRPERSON ACKERMAN: Is there anyone in the

1 audience on item 21?

2 Questions from Commissioners?

3 The item will be approved, then, without  
4 objection.

5 Item 22.

6 MR. HIGHT: Item 22, Mr. Chairman, is the award  
7 of royalty oil to La Jet Corporation. We have received a  
8 letter from La Jet, and they now desire not to take the oil.  
9 We believe that under the Division procedure, that the  
10 Commission should award the contract, and then if La Jet  
11 continues not to desire to take the oil, we will seek what-  
12 ever remedies we have which would include the \$25,000 bond.  
13 So, I think that for the Commission to be in the best legal  
14 position, they should --

15 CHAIRPERSON ACKERMAN: Were they the only bidder?

16 MR. HIGHT: They were the only bidder, yes.

17 CHAIRPERSON ACKERMAN: Is there any way to just go  
18 back out and rebid, or it is more appropriate to go ahead  
19 and award?

20 MR. HIGHT: The time involved to go out and rebid  
21 is several months, and I think it would be better just to  
22 award the bid.

23 CHAIRPERSON ACKERMAN: They will be reimbursed?  
24 Once they decline, they will be reimbursed, their bond?

25 MR. HIGHT: The Commission would have the option

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1 of taking the bond in lieu of any damages that would accrue  
2 to the Commission.

3 CHAIRPERSON ACKERMAN: Would that come back on a  
4 future calendar?

5 MR. HIGHT: Most likely, yes. In fact, it would.

6 CHAIRPERSON ACKERMAN: Okay. Is there anyone in  
7 the audience on this item?

8 Any questions from the Commissioners?

9 COMMISSIONER MORGAN: No. I think we would proceed  
10 and award the bid.

11 CHAIRPERSON ACKERMAN: All right. Without  
12 objection, then that item will be approved.

13 Item 23, the Winton Cemetery District.

14 ASSISTANT EXECUTIVE OFFICER TROUT: This cemetery  
15 district has 32 acres. The area surrounding the cemetery  
16 is leased for oil and gas production to a couple of oil  
17 companies. The cemetery district is asking Commission  
18 approval for exemption from the competitive bidding  
19 requirements so that they could lease their property, oil  
20 and gas resources under their property to the same firms  
21 that are developing the surrounding properties. Staff  
22 recommends approval.

23 CHAIRPERSON ACKERMAN: Any problems with this  
24 item?

25 The item will be approved without objection.

1 Item 24, the Napa Flood Control District,  
2 Dredging Permit.

3 ASSISTANT EXECUTIVE OFFICER TROUT: This is  
4 approval of a one-year dredging permit for about 125,000  
5 cubic yards to be disposed of on public-owned uplands. It  
6 is dredging from the Napa River. The Corps of Engineers put  
7 out a study and notice of no environmental significant  
8 problems with this. There were no unresolved comments, and  
9 we recommend approval.

10 CHAIRPERSON ACKERMAN: Anyone in the audience on  
11 this item?

12 Any questions from Commissioners?

13 COMMISSIONER MORGAN: No questions.

14 CHAIRPERSON ACKERMAN: All right. It will be  
15 deemed approved as presented.

16 Item 25, Olin Jones Sand Co.

17 ASSISTANT EXECUTIVE OFFICER TROUT: This is the  
18 award of a mineral extraction lease for Alcatraz Shoal.  
19 The bid factor by Olin Jones was 65.4 percent of weighted  
20 average sales. We have an existing lease with Olin Jones.  
21 They made their quarterly payments as required, and so we  
22 don't believe there will be a problem with this lease, and  
23 recommend approval.

24 COMMISSIONER MORGAN: Question. Is this a small  
25 business? Do you know if this is a small business?

1 ASSISTANT EXECUTIVE OFFICER TROUT: I don't know.  
2 Perhaps one of the staff knows. The question is whether  
3 Olin Jones is a registered small business company?

4 MR. EVERITTS: They are a very small business  
5 company. I don't know if they are registered.

6 CHAIRPERSON ACKERMAN: That's in the staff writeup,  
7 there was considerable concern about the financial backing  
8 of the company and their ability to make future payments.

9 ASSISTANT EXECUTIVE OFFICER TROUT: Right. Staff  
10 is recommending approval because we have people in the field  
11 and they are required to make quarterly payments; under the  
12 current lease, they have not missed a payment.

13 So, we believe it is safe to go ahead and issue  
14 this lease and keep an eye on them, and we will advise  
15 Director Morgan as to whether or not they are a small  
16 business.

17 COMMISSIONER MORGAN: Thank you.

18 CHAIRPERSON ACKERMAN: Any other questions?

19 " The item will be deemed approved, without  
20 objection.

21 Item 26, Crude Oil Sell-Off, also 27.

22 ASSISTANT EXECUTIVE OFFICER TROUT: Item 26 is a  
23 regular item except it is presented in a little different  
24 fashion this time. Normally, when the City of Long Beach  
25 conducts an oil sell-off, the City Council approves the

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1 action first and then it is presented to the State Lands  
2 Commission.

3 In this case, because of the timing of the bid  
4 openings and the review by the City Auditors Office, the  
5 City of Long Beach will not be able to approve this award  
6 until July 31st. However, the City Auditor has reviewed the  
7 bidders for the sale of this oil. They find that all of the  
8 bidders are responsible. Our staff has looked at the bidders  
9 and find that they are responsible, and staff recommends  
10 that we go ahead and approve it.

11 The award is for a sell-off of twelve and a half  
12 percent. It was bid in three increments: seven percent,  
13 four percent, and one and a half percent. On the seven  
14 percent increment, Champlin Oil Company bid 21.6 cents over  
15 posted for the uncontrolled oil, and Marlex Petroleum  
16 Company bid 35 cents over posted for both the four percent  
17 and one and a half percent increments.

18 Mr. Hayward is here from the Long Beach operations  
19 if there are questions. We got pretty good bidding. We got  
20 six and eight bids about per increment, and staff  
21 recommends that we do go ahead -- that the Commission go  
22 ahead and approve the award of the contract.

23 CHAIRPERSON ACKERMAN: Does this indicate a little  
24 more stimulation for the heavy oil market?

25 MR. HAYWARD: Yes, it does, a little more relative

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1 than our previous request for bid, which was another  
2 informative calendar item coming up.

3 CHAIRPERSON ACKERMAN: Okay. And if I understand  
4 right, the Commission is acting on this first, will kind of  
5 move things along quickly so that those bids can go ahead  
6 and be awarded.

7 MR. HAYWARD: That's correct.

8 ASSISTANT EXECUTIVE OFFICER TROUT: There is a  
9 six-month notice provision requiring that if we sent that  
10 out at the 1st of August, then as I understand, they can  
11 take the oil on the 1st of March, which is why we need to do  
12 it before the August meeting.

13 CHAIRPERSON ACKERMAN: I have no problems with  
14 that. Are there any problems?

15 COMMISSIONER MORGAN: No objection.

16 CHAIRPERSON ACKERMAN: Anyone else in the audience  
17 on this item?

18 Item 26 will be deemed approved unanimously.

19 Item 27.

20 ASSISTANT EXECUTIVE OFFICER TROUT: Item 27 is  
21 informative, and I will just ask Mr. Hayward to explain it.

22 MR. HAYWARD: Yes. Prior to the request for bids  
23 on the Tract I sell-off oil, a request was made for the  
24 Tract II sell-off oil. Although a number of notices were  
25 sent out, something like 162 notices were sent out, only 20

1 persons or firms requested the bid package, and of those  
2 no one offered a bid. So, that is why I answered as I did  
3 a few minutes ago, that at that point in time, there didn't  
4 seem to be any interest in that parcel. This is strictly an  
5 informative calendar item.

6 CHAIRPERSON ACKERMAN: It seems like some oil  
7 companies need the oil and others don't.

8 ASSISTANT EXECUTIVE OFFICER TROUT: I think it is  
9 important to point out that at the bid opening, the  
10 representative -- two oil companies were represented at the  
11 bid opening, although nobody bid. One of the companies  
12 asked when it might be bid again, so we will be checking  
13 with the companies, and if it appears there is going to be  
14 a market, we will bring it up again.

15 CHAIRPERSON ACKERMAN: It is a little both ways on  
16 the side.

17 MR. HAYWARD: Yes, it is.

18 CHAIRPERSON ACKERMAN: Thank you.

19 Item 28, matter of litigation.

20 ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Hight wants  
21 to talk about the rest of the calendar.

22 MR. HIGHT: Thank you, Mr. Chairman. This is the  
23 amendment to a settlement agreement which the Commission  
24 approved in February of this year. That agreement provided  
25 that the Richmond Sanitary Service would convey to the state

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1 property of a value of \$100,000. There has been some  
 2 difficulty in finding the property. In order to close the  
 3 paperwork, what we would like to do is set up a deposit  
 4 fund of \$100,000 which East Bay Regional Park District could  
 5 use, then, to fund the land. So that the same purpose is  
 6 being accomplished with just a little different means.

7 CHAIRPERSON ACKERMAN: Okay. I understand too  
 8 that the Park District will maintain whatever is ultimately  
 9 purchased?

10 MR. HIGHT: That's correct.

11 CHAIRPERSON ACKERMAN: Is there anyone in the  
 12 audience on this item?

13 Any questions from Commissioners?

14 COMMISSIONER MORGAN: We are approving an  
 15 amendment to a settlement?

16 MR. HIGHT: Correct.

17 COMMISSIONER MORGAN: No problem.

18 CHAIRPERSON ACKERMAN: The item will be deemed  
 19 approved unanimously.

20 Mr. Hight, item 29.

21 MR. HIGHT: Item 29, Mr. Chairman, is the  
 22 authorization and approval of an exchange agreement with the  
 23 Ventura Port District. The Port District desires to develop  
 24 a portion of land which contains some historic state land,  
 25 and this exchange would give the state 12.87 acres of

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1 ocean-front property in exchange the state's interest out  
2 from a 6.68 acre parcel, and in addition give the Port  
3 District a 66-year public agency lease over a portion of  
4 the submerged lands.

5 CHAIRPERSON ACKERMAN: Okay. Good exchange.

6 MR. HIGHT: Very good exchange.

7 CHAIRPERSON ACKERMAN: Is there anyone in the  
8 audience on this item?

9 Any questions from the Commissioners?

10 COMMISSIONER MORGAN: No.

11 CHAIRPERSON ACKERMAN: The item 29 will be deemed  
12 approved.

13 Item 30 is off calendar. Item 31.

14 MR. HIGHT: Item 31, Mr. Chairman, is the  
15 authorization to dismiss a suit with the Commission  
16 authorized against Sunnyside Tahoe Properties, which you  
17 will recall last month came under lease. This was the  
18 authorization to sue the prior owner, and we believe now  
19 that since the Marina is under lease that --

20 CHAIRPERSON ACKERMAN: There is no need.

21 MR. HIGHT: -- there is no need for the litigation.

22 CHAIRPERSON ACKERMAN: Is there anyone in the  
23 audience on this item?

24 MR. STEVENS: The dismissal would be without  
25 prejudice, Mr. Chairman.

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1 CHAIRPERSON ACKERMAN: Item Number 32.

2 MR. HIGHT: Mr. Chairman, 32 is the annexation of  
3 a portion of land for the City of Redding. This approval  
4 would approve the legal description of the boundaries. From  
5 there the process would go to LAFCO, and it would either go  
6 to -- there will be a vote of the people in the District or  
7 several other steps. It depends on what LAFCO does. But,  
8 this approves the legal sufficiency of the description.

9 CHAIRPERSON ACKERMAN: Just because of the state's  
10 interests in this parcel?

11 MR. HIGHT: Correct.

12 CHAIRPERSON ACKERMAN: Is there anyone in the  
13 audience on item 32?

14 Any questions from Commissioners?

15 Item 32 will be deemed approved.

16 That concludes the calendar items.

17 ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman,  
18 two quick things. Mr. Stevens may have a report on the  
19 status of some litigation. I don't know if he has a report  
20 or not.

21 MR. STEVENS: We have several matters we would  
22 like to present in Executive Session concerning pending  
23 litigation.

24 MR. TROUT: The other point, Mr. Chairman, is the  
25 City of Long Beach has invited the Commission to come to

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1 Long Beach for the August meeting. They believe that on or  
2 or about August 26th, the Long Beach Unit oil field -- what  
3 is it, Dave?

4 MR. HAYWARD: Five hundred millionth barrel of  
5 crude oil will have been produced from the Long Beach Unit.

6 ASSISTANT EXECUTIVE OFFICER TROUT: And they would  
7 like to have a little commemoration of that event and would  
8 like to invite the Commission to meet in August in Long  
9 Beach on the 26th.

10 We made a reservation for the Harbor Department  
11 Board Room where the Commission has met before. That's just  
12 advice at this point; we will be talking with the  
13 Commissioners about the actual details and whether that  
14 will work out or not.

15 CHAIRPERSON ACKERMAN: That's a lot of oil.

16 COMMISSIONER MORGAN: A lot of money.

17 ASSISTANT EXECUTIVE OFFICER TROUT: That concludes  
18 all the business the staff has, except the Executive Session.

19 CHAIRPERSON ACKERMAN: Are there any other items  
20 that any member of the audience wishes to bring before the  
21 Commission?

22 The Commission meeting will be deemed adjourned,  
23 and we will go into Executive Session. The room will be  
24 cleared. All appropriate personnel remain.

25

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(Thereupon the meeting of the State  
Lands Commission was adjourned at  
11:15 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

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I, DIANE LYNN WALTON, a certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing meeting before the State Lands Commission was reported in shorthand by me, Diane Lynn Walton, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of August, 1980.

*Diane Lynn Walton*

DIANE LYNN WALTON  
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