

- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, SEPTEMBER 23, 1982
10:00 A.M.

Cathleen Slocum, C.S.R.
License No. 2822

MEMBERS PRESENT

- 1
- 2 Kenneth Cory, State Controller, Chairperson
- 3 Susanne Morgan, Representing Mary Ann Graves,
- 4 Director of Finance
- 5 David Ackerman, Representing Mike Curb,
- 6 Lt. Governor

MEMBERS ABSENT

7
8 NONE

STAFF PRESENT

- 9
- 10
- 11 Claire Dedrick, Executive Officer
- 12 Robert Trout, Assistant Executive Officer
- 13 Robert Hight, Esq., Commission Counsel
- 14 Greg Taylor, Assistant Attorney General
- 15 Jack Rump
- 16 Diane Jones
- 17 Bob Faber
- 18 Dwight Sanders
- 19 Jane Smith, Secretary
- 20
- 21
- 22
- 23
- 24
- 25

I N D E X

	<u>Page</u>
1	
2	
3	1
4	1
5	1
6	1
7	1
8	2
9	2
10	3
11	3
12	5
13	7
14	16
15	17
16	17
17	17
18	17
19	17
20	18
21	18
22	18
23	18
24	18
25	18

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
 SACRAMENTO, CALIFORNIA 95825
 TELEPHONE (916) 972-8894

	iv
	<u>Page</u>
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
Item 29 - Exxon Company, USA - consideration of amendment to Exxon Lease PRC 4977.1	18
Item 30 - Mason's Marina, Inc. - informational	19
Item 31 - Waldo Giacomini - dredging permit	19
Item 32 - Union Oil Company - deferment of drilling requirements	20
Item 33 - Chevron, U.S.A., Inc. - deferment of drilling requirements	20
Item 34 - Los Angeles County Flood Control District request for exemption from competitive bidding requirements	21
Item 35 - Aminoil, U.S.A. - approval of proposed new well site and drilling of up to four geothermal wells	21
Item 36 - Getty Oil - rescission of Commission authorization of March, 1978 to issue geothermal prospecting permit	21
Item 37 - Acceptance of quitclaim lease from Conoco	21
Item 38 - Off calendar	
Item 39 - Long Beach - Resurfacing a parking lot	22
Item 40 - Approval of Third Modification of Plan of Development	22
Item 41 - Final Report and Closing Statement for '81-'82	22
Item 42 - Informational - California Geothermal, Inc.	23
Item 43 - Authorization to file disclaimer regarding 212-1/4 acres in Inyo County	23
Item 44 - Extension of Alamos Bay Agreement No. 1	24
Adjournment	25
Certificate of Reporter	26

--000--

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
 SACRAMENTO, CALIFORNIA 95825
 TELEPHONE (916) 972-8894

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

--000--

CHAIRPERSON CORY: Okay. We'll call the meeting to order.

The first item of business is the confirmation of the minutes of the August 26th and September 13th meetings. Are there any corrections or additions?

Without objection, the minutes will be approved as presented.

The next item is the report of the Executive Officer.

EXECUTIVE OFFICER DEDRICK: Yes. I issued a permit to the Parks Service and a group of people who are examining the waters off Point Reyes for wrecked Spanish galleons and so forth. For your information, there's a map in front of you some place of the area and that's the only thing that's happened since the last meeting.

CHAIRPERSON CORY: Would you like to rephrase that?

(Laughter.)

CHAIRPERSON CORY: We could cut down our overhead a great deal if that's true.

EXECUTIVE OFFICER DEDRICK: The only thing I didn't need Commission guidance for. How's that?

CHAIRPERSON CORY: Questions from Commissioners?

Next item is staff report on coastal matters.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 672-8894

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. TROUT: No report.

CHAIRPERSON CORY: No report.

All right. The next item are the consent calendar items. For those people in the audience, those are the items that have a prefix "C" in there. They're items C-1 through 19. Unless someone in the audience has some objection to the proposed staff recommendation, they will be taken up in one motion and approved. So if anybody has any objection to the proposed staff recommendations in any of the items C-1 through 19, they should let us know now.

If not, without objection, the consent calendar will be approved as presented.

(Thereupon Agenda Items 20 and 21 were submitted under separate cover.)

CHAIRPERSON CORY: Next item, Item 22. We'll take up that item and we'll probably have a break for lunch, much as I hate to do that.

Item 22 is a request of Mr. Elkins. Mr. Elkins brought the attention of strong possibility of having some of our oil resources drained and in the item we've got the -- it's adjacent to PRC 1824, is that --

EXECUTIVE OFFICER DEDRICK: Yes.

CHAIRPERSON CORY: Mr. Elkins, you want to come up. Your request is that we commence some negotiations with you to provide a negotiated lease for you to enable

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 the State to avoid the loss of money by drainage, as I
2 understand the situation.

3 MR. ELKINS: That's correct, sir.

4 CHAIRPERSON CORY: I would guess what we ought
5 to do is try to find out what other people think about
6 that one in terms of do we, contemplating putting a
7 platform in the sanctuary or how do you plan on --

8 MR. ELKINS: There would be no platform in the
9 sanctuary. That is precluded by law. But you may put
10 a platform, if the geology warrants it, on the edge of
11 the sanctuary. They have new tilt platforms now which
12 means that you can go further in than you would otherwise.
13 Depending on the length of drainage, would depend on the
14 kind of platform you put there.

15 CHAIRPERSON CORY: Okay. Is there anyone in the
16 audience on this item?

17 EXECUTIVE OFFICER DEDRICK: I think there is
18 a representative of Chevron here.

19 CHAIRPERSON CORY: I was going to ask if Chevron
20 had, whether you had an interest in whether or not --
21 looks like you have a platform closeby

22 MR. HARRIS: Fairly close.

23 CHAIRPERSON CORY: Could you identify yourself
24 for the record?

25 MR. HARRIS: Sure. My name is Dick Harris, and

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95826

TELEPHONE (916) 972-8804

1 I work for Chevron.

2 I saw the item and it sort of peaked my curiosity
3 about what the proposal might be, but I think as a general
4 rule -- and I've just spoken with Roy Lynam of Exxon, and
5 we've taken a position that conceptually we don't oppose
6 the idea of some kind of development of marine sanctuary.
7 However, I think there are some real practical considerations
8 that have to be taken into account, and I'm not prepared
9 today to answer questions that you might have regarding
10 some of those practicalities. Specifically, how to drill,
11 from where, some of the economic constraints that might
12 be felt.

13 CHAIRPERSON CORY: From where in the economic
14 constraints gets to the point in my mind as I look at the
15 map is would Chevron and Exxon consider allowing a lessee
16 of an adjacent property to utilize Hilda to reach that
17 area?

18 MR. HARRIS: Well, I think that if the Commission
19 awarded a lease and as a stipulation of that lease required,
20 at least authorize some negotiations, we would be willing
21 to negotiate those. But I have to say that there would
22 be no chance at all that we would break even or take a
23 loss on it. That would be our standpoint in entering into
24 these negotiations with Mr. Elkins.

25 CHAIRPERSON CORY: So you would have to have

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8864

1 something to make it worth your while to put up with the
2 tenant?

3 MR. HARRIS: That's correct.

4 CHAIRPERSON CORY: You aren't going to rent the
5 room out unless you can make a profit on the deal.

6 MR. HARRIS: We have big hearts, but they're
7 not necessarily that big.

8 MR. ELKINS: Well known for them.

9 I don't think that a stipulation of the lease
10 should be having to do business with Standard Oil. If
11 it happened and it was beneficial to Standard and beneficial
12 to the State Lands, then I think something could be worked
13 out. But to make it a stipulation, that is kind of like
14 letting the lion have the lamb.

15 CHAIRPERSON CORY: Which is which?

16 [Laughter.]

17 MR. ELKINS: Well, I wouldn't want to pick on
18 Standard or brag. Also, you have another thing that it
19 will basically be the drainage. Some people feel there
20 is some drainage, but because of the fact that it's been
21 drained for quite a while, it may not be economically
22 feasible to put a platform in there. Now, there's another
23 theory which has not been proven and would have to be done
24 with a fair amount of geological work involved in it that
25 may make it economically feasible to drill offside the

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 672-8894

1 sanctuary, and if it is a fairly large area, then you may
2 not be able to reach all of it from platform Hilda. To
3 make it a necessity to deal with Standard would not be
4 to the benefit of the State because it would not be able
5 to drain as much area.

6 CHAIRPERSON CORY: How would you propose getting
7 the oil if you don't use Hilda?

8 MR. ELKINS: Perhaps it would be possible to
9 put your own drilling platform there.

10 COMMISSIONER MORGAN: Are we talking about the
11 sanctuary?

12 MR. ELKINS: No, ma'am. We're talking right
13 next to the sanctuary because we don't want to put a
14 platform in the sanctuary. If it was economically feasible,
15 we would put it right next to the sanctuary and obviously
16 would be concerned with whatever environmental things,
17 would work closely with Santa Barbara --

18 CHAIRPERSON CORY: Have you had any conversations --

19 MR. ELKINS: -- to make sure that they would
20 be very happy.

21 I'm sorry, sir.

22 CHAIRPERSON CORY: Have you had any conversations
23 with them as to how they --

24 MR. ELKINS: No, I have not. I was not aware
25 whether I'd be able to get the lease or not.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COMMISSIONER MORGAN: I think I'd like to hear from staff on what's going on here exactly.

EXECUTIVE OFFICER DEDRICK: Mr. Hight.

COMMISSIONER ACKERMAN: Maybe I need to preface it with a question, a general question. My recollection, we had not before had an individual or company approach us on a drainage question --

MR. ELKINS: And Standard does not object.

COMMISSIONER ACKERMAN: -- at least not while I've served on the Commission, I don't believe.

I just would like to have staff comment as to the legalities involved as to what the Commission's breadth of action is and can we negotiate a lease in this case, is there proof of drainage? The calendar item seems a little ambiguous and leaves much to conjecture rather than fact.

EXECUTIVE OFFICER DEDRICK: Alan Hager here is your legal adviser.

CHAIRPERSON CORY: Alan Hager is with the Attorney General's Office. He's going to bail Bob Hight out of his dilemma on this one.

MR. HAGER: I'm not positive that the Commission has the authority to lease these lands simply because they're in the Santa Barbara Sanctuary. There's provision in the Public Resources Code requiring or forbidding the Commission

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 to lease sanctuary land but allowing leasing only in the
 2 event of drainage from adjoining lands owned by others
 3 and the State. If there is drainage here, the drainage
 4 is from the lands owned by the State, the Chevron-Exxon
 5 lease. This is peculiar to the Santa Barbara Sanctuary,
 6 but this is the sanctuary we're talking about. So it's
 7 our opinion that under the Public Resources Code the
 8 Commission would not have authority to lease these lands
 9 either on a competitive bid basis or a negotiated basis.

10 MR. HIGHT: I might continue from there. Assuming
 11 that we could -- and Alan, I think, was reasonably clear
 12 that we can't -- then we'd have an environmental problem
 13 of giving the negotiated lease without having done the
 14 environmental considerations and any new platform definitely
 15 would create additional problems.

16 CHAIRPERSON CORY: Okay. The first problem --

17 MR. ELKINS: Could I comment on that?

18 CHAIRPERSON CORY: First I want to make sure
 19 I understand. The first question is whether or not legally
 20 it is possible on the sanctuary exemption and you've got
 21 doubts as to the language of that. Has there been a formal
 22 AG opinion on that or not?

23 MR. HAGER: No.

24 CHAIRPERSON CORY: The next question is, if for
 25 some reason that would pass muster, then to proceed we'd

1 have to do an EIR you're telling me?

2 MR. HIGHT: Correct.

3 CHAIRPERSON CORY: Before we negotiate the lease?
4 I mean, how does that --

5 EXECUTIVE OFFICER DEDRICK: Yes.

6 MR. HIGHT: The EIR has to come first.

7 CHAIRPERSON CORY: And that would deal with those
8 questions as to whether they were using platform Hilda,
9 whether they were doing something separate?

10 EXECUTIVE OFFICER DEDRICK: Right.

11 CHAIRPERSON CORY: But the property adjacent
12 can be used for that purpose given Chevron's lease, that
13 is an option?

14 MR. HIGHT: Yes.

15 COMMISSIONER ACKERMAN: The calendar item also
16 states that it would be possible to issue drill sites along
17 the common boundary with the sanctuary without the consent
18 of Chevron; is that still correct?

19 MR. ELKINS: Yes.

20 CHAIRPERSON CORY: Mr. Elkins.

21 MR. ELKINS: I have several comments. I did
22 not bring, unfortunately, my lawyer's statement because
23 I did not expect that to be in the thing today. But there
24 is another statute which I do not have with me which allows
25 you to lease the land even if you do own the land in fact.

1 Now, in my opinion you would have an increase
2 in royalty if the extension of that field is as large as
3 there's a possibility that it might be. Are you familiar
4 with that other --

5 MR. HAGER: Yes. I know what you're talking
6 about.

7 MR. ELKINS: Because we talked about it one time,
8 didn't we?

9 MR. HAGER: I didn't, but I think you talked
10 to someone in our office about it.

11 MR. ELKINS: Their contention was that it was,
12 in my opinion, that it was fairly ambiguous and with the
13 two statutes, it could be taken either way.

14 COMMISSIONER MORGAN: Now, I have a question.
15 Assuming that we ignored our counsel's advice
16 and said: Gee, since we think there might be a way to
17 make some additional money there, we ought to go ahead
18 and consider an additional lease, and we decided to do
19 an EIR and then everything was copacetic, why would we
20 negotiate with Mr. Elkins? Why wouldn't we just go to
21 bid?

22 MR. ELKINS: To go where, ma'am?

23 EXECUTIVE OFFICER DEDRICK: To bid.

24 COMMISSIONER MORGAN: To bid.

25 MR. ELKINS: Can't hear.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8804

1 COMMISSIONER MORGAN: To bid.

2 MR. ELKINS: I don't think there would be many
3 people who would be interested in it.

4 CHAIRPERSON CORY: Would Chevron be interested
5 in bidding on this?

6 MR. HARRIS: Chevron would be interested in taking
7 a look at the bid package. I can't tell you right now
8 whether we would be interested in bidding, but we're always
9 very interested in lands that have not heretofore been
10 explored.

11 MR. ELKINS: Could I add to your question?

12 An awful lot of times major companies take leases
13 and they keep them for long, long periods of time and they
14 don't end up drilling the wells on them. They don't develop
15 them and they come in and they want this changed and that
16 changed and the other thing changed. If I was going to
17 take it, it would be for a shorter period than the ten
18 years and there would be some type of performance situation
19 in there by which the State would be able to have a chance
20 at receiving additional income far quicker than doing it
21 with a major.

22 COMMISSIONER MORGAN: Mr. Elkins, I understand
23 your interest. You're the one who came up with the idea
24 and you sure would like to get the business. But from
25 my point of view if there's something there to be gained

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 672-8894

1 and it's publicly owned, then we would do a disservice
2 to the people that told us to come up here and vote on
3 this if we didn't offer it to all potential bidders.

4 MR. ELKINS: I don't necessarily agree with you.

5 COMMISSIONER MORGAN: I'd be surprised if you
6 did.

7 MR. ELKINS: But also your obligation is to get
8 as much money for the State as you can.

9 COMMISSIONER MORGAN: No.

10 MR. ELKINS: Oh, it's not?

11 COMMISSIONER MORGAN: Not necessarily.

12 MR. ELKINS: I was under that impression that
13 it would be to get as much money as you could and to try
14 to get it developed as quickly as possible for the coffers
15 of the State that need the money.

16 COMMISSIONER MORGAN: That's one of the things
17 that distinguishes public business from private business.

18 MR. ELKINS: I don't understand that.

19 CHAIRPERSON CORY: Well, we could environmentally
20 decide that we just didn't want to have that impact on
21 the environment that close to the sanctuary. That could
22 be the conclusion. But I would guess where we are at this
23 point, Alan, how long would it take you to render your
24 views to a formal opinion as to whether we can or we cannot
25 proceed?

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 MR. HAGER: Are you talking about my opinion
2 or an opinion of the AG's office? That's a different
3 organization.

4 COMMISSIONER MORGAN: How about an informal opinion.

5 CHAIRPERSON CORY: Well, it seems to me that
6 it's a question that is in dispute as to what the law is
7 and to resolve it you probably need the strength of the
8 AG's opinion. I mean, no offense, Alan.

9 MR. HAGER: The answer would have been different
10 depending on what you wanted.

11 CHAIRPERSON CORY: I know you've given us your
12 opinion now. This is your personal opinion looking at
13 it already. That's fair. But the formal AG's opinion
14 where that gets argued within your shop at great length
15 and has a quasi-judicial standing, how long would that
16 take?

17 MR. HIGHT: A minimum of 60 days.

18 MR. HAGER: I was going to say 90 days. I can't
19 guarantee because that is another unit of the office that
20 does that.

21 CHAIRPERSON CORY: Okay. Given what you have
22 said and that there is another body of legal opinion that
23 Mr. Elkins could send a copy of that to Mr. Hight who
24 will then get it over there, I think the best way out of
25 this rather than belaboring it with further detail at this

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 point is to go ahead and try to get that, show them your
2 work sheets, Mr. Elkins' attorney's position, and see where
3 it is. If it comes down that it's the shade of gray and
4 they can maybe defend us, maybe not, and if it's yes, we
5 can, no, we can't, then we'll know what we can do. Then
6 the next question after that is if Chevron could make a
7 decision whether or not they want to bid against Mr. Elkins,
8 or they don't think it's worth the time and trouble and
9 effort. If nobody else is interested, then maybe we're
10 in a position to negotiate. I'm sort of surprised that
11 we haven't heard various environmental concerns on the
12 other two items that were before us that nobody was here
13 to discuss that.

14 MR. ELKINS: There's no environmental problem
15 at all because what we're going to do is make everybody
16 in Santa Barbara happy.

17 [Laughter.]

18 MR. ELKINS: That's right.

19 Miss Morgan looked at me quite incredulously.

20 CHAIRPERSON CORY: If you do that, we'll put
21 you on full time.

22 [Laughter.]

23 MR. ELKINS: And the EIR on the lease thing,
24 we'll just wait until we get that other thing done.

25 CHAIRPERSON CORY: I think we need to get that

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8804

1 to see whether or not we can proceed. We need to get your
2 legal attorney's opinion.

3 MR. ELKINS: But would you have to issue, would
4 I have to get a report like that concerning I couldn't
5 drill without one? Would I have to have that prior to
6 the leasing of the land or could I get it afterwards
7 because the lease is no good?

8 EXECUTIVE OFFICER DEDRICK: The Commission cannot
9 lease without ~~going~~ an environmental impact report first.

10 MR. ELKINS: But it's already been done for Hilda.

11 CHAIRPERSON CORY: No. It would be different.

12 EXECUTIVE OFFICER DEDRICK: No, Hilda probably
13 predates.

14 CHAIRPERSON CORY: The nature and the extent
15 of the report would depend on whether or not you were going
16 to cut a deal with Chevron and drill off of Hilda and whether
17 or not that might even take a report because you're --

18 MR. HIGHT: Drilling into a different zone from
19 an area.

20 CHAIRPERSON CORY: So you have a less expensive,
21 I would guess, EIR if you were drilling off of Hilda than
22 if you were drilling --

23 MR. ELKINS: Could the EIR, could the lease be
24 issued to me subject to that report?

25 MR. HIGHT: No.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 CHAIRPERSON CORY: No. "The law requires that
2 we have to have considered all of the environmental
3 consequences before we take the act. It's like going and
4 talking to the priest before you get married. You got
5 to know all the consequences of what you're going to do.
6 Okay?

7 MR. ELKINS: Okay.

8 CHAIRPERSON CORY: You will get your copy of
9 your legal stuff to Mr. Hight and he can pipe it into the
10 system.

11 MR. ELKINS: Do you have a card, Mr. Hight?

12 CHAIRPERSON CORY: What is the wish of the
13 Commissioners? I have a meeting that I'm a half-hour late
14 to.

15 COMMISSIONER MORGAN: I'd be prepared to do the
16 balance of the agenda unless there are some people here
17 who need to make presentations.

18 CHAIRPERSON CORY: You want to see how quickly
19 we can get through it. All right.

20 MR. TROUT: Mr. Chairman, from the staff standpoint,
21 it would appear this item is a little up in the air.

22 CHAIRPERSON CORY: What item?

23 MR. TROUT: The Commission did not approve the
24 recommendation --

25 MR. ELKINS: Thank you very much.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 MR. TROUT: -- but instead is directing staff
2 to request a formal Attorney General's opinion on the
3 question of whether Mr. Elkins' suggestions --

4 CHAIRPERSON CORY: Yes.

5 Okay. Item 23 is off calendar. Item 24 is
6 approval of Bank of America as the secured party lender.
7 Is there anybody in the audience on Item 24?

8 Questions from Commissioners?

9 Without objection, Item 24 is approved as
10 presented.

11 Item 25. This is the termination of a permit.
12 Anybody in the audience on this item?

13 Questions from Commissioners?

14 Without objection, Item 25 is -- approve the
15 termination of General Permit.

16 MR. TROUT: An authorization to --

17 CHAIRPERSON CORY: An authorization to issue
18 a Public Agency Permit to the District.

19 MR. TROUT: The only critical factor here is
20 they have requested waiver of the filing fees. Staff
21 recommends against it. If you adopt the staff recommendation,
22 you will not be waiving the fees.

23 COMMISSIONER MORGAN: That's tough.

24 CHAIRPERSON CORY: We're tough. We need it.

25 COMMISSIONER MORGAN: It's for \$450.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 CHAIRPERSON CORY: All right.

2 COMMISSIONER ACKERMAN: The filing fee I would
3 have waived, but I thought it was the processing fee we
4 were waiving.

5 EXECUTIVE OFFICER DEDRICK: The copy is correct.

6 CHAIRPERSON CORY: Okay. Without objection,
7 Item 25 is approved.

8 Item 26, approval of management plans and
9 authorization for, Division of Forestry, on two parcels
10 of land in Shasta and Lake Counties. Anybody in the
11 audience on this item?

12 Questions from Commissioners?

13 Item 26, approved as presented.

14 Item 27, approval of proposed parcels for
15 deannexation in Napa from the Napa County Resource
16 Conservation District -- Pardon me -- Colano County.

17 Anybody in the audience on this item?

18 Questions from Commissioners?

19 Without objection, Item 27 approved as presented.

20 Item 28, approval of certification of negative
21 declaration for Cedar Gulch timber sale in Siskiyou County.

22 Anybody in the audience on this item?

23 Questions from Commissioners?

24 Without objection, Item 28 approved as presented.

25 Item 29 is consideration of amendment to Exxon

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95826

TELEPHONE (916) 972-8894

1 lease. Did you wish to testify on this, Exxon, or are
2 you satisfied with the proposed staff recommendation?

3 FROM THE AUDIENCE: Yes, sir.

4 CHAIRPERSON CORY: Anybody else in the audience
5 on this item?

6 Without objection, -- these are all -- lots of
7 people from Exxon, but you're all happy with the proposed
8 staff recommendation. All right.

9 Commissioners happy?

10 Without objection, Item 29 is approved as
11 presented.

12 Item 30, we're being informed that a dredging
13 permit extension was authorized by the Executive Officer
14 for Mason's Marina, Inc.

15 Anybody in the audience on this item? Questions
16 from Commissioners?

17 Without objection, Item 30 is approved as
18 presented.

19 Item 31, Waldo Giacomini, another dredging permit
20 authorized by old softie. Anybody in the audience on this
21 item?

22 [Laughter.]

23 CHAIRPERSON CORY: Questions from Commissioners?

24 Without objection, Item 31 is approved as
25 presented.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 Item 33 is a request to defer drilling requirements
2 on PRC 3133, 3150, 4000. This is because of some permitting
3 requirements.

4 Is there anybody in the audience on this item?

5 Questions from Commissioners?

6 Without objection, Item 33 is approved as
7 presented.

8 Item 34, request --

9 Wait. We skipped 32.

10 All right. Item 32, we have a deferment of
11 drilling requirements for Union on PRC 2879.

12 Anybody in the audience on this item?

13 Questions from Commissioners?

14 Without objection, Item 32 is approved as
15 presented.

16 Did the attorney from Chevron wish to speak on
17 33? Did I preclude him?

18 MR. HIGHT: No, I think he's happy.

19 FROM THE AUDIENCE: We're satisfied with the
20 staff recommendation.

21 CHAIRPERSON CORY: We have disposed of 33.

22 MR. HIGHT: Yes.

23 CHAIRPERSON CORY: Out of order, but disposed
24 of.

25 COMMISSIONER MORGAN: So much for Chevron.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8894

1 CHAIRPERSON CORY: Item 34, this is a request
2 for exemption from competitive lease requirements on a
3 land-locked parcel that the Los Angeles County Flood Control
4 District has.

5 Is there anybody in the audience on this item?

6 Questions from Commissioners?

7 Without objection, 34 will be approved as
8 presented.

9 Item 35, approval of proposed new well sites
10 on geothermal wells.

11 Anybody in the audience on this item?

12 Questions from Commissioners?

13 Without objection, Item 35 is approved as
14 presented.

15 Item 36, rescission of Commission authorization
16 to issue a prospecting permit to Getty in Randsburg, San
17 Bernardino County, for a subgeothermal permit.

18 Anybody in the audience on this item?

19 Questions from Commissioners?

20 Without objection, Item 36 will be approved as
21 presented.

22 Item 37, acceptance of a quitclaim lease from
23 Conoco.

24 Anybody in the audience on this item?

25 Questions?

1 Without objection, 37 is approved as presented.

2 Item 38 is off calendar.

3 MR. RIGHT: Correct.

4 CHAIRPERSON CORY: Item 39, Long Beach is going
5 to spend \$70,000 on resurfacing a parking lot.

6 Anybody in the audience on this?

7 Questions from Commissioners?

8 COMMISSIONER MORGAN: That's fine.

9 CHAIRPERSON CORY: Item 39 approved as presented.

10 Item 40 is the approval of the third modification
11 of the plan of development.

12 Is there any questions from Commissioners on this

13 item?

14 Without objection, Item 40 approved as presented.

15 Item 41, final report and closing statement for
16 81-'82. Moose wants to tell us that he brought everything
17 in according to budget with the exception of taxes and
18 the Haskins and Sells audit which were unbudgeted things
19 we just forced it upon you.

20 COMMISSIONER MORGAN: What are the final revenues?

21 CHAIRPERSON CORY: Final revenues, not enough.

22 Do you have a number?

23 MR. THOMPSON: No, because it gets mixed with
24 all Long Beach revenues as reported.

25 COMMISSIONER MORGAN: Okay. I'll get you later.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 672-8894

1 CHAIRPERSON CORY: Anybody in the audience on
2 this item?

3 Questions from Commissioners?

4 Without objection, 41 will be approved as
5 presented.

6 Item 42, we're going to have some information.

7 MR. TAYLOR: Mr. Chairman, this item is on for
8 informational purposes only, and it is the position of counsel
9 that you may not reconsider this item -

10 MR. HIGHT: Stop.

11 MR. FABER: My name is Bob Faber. I'm staff
12 counsel for the Commission.

13 Mr. Brady who was going to speak on this item
14 left on the idea that you might be breaking for lunch,
15 and I just spoke with him a second ago. He will try to
16 get back as quickly as possible, but he understands that
17 you're going on through the Commission meeting.

18 COMMISSIONER MORGAN: Let's put the item over
19 to the next meeting.

20 MR. HIGHT: Certainly.

21 CHAIRPERSON CORY: Put it over to the next meeting.

22 Item 43, authorization to file a disclaimer
23 regarding 212-1/4 acres, more or less, in Inyo County.
24 Anybody in the audience on this item?

25 Questions from Commissioners?

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 Item 43 is approved as presented.

2 Item 45.

3 COMMISSIONER ACKERMAN: Move approval.

4 CHAIRPERSON CORY: Item 44, this is just an
5 outrageous ripoff by TI in the AG's Office, stealing land
6 from the people of the State of California. Is that what
7 this is?

8 MR. TAYLOR: It's a good deal.

9 CHAIRPERSON CORY: It's a good deal.

10 [Laughter.]

11 COMMISSIONER ACKERMAN: Doesn't the attorney
12 want his name on this?

13 MR. TAYLOR: Poor lady wants to close escrow
14 and it's hard enough to close an escrow these days.

15 COMMISSIONER ACKERMAN: Greg, where is this?

16 MR. TAYLOR: It's on the Island of Naples in
17 Alamitos Bay, my favorite area.

18 CHAIRPERSON CORY: Your favorite area. Roll over
19 and play dead for another title company, huh, Greg? You
20 always sell out to them. What can I say?

21 Anybody in the audience on this item?

22 I would like to amend the proposed authorization.
23 We used to do this in the legislature. It's called tombstoning.
24 I think we should call this Item 44 the Greg Taylor
25 Memorial item.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8664

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

With that stipulation, we will approve Item 44
as recommended.

Any other items to come before us?

[Whereupon the State Lands Commission
Meeting was adjourned at 12:30 p.m.]

--o0o--

CERTIFICATE OF SHORTHAND REPORTER

1
2
3 I, CATHLEEN SLOCUM, a Certified Shorthand
4 Reporter of the State of California, do hereby certify:

5 That I am a disinterested person herein; that
6 the foregoing State Lands Commission Meeting was reported
7 in shorthand by me, Cathleen Slocum, and thereafter
8 transcribed into typewriting.

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

12 IN WITNESS WHEREOF, I have hereunto set my hand
13 this 14 day of September, 1982.

14
15
16 *Cathleen Slocum*
17 CATHLEEN SLOCUM
18 Certified Shorthand Reporter
19 License No. 2822
20
21
22
23
24
25

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL
EXCERPT

THURSDAY, SEPTEMBER 23, 1982
10:00 A.M.

Cathleen Slocum, C.S.R.
License No. 2822

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MEMBERS PRESENT

Kenneth Cory, State Controller, Chairperson
Susanne Morgan, Representing Mary Ann Graves,
Director of Finance
David Ackerman, Representing Mike Curb,
Lt. Governor

MEMBERS ABSENT

NONE

STAFF PRESENT

Claire Dedrick, Executive Officer
Robert Trout, Assistant Executive Officer
Robert Hight, Esq., Commission Counsel
Greg Taylor, Assistant Attorney General
Jack Rump
Diane Jones
Dwight Sanders
Jane Smith, Secretary

I N D E X

	<u>Page</u>
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
	Agenda Items 20 and 21: Consideration and certification of the Final EIR on the Leasing, Exploration and Development from Point Conception to Point Arguello, and consideration of the areas scheduled for leasing.
	Dr. Ruthann Corwin, Marin County Planning Department 1
	Discussion 10
	Mr. Gladish, Western Oil and Gas Association (WAGO) 13
	Bruce Beyaert, Chairman, Environmental Conservation Committee of the Western Oil and Gas Association 19
	Paul Gutfreund, Principal Meteorologist, Systems Applications, Incorporated 23
	Discussion 33
	Comments by Executive Officer Dedrick 36
	Carol Fulton, Friends of the Sea Otter Coalition on OCS Lease Sale #53 46
	Questions 53
	Richard Charter, Coordinator for Local Governments 54
	Staff response to testimony presented 62
	Comments by Executive Officer Dedrick 62
	Comments by Dwight Sanders 63
	Commission questions of staff 65
	Comments by Mr. Taylor 68
	Comments by Mr. Hight 71

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Further comments by Carol Fulton, Friends of the Sea Otter	75
Discussion	77
Comments by Chairperson Cory	80
Commission action re Agenda Item 20	81
Agenda Item 21 -	81
Comments by Executive Officer Dedrick	81
Discussion	83
Commission action re Agenda Item 21	86
Certificate of Reporter	87

---00---

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8994

PROCEEDINGS

--000--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRPERSON CORY: Next item is consideration and certification of the Final EIR on the Leasing, Exploration and Development from Point Conception to Point Arguello. We have people who wish to speak.

Dr. Ruthann Corwin.

EXECUTIVE OFFICER DEDRICK: Excuse me, Mr. Cory. Would you like Dwight Sanders to first explain to you how the process works, and why we're where we're at, or would you rather take public witnesses first?

CHAIRPERSON CORY: I'd kind of prefer to get the witnesses and then we'll have the staff --

EXECUTIVE OFFICER DEDRICK: Fine.

CHAIRPERSON CORY: -- deal with their comments as well to the extent they can is what I was thinking.

EXECUTIVE OFFICER DEDRICK: Good.

DR. CORWIN: I'm Dr. Ruthann Corwin, and I'm here today representing the Marin County Planning Department. I thank you for the opportunity of commenting on the certification of this program document.

I also understand that the next item is consideration of the areas that are actually going to be scheduled for the leasing. So I'll be addressing both items 20 and 21 with these comments.

1 Since last October I've been consulting with the
2 County of Marin regarding their concerns with offshore oil
3 and gas lease sales as a coastal activity, and they have
4 asked me to review any proposals outside our immediate area
5 that may set precedent for this development.

6 I'd like to mention for those of you who are not
7 familiar with my work, that I have been analyzing impacts of
8 offshore oil and gas development for the last seven years
9 and I think it's important in terms of the technical
10 expertise that has gone into the preparation of these
11 documents that you hear from some individuals who have spent
12 a great deal of time looking at the methodologies as well
13 as the actual areas that are under consideration here.

14 CHAIRPERSON CORY: Did you present any testimony
15 into the hearings on the EIR?

16 DR. CORWIN: We submitted a letter that's in your
17 Finalizing Addendum. I think that's page 3, 193 of the
18 Finalizing Addendum is from the County of Marin. I worked
19 with Marjorie Macris, the Department Chair, in preparation of
20 that letter. I will be addressing some of those comments
21 and also the amount of response to those comments that was
22 presented in the Finalizing Addendum.

23 My Ph.D. is in Environmental Planning and
24 Decisionmaking from the University of California at
25 Berkeley. In 1975, I directed the research on the Office

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 of Planning and Research's Assessment of Lease Sale Number
2 35 Offshore Southern California. I also contributed
3 subsequently to their study of offshore oil and gas
4 development in Southern California, worked on a volume for
5 the National Fish and Wildlife Service on environmental
6 planning for offshore oil and gas, and have done a number of
7 different reviews, particularly in the Santa Barbara County
8 area.

9 I prepared, for example, a three-volume management
10 study which looked at information in the Santa Barbara
11 Channel and that region --

12 CHAIRPERSON CORY: Dr. Corwin, we will stipulate
13 that you're an expert. Would you tell us what you want to
14 tell us about the subject at hand?

15 DR. CORWIN: Okay. The reason I decided to go
16 into some detail on that, and I can just put together these
17 written notes and turn them into you, is that I have major
18 concerns over the quantification of impacts and the use of
19 this Environmental Impact Report as a model of the kinds of
20 things that we would like to see done by the State of
21 California in presenting information to the public on the
22 kinds of impacts that are going to occur in this region.

23 I do not believe that the document you have
24 before you here today is adequate to give you the information
25 to decide where you should go ahead and lease in terms of

PETERS SHORTHAND REPORTING CORPORATION

3436 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 being able to say that you will have the minimum impact on
2 the resources that are out in that region.

3 I think that you'll find that in the type of
4 procedure where you go ahead and attempt to make decisions
5 without having the results of, for example, the biological
6 studies that are suggested in the Finalizing Addendum, that
7 you're opening yourself up to the same kinds of problems
8 we have found in the Federal leases of making decisions with-
9 out adequate information. You will hear some remarks later
10 on from Local Government Coordinator for Northern California,
11 Richard Charter, who will speak to this. We are in complete
12 agreement with his remarks.

13 I'm sorry that your staff and the consultants did
14 not take the opportunity in review of the Draft EIR to
15 actually address the technical points that were raised by your
16 reviewers including the ones in our letter and from a number
17 of the other agencies. Primarily that response to the
18 Draft EIR was of the nature of saying: Well, we said
19 something about that here. There was not a serious effort
20 made to incorporate the responses, to incorporate responses
21 that would answer the questions of the reviewers. As a
22 consequence, you have scattered references in your document
23 to such things as areas of the proposed sale that might be
24 affected by drilling mud.

25 Some of these are very serious impacts to which

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8864

1 I hope you will give a great deal of attention in making
2 your decision. For example, a very minimal estimate that
3 was made of the effect of drilling muds in that area mentions
4 that ten percent of the 40,000 acres could be directly
5 affected. This is loss of marine biota. This is loss of
6 organisms which contribute to the food chain and which the
7 fisheries in this region depend. But you do not have the
8 information in any of these four rather weighty volumes
9 that will tell you where are the areas that are sensitive
10 and what areas you should avoid leasing.

11 These eight circles of possible project areas
12 are not coordinated with the information about the biology,
13 about the deep water ocean currents that will affect the
14 distribution of drilling mud, about the surface current
15 and the plankton organisms that affect the entire
16 productivity of the region and what might be the result of
17 an accidental spill in this area.

18 There's been a great deal more work that has been
19 done, and in our letter we made reference to the fact that
20 we would offer citations to your staff and information about
21 this kind of literature. This offer was not responded to.
22 There's no mention, for example, in the study of the drilling
23 mud work that was done by the BLM in Cook Inlet or the
24 Georges Bank which showed that you can do some rough
25 calculations of the loss of biomass and what that will

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN HIVER DRIVE, SUITE A-
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8994

1 translate to in terms of loss of fisheries. There is no
2 looking at the kinds of models which can estimate from oil
3 spills that might occur in this area, the kinds of things
4 that will happen to the planktonic organisms, the kinds of
5 things that will happen to the marine productivity and that
6 will affect the fisheries in this region. There's no
7 calculations. There's no specific tract type or tract level
8 information that will allow you to make any choices where
9 you will rationally be able to say this is an area where
10 we should go ahead and lease. You don't have that data
11 in hand yet.

12 The key thing that I think the certification of
13 this EIR should be decided on is the fact that there is a
14 biological study that's in the beginning of this Finalizing
15 Addendum that is suggested, but it's not been carried out.
16 This is very similar to the actions of the Federal Government
17 which has recently led to discovery of 11 new species on a
18 tract that was already leased. This kind of information
19 should be available to the State before the leasing is made
20 so you can make the decision not about where on this tract
21 to place a rig, but on whether that particular tract should
22 have a rig placed on it or not, depending upon what the
23 impacts on biota are likely to be.

24 We know, for example, that when drilling muds and
25 cuttings are deposited on the ocean floor you're going to

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 472-8894

7

1 have a loss of life. That loss of life could spread from
2 anywhere from the minimal estimate that's in the document
3 now of 800 meters out as far as two kilometers, and there's
4 evidence out to 12 kilometers from work that was done in
5 the Gulf of Mexico. This is toxic material. It's barite
6 that can contain barium. It has chromium and cadmium and
7 mercury and other heavy metals in it. There are additives
8 in the drilling muds that are not even mentioned in this
9 document. There is some reference to earlier work of the
10 State Lands Commission, which I've not yet seen on the
11 subject of drilling muds and the toxicity that is not
12 adequately dealt with in this EIR.

13 There's new information available. There's a
14 National Academy of Sciences panel now on drilling muds that's
15 pulling this information together. A great deal more is
16 available to give you a much better image of what the impacts
17 are going to be.

18 This region is unique. I won't speak to it.
19 There's a fair amount of information that's in the document
20 that talks about its value as a transition zone. There's
21 nothing that really brings out the point that we brought
22 out in our letter of this as a region that has relic species,
23 species that are left from the changes in the sea level from
24 the Pleistocene era. This is unique. There's nowhere else
25 on the coast where you have this kind of geological and

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8804

1 oceanographic factors coming into play. This is why 11
 2 new species were found, for example, in the deeper waters
 3 offshore. Nothing has been done to look at the deeper waters
 4 in this region. Only the coastal zone has been looked at.
 5 You have a bit of a biological survey that was done. It was
 6 only in the intertidal areas. There is literally no
 7 information in the deeper areas except for the one study
 8 that was done immediately offshore of this region which was
 9 done by Nekton for ARCO as part of the stipulations the
 10 Marine Management Service laid upon them.

11 I took a very close look at the results of that
 12 study. I asked Barry Roth at the Academy of Sciences to
 13 review it and we have memos to that effect which we would
 14 be happy to see your staff and consultants use in giving you
 15 better information for making decisions about what ought to
 16 be studied out there so that you could then take the next
 17 step and say where should we lease and where should we not
 18 lease.

19 Fundamentally, my testimony is that you don't
 20 have this information at this time. There are other aspects
 21 of the Environmental Impact Statement that I think are in-
 22 adequate, particularly the discussion on alternatives and
 23 because of your interest I think particularly in the critical
 24 financial and energy woes of the state, information, for
 25 example, in the California Biennial Report of the Energy

1 Commission that shows that conservation savings in this
2 state in 1985 from state programs will be in the orders
3 of billions of dollars. Things that are comparable to the
4 kind of revenues that you're talking about offshore of this
5 region. All right. These alternatives, the conservation
6 alternatives in terms of the substitutes for oil and gas
7 and also alternatives that deal with sustained use of the
8 marine resources of this region, that hasn't even been
9 mentioned. There's nowhere in the Draft EIR, not even in
10 the lip service of a single statement that was made regarding
11 conservation in the four-page section Alternatives in the
12 original document.

13 So this discussion, the discussion of alternatives
14 is inadequate. If you proceed now in haste to make a
15 decision on it, you will not necessarily pick the best
16 course of action for the State in terms of the wisest use of
17 this area and the need for oil and gas and other kinds of
18 energy sources and supplies in this state.

19 In the quantification of the impacts particularly
20 one of the things that is missing are realistic estimates
21 of the long and short term cost to fisheries. Carrying
22 these things out to a dollars and cents level are not
23 impossible. They can be done with existing techniques in
24 a reasonable period of time. Then you can compare the
25 numbers with similar estimates of the cost and benefits of

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8894

1 alternative energy policies or alternative resource
2 management strategy for this area. This shouldn't be most
3 carefully done at the programming EIR level. There's no
4 point in saying that you're going to do this at the project
5 level. Those decisions can't be made at the project level
6 and it doesn't make sense to require them from the lessees
7 at that time. They should be made before these areas are
8 leased so we don't get into the embarrassing position of
9 saying that some areas that we leased found things that
10 were located there that were unique or unusual or important
11 to the State and now we are stuck with having already gone
12 down the line and having this thing out to lease and making
13 decisions based upon not whether or not a particular location
14 should be leased but where on this thing do you put a rig
15 to minimize the damage.

16 That's the level of information I think you need
17 at the programming hour.

18 CHAIRPERSON CORY: Mr. Ackerman, you have a
19 question?

20 COMMISSIONER ACKERMAN: Are you suggesting that
21 those considerations be part or conditional terms of the
22 lease?

23 DR. CORWIN: No. I think those considerations
24 have to be taken into account in making the kinds of decisions
25 that you have scheduled today. One is obviously the

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 972-8804

1 certification of the EIR and its adequacy. The second is
2 in making the choices of the tract or areas in which you are
3 actually going to put up for sale. But before you have made
4 those decisions, you need to have in hand the information
5 about what is out there to know whether there are some areas
6 that you don't wish to lease or in terms of calculating the
7 total effect of this project on the productivity of the
8 region.

9 This is one of the areas that we have been
10 particularly trying to get the Federal Bureau of Land
11 Management or Mineral Management Service now environmental
12 studies to look at. It's the cumulative impacts not just
13 of this project with the Federal projects which, of course,
14 is a larger question, but of the number of actual wells and
15 rigs that are going to be laid in this area and the effects
16 over time on the biota.

17 If you don't make those decisions at this point,
18 you won't be able to say later on when you're dealing with
19 one particular tract what the cumulative effect of putting
20 that particular well or that set of wells in that area will
21 be. You have to make that at the program level to say that,
22 well, we're going to be looking at an impact to our fishery
23 resources just from losing this unique region, say, of a
24 cut of ten percent or 20 percent. This is just from looking
25 at the drilling mud figures, for example, in the productivity

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8894

1 of the region.

2 What does that translate to in terms of the
3 productivity of the fisheries? Do you want to lower the
4 potential productivity of this region by that amount? Once
5 you've looked at that from a regional perspective, from a
6 salewide perspective, then you can ask the question: Should
7 this tract be leased versus this tract or are there some
8 areas where we want to say let's only lease 20 percent of
9 it at this time and leave the remaining 80 percent for
10 later and see what happens. Those kinds of decisions can't
11 be made at the individual lease-sale level. They have to
12 be made at the program EIR level.

13 Does that answer your question?

14 COMMISSIONER ACKERMAN: Uh-huh.

15 DR. CORWIN: I think I've covered the main points
16 that I have in my testimony. If there are any additional
17 questions -- I would like to give the Commission, but I
18 don't think this is the appropriate time and place,
19 specific details about the kinds of techniques that we ran
20 across, for example, when I worked at MIT building the
21 computer model of oil spill damages and the various
22 methodologies that are in use for translating these kind
23 of things into dollars and cents terms so that you can make
24 the kind of cost benefit analysis of whether or not it's
25 worth it to go ahead with a project of this magnitude at

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8894

1 this time. Those kinds of things need to be done before
2 you make a decision to certify an EIR. The EIR as it stands
3 now is not adequate to give you the information you need
4 either from the economic perspective or from the biological
5 perspective of what's out there.

6 I'll let that conclude my remarks.

7 CHAIRPERSON CORY: Thank you very much.

8 Mr. Gladish.

9 Welcome Mr. Gladish back. He's the former
10 Executive Officer that's gone straight.

11 (Laughter.)

12 MR. GLADISH: Thank you. It's been some seven
13 years. I appreciate the opportunity to appear before you
14 today.

15 I'm here in the capacity of a representative of
16 the Western Oil and Gas Association. I'd like to take a
17 few minutes of your time and talk about the lease
18 stipulations which are now included in the programmatic
19 EIR. In addition, from another group in the Western Oil
20 and Gas Association, there is a Bruce Beyaert here to speak
21 relative to some air pollution concerns and with your
22 concurrence he will follow me in that regard.

23 CHAIRPERSON CORY: Okay.

24 MR. GLADISH: I have limited my comments to those
25 nine lease stipulations that are included in Volume 1, and

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95625
TELEPHONE (916) 972-8894

1 within that framework I'd like to give you a couple of
2 suggestions and comments and point out some implications
3 relative to three or four of those particular stipulations.

4 The stipulations as noted in the volume are
5 pretty much in concert with what's standard practice by
6 the United States Government, the Mineral Management
7 Service, and in the past history of this Commission and
8 the rules and regulations implemented by the staff.

9 I might say at the outset the first concern we
10 have is related to this matter of subsea completion. As
11 you're generally aware, subsea completions were in a sense
12 pioneered on state leases in California as a program that
13 has been successful. However, I want to point out subsea
14 completions from our standpoint are not necessarily the
15 panacea for all the problems that one may perceive in terms
16 of esthetics.

17 We have a few suggestions related to the proposed
18 stipulation language. I would point out that the explanation
19 of the stipulation related to subsea completions does
20 indicate that consideration of subsea completions would be
21 required and we certainly support that in total. However,
22 the actual stipulation as written does for the most part
23 imply a fairly unilateral decision on behalf of this
24 Commission relative to the type of production methods to be
25 employed. I would respectfully request your consideration

PETERS SHORTHAND REPORTING CORPORATION

3435 JACON RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95820
TELEPHONE (916) 972-8804

1 of some additional language which would broaden the
2 stipulation to include some consultation with the lessee,
3 some added emphasis to compatibility with the commercial
4 fishing operations and, above all, emphasis of the priority
5 on safety.

6 I have to submit to you some modified language
7 in that regard.

8 EXECUTIVE OFFICER DEDRICK: We'll put that in the
9 record.

10 MR. GLADISH: I don't know that it's necessary to
11 point out as we've done in the written testimony --

12 CHAIRPERSON CORY: Are you talking about that as
13 being a part of the program EIR or would it be a part of
14 the actual proposed lease document?

15 MR. GLADISH: Well, that would actually in fact
16 be a stipulation that we would see of the actual lease.
17 However, it is included as a stipulation in Volume 1 and
18 it was not as I recollect a part of the earlier hearing
19 process. So it may --

20 EXECUTIVE OFFICER DEDRICK: I don't think that's
21 correct. Excuse me. Subsea completions were addressed in
22 the hearing process.

23 MR. GLADISH: But not in the detail of the actual
24 proposed stipulation for the lease.

25 EXECUTIVE OFFICER DEDRICK: That is correct.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 872-8311