

CORRECTIONS TO TRANSCRIPT
December 22-23, 1982 SLC MEETING

12/22/82 MORNING SESSION

Page 5 - Line 22, last word
Claire said "short". Should have been "long". Transcript
corrected to read "long".

12/22/82 EVENING SESSION

Page 103 - Line 6, third word
"MPDS" should be "NPDES"
"NPDES" - NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM

12/23/82 MORNING SESSION

Page 15 - Line 20
"California" should be "Mexico".

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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE BUILDING
1020 N STREET
ROOM 102
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, DECEMBER 22, 1982

11:05 A.M.

Eileen Jennings, C.S.R.
License No. 5122
Nadine Parks, Shorthand Reporter

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APPEARANCES
(Morning Session)

COMMISSIONERS PRESENT

- Kenneth Cory, Chairperson
- Mary Ann Graves, Director of Finance
- David Ackerman, representing Mike Curb, Lieutenant Governor

STAFF PRESENT

- Claire T. Detrick, Executive Officer
- James F. Trout, Assistant Executive Officer
- Robert C. Hight, Chief Counsel
- Dwight Sanders
- Jane Smith, Secretary

ALSO PRESENT

- N. Gregory Taylor, Assistant Attorney General
- Rick Frank, Deputy Attorney General
- Alan Hager, Deputy Attorney General

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APPEARANCES

(Evening Session)

COMMISSIONERS PRESENT

Kenneth Cory, Chairperson

Susanne Morgan, representing Mary Ann Graves, Director of Finance, Commissioner

David Ackerman, representing Mike Curb, Lieutenant Governor, Commissioner

STAFF PRESENT

Claire T. Dedrick, Executive Officer

James F. Trout, Assistant Executive Officer

Robert C. Hight, Chief Counsel

Dwight Sanders

Jane Smith, Secretary

ALSO PRESENT

N. Gregory Taylor, Assistant Attorney General

Rick Frank, Deputy Attorney General

Alan Hager, Deputy Attorney General

Walter Harvey, Controller's Office

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Page

Proceedings

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Calendar Item 2 - Consideration of the Third
Amendment to Lease between the City of
Long Beach and Wrather Port Properties,
Mr. Taylor

1

Approved

3

Calendar Item 1 - Consideration of Lease of State
Lands between Pt. Conception/Pt. Arguello,
Executive Officer Dedrick

3

Dr. Davis

7

Mr. Taylor

11

Mr. Caves, representing Senator Hart

13

Mr. Edwards, NAACP

14

Mr. Heffernan, Resources Consultants

18

Mr. West, California Taxpayers Assoc.

24

Mr. Holmdahl, Supervisor, Santa Barbara Co.

26

Ms. Byerly, League of Women Voters of
California

33

Ms. Perrault, Sierra Club & Environmental
Coalition on Lease Sale 53
and 73

36

Dr. Corwin, Marin County

50

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v

I N D E X
EVENING SESSION

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	<u>Page</u>
Proceedings	64
<u>WITNESSES:</u>	
Allen Greenstadt, Pioneer Systems and Pioneer International Corporation	64
Dr. Corwin, continued statement from morning session	72
Martha Davis, Greenpeace, Wildlife Campaign Coordinator	97
Jocelyn Kempe, Western Oil and Gas Association Sea Otter Task Force	102
Jim Kennedy, California Chamber of Commerce	109
Naida West, California Council for Environmental and Economic Balance	113
Carol Fulton, Executive Director, Friends of the Sea Otter	119
Clair Ghylin, Western Oil and Gas Association	136
Robert Burt, California Manufacturers Association	145

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PROCEEDINGS

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CHAIRPERSON CORY: Call the meeting to order.

We have a relatively quick item to take care of first, which is the Calendar Item 2, consideration of the third amendment to lease between the City of Long Beach, its Harbor Department, and Wrather Port Properties, Limited.

Who's going to -- Greg?

MR. TAYLOR: Mr. Chairman, we have been requested by Wrather people to approve the third amendment to the Queen Mary lease for Paragraph 4, 10.B. That has to do with finding that office buildings, tenants use it for -- whose qualified tenants use it for correct purposes as set forth in the amendment. It is a use authorized under the grant for the City of Long Beach.

No other matters with regard to the third amendment to the lease are before the Commission at this time.

In addition, the Finding Number 2 finds that the proposal of the Queensbay development concept proposed by Wrather on November the 10th, 1982 is meritorious to the extent it provides uses which are consistent with the city's trust grant and should proceed through public and environmental review process.

In essence, that's a summary of the recommended findings of the staff for Commission consideration today.

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1 CHAIRPERSON CORY: Are there people in the audience
2 on this item who wish to make any comments? Questions from
3 Commissioners?

4 COMMISSIONER ACKERMAN: I have no problem.

5 CHAIRPERSON CORY: Without objection, the
6 recommendation of the staff -- to make sure I clearly
7 understand it -- is not all that was originally requested.

8 MR. TAYLOR: That is correct, Mr. Chairman, It
9 is only Paragraph 4, 10.B. of the third amendment to the
10 lease and the other necessary findings and the comments
11 with regard to their latest proposal in concept for
12 development of the Queen Mary site.

13 COMMISSIONER ACKERMAN: This does not involve
14 the Section 6702 findings?

15 MR. TAYLOR: It only involves a partial 6702
16 finding. It only makes one of the three findings which
17 the Commission must make for a complete 6702 finding.

18 It makes a finding that it is consistent with
19 the provisions of the city's trust grant from the State.
20 It does not make a finding about best interests, it does
21 not make a finding with regard to financing; although
22 that was made at an earlier time that all those proceeds
23 from the lease go into a trust fund of the city.

24 COMMISSIONER ACKERMAN: So, if those two factors
25 come back to the Commission subsequently --

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1 MR. TAYLOR: They will come back to us at some
2 other time.

3 The reason that we don't have the third finding --
4 best interests of the State present -- is that under your
5 regulations that has to be a very specific finding. And
6 the information necessary to make that finding won't be
7 available until they're ready to go with specific proposals.

8 COMMISSIONER ACKERMAN: Okay.

9 CHAIRPERSON CORY: Without objection --

10 COMMISSIONER ACKERMAN: No problem.

11 CHAIRPERSON CORY: -- the item will be approved
12 as presented.

13 The next item is consideration of lease of state
14 lands between Point Conception/Point Arguello, Santa Barbara
15 County.

16 Claire.

17 EXECUTIVE OFFICER DEDRICK: Yes, at the meeting
18 of November 29th when we last considered this item, the
19 Commission -- individual Commissioners and the Commission
20 as a whole -- requested changes to the staff report which
21 had been submitted at that time in draft and there were
22 some other comments from public testimony.

23 The documents that you have before you today
24 consist of a calendar item which includes the project
25 location map, a revised staff report, a set of findings

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1 as required under the California Environmental Quality Act,
2 the Coastal Act, and Division 6 of the Public Resources
3 Code.

4 It also includes as Exhibit F special operating
5 requirements, the stipulations; and as Exhibit G, the tract
6 layout. And I should have said that the Exhibit B also
7 contains a proposed lease form for a net profits lease and
8 a proposed lease form for a sliding-scale royalty lease.

9 Exhibit H is an accounting procedures for
10 determining the next profit share if you choose to go the
11 net profit lease.

12 The items which are new to you and to the public
13 I will detail. Let me point out that on Thursday an earlier
14 draft of this document was distributed to the entire list
15 of people who said they wanted it by Federal Express or
16 Express Mail. Since that time we have continued in
17 negotiations and discussions with public interest groups
18 and have made a few changes.

19 Primarily those changes constitute additional
20 new stipulations. And if you will turn to page 106 of
21 Exhibit F --

22 COMMISSIONER ACKERMAN: Are those changed
23 stipulations available to the audience now?

24 EXECUTIVE OFFICER DEDRICK: Yes, that document
25 is available to the audience today.

CHAIRPERSON CORY: Has it been distributed?

EXECUTIVE OFFICER DEDRICK: Yes.

CHAIRPERSON CORY: Okay.

EXECUTIVE OFFICER DEDRICK: I would suggest you

turn to page 106 of Exhibit F and I will quickly run through the proposed stipulations that staff recommends.

MR. TROUT: That would be where your F tab is.

EXECUTIVE OFFICER DEDRICK: The Stipulations 1 through 9 were primarily derived from the environmental impact reporting process, but Stipulation 2 in response to Chairman Cory's comments on pipeline feasibility and pipeline for transportation in the last meeting has been slightly changed to strengthen that stipulation.

Beyond that, the Stipulation 10 prohibits the dumping of drilling muds and cuttings until such time as it is demonstrated that they will do no harm to the marine life of the area.

Stipulation 11 is based again on the comments of the Commission expressing their concern about response time of oil cleanup and containment equipment in the area. The staff report addresses that in some detail. The bottom line is the response times are really too long.

This stipulation which we recommend will reduce the response times from nine hours to two hours for secondary response such as Clean Seas; and from twenty-four hours

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1 to four hours as a response time of the equivalent Pacific
2 Strike Force.

3 Stipulation 12 are studies associated with oil
4 spill potentials, which we recommend be funded for management
5 by the Department of Fish and Game.

6 The fishermen had, in many hearings, been concerned
7 that their gear is damaged by running into junk on the ocean
8 bottom that they didn't know was there. Our staff confirms
9 that that's a fact. We recommend that in this new lease
10 area ocean floor obstructions be mapped. Stipulation 13
11 provides for that.

12 Stipulation 14 is a specific stipulation for the
13 benefit of the California sea otter. As you know, we have
14 been negotiating that stipulation. And the stipulation
15 you have before you is partially -- I think is a satisfactory
16 stipulation. It partially satisfies some of the concerns.
17 I think it completely satisfies the biological concerns
18 of Friends of the Sea Otters. It may not satisfy them
19 entirely in regard to the structure of the language.

20 And Stipulation 15 is again in response to
21 Commission comment at the last meeting and provides for
22 studies to determine the year-round current patterns and
23 meteorological patterns of the area with the goal of producing
24 a computerized program that will be able to tell you if
25 there's an oil spill, where the oil is going real fast.

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1 The biological study, the second thing you have
2 here, is the revised summary biological study that we
3 discussed with you at the November 29th meeting.

4 The Chamber's Consultants -- and in this particular
5 document, Dr. Noele Davis, who was principal scientist on
6 this study -- were directed by the Commission to do a marine
7 biological benthic study. Their direction was limited to
8 that.

9 With that caveat, this document that is before
10 you addresses -- is in response to the testimony of the
11 public to the comments of the scientific review panel and
12 to comments of the Commission at the November 29th meeting.

13 For your edification and the public's, I think
14 it would be wise if Dr. Davis came to the stand now and
15 explained what changes have been made in that draft report.
16 A limited number of copies are available today. Obviously,
17 there will be more when the printer gets them all. We will
18 be sure that the interested public gets copies.

19 With your permission, Mr. Chairman, Dr. Davis.

20 DR. DAVIS: I want to say a word first to explain
21 just why we used the particular methods that we did -- that's
22 one of the changes that I made in the report -- to explain
23 that a little bit more, because some of the comments were
24 addressed to the fact: Why did we just sample the benthos
25 and why did we use particular methods?

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1 We chose to concentrate on the benthos because
 2 in a limited study you need to put your efforts where the
 3 most immediate impacts are going to be. And the populations
 4 of the benthos are either sessile or poorly modal and thus
 5 can't move away from any impacts; where other components
 6 of the biota either drift with the currents or at least
 7 are able to move away from impacts. So, that is why we
 8 concentrated on the benthos, because they would probably
 9 be the most immediate to show effects from any operations.

10 And we chose a variety of methods so that we were
 11 able to cover quite a lot of the area visually. And then
 12 we were also able to back it up with sampling of the smaller
 13 components of the biota and to get actual samples of the
 14 organisms that we saw in our video transects. So, there
 15 were very, very few organisms that we observed that we didn't
 16 also collect a specimen of to verify the identification.

17 In this particular study, we concentrated on the
 18 deeper portions of the State area because we had already
 19 done considerable scuba diving in the shallower areas.

20 So, we set up a video photographic grid where we
 21 had five transects running perpendicular to shore throughout
 22 the area and we, thus, were visually able to see how marine
 23 communities varied with depth at five different points.

24 Then we had five isobath transects that ran all
 25 the way from Point Arguello to Point Conception at depths

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1 of 100, 150, and 200 feet, which gave very good coverage
2 of this deeper area. And we were thus able to see how the
3 communities varied between the two points.

4 Then we backed this up with box core sampling
5 at 15 stations where we collected the smaller components
6 of the fauna and with trawls or rock dredges for the rockier
7 areas where we collected mostly the things that we were
8 seeing with the camera, but we were able to get actual
9 specimens of them. And these were large organisms such
10 as the starfish and the fishes.

11 Now, most of the comments that we reviewed from
12 the Scientific Advisory Committee, the agencies, and the
13 public were concerned mainly with two points. First was
14 that the preliminary document which they reviewed was hard
15 to read and interpret. And we have made a number of changes
16 in that which should answer those comments. The maps
17 particularly provided a difficulty in that they were hard
18 for people to compare information on the different maps
19 because they were all on different scales.

20 All of the maps now are on the same base map,
21 which shows the bathymetry of the area and as related to
22 various points on shore. So, it's now quite easy to see
23 how the biological data relates to each other and relates
24 to the lease blocks.

25 Secondly, some of the tables were difficult to

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1 read. And the tables have now been reorganized so that
2 they are much more readily interpretable.

3 CHAIRPERSON CORY: These changes are just changes
4 in format, not in --

5 DR. DAVIS: Oh, right. It's not changes in data.
6 I mean, the data were always there. But as originally
7 presented, it was very hard for some readers to ferret out
8 what the data were saying. And this is going to make it
9 much more readily interpretable.

10 Then people were concerned about the significance
11 of the findings. So, we have considerably enhanced that
12 discussion of the significance.

13 We had each one of the taxonomists who identified
14 each of the different groups -- and each of these people
15 is a real expert in their groups with a great deal of
16 experience on the California coast. Each one of them wrote
17 a paragraph on the significance of what the findings for
18 their groups were.

19 Other comments related to the discussion of impacts.
20 And this report was not designed to be an impact discussion.
21 It was designed to be a biological characterization. And
22 that is now clarified in the document itself.

23 In the brief discussion of impacts, which there
24 is, which is just a comparison of sensitivities in the lease
25 block, appropriate sections of the EIR are now cited where

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1 fuller discussions are available.

2 CHAIRPERSON CORY: Okay.

3 EXECUTIVE OFFICER DEDRICK: Fine, if it's fine
4 with you.

5 CHAIRPERSON CORY: Thank you very much.

6 EXECUTIVE OFFICER DEDRICK: Commissioners, we've
7 received some communications, both by mail and by telegram,
8 which should be placed in the record. And you have received
9 a letter from the California Coastal Commission to be placed
10 in the record.

11 CHAIRPERSON CORY: We have those in the record.
12 Should now be the time to take public comment?

13 EXECUTIVE OFFICER DEDRICK: Yes. Deputy Attorney
14 General Greg Taylor has a statement to make for the record.

15 MR. TAYLOR: Mr. Chairman, we have examined the
16 stipulations and the form of the lease package that is before
17 you today in connection with the consistency of the State
18 of California in the litigation that has been going on for
19 a number of years now with the Department of Interior over
20 Lease Sales 53 and 68. And in reviewing the package which
21 is before you today, the stipulations which are contained
22 there include all of the State's objections to the federal
23 lease program.

24 So, from that standpoint, what is being done by
25 the State of California today includes all of the things

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1 which we have asked the Department of Interior to do in
2 their program. And, in addition, quite a number of more
3 stipulations than the federal government was asked for in
4 the litigation.

5 I might also point out that does have a monetary
6 effect upon the State of California in terms of the return
7 that it will see. And there has been an estimation of cost
8 of those stipulations in the aggregate amount of \$20 to
9 \$30 million over the life of the field.

10 COMMISSIONER ACKERMAN: Is that reflected in 1982
11 dollars?

12 EXECUTIVE OFFICER DEDRICK: Yes.

13 MR. TAYLOR: So, the State of California is -- as
14 it did when it did the Long Beach Field in terms of
15 environmental concerns -- is going to front the expenses
16 in terms of the fact that it understands that those
17 stipulations will result in a lesser return to the state
18 than had they not been in there.

19 COMMISSIONER ACKERMAN: It's true, isn't it, that
20 that cost is reflected in just a few of the stipulations,
21 however; a major portion of that cost?

22 EXECUTIVE OFFICER DEDRICK: Probably the most
23 readily identifiable portions are reflected in a few. Such
24 things as the pipeline feasibility is not something you
25 can figure cost on; I mean, at this juncture. The majority

1 of the cost that you can really see is in that half dozen --
2 five stipulations.

3 CHAIRPERSON CORY: We have some indication --
4 is Gary Hart here?

5 MR. CAVES: I'm representing the Senator today.
6 Mr. Chairman, Members, my name is Joe Caves. I'm
7 representing Senator Gary Hart.

8 Senator Hart, as you probably remember, testified
9 at your October 4th hearing on this issue and has followed
10 the matter with great interest, of course, because of its
11 potential effects on his district.

12 After looking over the most recent documents on
13 this proposal, Senator Hart feels that any decision on the
14 proposal today would be premature for the following reasons:

15 First, there has not been adequate time to review
16 these most recent documents, which I believe are dated
17 December 16; but they were not received in our offices until
18 Monday.

19 Second, strong objections and concerns have been
20 raised by other agencies whose jurisdictions may be
21 substantially affected by this proposal, particularly the
22 Coastal Commission and the County of Santa Barbara, who
23 I believe Supervisor Holmdahl will be speaking to that issue
24 later.

25 The Senator is also very concerned about these

1 interagency disputes and their potential to erupt into
2 public battles over this proposal and is willing to do
3 whatever he can to aid negotiations to resolve these conflicts.

4 Third, the Senator feels a decision would be
5 premature because two-thirds of this Commission will leave
6 office in a week. This lease proposal has long-term
7 implications and should be considered by those who will
8 have the responsibility to carry out any decision made.

9 The Senator also asked me to convey his hope that
10 this Commission would resist pressures to act in haste to
11 help ease the state's immediate financial problems.

12 The Senator feels the State is best served by
13 continuing the effort to resolve the questions raised by
14 this proposal before any decision is made by the Commission.

15 Thank you.

16 CHAIRPERSON CORY: Questions from Commissioners?

17 Mr. Willis Edwards.

18 MR. EDWARDS: Mr. Chairman, Commissioners, my
19 name is Willis Edwards and I am the President of the Beverly
20 Hills/Hollywood NAACP.

21 In mid-October, 1977, the NAACP hosted an energy
22 conference. At that time the National President, Dr.
23 Benjamin Hooks, stated:

24 "... that only in a fully-employed
25 economy did Blacks ever stand a chance

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1 of gaining parity in employment. And
2 if Blacks were to have full employment,
3 energy would be a necessary component
4 of a healthy economy . . . "

5 " . . . if there is a slow down
6 in the production of energy, then this
7 nation will go into an economic decline.

8 And the impact of that decline will
9 be felt more severely in the Black
10 community."

11 This energy policy literally describes what is happening
12 in the Black communities of California today.

13 We are facing a crisis in California that can
14 no longer be ignored. It is crucial that we formulate
15 definitive plans and take action now to deal with the dismal
16 economic situation of our State. We must provide additional
17 avenue sources for California and one way to do so is by
18 leasing state tidelands for oil/gas exploration and develop-
19 ment.

20 Certainly we recognize the importance of the
21 environmental concerns that are usually the focus of these
22 hearings. But there's more at stake here than solely
23 environmental issues. / What is at stake is the well-being
24 of people.

25 Confronted daily with the harsh realities of our

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1 national depression, Californians are suffering the brunt
2 of our state's financial woes. It is estimated that
3 California's budget deficit will actually go as high as
4 \$2.4 billion this year. Combine this with statewide
5 unemployment surpassing 10 percent and you have a very serious
6 situation.

7 But it is even more serious in the Black community.
8 I am talking about 25 percent unemployment among Black adults
9 and close to 48 percent unemployment among Black youths.

10 Resources must be found and utilized that will
11 enable people to survive and live in a dignified manner.
12 There are no jobs. Training programs have been cut. School
13 systems are strapped and can hardly provide the basics.
14 Health-care systems are being closed. And thousands of
15 small businesses are going bankrupt.

16 This litany of problems affects not only the Black
17 community. But I can best describe what I can see and hear
18 every day, all of us.

19 It is time to come to grips with the problems
20 that the citizens of California are facing. It's time for
21 reasonable citizens to act in a reasonable way. California
22 needs help.

23 The reason I'm here today is to voice support
24 for the realistic decision that must be made by this
25 Commission in order to provide needed assistance. Oil and

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1 gas leasing must go forward -- certainly to supply our ever-
2 increasing energy needs, but more importantly, to create
3 badly-needed jobs and provide a source of revenue for
4 California.

5 Your decision will have a far-reaching impact
6 because it will affect millions of people beyond just the
7 coastal communities.

8 You are in a unique position to ensure that
9 California is provided with a new, non-tax source of revenue
10 at a critical time. I understand that these bids could
11 be worth anywhere from \$120 million to \$600 million. This
12 money could be used very productively and in a variety of
13 ways to benefit a lot of needy people.

14 We know that people are dependent on the oil
15 industry and what it produces for much more than just energy.
16 We know the industry directly and indirectly supports many
17 jobs and businesses. Consequently, we should realistically
18 acknowledge the importance of their continued investment
19 in California's future.

20 Specifically, the NAACP wants this investment
21 to include the human and capital resources available in
22 the Black community and other communities. We want Blacks
23 to share in the opportunities afforded by oil exploration.
24 These areas include technological education; skills training;
25 drilling, processing, refining, and other jobs; and minority

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1 business enterprise.

2 We encourage the Commission to permit development
3 of our offshore resources and express your concern for
4 participation by minorities in all phases of exploration
5 and production.

6 The state stands to lose significantly -- in state
7 revenues and in human opportunities -- if we do not take
8 advantage of existing resources. Your decision must reflect
9 the overriding importance of our State's economic security
10 and the survival of its people.

11 Thank you.

12 CHAIRPERSON CORY: Questions from Commissioners?
13 Thank you very much.

14 Patrick Heffernan.

15 MR. HEFFERNAN: Good morning, Commissioners.

16 Patrick Heffernan, Senior Partner for Resources Consultants.
17 And I'm here speaking today for myself only, not for any
18 of my clients; some of whom do include agencies of the State
19 of California.

20 I have a number of observations on the timing
21 and the effects of the lease sale, particularly on its
22 revenue aspects, and also on information provided in the
23 public documents here. I have had an opportunity to look
24 over the staff report and calendar items. I have not seen
25 any internal staff documents.

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1 First of all, I'd like to point out that the staff
2 information used to provide you with the recommendations
3 to go ahead with this sale seem to be somewhat obsolete.
4 I notice that the staff relies upon the 1981 report of the
5 California Energy Commission. That's this report which
6 is currently under revision and the new BR will be available.
7 It's probably available in draft now.

8 They say in there that 20 percent of California's
9 oil is imported. That's incorrect. The latest figures
10 are less than 5 percent of California's oil is imported.

11 I'd like to point out that the information used
12 by the staff --

13 CHAIRPERSON CORY: What is your definition of
14 "imported"?

15 MR. HEFFERNAN: Imported from foreign countries.
16 And of that, I think it's 4.86 percent of that, almost 95
17 percent come from Indonesia. And that is a quality of
18 low-sulfur light oil which is used as blending stock in
19 the state, which is probably not obtainable in the State
20 at all.

21 I'd like to point out that the energy and
22 petroleum environment of the country --

23 CHAIRPERSON CORY: Do you know how much of it
24 is produced within California?

25 MR. HEFFERNAN: How much of what?

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CHAIRPERSON CORY: Of our oil consumption.

MR. HEFFERNAN: About 40 percent. The rest comes from Alaska.

CHAIRPERSON CORY: Okay, go ahead.

MR. HEFFERNAN: And under the Alaskan legislation, I don't think you're going to see that going anywhere else.

I'd like to point out that the petroleum economy globally in the State has changed significantly from that laid out by the staff in its report.

According to the Energy Information Agency, the US energy demand is down 13 percent from 1981. We're using 73 quads of energy nationally. This is the lowest demand for energy in the country since 1973 and it's still falling.

The Energy Information Agency points out that 50 percent of this reduction is due directly to conservation and about 20 percent is due to renewable resources being used more efficiently.

The Energy Information Agency also points out that gasoline demand is down nationally to its lowest point since 1973 and it's still falling. We're probably going to fall in this country in gasoline demand below OPEC crisis levels.

Domestic crude oil production, however, in the country has remained level. It's stabilized at just under 7 million barrels per day and it doesn't seem to be falling

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1 any more. Motor fuel prices have also leveled off in real
2 terms at about 1973 price levels. And a number of analysts
3 have indicated that they think they're going to fall somewhat
4 further.

5 Lastly, crude oil prices have fallen globally
6 to below \$30 a barrel. And, of course, if you noticed,
7 the OPEC meeting broke up this week with no resolution on
8 what the new prices should be. They're still soft. They're
9 likely to continue to drop. And spot sales, according to
10 the Energy Information Agency, have dropped below \$25 a
11 barrel in some ports.

12 Analysts predict that oil consumption prices are
13 going to continue to fall -- at least until 1985 -- and
14 then slowly climb back up to 1982 levels by 1990 where they
15 will level off unless the world supply is limited by a
16 catastrophe that we can't foresee right now.

17 The California oil environment has changed
18 significantly too, from that utilized by staff in its
19 report.

20 On page 13 of the calendar item, they quote the
21 BR as saying that in 1981 California imported about 20 percent
22 of its oil. As I pointed out, the correct figure there
23 was 8.4 percent of its oil was imported from foreign
24 countries. We're down now to 4.67 percent imports, most
25 of that coming from Indonesia.

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1 At the same time, total state oil production is
2 up 3 percent over last year and offshore oil production
3 is up 250 percent. However, refineries and sales from
4 refineries are down 19 percent, consumption is down 10
5 percent, and prices are down 4 percent in oil.

6 My conclusion from this is this is a very bad
7 time to be leasing offshore oil. Demand is as low as it's
8 been in a decade, prices are as low as they've been in a
9 decade.

10 Donald Brennan, an economist with Standard Oil
11 of California, points out that -- this is talking to the
12 New York Times -- that we are now looking at a demand-
13 limited world where oil is being pushed back into the ground
14 by consumers.

15 Phil Verlanger of Booz, Allen & Hamilton, oil
16 analysts, points out their analysis indicates that the
17 current oil surplus is going to last for at least 5 and
18 probably 10 years or longer.

19 The needs for oil in California don't appear to
20 be rising either. The California Biennial Report states
21 that conservation and renewables are the best investment
22 for reducing energy demand, not additional oil supplies.

23 My conclusion from this is this is probably the
24 worst possible financial time to be leasing offshore land.
25 Demand is down, prices are down, the future needs projections

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1 are down. This is an opportunity for the oil companies
2 to buy leases at probably the lowest bonus bids and the
3 lowest lease prices they can get.

4 Additionally, I understand that you're now looking
5 at a profit-sharing program, which I compliment you for.
6 I've worked in Southeast Asia with oil companies there who
7 do the same. It's been a very wise decision. I'm surprised
8 our federal government doesn't do that now.

9 Unfortunately, if oil analysts at the New York Times,
10 Wall Street, and within the oil companies are correct, the
11 prices continue to fall, your profit sharing is going to
12 continue to fall.

13 My question here in looking at the calendar item
14 staff report is that there doesn't seem to be at the staff
15 level an analysis of the dollars lost to the State by going
16 ahead with the lease at this point in time in which oil
17 prices and demand are at the lowest they've been in the
18 decade, and I would like to know before this action is taken
19 what would be the dollar amounts that might accrue to the
20 State if the leases were delayed or if they were staged
21 in such a way that the State would then offer the leases
22 when oil prices began to rise after 1985?

23 I'm concerned that while you may, in fact,
24 generate some immediate income into the State, the long-
25 term losses by leasing at this particular time may be even

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1 greater for the people of the State of California.

2 Any questions?

3 CHAIRPERSON CORY: Thank you.

4 Kirk West.

5 MR. WEST: Good morning, Mr. Chairman, Members
6 of the Commission. My name is Kirk West, California
7 Taxpayers Association.

8 I'm here to urge you today to proceed with the
9 lease program, which has been shut down since 1969, I
10 believe.

11 I used to sit occasionally on the Commission
12 shortly after that, and I sympathize with you in your
13 deliberations today.

14 I think that the national and the state energy
15 goals of self-sufficiency are a good argument for proceeding,
16 as well as the economic stimulation and, of course, as
17 you've heard -- and all three of you are well aware -- the
18 desperate need for the revenues for the State of California.

19 As to the method of leasing, as a major non-expert
20 in the various intricacies of leasing, I would just say
21 that I am impressed with the arguments in favor of the bonus
22 bid approach because it provides up-front revenues and never
23 has the state needed up-front revenues more than right now.

24 Also, it reduces the risk to the State, whereas
25 maybe more revenues might be available on the profit sharing

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1 method. On the other hand, maybe they will not be available
2 and it might result in less revenue. So it's a winning
3 hand versus doubling down in hopes of getting more. I think
4 right now we should be taking the safer course and reducing
5 the risk to the State.

6 And, finally, it offers an incentive to begin
7 production now. The profit share method, on the other hand,
8 could result in a lack of incentive to begin production.

9 I think finally the point that needs to be made
10 is that the jobs and the economy and all of these will be
11 stimulated as well as other tax revenues. And, of course,
12 when production begins, royalty shares to the State; which
13 we need and could realize once production begins in several
14 years.

15 I think that the stimulation would effect itself
16 in the property tax, sales tax income, corporate income
17 taxes throughout the tax system, and produce revenues that
18 are far greater than those from the direct bids from the
19 oil royalties and the like.

20 Thank you very much.

21 CHAIRPERSON CORY: Thank you, Kirk.

22 COMMISSIONER ACKERMAN: Kirk, generally what kind
23 of a ripple factor do you apply to something of this
24 magnitude?

25 MR. WEST: I don't have that exact factor on this;

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1 Although I'll just venture to say that this is non-tax
2 revenues, which is the best kind of revenues as far as the
3 state is concerned as a high tax state, which we are. It
4 is extremely important as far as the economic picture is
5 concerned. And further, we're not talking about the service
6 sector type of jobs. These are jobs that are produced off
7 of which the service sector through the ripple effect would
8 have a tremendous stimulation and boost.

9 Thank you.

10 CHAIRPERSON CORY: Thank you.

11 Supervisor DeWayne Holmdahl.

12 SUPERVISOR HOLMDAHL: Thank you, Mr. Chairman.

13 I was going to have copies for everybody, but my assistant
14 is stuck in LAX. So, I'll leave these copies with your
15 staff.

16 My name is DeWayne Holmdahl. I'm representing
17 the Santa Barbara County Board of Supervisors. Our comments
18 today are divided in those on the EIR and those on the actual
19 leasing decision before you today.

20 The citizens of Santa Barbara County stand to
21 suffer severely in consequences of all actions the Commission
22 takes with regards to leasing of State tidelands. Other
23 agencies and individuals have spoken to you asking for your
24 consideration. The tremendous environmental, economical,
25 and social costs are inherent in your decision.

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1 Because the people of Santa Barbara County have
2 perhaps most to lose from a hasty decision on your part,
3 we would like to lend our support to those who have spoken
4 out against the Commission's proposed intention to lease.

5 I will try to keep the spoken comments general,
6 but directly to the county's response to the Draft
7 Environmental Impact Report for specifics.

8 The Environmental Impact Report. We have found
9 the Final EIR to be lacking some important information and
10 I am sure you would want to know before you make any
11 decision.

12 In a document of this size, it is difficult to
13 follow all the references and criteria given when trying
14 to track down a response to a comment. If we have
15 misinformation, we apologize; but feel the confusing layout
16 of the EIR may well be the reason.

17 Generally, the EIR provides good data on the
18 environmental setting and the project description, although
19 areawide cultural data are exceptions.

20 However, there is much less effort devoted to
21 the discussion of impacts and less still to the mitigation
22 of these impacts. What you as decisionmakers must be aware
23 of is the impact associated with a decision and the variety
24 of mitigation measures or alternatives available to deal
25 with the impacts and, most importantly, the effects of the

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1 mitigation measures on alternatives in lessening the impacts.

2 Unless a mitigation measure decreases the impact
3 to insignificance, it must be considered a remaining
4 significant impact to the project.

5 You and your staff have read the EIRs and are
6 no doubt aware of the alternative sections of the three-
7 volume document is four pages long. If I might read a
8 short section of the CEQA guidelines, Section 15143(d):

9 "The discussion of alternatives
10 shall focus on alternatives capable
11 of eliminating any significant adverse
12 environmental effects or reducing them
13 to a level of insignificance, even if
14 these alternatives substantially impede
15 the attainment of the project objective."

16 I am sure you will be agreed that a discussion of the
17 alternatives is an integral part of an EIR as CEQA tells
18 us environmental impact reports should emphasize feasibility,
19 mitigation measures, and alternatives for projects.

20 The present treatment of alternatives is grossly
21 inadequate. Four pages cannot identify the environmental
22 pros and cons of even one alternative. And yet this EIR
23 represents five.

24 An in-depth analysis of alternatives which lessen
25 the impacts must be before you when you make a decision

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1 to lease state submerged tidelands. And we so ask you to
2 provide more reasonable discussion on those choices briefly
3 described in the EIR.

4 In particular, the county has identified the
5 revenue sharing alternative as one which should be closely
6 examined. It appears to us that this alternative would
7 lessen many of the significant impacts on the cultural and
8 social environments of Santa Barbara County while attaining
9 the goals of the project.

10 The delay in leasing is another alternative which
11 should be examined for the economical benefits to the State.
12 An oil glut does exist, as was stated here before.

13 Site specific or the regional concerns. The State
14 Lands Commission staff responded to many of the concerns
15 we expressed on the DEIR by indicating the items would be
16 evaluated when site specific development plans were received.
17 However, we would like to reinstate some of the concerns
18 we continue to feel should be dealt with on a regional basis.

19 First, the conflicts associated with placing a
20 coastal-dependent industry in an area zoned for agriculture.
21 Onshore facilities such as gas and oil processing plants,
22 supply base, power supply facilities, storage tanks, export
23 facilities must all accompany production from the State
24 Lands lease.

25 We are in the process of evaluating the

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1 availability of an area along the coast for such facilities
2 to accommodate new production on federal leases and have
3 found suitable areas to be very limited. It is the desire
4 of the citizens of Santa Barbara County to preserve the
5 natural resources of the coast and the Board must respond
6 to those desires. You must take the very limited availability
7 of the areas appropriate for the development of the coastal-
8 dependent industry into account as a regional issue before
9 you decide to lease sale submerged lands. There is no
10 attempt to analyze this conflict in the EIR.

11 I'll leave out some of this because you'll be
12 able to read it, too.

13 The lease sale decision. The analysis performed by
14 your staff in the DEIR points to significant impacts which
15 remain to be mitigated. Air quality will be degraded so
16 that our basin no longer meets State or Federal standards.
17 A State action leasing these lands will prevent Santa Barbara
18 County from complying with other State actions requiring
19 air quality.

20 Very significant and unique biological resources exist
21 along this stretch of the coast. Species which are existent nowhere
22 else in the world can live here where the Northern and
23 Southern California West Coast biota meet. I cannot stress
24 enough the value of such an area and the tremendous
25 consequences an oil spill will have.

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1 Santa Barbara County is dependent on a clean
2 environment and pristine coastline for much of its income.
3 Tourism constitutes 9 percent and the retirement community
4 contributes 37 percent. And other developments depend on
5 the high quality environment of 10 percent.

6 We do not have a major industrial base or a
7 commercial development to support the county. So, the
8 contributions from tourism and recreation are significant.
9 The visual impacts of platforms off the State coast degrade
10 the air quality, biological impacts to the otters, pinipeds,
11 and shore birds and the industrialization of agricultural
12 land all have potential to significantly hurt our county's
13 economy.

14 For these reasons, we ask that you go back to
15 the EIR and fill in some of the planning data which is now
16 missing, offset for air emissions, properly zone land for
17 onshore facilities unique to cultural resources and fallout
18 from Vandenberg Air Force Base should be limited to a number
19 of locations of tracts you ultimately offer for sale.

20 In addition, expand the analysis of alternatives
21 to allow for the well-reasoning decision based on pros and
22 cons of each alternative.

23 We support a revenue sharing alternative because
24 at this point it appears to accomplish the goal of the
25 project with some degree of environmental damage.

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1 If the State Lands Commission decides to act today
2 on whether to lease these lands without information needed
3 to make the EIR adequate, the following comments regarding
4 the lease stipulation applies.

5 Subsea completion appears to be significantly less
6 aesthetic impacts of oil platforms. If the environmental impacts
7 of subsea are fewer and less significant than traditional
8 platforms, this should be adopted as preferred technology
9 and less infeasible.

10 We support a pipeline export versus marine terminal
11 export at this time. We disagree with the economical
12 analysis presented in the EIR for pipelines and feel they
13 are even more economically preferable than the document indicates.

14 We would prefer a stipulation indicating
15 preferential pipelines unless they cannot be shown
16 infeasible.

17 Stipulation 5 should be adopted accompanied by
18 an areawide designation of sensitive areas where drilling
19 will not be allowed. Also, only Section 1 of Part B should
20 apply. The applicant should always be required to pursue
21 other alternatives if a unique resource is found to be in
22 a specific area.

23 We hope the Commission realizes from this
24 testimony the gravity of the decision they face today. Santa
25 Barbara County will be affected if the leasing takes place

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1 at all. And so we feel these comments should be seriously
2 considered.

3 If you have any questions, we will be willing
4 to work very closely with you. Please contact the Santa
5 Barbara County Energy Project staff.

6 Thank you.

7 CHAIRPERSON CORY: Questions from Commissioners?
8 Elizabeth Byerly.

9 MS. BYERLY: Mr. Chairman and Members, my name
10 is Elizabeth Byerly. I'm representing the League of Women
11 Voters of California.

12 The League of Women Voters of California supports
13 the lease of tracts in the Point Conception/Point Arguello
14 site under consideration today. With the strict application
15 and enforcement of the adjacent air pollution control
16 district regulations on oil and gas exploration, development
17 and production activity, we believe that the adverse impact
18 on onshore air quality will be minimal.

19 Santa Barbara County regulations require best-
20 available control technology and offsets for emissions not
21 controlled by this technology. The Coastal Act also requires
22 that any development be consistent with local regulations.

23 The League urges adoption of measures essential
24 to protect the environment of this region. Lessees should
25 be required, one, to transport oil obtained in offshore

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1 activities by pipeline, not by tanker; two, to provide
2 offsets with onshore facilities; and three, to maintain
3 maximum public access to the coast and the coastal
4 recreational facilities.

5 Despite the high cost of the leases, the area
6 under consideration is easy and inexpensive to develop,
7 we believe.

8 The League of Women Voters of California believes
9 that pollution control should be considered as a cost of
10 doing business. Citizens and taxpayers must expect some
11 cost to be passed on.

12 The League is a multi-issue organization and
13 recognizes also that the sale of oil and gas leases will
14 bring in much-needed revenues for the State.

15 In closing, we urge you to encourage all companies
16 and agencies involved to mitigate the impacts of development
17 in federal waters to the same degree as in California's
18 State waters.

19 Thank you.

20 CHAIRPERSON CORY: Questions from Commissioners?

21 COMMISSIONER ACKERMAN: Maybe just a question
22 for the staff.

23 This is the second mention of air quality
24 concerns. Aren't air quality concerns and those standards,
25 aren't those adopted by the local air pollution control

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1 district?

2 EXECUTIVE OFFICER DEDRICK: That's true. And
3 in the EIR we dealt very deeply with that subject.

4 COMMISSIONER ACKERMAN: We're not preempting
5 anyone?

6 EXECUTIVE OFFICER DEDRICK: Absolutely not.
7 Everything you do is --

8 CHAIRPERSON CORY: They will have to have permits.

9 EXECUTIVE OFFICER DEDRICK: That's correct.

10 CHAIRPERSON CORY: And qualify and have the
11 necessary mitigation.

12 EXECUTIVE OFFICER DEDRICK: That is true. That
13 is also true of the local government comments. The County
14 of Santa Barbara is the permitting authority for building
15 permits and the onshore impacts, the regional air board
16 for air quality, the regional water board for water quality,
17 the Coastal Commission. Any of our leases would require
18 compliance with the Coastal Commission permitting process.

19 We add to those governmental controls, rather
20 than subtract from them. That is, you are requiring more
21 than -- for example, in the biological surveys -- than CEQA
22 actually requires and so forth.

23 COMMISSIONER ACKERMAN: Okay.

24 CHAIRPERSON CORY: Okay.

25 Michele? I thought you were out of the room,

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1 I'm sorry. It's your turn.

2 MS. PERRAULT: We appeared before you on
3 November 29th speaking for --

4 CHAIRPERSON CORY: Michele, would you identify
5 yourself.

6 MS. PERRAULT: Yes, I was speaking at that time
7 for the Environmental Coalition on Lease Sale 53 and 73.

8 EXECUTIVE OFFICER DEDRICK: Would you give your
9 name, please.

10 MS. PERRAULT: Michele Ferrault.

11 I will also be speaking for that coalition today,
12 as well as the Sierra Club itself. I am Vice President
13 of the Sierra Club nationally.

14 We did testify, as I said, on November 29th. I
15 would like to see that our testimony is incorporated into
16 the documents along with everyone else's that was missing.

17 CHAIRPERSON CORY: I believe it is part of the
18 record.

19 EXECUTIVE OFFICER DEDRICK: It certainly is.

20 MS. PERRAULT: It is part -- part of the record,
21 but I would like to see it appended to documents as everyone
22 else's was. There is some testimony in written form that
23 was not put into the staff report of the 29th and December
24 15th, although a chart indicates some of the highlights
25 of our testimony.

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1 EXECUTIVE OFFICER DEDRICK: I'm sorry, Michele,
2 are you referring to your comments on the marine benthic
3 study?

4 MS. PERRAULT: On November 29th I'm referring
5 to the stuff that was charted in the staff report of the
6 29th and 15th.

7 MR. FRANK: In the staff report that was
8 distributed at the November hearing, there was a summary
9 of testimony given at the earlier staff hearing in Santa
10 Barbara on October 4th. And because the Commission and
11 a number of the members of the public who appeared in
12 November were not there, that was intended to be a briefing
13 device. Testimony in the previous hearings has been
14 transcribed and is part of the official record of these
15 proceedings.

16 MS. PERRAULT: I just wondered why our written
17 comments, as other people's had been put in the 15th staff
18 report, were not there and why my comments on the 29th were
19 just put in chart form.

20 EXECUTIVE OFFICER DEDRICK: Your comments on the
21 29th are part of the record, just as your comments today --

22 MS. PERRAULT: I'm only asking that the record
23 be visible to the public.

24 CHAIRPERSON CORY: She is asking, as I understand
25 it, was her testimony handled differently than others, I

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1 think.

2 MS. PERRAULT: It seems to me in reading -- in
3 the haste I've had to read these things -- and I've gone
4 over it quite a few times looking through the testimony,
5 I saw other testimony in there and not ours, and I just
6 wondered why.

7 EXECUTIVE OFFICER DEDRICK: I think Dwight can
8 answer it.

9 MR. SANDERS: Mr. Chairman, there are two distinct
10 hearings that are in question here. We held a staff hearing
11 in Santa Barbara on October 4th of this year at your
12 direction to receive testimony on the proposed lease sale.

13 The staff report of November 29th included in
14 graphic form a summary of the major points that were raised,
15 in addition to testimony received by the Commission staff
16 up to that point in time in the process of this program.

17 Testimony received by the Commission at the
18 November 29th hearings, as Mr. Frank has stated, has been
19 transcribed, as is the usual practice, and is available
20 for the record.

21 CHAIRPERSON CORY: But were some of the people
22 at either of those meetings, their testimony presented in
23 its entirety and not Michele's?

24 MR. SANDERS: Mr. Chairman, Michele did not have
25 the opportunity or the occasion to testify at the October

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1 4th hearing. Therefore, there is no testimony.

2 MS. PERRAULT: No, my testimony was indicated
3 by chart form on that 29th staff report, if I'm not
4 mistaken, and it was certainly not in the December 15th
5 staff report.

6 MR. SANDERS: The testimony that was portrayed
7 in graphic form on the October 4th hearing was that of Mr.
8 Hicks of the Los Padres Chapter of the Sierra Club.

9 EXECUTIVE OFFICER DEDRICK: That's correct.

10 MS. PERRAULT: And nothing on the Oil Coalition?

11 EXECUTIVE OFFICER DEDRICK: No.

12 I chaired that meeting, Mr. Chairman. And I think
13 that Dwight's answers are correct and proper. The only
14 summary we did in the staff report was of new information,
15 that you had not already received at the time you certified
16 the Environmental Impact Report.

17 MS. PERRAULT: The new information on the 29th?

18 MR. SANDERS: No.

19 EXECUTIVE OFFICER DEDRICK: No.

20 MS. PERRAULT: I can check it. I don't have the
21 documents. But what about the December 15th staff report?
22 Is there any reason why it was not appended to that?

23 EXECUTIVE OFFICER DEDRICK: Yes. The reason for
24 that is that the only time we put in testimony is when staff
25 hears it and the Commission has not heard it. The Commission

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1 heard that testimony. It is part of the record,
2

3 MS. PERRAULT: Okay, that clears something up
4 for me. Sorry it took so much time.

5 CHAIRPERSON CORY: That's okay.

6 MS. PERRAULT: I would like to say that the
7 comments that we made on the 29th of November have not been
8 answered as fully as we would hope. Certainly the
9 cumulative impacts discussion we feel should be much more
10 thorough. And as one public member, I find that in trying
11 to understand the State Lands analysis of cumulative impacts,
12 it requires me to do a term paper practically. It refers
13 to an enormous number of documents which one is supposed
14 to sort through and get a general picture of cumulative
15 impacts. I find that difficult.

16 There will be other people coming to appear on
17 some of the concerns that the Coalition and the Sierra Club
18 had raised on the 29th -- Friends of the Sea Otters,
19 specifically -- and I would like to incorporate their
20 comments in my testimony without going over each detail
21 and taking up the time here.

22 What I'd like to focus on today is some additional
23 comments from the Sierra Club and the Coalition on Lease
24 53 and 73. One is based on a resolution passed by the full
25 Sierra Club in both its Northern and Southern California
area requesting that no sale be announced until the lease

1 sale being proposed here today and the corresponding EIR
2 with the stipulations and mitigating measures is reviewed
3 by the Coastal Commission.

4 The basic goals of the Coastal Act are to protect
5 and maintain and, where feasible, enhance and restore the
6 overall quality of the coastal zone environment and its
7 natural and manmade resources according to 30001.5(a). It
8 is for the Coastal Commission to assure orderly, balanced
9 utilization for conservation of the coastal zone resources
10 required by Section 30001.5 (b).

11 Without this review and reliance only on the
12 specific EIRs following a sale we feel would be a piecemeal
13 approach. We do not feel that it is the State Lands
14 Commission who should do that balancing, that it is the
15 Coastal Commission under the Coastal Act who should do that
16 balancing.

17 Time and effort of hundreds of thousands of
18 citizens in California and across the country have gone
19 into seeing that our coasts have orderly development and
20 protection for fragile ecosystems and for recreation
21 potential for future generations.

22 It would be absurd to believe that you could put
23 all the planning and investment of funds, put it aside
24 because individual agencies or commissions want it to go
25 in their particular role carrying out their particular

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1 mission. We think that the goals of good coastal zone
2 management are critical and that that review by the Coastal
3 Commission is the only way the State Lands Commission can
4 go before putting up any sale for that State tidelands
5 between Point Aguillo and Point Conception.

6 I had some questions that I wanted to ask of you.
7 Is this the proper time to do that?

8 On your new document, which I must say I agree
9 with the other people that have spoken this morning that
10 it's extremely difficult coming to a meeting like this with
11 a revisions to a document. It would have been more helpful
12 to have those revisions spelled out instead of having to
13 page through it and have other people tell you where they
14 spotted the changes. That's just for future information.
15 A guide sheet saying that this is the difference when you
16 walk in the door between what you got Monday and what you've
17 gotten today.

18 I have questions on page --- and I tried to compare
19 this with someone else's document, but it didn't come out
20 correctly.

21 Page 20 in my document labeled 12/22/82, I have
22 some questions about what is meant by "unitization"?

23 There is a paragraph comment down at the bottom
24 of page 20.

25 EXECUTIVE OFFICER DEDRICK: Are you on the calendar

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1 item?

2 MS. PERRAULT: I'm on the calendar item under
3 23 called unitization on page 20 of Exhibit 5.

4 EXECUTIVE OFFICER DEDRICK: Oh, that's Exhibit B.

5 MS. PERRAULT: It's a little difficult getting
6 through this. The pages don't come out equally.

7 But let me just read you what it is while you
8 look for it and see what page it is in your document.

9 "The state, with the consent of
10 the lessee, may establish, change or
11 revoke any drilling and production re-
12 quirements of this lease . . ."

13 Could you tell me what that means? My sense of it -- and,
14 again, I read this quickly in the last few days and have
15 not had time to analyze it thoroughly. It would seem to
16 me in reading that that everything you would set up as
17 guidelines and based on comments from the public could be
18 revoked quite easily by this statement.

19 CHAIRPERSON CORY: Technically -- I'm looking
20 to the lawyers -- but I think all of these items become
21 part of a contract. And if both parties to the contract --
22 and each party behaving legally -- wish to alter the
23 contract, they can be altered. And that is merely a statement
24 of that reality.

25 For us to make a change in the contract would

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1 require us to go through a public process for that to be
2 done. But it can be done.

3 MS. PERRAULT: So that if the lessee decides to
4 change the drilling and production requirements, there would
5 then be a public hearing?

6 CHAIRPERSON CORY: And they could not unilaterally

7 MS. PERRAULT: No, no, and you also agreed to
8 that, there would be a public hearing then?

9 CHAIRPERSON CORY: Yes.

10 MS. PERRAULT: So that they could revoke some
11 of the conditions. For example, the stipulations today
12 that we're discussing?

13 CHAIRPERSON CORY: That is they could be -- and
14 I believe it has been done in the past. Drilling schedules,
15 those kinds of things are frequently changed due to
16 circumstances.

17 MS. PERRAULT: I wanted to have that as part of
18 the record.

19 On page 20 in the beginning of the calendar item
20 I have a question on the middle paragraph in which it's
21 stated the discussion about the permanent loss of revenues
22 to the State due to the drainage of State lands by adjacent
23 federal leases.

24 In reading the document, again it's a blitz for
25 the public to get through this in the short time we're given.

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1 I understood there was some arrangements being
2 made between the State and Federal governments on these
3 drainage basin areas and cannot find any reference to what
4 kind of discussion is going on and wondered why that was
5 not part of the record.

6 EXECUTIVE OFFICER DEDRICK: Bob, would you respond
7 to that.

8 This portion of the report is unchanged from the
9 29th, you understand.

10 CHAIRPERSON CORY: Bob.

11 MR. SANDERS: Mr. Chairman, let me attempt to
12 answer that.

13 CHAIRPERSON CORY: That's not Bob.

14 MR. SANDERS: I know.

15 The agreements that Ms. Perrault is referencing
16 are the agreements authorized under the OCS Lands Act of
17 1978, Section 8 (g). Agreements which provide for sharing
18 of revenues if drainage occurs between a Federal and State
19 parcel.

20 Those agreements are still under negotiation
21 between the State and the Federal governments at this time.
22 The status is unchanged.

23 CHAIRPERSON CORY: There are no executed
24 agreements? We do not have a deal?

25 MS. PERRAULT: I found that it was difficult to

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1 believe that it would certainly result in permanent loss
2 of revenues as is stated there in that page. That's all
3 I'm bringing to your attention, without seeing that
4 background.

5 MR. TAYLOR: Can I go back to her first comment?

6 I think it is important to note on the first
7 comment she has made that that is a standard provision and
8 agreement and it would be subject to a full EIR process
9 if anything was going to be changed. It is not --

10 MS. PERRAULT: Which comment are you talking about?

11 MR. TAYLOR: The first comment you made on page
12 20 in the lease.

13 But, anyway, that would require -- any kind of change
14 of any of the stipulations or anything else that went out --
15 it would require the same kind of process that we have gone
16 through, depending on the degree upon which things are
17 changed. And I don't know that that was understood.

18 CHAIRPERSON CORY: If the change --

19 MS. PERRAULT: You said a full EIR?

20 MR. TAYLOR: It would require -- whatever is
21 required for that kind of a change. But it would require
22 the same process to the degree that it would be engaged
23 by whatever was being talked about.

24 CHAIRPERSON CORY: If we were changing the dates,
25 extending the time of three years or five years that

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1 something was supposed to be done, that might not
 2 necessarily require a full EIR. But if we were changing --
 3 if we put in a stipulation for "you cannot drill during
 4 this period of time unless you have scientific evidence
 5 there's no harm by drilling during that period of time"
 6 that would have an environmental impact and would have to
 7 be --

8 MR. TAYLOR: That's correct.

9 MS. PERRAULT: And the interpretation of that
 10 would be by State Lands?

11 MR. TAYLOR: No, it's under the CEQA thing.

12 I think the other thing is that there is an
 13 impression that there is a lot of new material that's been
 14 submitted this morning, and that is not correct. The
 15 material that's being commented on now has been available.
 16 And I think that the index thing is unusually well done
 17 for a document of this size and the staff has done everything
 18 possible, including the spending of over \$3,000 in mailing
 19 to try to accommodate people. And it has only been through
 20 the efforts of the staff to try to reach as much agreement
 21 with people who have been making comments as possible that
 22 the changes have occurred.

23 CHAIRPERSON CORY: Go ahead, Michele.

24 MS. PERRAULT: I'm not up here to take issue with
 25 the staff.

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