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SPECIAL MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 1145
SACRAMENTO, CALIFORNIA

FRIDAY, FEBRUARY 14, 1986
11:00 A. M.

ORIGINAL

Nadine J. Parks
Shorthand Reporter

CORRECTED COPY 3/20/86

A P P E A R A N C E S

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Walter Harvey, Acting Chairman, for Kenneth Cory,
State Controller, Chairman

Nancy Ordway, for Jesse R. Huff, Director of Finance,
Commissioner

Laura Schlichtmann, for Leo T. McCarthy, Lieutenant
Governor, Commissioner

Staff Present:

Claire T. Dedrick, Executive Officer
J. F. Trout, Assistant Executive Officer
R. C. Hight, Chief Counsel
Jane Smith, Secretary
Frederick O. Ludlow, Staff Counsel

I N D E X

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4	<u>Items 1 and 2, General Leases, right-of-way</u>	
5	usage for gas and oil pipelines,	
6	PAPCO, PANGL, Permitting Agent,	1
7	Chevron U.S.A.	
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A P P E N D I X

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17	Letter from County of Santa Barbara signed by
18	Dianne Guzman, Director, Resource
19	Management Department
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P R O C E E D I N G S

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3 ACTING CHAIRMAN HARVEY: We'll convene the
4 meeting of the State Lands Commission. We have, for the
5 record, two items on our agenda, both dealing with a lease
6 to, I guess, Chevron U.S.A. over our tidelands for the
7 purpose of constructing a pipeline.

8 MR. BAFALON: A point of clarification. The
9 leases are to PAPCO and PANGL, not to Chevron U.S.A.

10 ACTING CHAIRMAN HARVEY: Okay, fine.

11 MS. ORDWAY: Chevron is a party to it.

12 MR. BAFALON: They are the agent for those two
13 partnerships.

14 ACTING CHAIRMAN HARVEY: Okay.

15 EXECUTIVE OFFICER DEDRICK: There are two
16 pipelines, an oil pipeline and a gas pipeline.

17 ACTING CHAIRMAN HARVEY: They are essentially,
18 I understand, exactly the same language. We have merely
19 separated oil from gas.

20 MR. HIGHT: In substance, they are.

21 ACTING CHAIRMAN HARVEY: Okay. I understand --

22 MS. ORDWAY: Is their representative here?

23 ACTING CHAIRMAN HARVEY: Yes. There's a
24 representative from Chevron U.S.A. who has asked to speak.
25 For the record, we also have a letter from the County of

1 Santa Barbara. They have asked us, I understand, to
2 introduce that letter into the record. We will do so.
3 I guess if they really cared, they would have been here.
4 They requested us to place the letter into the record and
5 we will so do.

6 There is Mr. Lee Bafalon of Chevron. I under-
7 stand you want to address the Commission. Mr. Bafalon?

8 MS. ORDWAY: With this air conditioning, you're
9 going to have to speak very loudly or else she won't be able
10 to hear you.

11 MR. BAFALON: Very briefly, I'm Lee Bafalon from
12 Chevron U.S.A., permitting agent for PAPCO and PANGL, the
13 applicants before the Commission today.

14 Primarily, the statement I want to make is a
15 short one and express my company's and the companies I
16 represent appreciation for the efforts that the State Lands
17 Commission staff has made in the last several weeks in
18 working with us to come out with what we believe to be
19 reasonable and acceptable leases for the companies.

20 That's not to say that I say that we've
21 accepted them. My management still has to review them, but
22 I believe we've made significant strides in coming up with
23 something that will be reasonably workable for everyone.
24 And, thank you.

25 ACTING CHAIRMAN HARVEY: Okay. I understand

1 that there is a point in controversy between the applicant
2 for the lease and the County of Santa Barbara. The lease
3 does provide that this will be operated as a common carrier
4 pipeline; is that true, Mr. Hight?

5 MR. HIGHT: That's correct. That's one of the
6 conditions of the Commission's permit and I believe standard--

7 MS. ORDWAY: Chevron.

8 ACTING CHAIRMAN HARVEY: Standard agrees with
9 that?

10 MR. BAFALON: I'll clarify that the point of
11 controversy is not between the applicant and the County of
12 Santa Barbara.

13 EXECUTIVE OFFICER DEDRICK: That's correct.

14 ACTING CHAIRMAN HARVEY: Okay. I'm sorry I
15 misstated. Okay.

16 MR. BAFALON: And, yes, as Mr. Hight says,
17 both of these companies have always been proposed to be common
18 carriers and will be. The conditions reflect the status
19 that was agreed upon by the companies.

20 MS. ORDWAY: You do agree to Section K?

21 MR. BAFALON: We agree to Section K.

22 ACTING CHAIRMAN HARVEY: That is our concern
23 basically. If someone else says you're not, that's between
24 you and them, not between us and them. Is that a good
25 statement? Okay. Laura, under normal circumstances you would

1 be here instead of me. Any input you want to get into this?

2 MS. SCHLICHTMANN: Nothing I can think of.

3 MS. ORDWAY: Walter?

4 ACTING CHAIRMAN HARVEY: Yes?

5 MR. BAFALON: Again, you said that's between
6 the applicant and them. I think the point of clarification
7 should be made that if the partnerships had had their way,
8 that condition as it reads would not have been that way.
9 But that is a modification that we have found acceptable
10 considering what we started out with.

11 ACTING CHAIRMAN HARVEY: The record will
12 reflect that statement. No problem.

13 MS. SCHLICHTMANN: Your question?

14 ACTING CHAIRMAN HARVEY: I just, you know, under
15 normal circumstances, you would be sitting here, not me.
16 And I just wondered if you had any input you wanted into
17 this thing, had any feeling with respect to --

18 MS. SCHLICHTMANN: No. The main -- my main
19 concern arising out of this letter I reviewed in a briefing
20 with the staff --

21 ACTING CHAIRMAN HARVEY: It's okay. As long as
22 Chevron is willing to go along with it. Okay.

23 MR. HIGHT: For the record, Mr. Chairman, I think
24 I need to make the statement that the Lieutenant Governor's
25 Office is sitting in a nonvoting capacity because of the

1 Government Code sections.

2 ACTING CHAIRMAN HARVEY: That's correct. I just
3 thought that the Lieutenant Governor deserved at least the
4 courtesy of reflecting his position.

5 MS. SCHLICHTMANN: Certainly appreciate the
6 courtesy.

7 ACTING CHAIRMAN HARVEY: Okay. Do we have a
8 motion?

9 MS. ORDWAY: You have a motion.

10 ACTING CHAIRMAN HARVEY: Okay. Without
11 objection, then, we will adopt the proposed leases as
12 presented to us in the form presented by the staff. That
13 will be the order --

14 MS. ORDWAY: For Calendar Items both 1 and 2.

15 ACTING CHAIRMAN HARVEY: For Calendar Items
16 both 1 and 2. Hearing no further business, we'll stand
17 adjourned.

18 MR. LUDLOW: You should consider this, the
19 Calendar Item with PAPCO also creates a common carrier
20 corridor that generally embraces the right-of-way that PAPCO
21 and PANGL will be in, and that needs to be addressed.

22 EXECUTIVE OFFICER DEDRICK: But that's adopted in--

23 ACTING CHAIRMAN HARVEY: That's adopted in the
24 lease agreement.

25 MR. HIGHT: Yes.

1 EXECUTIVE OFFICER DEDRICK: That action is
2 being taken by the Commission.

3 MR. LUDLOW : I just wanted to make sure that
4 the record shows that that action was being approved also.

5 ACTING CHAIRMAN HARVEY: Any further business
6 to come before the --

7 MS. ORDWAY: Item 3, I understand, is being
8 put over until we have further information?

9 ACTING CHAIRMAN HARVEY: We did Item 3. We
10 acted on Item 3 yesterday.

11 MS. ORDWAY: We acted on part of Item 3
12 yesterday. The remainder of Item 3 is put over until we
13 receive additional information.

14 EXECUTIVE OFFICER DEDRICK: The question as to
15 approval of the annexation of State lands. That is
16 correct.

17 MS. ORDWAY: Move we adjourn.

18 ACTING CHAIRMAN HARVEY: We are adjourned.

19 (Thereupon the meeting was adjourned.)

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County of Santa Barbara

RESOURCE MANAGEMENT DEPARTMENT

Dianne Guzman, AICP, Director
Dev Vrat, Assistant Director

State Lands Commission
Sacramento, California

Dear Commissioners:

RE: Chevron Point Arguello Oil and Gas Pipelines

The County of Santa Barbara has reviewed the General Right of Way leases proposed to be issued to the Point Arguello Partnership (Chevron). We find we must object to the inclusion of Condition K. As we understand this condition, it requires that Chevron agree to initiate litigation against the County of Santa Barbara if the County should decline to issue additional permits for increased amounts or new sources of oil or gas to be transported to or processed at the Gaviota facility.

We object to the inclusion of this condition because it is unwarranted and fosters unnecessary litigation.

The County of Santa Barbara has limited Chevron's permit to sources and quantities of oil and gas whose impacts were identified and evaluated in the certified EIR/S prepared for the project. As a Joint Review Party member, the State Lands Commission was heavily involved in the preparation of this environmental document. The intent of Santa Barbara County Condition A-13 is to cause appropriate environmental review to occur if Chevron should apply: 1) for additional capacity; or 2) to process or transport oil or gas of different compositions than those analyzed in the certified EIR/S. Nothing in the permit condition prohibits Chevron from increasing capacity or accepting other sources of oil and gas once the impacts from such changes have been addressed and found acceptable to the County. To further this point, County Condition Q-7 states that "Chevron's facilities will be operated on a common carrier basis with access for use available on a nondiscriminatory and equitable basis...The intent of this condition is to ensure the multi-company use of oil and gas transportation and processing facilities."

We question the propriety of a government agency requiring, as a condition to its permit, the permittee to bring litigation against another government agency because the first agency is dissatisfied with the discretionary act of the second agency. For this reason, we request that you delete this condition.

Very truly yours,

Handwritten signature of Dianne Guzman in cursive.

DIANNE GUZMAN
Director

DG:JC:PC:5497e

CERTIFICATE OF SHORTHAND REPORTER

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I, Nadine J. Parks, a shorthand reporter of the State of California, hereby certify that as such reporter I was present at the time and place of the foregoing meeting of the State Lands Commission, and as such reporter, reported the proceedings in stenograph shorthand writing, and that thereafter I transcribed my shorthand writing into typewriting.

I further certify that I am a disinterested person herein and am not counsel or attorney for any of the parties to said meeting and have no interest in the outcome of said meeting.

IN WITNESS WHEREOF, I have set my hand this 10th day of March, 1986.

Nadine J. Parks

Nadine J. Parks
Shorthand Reporter