

2. EXECUTIVE OFFICER'S REPORT - W 20799, PRC 4977; W 9723, PRC's 3120 and 3242; W 9732, PRC's 3150, 4000, and 1824.

Mr. William F. Northrop, Executive Officer, State Lands Commission, reported that a letter dated January 21, 1975, from Mr. R. O. Pollard of Atlantic Richfield Company had been received. In summary, the letter stated that while ARCO is willing to cooperate with the State in reviewing this matter (PRC's 3120 and 3242), it emphasized that it will take action necessary and appropriate to protect its property rights in the leases. Mr. Northrop reported that since receipt of Mr. Pollard's letter, representatives from ARCO, the Division and the Office of the Attorney General have met to review the respective parties' positions. As a result of this meeting, a letter of understanding was agreed upon, preserving the position of ARCO as of January 14, 1975, and permitting the State Lands Division to proceed in its review of the matter, without ARCO seeking immediate litigation. At this time, Mr. Northrop asked that the Commission authorize him to execute the letter of understanding on its behalf. Mr. Jay L. Shavelson, Assistant Attorney General, inserted for the record that the agreement reached in the letter contained a provision which allows cancellation on two weeks' notice. Mr. Shavelson also noted for the record that during the discussions with ARCO, the April meeting of the Commission was suggested as the date for its consideration. Mr. Northrop added that the Division will meet with representatives from the Governor's Office and leaders of the Legislature to solicit their views.

A letter from the Isla Vista Community Council, dated January 28, 1975, was received and made part of the record.

Appearance:

J. B. Hundley, representing Atlantic Richfield Company, stressed that ARCO had fully conformed with the procedures and requirements of the State, and therefore should be allowed to resume drilling operations from Platform Holly.

Chairman Cory asked Mr. Hundley if the April meeting date met with ARCO's approval. Mr. Hundley stated that ARCO would prefer the March meeting. Chairman Cory assured him that the Division would try to achieve a March target date.

Mr. Northrop discussed the trip to Washington, D.C. made by Mr. Cory and him where Mr. Cory appeared before the Congressional Subcommittee on Antitrust and Monopoly. After meetings with Federal energy officials and Congressional representatives, it became apparent that the State should make separate applications to the Federal Energy Administration for rulings which would increase the State's oil and gas revenues from production derived from State leases. Mr. Northrop asked for the Commission's authorization to make the appropriate applications with the FEA. However, Commissioner Bell requested a report from the staff on the impact the increase would have on California consumers. The matter was therefore deferred until the next meeting of the Commission. The staff was instructed to prepare a report for the Commissioners before the next meeting.

MINUTE ITEM NO. 2. (CONT'D)

With respect to the Exxon pipeline project in the Santa Barbara Channel (PRC 4977), Mr. Northrop advised that since preparations were in progress relative to the pending case of Cory v. the State Lands Commission, further comment would be inappropriate.

At this time Commissioner Dymally requested the staff to determine the effect of seismic activity on drilling in Southern California and prepare a report relative thereto for the Commission's consideration.

Mr. Northrop discussed the status of the Commission's rescission of Standard Oil Company's authorization to resume drilling in the Santa Barbara Channel (PRC's 3150, 4000, and 1824). He reported that the staff has started interviewing consultants relative to preparing an environmental impact report under the Division's supervision. It was agreed that the staff would report to the Commissioners individually before entering into an agreement. If any one Commissioner is not satisfied with the agreement, the agreement will then come before the Commission as a whole. If there is unanimous agreement, then the staff is authorized to proceed without waiting for the next Commission meeting.

Commissioner Dymally at this time submitted a prepared statement for the record relative to the seismic problems mentioned earlier. The statement is on file in the office of the State Lands Commission and by reference made a part hereof.

Appearance:

R. W. Mansfield, Legislative Advocate, representing the State Building and Construction Trades Council of California, AFL-CIO. Mr. Mansfield's comments were directly favorably toward resumption of offshore oil drilling.

Mr. Northrop concluded his report with a discussion of the appeal of the Federal Energy Administration's oil sell-off ruling. He stated that the Attorney General is presently taking steps to obtain from the FEA a temporary stay on its ruling. In addition, it is preparing an action in the United States District Court to review said ruling. Mr. Northrop also reported that the Attorney General will take appropriate action against USA Petroleum Corporation with regard to their withholding monies due the State, based on the FEA ruling. Chairman Cory asked if any action from the Commission was necessary at this time. Mr. Jay L. Shavelson, Assistant Attorney General, assured him that since the former Commission authorized the Attorney General's appearance before the FEA, no new authorization is needed.

Aparances:

Fred Jonas, Corporate Counsel, representing USA Petroleum Corporation.
Wasyl Kurinij, Executive Vice President, representing USA Petroleum Corporation.

After a lengthy discussion on the matter, Chairman Cory asked the staff to prepare a report for the Commission relative to this matter.