### INDEX

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members Present</td>
<td>iii</td>
</tr>
<tr>
<td>Proceedings</td>
<td>1</td>
</tr>
<tr>
<td>Call to Order</td>
<td>1</td>
</tr>
<tr>
<td>Confirmation of the minutes of the January 30, 1975 Meeting</td>
<td>1</td>
</tr>
<tr>
<td>Calendar Item Number 4</td>
<td>21</td>
</tr>
<tr>
<td>Calendar Item Number 4(A), (B)</td>
<td>22</td>
</tr>
<tr>
<td>Calendar Item Number 5(A), (B)</td>
<td>22</td>
</tr>
<tr>
<td>Calendar Item Number 5(C)</td>
<td>23</td>
</tr>
<tr>
<td>Calendar Item Number 6(A), (B)</td>
<td>24</td>
</tr>
<tr>
<td>Calendar Item Number 6(C)</td>
<td>25</td>
</tr>
<tr>
<td>Calendar Item Number 7(A)</td>
<td>25</td>
</tr>
<tr>
<td>Calendar Item Number 7(B)</td>
<td>27</td>
</tr>
<tr>
<td>Calendar Item Number 8(A)</td>
<td>28</td>
</tr>
<tr>
<td>Calendar Item Number 9(A)</td>
<td>28</td>
</tr>
<tr>
<td>Calendar Item Number 10(A)</td>
<td>29</td>
</tr>
<tr>
<td>Calendar Item Number 11(A)</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item Number 12(A)</td>
<td>43</td>
</tr>
<tr>
<td>Calendar Item Number 13</td>
<td>47</td>
</tr>
</tbody>
</table>
MEMBERS PRESENT

Hon. Kenneth Cory, Controller, Chairman
Hon. Mervyn M. Dymally, Lieutenant Governor
Hon. Roy M. Bell, Director of Finance

MEMBERS ABSENT

None

ALSO PRESENT

Mr. William F. Northrop, Executive Officer, State Lands Commission
Mr. R. S. Golden, Assistant Executive Officer, State Lands Commission
Mr. D. J. Everitts, Manager, Energy and Mineral Resources Development
Mr. James F. Trout, Manager, Land Operations, State Lands Commission
Mr. N. Gregory Taylor, Deputy Attorney General
CHAIRMAN CORY: Okay. We will call the meeting to order. Somebody obviously notes that there is all the members here. There is a quorum present. All the members are here.

The first item is the confirmation of the minutes of the meeting of January 30. Does anybody have any corrections for the minutes?

Hearing none, we will deem them confirmed.

Mr. Northrop, you have a report for us.

LIEUTENANT GOVERNOR DYMALLY: Before that, Mr. Chairman, I'd like to skip to Item 13 for a correction.

CHAIRMAN CORY: Okay.

LIEUTENANT GOVERNOR DYMALLY: That should read Monday, March 31.

CHAIRMAN CORY: Monday, the 31st.

MR. NORTHROP: Thank you very kindly for the correction, Governor, it was an oversight on our part.

CHAIRMAN CORY: For anybody that is here, turn to the calendar summary. We are talking about the date, time and place of the next meeting of the Commission. It, in the printed version, was incorrect for the 27th. The meeting will be held Monday, the 31st of March, in Sacramento, 10 a.m.
MR. NORTHROP: Governor, it was my fault and I apologize.

CHAIRMAN CORY: Now, are we through?

LIEUTENANT GOVERNOR DYMALLY: All right.

CHAIRMAN CORY: Mr. Northrop, you have a report for us.

MR. NORTHROP: Yes. Mr. Chairman, I have a few informational items to bring to the attention of the Commission at this time.

First, the good news, I guess, the latest tally on the aggressive trespass program you have requested the staff to undertake.

As you know, attorneys for the State Lands Division, really for the first time in modern history, have initiated a program -- to be initiated by staff attorneys -- have initiated a program with a suit filed on February 13, against Halvor Schultz, a long-standing trespasser on the Sacramento River. The suit seeks to eject Mr. Schultz from State land which he has been occupying without a permit.

In addition, we have asked for payment of back rent as well as $10,000 in punitive damages resulting from the trespass.

Because of the publicity resulting from the litigation, the Division has already been contacted by approximately 20 current trespassers regarding the State's leasing requirements. In addition, the Division has received 9
preliminary lease applications, 6 for the Sacramento River area and 5 in the Lake Tahoe area.

Day before yesterday, the Division filed another legal trespass action. The program will continue and we will continue to keep you informed.

In this regard, to continue and to augment our trespass program, we have asked for a budget augmentation. I think you have a copy of that budget augmentation in your file there. Basically, the proposal provides the means through which the staff can implement more active and aggressive programs in this area.

And we have also included some other areas such as the area of boundary and ownership determination to establish firm title to State lands in such areas as the Colorado River and the San Joaquin-Sacramento Delta areas.

We need additional help for field surveys to assist in the boundary-line determinations and we need help to bring trespassers under lease or remove them from State-owned property. We need some help in upgrading our capacity to prepare Environmental Impact Reports, and some improved legislative coordination with the Commission members, particularly with the increased activity in Washington, D. C., and with federal agencies. We need stepped-up meetings with other states facing similar problems.
CHAIRMAN CORY: Well, in terms of the memo, what kind of anticipated revenues will the stepped-up trespass operation have? Because I think the people at the Department of Finance are going to ask you that question.

MR. NORTHROP: The stepped-up trespass, in its initial year, the stepped-up trespass program will probably, in the initial 12 months, will probably yield somewhere around $100,000 to $150,000. But the thing about that --

CHAIRMAN CORY: So you need cash flow, negative cash flow, for the first year?

MR. NORTHROP: Probably for the first two, two and a half years. But it pyramids the fact that once you establish a rental, that rental goes on and you are able to go on and establish more rentals. So it really is pyramiding as it goes along because once we have established a rental, it continues on. Then it is a matter of just an annual billing or monthly billing and then we can take our time. Then it becomes a matter of routine and then we can take time in to handle other trespassers, so it's a building program.

CHAIRMAN CORY: Governor Dymally, do you have a question?

LIEUTENANT GOVERNOR DYMALLY: Yes. Approximately how many of these cases do you have on record, do you know?

MR. NORTHROP: I can give you a ballpark guess and
that's all it is, and it is a big ballpark. There have been estimates from two to five thousand trespassers. And that's the total ballpark, and we could be off in the order of a magnitude of 50 percent.

LIEUTENANT GOVERNOR DYMALLY: At the expense of asking --

MR. NORTHROP: So it is unreal --

LIEUTENANT GOVERNOR DYMALLY: At the expense of asking a very stupid question, these people just go and build on State land?

MR. NORTHROP: That is right.

LIEUTENANT GOVERNOR DYMALLY: It sounds like a good deal to me.

MR. NORTHROP: It doesn't take long to figure that out and the word seems to be out in these recreational areas is that all you have to do to rip off State land is just go build on it and stand around and wait for them to come and get you if they can find you or care to. And the way it has been, our number of people to handle trespassers is very limited.

CHAIRMAN CORY: In terms of the pyramid effect, I would think you might --

MR. NORTHROP: It is an inverted pyramid effect.

CHAIRMAN CORY: -- you must provide second and third-year cash flows and it might expedite your problems
with the Department of Finance and the budget committees. You have got to be prepared to prove to them that it is a worthwhile investment, because my recollection of at least previous directors at the Department of Finance is that they have been very tight with the dollar.

COMMISSIONER BELL: They are much more liberal than I am.

(Laughter)

CHAIRMAN CORY: So, just so you know what you are up against.

MR. NORTHROP: Thank you very kindly, Mr. Chairman.

CHAIRMAN CORY: Do you prefer not to comment on this item, Mr. Bell?

COMMISSIONER BELL: Yes. I was trying to think of a way whereby we could encourage you to do better work by appropriating only that amount of money you earned, to pay for yourselves.

MR. NORTHROP: Mr. Bell, I think -- we will take that. We will take that.

CHAIRMAN CORY: That might be an interesting program. Just tell everybody on the staff over there they get their salary of the trespasser they catch.

(Laughter)

CHAIRMAN CORY: And we will cut everybody off for a month and get everybody payrolled.
No further questions?

COMMISSIONER BELL: Okay.

MR. NORTHROP: If you call over and nobody answers the phone, everybody is out catching trespassers.

(Laughter)

COMMISSIONER BELL: This is an augmentation for '75, is that right?

MR. NORTHROP: Right. It is an augmentation. It is before the Committee and they are going to hear it, as I understand it, and it will come up very shortly.

COMMISSIONER BELL: When are the Subcommittee hearings scheduled?

MR. NORTHROP: Next week. So it's very close.

In the area of oil and gas revenues, increased efforts have been made to have the FEA amend its price-ceiling regulations. This could result in millions of dollars in additional revenue. The people of California should be receiving the same $5.25 per barrel for their oil that the people in other states are receiving for their oil on tidelands. Instead, we are held to $4.21. Just as an order of magnitude, and because it is very important, with the windfall-profits bill that is now before the United States Congress, every dollar that we are able to maintain of a new crude oil price means an additional $40 million per year income to the State. And if we lose that windfall
profits, we have lost in the order of magnitude, if the increased sum of the gas would be about $5, we would lose $200 million. And the vital part of this budget augmentation we would ask for, is to allow the members of the Commission to carry this story to Washington before it is too late.

CHAIRMAN CORY: This bill that you are talking about is the legislation on windfall profits which defines the State as a taxpayer --

MR. NORTHROP: That is right.

CHAIRMAN CORY: -- for their purposes. So we will have to pay, as an oil producer, the same windfall profits tax --

MR. NORTHROP: And that is a considerable producer.

CHAIRMAN CORY: -- that a private producer would, which is, I think, a bad precedent, to ever let the Federal Government start taxing State activities.

MR. NORTHROP: In the bill that was before the U. S. Congress last year, and did not pass, we would have been included in that basis.

At the last Commission meeting, Chairman Cory asked for a report on possible applications to the FEA for rulings that would increase the State's oil and gas revenues from State lease production. Commissioner Bell requested a report on what impact such increase would have for the
California consumer.

Just for the record, I am reporting that the Chairman, acting on behalf of the State, filed a petition with the FEA this week, requesting an amendment to crude oil pricing regulations, making gravity penalties on crude oil produced equivalent to those applied elsewhere. And also, Lieutenant Governor Dymally has a communication going to Mr. Zarb, who is Chairman of the FEA, requesting that he lend his good offices to this effort. So we tried to cover both ends of it, in this position.

The staff investigation, upon Commissioner Bell's request as to consumer impact, shows that the requested rule change could not possibly make an appreciable difference at the gas pump. As a matter of fact, the people of the State of California, under the entitlement program, are presently paying for the higher crude price and subsidizing the price of gasoline for consumers, in particularly the northeastern states.

So what we are really asking for is parity for our crude oil because we are paying for theirs at the gas pump.

CHAIRMAN CORY: You are saying that California consumers are having to pay nationwide prices for crude oil even though the refinery is using domestic crude oil?

MR. NORTHROP: Right. The situation is this. The pass through on the entitlement is based on a company-wide
projection. Company A, who markets throughout the United States, uses in their formula the price of crude that they pay throughout the United States, and that is averaged into the pump price. There is no provision for regional or state averaging. So, in this way, the entitlement price of $5.25, which is the basis on which a crude deficient refiner may request crude oil, that is the entitlement price. So, we are really -- the $4.21 versus the $5.25 roughly gives a dollar and some cents.

CHAIRMAN CORY: Where is the dollar ending up? If they are able to charge the consumer based upon $5.25 crude oil on a nationwide average, and they are only paying $4.21 for our crude oil, who is getting the buck?

MR. NORTHROP: Well, that goes in the national mix and I really don't know where it goes.

CHAIRMAN CORY: The dollar has to come out somewhere. I mean, is it in the profit to the national company or is the FEA skimming?

MR. NORTHROP: It would have to wind up in that position, in a profit position, on a barrel-for-barrel basis, because, when they buy a barrel at $4.21, it releases a barrel to sell somewhere else. So they may not physically be selling our $4.21 oil for $5.25, but certainly, if their crude slate is satisfied at $4.21, then that would allow them to sell other crude at $5.25 or some other price above that.
So this really is not a reflection, Commissioner Bell, and it would have some impact because it would go into the mix, but it would be in the third decimal place somewhere.

CHAIRMAN CORY: It would be mitigated by the national volume.

MR. NORTHROP: Right. You would have to figure the whole national volume.

COMMISSIONER BELL: You would say it probably would have less than one-tenth of one cent impact?

MR. NORTHROP: Yes. I would say it would be somewhere in that area of magnitude.

The Amendment to a Lease for the Burmah Oil Company is the next area I'd like to discuss with you. At the December 1974 Commission meeting, the staff, subject to certain legal approvals by the Attorney General's office, was authorized to conclude an agreement with Burmah Oil Company, modifying the lease included within the 91.1 Main Zone Unit in the Huntington Beach Field.

Burmah has the right, and has threatened, to terminate the unit agreement which would reduce the State revenue and cause a premature shutting-in of wells. Burmah's action is based upon the assertion that it is losing money under the current contract. Royalty arrangements -- this happens to be a little bit of a different royalty arrangement. The Commission's delegation of authority to the staff was to
adjust the unit agreement to allow continuation of the
profitable lifetime of the unit and to maximize the State's
income.

To date, no amendment of the agreement has been
completed. Data is still being collected by the State Lands
Division in order to determine whether the proposed change
in the royalty formula will accomplish the purposes intended
by the Commission. Furthermore, steps are being taken to
include minority leasehold interests within the overall
agreement, and to explore the legality of such inclusion.

I will keep you fully advised of future meetings
concerning further developments in this matter. It is a
complicated formula. If you'd care to, gentlemen, I will
ask --

CHAIRMAN CORY: Is there an option for the State
of just taking over and producing the wells ourselves?

MR. NORTHROP: That option exists, but I think the
option certainly exists of taking it back and putting it out
on a royalty-bid basis. Would you agree, counselor?

MR. TAYLOR: No. I think the lease would shift
down to a standard old lease. These are very old leases.

MR. EVERITTS: It is more complicated than that
because this is a zone, just one zone, within a well, and
you couldn't hardly take over just one zone out of a well
and have them produce the other zones from the same well. In
this case I think you would have to drill more wells and it is not profitable to drill new wells too.

CHAIRMAN CORY: But their threat is to shut down and quit-claim it back.

MR. TAYLOR: No.

CHAIRMAN CORY: No?

MR. TAYLOR: No. They are only threatening to terminate the unit, and by terminating the unit we would go back to a reduced royalty rate which would mean a loss of about $7 million. It was estimated that may be the net loss.

CHAIRMAN CORY: That is because of escalating. The greater the volume, the --

MR. TAYLOR: The royalty shifted when we went into the unit. It would go back to the old royalty rate of 12-1/2 percent if the unit was terminated.

CHAIRMAN CORY: Okay. And they are just threatening to terminate the unit and not to abandon the lease?

MR. TAYLOR: Yes.

MR. NORTHCROP: But we are trying to work out some kind of equity and it is an unusual formula on this particular well and it is the reverse of the usual. The better it goes, the better the well operates, the more we get. And right now we are getting almost all of it.

MR. TAYLOR: There is additional problems. There
are other private parties involved. It is not an exclusive State lease. That complicates the picture tremendously.

MR. NORTHROP: The next situation was, at the regular Commission meeting in January, we had a report from USA Petroleum, and I reported on the FEA ruling setting aside certain of the State's sell-off agreements. In this connection, there was a discussion of the contract dispute between the State and USA Petroleum, one of the purchasers of the sell-off. Following the meeting, a staff report dated February 10, 1975, was distributed to you for your information.

Although USA is supporting the State's position before the FEA regarding the propriety of the sell-offs, the company has refused to pay the State any bonus on the oil it has received under the contracts.

A supplemental agreement has been reached by the State and USA whereby USA will increase its letter of credit from the present half a million dollars to one million dollars to guarantee payment of all sums that become due in the event that legal action goes badly for USA.

In short, the agreement fully protects the State's interests and allows the State and USA to jointly proceed in Federal Court to establish the validity of the sell-off contract. So we have a unique situation here, that USA and the State Lands Commission are on the same side in one issue
and are separated on another. The agreement between USA and
the State has been reviewed and approved by our staff and by
the Attorney General's Office.

Under the previous --

CHAIRMAN CORY: What is happening to cash flow?
I mean, who is taking possession of the oil and who is paying
for that oil at the present time? Are we getting anything
for the oil?

MR. NORTHROP: We are getting posted price for the
oil.

CHAIRMAN CORY: And who is paying that?

MR. NORTHROP: USA is paying that to us, but the
bonuses to which we are entitled we are not receiving.

CHAIRMAN CORY: That is the amount which they --

MR. NORTHROP: But that is being held in a letter
of credit in a suspense file, and the letter of credit is
on our demand, so all we have to do is make the demand. They
have no option on release.

CHAIRMAN CORY: USA is taking the oil?

MR. NORTHROP: Yes. They are taking the oil.
Whether they are physically taking the oil, Mr. Chairman, no,
I don't believe they are. I believe they are exchanging it.

CHAIRMAN CORY: But they are getting the benefits
of the oil?

MR. NORTHROP: They are getting the benefit of the
oil, correct. But physically they are not taking it. They are doing something else or having an exchange worked out.

CHAIRMAN CORY: Is Standard paying them at all or are they just paying the posted?

MR. NORTHROP: They are paying them posted on it. That's the one that we had last time. They are paying them posted.

CHAIRMAN CORY: Any further questions?

MR. NORTHROP: The agreement between the USA and the State has been reviewed, as I said. Under the previous authorization from the Commission to proceed with this litigation, I will execute the agreement, if that is acceptable to the Commission.

CHAIRMAN CORY: Really.

COMMISSIONER BELL: I have no problem if you don't.

LIEUTENANT GOVERNOR DYMALLY: Okay.

CHAIRMAN CORY: Okay, without objection.

MR. NORTHROP: Two more items, Mr. Chairman, and I will complete my report.

In the January Commission meeting the staff was directed to prepare an Environmental Impact Report on Standard Oil Company's request to resume drilling operations on existing platforms at Carpinteria and Summerland in the Santa Barbara channel. The report was prepared by a contractor selected by the Commission. The study will be funded by
Standard through an escrow account. On February 19 the draft request for proposal was submitted to potential contractors as it was transmitted to various local governments and legislators in the Santa Barbara and Carpinteria area with a request to review this. It asked for an expression of any special concerns they might have. What we have done is, we have sent out the request and asked all the cities, the representatives, the legislators and any other concerned groups in the area if they have suggestions they would like to have us cover in the impact report, and we will do it.

A preliminary screening of possible contractors has been completed and the final request will be transmitted to potential contractors on March 24. Proposals are due on April 14 and a report recommending a contractor will be given to the Executive Officer for discussion with the individual Commissioners by May 5. So we can cut the time frame down and we will try to do it individually, at least tell everyone where we are and what is going on individually.

The last item is --

(Thereupon a short discussion was held off the record.)

MR. NORTHRUP: If there is a problem with any Commissioner, we will put it on the agenda. If it is just one of those things that we just want to make sure that everybody is aboard as we go along.
COMMISSIONER BELL: I have no problem with that.

MR. NORTHROP: At any time we will just bring it to an agenda item.

The last thing I'd like to talk about is the recently released Federal Offshore Continental Shelf Impact Report. A notice was published on February 21, this month, on the Federal Register, advertising that the Department of the Interior had released a draft Environmental Impact Statement relating to a possible outer continental shelf oil and gas sale of 297 tracts, offshore California. This is a sale that was originally scheduled for around June of 1975.

Comments on the statement will be accepted by the Interior Department until May 23, 1975. After a public hearing is held and comments have been received and analyzed, the final Environmental Statement will be prepared.

Now, what I have instructed the staff to do is to make available to the Commissioners at least a synopsis or review of what is involved in that statement. So as soon as that is available, we will transmit it to you and perhaps try to agenda it next time in case anybody wants to have discussion on it.

CHAIRMAN CORY: Would that study indicate how they are planning on getting the oil from the wellhead to shore?

MR. NORTHROP: Yes, I believe that is covered in the volume, just skimming it, in Volume II, I believe. There
would be alternatives of bringing it on shore, whether it is to come by pipeline or single-point mooring or what is involved in getting it ashore.

CHAIRMAN CORY: Governor?

LIEUTENANT GOVERNOR DYMALLY: Based on your contacts in Washington and reading of the matter, and what we have read in the papers, are you of the opinion that they are going to go ahead and drill?

MR. NORTHROP: It is my opinion, Governor, that, yes, they are, and they are going to be frightfully close to some of the sanctuary areas that we have set aside. And this is really why I think it is important that we get this out early and quick to the Commission.

CHAIRMAN CORY: What is the time frame? Will we have another Commission meeting in which we can be brought abreast of what the details are?

MR. NORTHROP: Yes. We have one more, one or two more, but I would like to get us going as soon as possible because I am sure that the Commission will want to take some possibly political action on this with the Washington delegation with the Department of the Interior.

CHAIRMAN CORY: Is the staff working on the question of what environmental protection procedures we should engage should the Commission want to allow a pipeline across State tidelands?
MR. NORTHROP: Yes, sir, we are. We have also re-
ceived, unofficially, an inquiry on Tuesday of this week
from the Department of the Interior asking if we would be
interested, when the offshore continental drilling was done,
if the State would be interested in acting as an enforcement
arm, either for the Federal Government or with the Federal
Government, in this area.

I have sent to each one of you under separate
cover in the last couple of days a copy of that, as well as
transmitting it to the Resources, who will, I assume,
transmit it to the Governor.

CHAIRMAN CORY: I don't recall having seen that.

COMMISSIONER BELL: I have not seen it yet.

MR. NORTHROP: Okay.

COMMISSIONER BELL: Mr. Chairman, may I ask a ques-
tion?

CHAIRMAN CORY: Mr. Bell.

COMMISSIONER BELL: In this regard, Mr. Northrop,
the Federal Government was originally anticipating a buffer
zone of, as I recall it, three-quarters of a mile between
our property and so-called federal property on the outer
continental shelf in Santa Monica Bay. Is there any change
to that buffer zone, do you know?

MR. NORTHROP: Well, the buffer zone is still there,
but the question arises now, and it is a really valid question,
whether the configuration of the deposits, the oil deposits, will respect three-quarters of a mile.

COMMISSIONER BELL: Yes.

MR. NORTHROP: And that's the problem. And the hardest areas, from what our staff tells me, could well be off the San Pedro and Santa Monica sanctuary, because we know there is every indication that that is a very good area.

COMMISSIONER BELL: And there is, in the moratorium law, the fact that if the Federal Government starts to drain our oil fields, we have to drill to save our oil?

MR. EVERITTS: Not in that particular sanctuary. The Santa Monica sanctuary has got a special restriction in it where you can only drill in the first mile offshore, so if the Fed's were drilling some two miles, we couldn't do anything about it under existing legislation.

MR. NORTHROP: I am sure, Mr. Bell, that if we were being offset by the Federal Government, the Legislature would take a quick look at that if the Federal Government didn't make some kind of an arrangement to compensate us for it.

Thank you, Mr. Chairman. That concludes my report.

CHAIRMAN CORY: Any questions at this time?

Okay. Let's go to Item 4 on the agenda.
The first item is the City of Larkspur permit.

MR. NORTHROP: I don't think anyone is appearing on this, Mr. Chairman. It is a maintenance of an existing 18-foot sewage force main.

CHAIRMAN CORY: Any questions?

Without objection, we will approve the permit.

That will be the order.

Item (B).

MR. NORTHROP: Mr. Chairman, Item 4(B), 5(A) and (B) probably should be considered as a unit because we have here a bridge that is being removed and replaced by a newer span. And in the interim period while the construction is going on they have asked for a right-of-way to add a telephone line and electric line and a gas line. And when the new bridge is constructed, then it will be attached to the bridge as it was on the old bridge, or if that is the way of doing it, because it is a matter of convenience.

CHAIRMAN CORY: Any questions?

COMMISSIONER BELL: No. This is strictly a temporary deal?

MR. NORTHROP: This is strictly temporary, yes.

CHAIRMAN CORY: Without objection, 4(B), 5(A) and (B) will be approved as presented.

I notice that Pacific Gas & Electric and Southern California Gas Company are paying a $100 fee permit and
Pacific Telephone is apparently exempt by Public Utility Code Section 7901. What do they do, make a distinction between the kind of utility company?

MR. GOLDEN: Yes.

CHAIRMAN CORY: Is it the distinction based upon --

MR. TROUT: Communication.

CHAIRMAN CORY: Communication is exempt?

I think it might be wise for the staff, informally, to make some inquiry of some of the Legislators as to whether or not they really believe that is a valid distinction in terms of public policy. I don't know whether they should both be exempt or both pay, but it's the kind of thing that I would imagine nobody has looked at.

It seems to lack the bilateral symmetry that most things have in the world.

MR. NORTHRUP: We will proceed and bring it to the attention of the appropriate legislative people and be back to you as to what is to be done.

CHAIRMAN CORY: 5(C).

MR. NORTHRUP: 5(C), Mr. Chairman --

CHAIRMAN CORY: These are 10-year Recreational Pier Permits. Any problems with any of them?

MR. NORTHRUP: No, sir.

(Thereupon a short discussion was held off the record.)
LIEUTENANT GOVERNOR DYMALLY: I move their approval.

CHAIRMAN CORY: Mr. Dymally moves and Mr. Cory seconds that 5(C) be approved. Let the record note that that was a 2-to-nothing vote with Mr. Bell abstaining.

Item 6(A), application of Burmah Oil and Gas for drilling new wells. Is this as originally stated?

MR. NORTHROP: No. This is deleted as we discussed it.

CHAIRMAN CORY: Is there any discussion on the part of the applicant or anything we need to know about it?

MR. NORTHROP: No.
No offerings, fine.

CHAIRMAN CORY: These are on the uplands there at Huntington Beach, right?

MR. NORTHROP: Yes.

CHAIRMAN CORY: Fine.

MR. NORTHROP: They are either drilled to protect the reservoir or drilled because --

CHAIRMAN CORY: Without objection, 6(A) will be approved. Such will be the order.

6(B). That is the trona lease at Owens Lake.

MR. NORTHROP: Yes, sir.

CHAIRMAN CORY: And that is the one where you sent us the Environmental Report on and all the stuff?
MR. NORTHPROP: Yes.

CHAIRMAN CORY: Any questions by members of the Commission?

COMMISSIONER BELL: No.

CHAIRMAN CORY: Get a little money from it?

COMMISSIONER BELL: I read through the EIR very thoroughly and it sounds like a very practical thing.

CHAIRMAN CORY: Without objection, 6(B) will be approved as presented.

6(C). This is a core permit for testing, and the Commission will get the full data from the coring?

MR. NORTHPROP: As soon as the coring is through an EIR can be prepared.

CHAIRMAN CORY: Okay. Is there any question on this one by anybody?

Without objection, it will be approved as presented. Such will be the order.

7(A). Okay. Mr. Northrop, this is the item where we are requested to authorize the Executive Officer to employ counsel in Washington to help us deal with the federal bureaucracy, the FEA?

MR. NORTHPROP: Yes, and the firm has been very effective in helping us.

CHAIRMAN CORY: Is that drafted so that as they change the alphabet soup from FEA to --
MR. NORTHROP: Yes, it is, sir.

CHAIRMAN CORY: -- Energy, Oil or Emergency Oil, or whatever, they can still keep working?

MR. NORTHROP: Yes, it is.

CHAIRMAN CORY: Because we are about ready for a new phase, aren't we?

Any questions by members of the Commission?

COMMISSIONER BELL: Now, the description here is rather broad. It is not limited to the FEA. I note that it is only through June 30.

MR. NORTHROP: Yes. I really can't permit funds of --

CHAIRMAN CORY: The other items should be handled in the budget.

COMMISSIONER BELL: Not only that, but I think we want to explore the possibility of establishing a more effective Washington office for the State of California.

LIEUTENANT GOVERNOR DYMALLY: Good idea.

COMMISSIONER BELL: And that wouldn't just be for the State Lands Commission. My Deputy Director in Washington is at present vacant and we want to take a look at it and set it up for the benefit of everybody and not just a few people.

CHAIRMAN CORY: Is that fine with you?

MR. NORTHROP: Yes.
CHAIRMAN CORY: And that is not a flat amount, it is an hourly basis?

MR. NORTHROP: This is an interim amount and if we don't use it, it will be refunded.

CHAIRMAN CORY: It is an hourly basis, not a flat fee?

MR. NORTHROP: No, it is a flat fee, sir.

CHAIRMAN CORY: It is $10,000 flat fee until that time?

MR. NORTHROP: Yes.

COMMISSIONER BELL: Is this a retainer only? Is there additional charges?

MR. NORTHROP: No additional charges. This is it.

(Thereupon a short discussion was held off the record.)

CHAIRMAN CORY: Without objection, item (A) is approved.

Item (B). This is the Executive Officer wanting some ripoff for Western States Land Commissioners Education Association.

LIEUTENANT GOVERNOR DYMALLY: No objection.

COMMISSIONER BELL: There's no money involved.

CHAIRMAN CORY: No money involved.

COMMISSIONER BELL: I was assured there was no money. That's all I know. Because of that, I approved.
CHAIRMAN CORY: Without objection, 7(B) will be approved. Such will be the order.

8(A), Boundary Line Agreement, Anza Pacific Corporation.

MR. NORTHROP: Mr. Chairman, this is a boundary line agreement that has been approved and we have now had to see that they have met the criteria as set down by the Commission action and they have.

CHAIRMAN CORY: So this is actually checking metes and bounds?

MR. TAYLOR: Well, in this particular situation --

CHAIRMAN CORY: And they have them physically checked?

MR. TAYLOR: Yes.

MR. NORTHROP: Yes.

CHAIRMAN CORY: Is that done, just for my own education, is that done by a licensed engineer?

MR. GOLDEN: Yes, it was. He is on our staff.

CHAIRMAN CORY: Right. Any other questions?

Without objection, 8(A) will be approved as presented. Such will be the order.

9.

MR. NORTHROP: This is an item that will appear probably off and on on the agenda, gentlemen. We must check substantial compliance with terms of the trust for tide and
submerged lands, and we have found that the City of Imperial Beach has complied.

CHAIRMAN CORY: Any questions?

COMMISSIONER BELL: Standard boiler plate in this area?

MR. NORTHROP: Yes.

CHAIRMAN CORY: Without objection, 9(A) will be approved as presented. Such will be the order.

10(A), sale of vacant State school land.

MR. NORTHROP: Jim Trout will make a presentation on this, Mr. Chairman.

MR. TROUT: I'd like to direct your attention over here to kind of a plat and I'd like to start out by saying that in the dark and distant past, prehistoric, there was a provision whereby the public could find a piece of property that they liked, come in and ask the State to acquire it from the Federal Government, and in turn be sold to the applicant. In this case, in 1956, Dr. Joergenson located this parcel of land which is in Trinity County. This is Weaverville, if you are familiar with Highway 299, that comes down and goes between Eureka and Redding. The site is located southeast at this location.

In 1956, Dr. Joergenson asked that the State acquire this piece of property for sale to him. Application was made by exchange with the Bureau of Land Management for...
some land in the Trinity National Forest, and in 1970, the State received title to this piece of property.

Mr. Joergenson, for that 14 years, had kept his application in effect, kept money on deposit with the State, and he then applied for the actual purchase of this piece of property.

The property physically involves steep to moderately steep slopes, second-growth or cutover Douglas fir on this side, which is green, mixed hardwoods up in this area, and a small meadow of about two acres that lies between Indian Creek and a Forest Service road. The surrounding area is owned by the Bureau of Land Management on this side. Dr. Joergenson owns a parcel over here abutting the property.

The sale, however, had to be conducted under present regulations of the Commission. This required an environmental assessment and an Environmental Report was prepared and circulated. As a result of that the Department of Fish and Game indicated concern over the disposal of the State's interest in Indian Creek. This creek is critical to a steelhead and salmon hatchery. This hatchery has been declining and had been indicated as a significant environmental feature of this piece of property. As a result of that, the Department of Fish and Game requested that the bed of this creek be reserved to the people along with an access from the public road down to the creek. Dr. Joergenson
agreed to this reservation from the State. He has also
agreed to pick up the cost of surveying this piece of
property and to absorb the reduction in value. As a result
of that, Fish and Game withdrew its objection to the sale
of the property seeing that the significant environmental
values had been reserved and protected.

That brings us basically to the sale. It has now
been 19 years since Dr. Joergenson first asked the State
to move in this area. This provision is no longer applicable
as a result of some sales to California cities a number of
years ago in which California cities developers selected a
rather large area and was subsequently sold. After that
the provision was eliminated.

So this, basically, is the proposal. The Depart-
ment of Fish and Game will annually, and, in fact, probably
more frequently than that, patrol this area. They intend to
keep the creek clear of obstructions and will probably use
this area for fisheries management, for planting and other
kinds of activities.

LIEUTENANT GOVERNOR DYMALLY: Is Dr. Joergenson
getting interest on his down payment?

MR. TROUT: No, he hasn't. Dr. Joergenson, I
understand, is ill with the flu and his son-in-law, Dr.
Olson, is in the audience and perhaps can answer some
specific questions.
CHAIRMAN CORY: A question about that access road.
MR. TROUT: Yes, sir.
CHAIRMAN CORY: That goes across the Bureau of Land Management's property?
MR. TROUT: This road right here is a kind of a dirt road. This is a fairly good Forest Service road -- Forest Service-type road. I'm not sure it was developed by the Forest Service. This access would then provide the public with a route down to the creek.
CHAIRMAN CORY: What I am concerned about is, if the Bureau of Land Management decides that they don't want people going across there, do we still have access for Fish and Game that they requested, since it is not totally on the property of which we are granting the patent on?
MR. TROUT: I would think not. It would be within this described parcel right here.
CHAIRMAN CORY: Okay.
LIEUTENANT GOVERNOR DYMALLY: That little piece there belongs to BLM?
MR. TROUT: This piece is on public domain land.
LIEUTENANT GOVERNOR DYMALLY: Is there any tract straight down within our land?
MR. TROUT: There is none now. We could reserve here. The problem that you run into is that you are still not guaranteed access since the Bureau of Land Management
owns all the way around, and you have no guarantee that they won't close it off somewhere back here.

CHAIRMAN CORY: We have got, at least according to your map, a public road.

MR. TROUT: It is a road the public may use. It is not a dedicated road. It is a road constructed and maintained by the Federal Government for access into public lands.

COMMISSIONER BELL: Probably a logging road at one time.

MR. TROUT: Logging road, that is correct.

COMMISSIONER BELL: By the way, is this property which originally was owned by BLM?

MR. TROUT: Yes.

COMMISSIONER BELL: And the State didn't get it until what, three or four years ago?

MR. TROUT: We wouldn't have gotten it at all except for Dr. Joergenson's request. And we received it in 1970. It was not part of the original school land entitlement.

COMMISSIONER BELL: I only raise that because it just seems like we really shouldn't take the blame for all 19 years, but perhaps only since 1970.

MR. TROUT: That is correct. We have moved as rapidly as environmental provisions would allow us since we
acquired the property in 1970.

LIEUTENANT GOVERNOR DYMALLY: It takes a little
time to get things done around here.

(Laughter)

MR. TROUT: Especially when you have got environ-
mental considerations.

CHAIRMAN CORY: Any other questions?

LIEUTENANT GOVERNOR DYMALLY: Mr. Chairman, I am
favorably disposed to making a determination but I'd like
to get a little more information from Fish and Game. And
could we hear Dr. Joergenson's son-in-law, if it is
necessary, and then postpone final decision until the March
31 meeting so we would not have to have him come back then?

CHAIRMAN CORY: Do you want to just check and make
sure that they are happy with the right-of-way?

LIEUTENANT GOVERNOR DYMALLY: Yes.

MR. TROUT: I understand Dr. Olson is here.

CHAIRMAN CORY: Dr. Olson.

MR. OLSON: May I respond to that?

CHAIRMAN CORY: Yes.

MR. OLSON: The Department of Fish and Game met
with the Bureau of Land Management in Redding this past fall
and they both -- I think members from both departments came
out and surveyed the property. This property has been
surveyed twice for the State Lands Commission and for the
Fish and Game. It has changed because the easement was not
the easement that the Fish and Game wanted.

That road, that is a logging road, and the road is
only about 15 feet. It doesn't look like it, from the
property line to that logging road, if you understand what I
mean. It is that line which would be the eastern line of
the property. Do you understand?

LIEUTENANT GOVERNOR DYMALLY: Yes, sir.

MR. OLSON: And so, you could easily --

LIEUTENANT GOVERNOR YMALLY: Cut something up
there, right.

MR. OLSON: Right.

MR. TROUT: I can state that the Department of
Fish and Game is entirely satisfied with this proposal. We
have a letter from them.

CHAIRMAN CORY: Governor, I think you just want to
make sure that whether or not, before we get to the final
approval, whether or not we need to reserve something on
the east boundary --

LIEUTENANT GOVERNOR DYMALLY: Yes, to be sure --

CHAIRMAN CORY: -- to permit it. And that is
really a perfunctory thing and you probably don't need to
come back. You can consider it done. But rather than us
doing the final thing at this meeting, the Governor would
like to be satisfied and just wait and see. You have been
waiting 19 years and you are going to probably have to wait another 30 days.

MR. OLSON: Thank you.

CHAIRMAN CORY: All right.

MR. TROUT: Do I understand it is the wish of the Commission to extend this up to this road?

LIEUTENANT GOVERNOR DYMA LLY: That is correct.

CHAIRMAN CORY: Or find out the needs that are there. I think the Governor you can get him in touch with somebody at Fish and Game to ascertain whether or not that is necessary.

MR. TROUT: We will check that out. It is our understanding that this is acceptable.

CHAIRMAN CORY: And assuming that it is, then it would be a perfunctory item on the next agenda so that

COMMISSIONER BELL: Mr. Olson won't have to appear.

CHAIRMAN CORY: Yes. Without objection, we will put 10(A) over until the next meeting.

11(A), Termination of Easement for Commerce, Navigation and Fisheries and Approval of Exchange of Lands for the City of Eureka, Humboldt County.

Do we have some guests who wish to speak?

MR. NORTHROP: Yes, we have some guests from the City of Eureka, from the law firm which represents them.

LIEUTENANT GOVERNOR DYMA LLY: Before we get into
that, I would like to, because I think that would take some
time, just to enter into the record a statement which I have
prepared, and the statement has to do mostly with the role of
the Commission and what I view as part of our new responsi-
bilities, based on the fact that, in the past, we have
routinely approved staff recommendations. And it seems to
me that in every meeting the Commission ought to allocate
a certain amount of time where we could begin to develop
long-range policy issues for the benefit of the public and
for ourselves.

And the first one I would like to have on the
agenda next month is the whole question of legislation be-
cause I observe with some interest some large numbers of
bills that have been introduced that affect the future
operation of this Commission. I think it would be important
and beneficial for the Commission to begin to look at that.

So I have a statement. I will just read the last
paragraph and I will have copies available for the press.

"I, therefore, propose that a major
part of future meetings of the Commission
be devoted to a discussion in-depth of the
major problems which are now, or may in the
near future, be facing the State Lands
Division as well as some historical back-
ground on major land use issues... These
briefings should be both for the benefit of ourselves as Commissioners and for the public."

I'd like to get in the future the whole question of land use and a number of other issues.

COMMISSIONER BELL: Good idea.

CHAIRMAN CORY: Without objection, the staff will please be advised to proceed on that. And you probably should look at how, while you are doing that, how that relates to the whole agenda, whether we do it prior or whether we rearrange the whole agenda to make it part of the administration or Executive Officer or part of the housekeeping function or whatever. But try to use some flexibility so that it fits in a logical manner rather than being bound by an inflexible agenda.

MR. NORTHROP: Mr. Chairman, Governor, the staff will take that and take the necessary steps.

CHAIRMAN CORY: Shall we go ahead with 11(A)?

MR. TROUT: Mr. Chairman, the City of Eureka is present, and Mr. Alvin Kaufer, who is with a private law firm and who has been hired as an expert, would like to discuss what the City of Eureka is doing.

If we in the staff might do two things before that? One, in your folder is a map, parcel map, prepared by the City of Eureka, which may make it a little easier for
you to understand the stuff that is on the wall here.
So, we will let the City go ahead.

CHAIRMAN CORY: Mr. Trout, the staff is satisfied
in terms of the final negotiations as to what we are doing?

MR. TROUT: Yes, the staff is satisfied. And I
didn't know just what order the presentation would be, but
the map that is in your folder would be a substitute for
the legal descriptions that are in your calendar, as
discussed in the calendar.

MR. NORTHROP: Mr. Chairman, in the calendar there
was some degree of a gray area as to this boundary line
description, and I think as Mr. Trout is pointing out now,
that we have that firmed up and there is no longer any doubt
in our mind.

CHAIRMAN CORY: This is the boundary to which we
are talking --

MR. TROUT: That is correct.

CHAIRMAN CORY: -- rather than the calendar item.

MR. TROUT: The differences between that map, and
the descriptions attached to it, and that in the calendar
item are insignificant. They are very small technical ad-
justments.

CHAIRMAN CORY: Okay. And the Attorney General is
satisfied that this meets the terms and conditions of the
case law in terms of exchange?
MR. TAYLOR: Yes, Mr. Cory, we are.

LIEUTENANT GOVERNOR DYMALLY: Just one question.

Is one out in the water or do you have two? I see two --

MR. TROUT: Perhaps, Governor, we might rearrange it a little bit and perhaps I could just explain this overall setting here. First, I think we want to direct the Commission's attention to the fact that there are some 60 grantees in the State to which the Legislature has transferred an administrative jurisdiction of the tide and submerged lands.

Certainly, one of the better grantees is the City of Eureka.

The problem is that historically the whole waterfront was sold off in a series of rather confused transactions from statutes dating way back, and therefore, the whole waterfront area, as the City will explain, is just really in a confused title situation.

The last natural tidelines can't be determined, and as a result, in 1970, the Legislature authorized settlement of title problems by the City of Eureka provided they were submitted to the Lands Commission for approval.

What the Lands Commission has been asked to do in all settlements in this area, and which this is the second of a series, is to review the consideration and to verify that the property from which the tidelines trust might be
removed is actually above today's mean high tides lines.

Now, Louisiana Pacific contends that it owns, under various State patents, all of the area outlined in red, or parcels 1 through 5. The City contends that all of these are tidelines subject to the trust. Therefore, there is a real conflict. The total area within the red lines, or parcels 1 through 5 on your map, is 57 acres.

The City filed litigation and as a result of the evaluating, the completion of that, they and the Louisiana Pacific Company have entered into a settlement agreement which is before you for approval. Under this agreement the City would get parcel 1, which includes this dry area and this area and this wet area out in here. They would receive a quit-claim deed from Louisiana Pacific. They would also get a dock that is worth, according to the City Engineer's estimate, in excess of $500,000. I believe it is that mark there.

The City also will be getting an option on parcels 2, 4 and 5. Now, it should be pointed out that that option was not part of the consideration and that your staff has not reviewed that option or the values which the City has an option to purchase it for.

Now, the parcels that Louisiana Pacific would get would be this parcel 3, primarily, and this is the parcel from which the trust is to be lifted. And I have already
responded to the Chairman's question and the staff recommends approval.

LIEUTENANT GOVERNOR DYMALLY: And the Attorney General has okayed it?

MR. TAYLOR: Yes, it has been reviewed by our officer, Governor, and we have approved it.

MR. TROUT: I believe Mr. Al Kaufer of Nossaman, Waters -- they changed their name; I have forgotten what it is. He is the special counsel hired by the City.

LIEUTENANT GOVERNOR DYMALLY: Tell the special counsel he is ahead, okay.

(Laughter)

MR. KAUFER: Would the Commission prefer that I not make comments today?

LIEUTENANT GOVERNOR DYMALLY: Yes.

(Laughter)

CHAIRMAN CORY: Is there anyone that has any opposition to the proposed clarification? Because, if there is anyone here that has any qualms or concerns about any of the considerations of this, we would like to hear from them, and if so, we will go into the hearing of their grievances. If not, given the length of time that has already been put in and the fact that each of the Commissioners has individually studied this for, I think, in excess of an hour or two hours apiece -- there is something that I learned in
the Legislature. If you got the votes, there is no sense in talking.

MR. KAUFER: I have learned that in court.

LIEUTENANT GOVERNOR DYMALLY: I move approval.

CHAIRMAN CORY: Governor Dymally moves approval.

COMMISSIONER BELL: Second.

CHAIRMAN CORY: Mr. Bell seconds. And let the record show that there is no one to speak in opposition. The only concerns that I have relate to the polluting that is going on across the bay in that picture.

(Laughter)

COMMISSIONER BELL: By that redwood mill over there that is across the bay.

CHAIRMAN CORY: Without objection, Item 11(A) will be approved as presented.

Okay. 12(A). We have information on major litigation.

MR. TAYLOR: Mr. Chairman, I believe it is all self-explanatory in the back of the matter. There was only recent litigation of interest that we are not a party to but which came down this last week was a ruling of the emergency court, that the two-price system of new oil and old oil was not proper. The Federal Government is appealing that to the Supreme Court. It does create a considerable amount of confusion as to oil pricing in the
CHAIRMAN CORY: If that position is sustained which have they ruled as invalid, the new oil or the old oil?

MR. TAYLOR: The new oil price.

CHAIRMAN CORY: So it would be a roll back to the old price and it would put, in essence, more significance to our application in terms of the gravity differential.

MR. NORTHROP: And the stripper well was not affected on this because it had been established. They had identified it.

CHAIRMAN CORY: That is an acceptable class, is it?

MR. TAYLOR: The problem with the new and released was that, new oil was, that by saying there was no regulation on it, that that was not in compliance with the Federal statute. It was a two-to-one decision.

I am sure, because of the accounting problems it is going to raise throughout the United States, that the Federal Government will take a very vigorous appeal to the Supreme Court. It will have, if the opinion stands, it will have an effect on all of our pending FEA appeals.

We are proceeding on the basis of the Federal Government going to be successful before the Supreme Court.

CHAIRMAN CORY: Should we consider airing that
decision anyway?

MR. TAYLOR: We are still studying the opinion. We only received it two days ago and we will be in touch with Mr. Northrop for his advice.

MR. NORTHRUP: I have also asked them to perhaps move with steps -- I think you had better address yourself to the other case.

MR. TAYLOR: There was a ninth Circuit opinion that also came down the day before yesterday concerning the Gulf Oil versus Morton and Morton versus Gulf Oil, regarding drilling and the moratorium of the Federal Government or the Santa Barbara channel. The Court has indicated that if a good reason for the delay of further development of oil is not given by the Federal Court in the remand to the trial court, that there has been a taking, and that it would be an inverse condemnation situation which the Federal Government would be facing.

There has been the remand, as we understand it from the newspaper comments, and we will have a copy of the opinion brought over today from San Francisco. The ninth Circuit has sent the case back to the Federal District Court to make a determination as to the basis upon which the Federal Government prohibited them from going forward. This case is similar to the situation faced by the State of California in connection with some of the leases we have in
the Santa Barbara channel, and we are watching the case with interest.

And Mr. Northrop has indicated a desire that we study the situation to determine if there is an appropriate way that the State may intervene in the matter. At this point we don't know the procedural status. If it is being sent back to the trial court and there is any appeal pending, it would mean getting involved in a trial. I don't know whether we want to do that. If it is going to the Supreme Court, it would be a little easier to make that decision. But we will be in touch with Mr. Northrop.

MR. NORTHROP: Our exposure on this could be considerable.

MR. TAYLOR: It has been a rather significant week, but in matters that we have not been directly involved in.

CHAIRMAN CORY: Any other questions about any of the other litigation?

COMMISSIONER BELL: I don't see any problems.

CHAIRMAN CORY: All right. Any further comments?

MR. NORTHROP: You have already taken care of 13.

CHAIRMAN CORY: Are there any other items to come before the Commission at this time?

If not, we will stand adjourned.

Before we do that, if we have in one of those
suits, or we need action, we can call a meeting prior to that with proper notice or not?

MR. NORTHROP: Yes, we can. All we need is a seven-day notice. We can call a meeting any time.

This is just the next formal meeting.

CHAIRMAN CORY: The next regular meeting will be held on the 31st as noted at the beginning of the meeting.

We stand adjourned.

(Thereupon the February 27th meeting of the State Lands Commission was adjourned at 11:10 a.m.)
State of California ) ss.
County of Sacramento )

I, RONALD J. PETERS, a Notary Public in and for
the County of Sacramento, State of California, duly
appointed and commissioned to administer oaths, do hereby
certify:

That I am a disinterested person herein; that the
foregoing State Lands Commission Meeting was reported in
shorthand by me, Ronald J. Peters, a Certified Shorthand
Reporter of the State of California, and thereafter
transcribed into typewriting.

I further certify that I am not of counsel or
attorney for either or any of the parties to said meeting,
or in any way interested in the outcome of the cause in
said caption.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed my seal of office this 11TH day of March,
1975.

RONALD J. PETERS, C.S.R.