MR. CORY: We'll call the meeting of the State Lands Commission to order.

The secretary will note that all the members are present. And I understand that Mr. Lingle has a message for us. Mr. Lingle.

MR. LINGLE: Gentlemen, we want to welcome you to Long Beach. It was left to me. I've been the City's spokesman before this body for nearly 19 years. This is the first time the Lands Commission has ever met in Long Beach.

I suppose there were times when we hoped that you would never meet in Long Beach, to be perfectly candid about it. But, indeed, I think we've all become realistic. We know that we must cooperate and work together. We are proud -- we're very proud of this port. We're proud of the marina, and we're particularly proud of our stewardship of our oil fields.

I think that you realize that the State will probably realize in the neighborhood of $100,000,000 -- assuming that the prices are correct -- this year.

You know that we've done a pretty good job trying to run the oil fields as your steward.

Welcome to Long Beach.

MR. CORY: Thank you, Mr. Lingle.

The first item on the agenda is the confirmation of the minutes of the meeting of March 31st. Without objection of staff, we'll go over those also.
MR. NORTHROP: Yes, sir.

MR. CORY: You have the minutes without objection; will be confirmed as presented.

The next item is reported by the executive officer Mr. Northrop.

MR. NORTHROP: I have a few informational items, Mr. Chairman, including a response to Governor Dymally's suggestion last month on requirements for recreational pier and marina leases granted by the Commission.

I also have a detailed report to make to you on Item 11A. And with your permission, in addition to that I would have comments that I would like to make at the proper time on Items 9 and 14.

At the last commission meeting, Governor Dymally suggested incorporating into the leases or lease renewals for recreational piers or marinas occupying state lands, a condition of termination by the State Lands Division.

He suggested that such condition would be exercised if and when the appropriate planning agency adopted a plan under which the pier or marina structures would be nonconforming.

To meet Governor Dymally's objectives, yet still provide firm-term leases, the staff has suggested the possibility of reducing the lease period from the present ten years to five years.
Under normal zoning processes, such a five-year period would not extend private occupancy unduly beyond usual planning periods. In this way, the Commission could deny further permits or remove non-conforming structures, and no structures will be contrary to local planning for more than just a few years. Staff review indicates that private and commercial recreational pier or marina leases are usually located in areas zoned for public recreational use and appear to present little problem of non-conforming use.

There is an additional consideration for marinas. Amortization periods necessary to finance major marina developments usually require fairly long periods of firm occupancy to guarantee pay-out.

Governor Dymally's objectives are met in the normal contract provisions of such leases, which require compliance with reasonable local regulations, and which are adopted only after Commission approval.

If the Commission concurs with staff review and suggestion for a shorter lease term, such reduction to five years can be considered as part of the proposed new regulations now out for public comment.

As you know, one public hearing on proposed amendments to our regulations was held in Sacramento the day before yesterday. Another will be held here in Long Beach on Friday. After public comment and testimony has been incorporated, staff will bring the proposed regulation amendments before the Commission for consideration and action.
In addition to this, we will also bring some of the pertinent comments.

The second thing I'd like to discuss, if the Commission has any action on this. Does that satisfy your request, Governor Dymally?

MR. DYMALLY: Yes.

MR. BELL: Yes.

MR. NORTHROP: The reason we were going for that time is to give them a chance to actually get some kind of financing. It would be difficult for any institution to finance on anything shorter than that. We have shortened the term to give us a chance to finance, and leave perpetuities to the peer groups.

MR. BELL: Seems logical.

MR. NORTHROP: Second thing I'd like to discuss, Mr. Chairman and the members, is the coastal zone plan report. State Lands Division staff is presently critiquing the recently issued preliminary coastal plan prepared by the California Coastal Zone Conservation Commission. Public hearings on the proposed plan have already begun, and are scheduled in all of the coastal counties. These hearings are scheduled for completion by the end of May. Proposed policies contained in the preliminary plan are scheduled for adoption by the Coastal Commission in July, 1975.

The third thing I'd like to discuss, in passing Mr. Lingle indicated the cooperation of Long Beach, and at the present time I am currently meeting with the city
manager of Long Beach in an effort to resolve some long-standing problems on the valuation of Long Beach tidelands dry gas.

I had hoped to bring the Commission a completed program before we were in Long Beach; however, we have developed some last-minute snags, and we're now trying to work out the language. We hope that we will be able to put that on the agenda next time. The ultimate thing I'd like to discuss in this report, Mr. Chairman, is the U. S. Corps of Engineers public notice. In 1968, Union Oil Company received approval from the Secretary of Interior and a permit from the Corps of Engineers to install a third platform in federal outer continental shelf waters, Platform C.

With the blowout in 1969, the federal government suspended all activities on that lease, and in 1971 notified the Union that they would not be allowed to install Platform C because it would interfere with the government's plan for a sanctuary area. In addition, the Corps permit had expired.

Union filed suit against the Department of Interior seeking to proceed with the installation of Platform C. The Court of Appeals remanded the case to the Federal District Court in Los Angeles and instructed the Department of Interior to file an explanatory statement of its actions. Unless satisfactory explanation is forthcoming, the Court has held that a moratorium cannot be imposed on Platform C. Union has now applied to the Corps of Engineers for another permit. State Lands has received
a public notice asking for any comments the State may have.
The Corps has stated they intend to consider only navigation, national security, in reviewing the Union's application.

The Commission might wish to comment on this public notice in view of the following facts: This action would accelerate drilling in the channel without due consideration for the state policies and procedures. We have considerable oil still leaking from Platform A. Adding a new platform in this area would have an unfortunate aesthetic impact. The State's present stringent procedures for containment and recovery should be fully considered by the Feds before such a platform is issued.

Mr. Chairman, I brought this to the Commission's attention because I believe -- as executive officer, I believe the Commission or the staff should respond to this coverage, these points that we just mentioned.

MR. CORY: If they're limiting the testimony to the other items, how would you be permitted to -- anybody be -- to deal with another subject?

MR. NORTHROP: I believe that navigation could well be considered in view of the fact that the leaks are there, and it behooves the Feds, in apparently all the off-shore drilling, Mr. Chairman, to consider only those things which they have difficulty in objecting to.

But I would like to go on record for the Commission, or have the Commission on record, or perhaps individually the members would like to address
themselves as well.

MR. CORY: What, by just instructing the staff to appear or --

MR. NORTHROP: It would take at least communication with the Feds in this problem.

MR. TAYLOR: It's normal that comments from all affected agencies, both Federal and State, are forwarded to the Corps. And in this way you could file an answer both to objections, to the limitation of the hearings, scope, and also giving the comments Mr. Northrop has suggested if the staff finds that those are valid after investigation.

MR. NORTHROP: C will be in a line, Mr. Bell, with -- as Mr. Dymally -- Governor Dymally can comment on, as he was out there yesterday.

MR. BELL: This is one where the line just goes straight out --

MR. NORTHROP: Yes; right.

MR. BELL: This would be further south?

MR. NORTHROP: Yes, right.

MR. BELL: Geologic Hazard decided that it is not as severe as A?

MR. NORTHROP: I don't believe at the time Platform C was first awarded, Mr. Bell, they went into the department with an environmental studies that they're currently going into. And I'm really not prepared to address myself.

To answer the question, my initial reaction would be, I don't think there will be any
decisive work to be done in the line coming ashore from
the Exxon offshore.

MR. BELL: I certainly would agree to at
least have the staff pursue it.

MR. CORY: Without objection, consider
that your authorization,

MR. NORTHROP: Thank you very kindly.

One more item, Mr. Chairman.

There are three pieces of legislation
currently being under consideration in the Assembly.

One is AB 611, which would impose
absolute liability for damage caused by oil and gas opera-
tions within the coastal zone. If enacted, it would assure
that damage or injury to the natural resources of the
State -- they're compensated for.

AB 366 would give broad oil pollution
control authority to the State Lands Commission and would
require the State Lands Commission to license all oil
terminal facilities and regulate such operations in order
to prevent pollution of coastal waters.

And AB 45 would create a deep water
ports division within the State Lands Commission in order
for the State to regulate the construction and operation
of deep water ports. This is considered to be declaratory
of existing law and will clarify that the Commission is
the major responsible organization to attend to these
responsibilities.

I have before you a resolution that would
authorize us to proceed on those bases. I have discussed it with the Governor -- Lieutenant Governor, who is the chairman of the subcommittee on legislation, as you know. And the staff awaits your pleasure on these items.

MR. BELL: Mr. Chairman, I certainly agree with the resolution of AB 699 and 366.

I have a problem on AB 45, as you may be aware. The Governor's office and we are opposed to AB 45 because of the transfer of responsibility from Governor to the Commission. And because of that, I do have great reluctance in being able to vote for a resolution that has two good things and one bad thing in it.

MR. DYMALLY: You mean 699 and 366; why don't we separate 45 and deal with it separately.

MR. BELL: If we could at the moment, and take a vote on the resolution, I would like to do so.

MR. CORY: We'll take the resolution with the fourth whereas clause we deleted.

MR. NORTHROP: Yes, sir.

MR. CORY: Mr. Dymally moves and Mr. Bell seconds the adoption. Without objection, such will be the order.

We now have the question of AB 45 before the Commission.

MR. NORTHROP: At the present time, Mr. Chairman, Governor, Mr. Bell, the deep water ports have -- I believe I'll address first myself to the objection by the Governor's office as has been
The objection is that -- the fact they feel that this should be a function of DNOD, an area -- a group which now takes care of small boat marinas. We feel that this operation or this section of the resources agencies lacks the expertise and the technical know-how to handle such a problem. We feel this is inherently one of the problems we must deal with in the State Lands if there is a major spill. If there are other problems -- and I have a communication just yesterday from the Canaport, which is a deep water port in Canada, and they have told me they have suffered five major spills at their deep water port. And largely it was done because the people that administered it did not understand the operation of such a port.

So with that in mind, I really think that the staff here feels that this would be an area well covered by our expertise.

MR. DYNALLY: I move to open the discussion.

MR. BELL: Well, I don't know whether ours would be recognizing this position forever, but I think right at the moment we are interested in seeing whether DNOD can take a major role in this sort of thing, and if it works out eventually that it doesn't, in a year or so we would probably go into this arrangement.

MR. CORY: We have a motion now, seconded.

We passed the second resolution, which just contains the first whereas clause and the resolve.

Let the record show that that is two to
one.

Now, you have some questions?

MR. BELL: I just have one other question of the staff report of the executive officer.

I was curious to know how our parity price efforts are going?

MR. NORTHROP: Mr. Bell, I would --

I returned from Washington last week, and I had extensive conversations with Mr. Zarb. And I am amazed at his reaction. In his conversation he claims that the first time he'd ever heard about the parity problem was at a meeting at Town Hall in Long Beach, even though the congressional delegation, over half of them sent support letters, separate letters coming from the senators from -- representing California. We had meetings with Mr. Brock, director of department well property in Long Beach, and myself with the staff of FEA handling the problem, and quite frankly I was disappointed with the reaction that we got there. But we hopefully have Senator Cranston's office working on it now, attempting to help us with the problem.

I wish I had a more rosy picture, but it's very bleak.

MR. BELL: This was a reaction from the policy level rather than from a technical level?

MR. NORTHROP: That's true.

Mr. Bell, I have a hard time separating those.
MR. CORY: Your pessimism --

MR. BELL: I'm sorry to hear your report.

MR. CORY: Your pessimism is based upon their ignorance or their reaction?

MR. BELL: Or both.

MR. NORTHROP: The kindest thing I could say, Mr. Chairman, is both.

MR. CORY: Did Mr. Zarb go beyond that, the fact that he hadn't heard until --

MR. NORTHROP: No, he didn't comment any further than that of its --

MR. CORY: It's a new problem?

MR. NORTHROP: It's a new problem to him. He's going to have to start from Square 1.

MR. CORY: Okay. But that's really a neutral, with respect to how he stands on it?

MR. NORTHROP: Yes.

MR. CORY: It's a function of the ignorance of a problem until very recently, and nothing's been done?

MR. NORTHROP: Yes, sir.

MR. CORY: Rather than him saying we are not interested.

MR. NORTHROP: He's ignorant of the problem, and that's perhaps our fault because we have not brought it to his attention before, sir.

MR. CORY: Okay.

Going on to agenda Item 4, permits, Department of Transportation.
MR. NORTHROP: This is a bridge serving State Route 8, Mr. Chairman, which is a --

MR. CORY: That's the one connected with the Yuma State Prison in the environmental impact report?

MR. NORTHROP: Yes, sir. Shared jointly.

MR. CORY: Is there anyone who opposed permit of the State Department of Transportation?

MR. DYMALLY: So ordered.

MR. BELL: Second.

MR. CORY: Mr. Dymally so moved; Bell second. Without objection, permit be approved.

Five A.

MR. NORTHROP: The next item, sir, is a Donner Pines, Incorporated. Use of the water from the Donner Lake for emergency fire purposes.

There seems to me we have no objection on this item.

MR. CORY: Is there any objection of Item 5A of the agenda for the permit application of Donner Pines, Incorporated?

MR. BELL: This is for -- This is not to provide water for that development up there?

MR. NORTHROP: It's just fire only, Mr. Bell, it's just strictly an emergency use until they can get their main in.

MR. CORY: They only use the water to burn it.

MR. BELL: Okay.
MR. CORY: Bell moves, Dymally seconds. Without objection, 5A will be approved.

Item 5B, United States Steel Corporation.

MR. NORTHROP: This is three parcels of land in the New York Slough in Pittsburgh area of the Contra Costa County.

The first parcel released by the United States Steel Corporation is for storage and levy maintenance. And the second is for the settling basin, and the third parcel is for the levy maintenance.

We've had no objection to this item. However, Mr. William A. Main of the United States Steel Corporation has indicated that he would be available to answer any questions on this item if we wish.

MR. CORY: Before we get to that, is there any objection to U.S. Steel's application in the audience? Okay. Any questions of committee members?

MR. BELL: I have no questions.

MR. DYMALLY: No questions.

MR. CORY: Ready to -- Mr. Dymally moves and Bells seconds. Without objection, Item 5B will be approved.

5C, Alvin L. Stults.

MR. NORTHROP: This is a 1.25 acre parcel of tide and submerged land in the Sacramento River in the Freeport area. It's initial use authorized ten years and an additional period for five years.

However, we have set -- we are
requesting the Commission allow a consideration rental for $361.26 until November, 1975, at which time we'll set a new rent. And the reason for this is -- this is rather an inexpensive rent for the first period -- is the fact we're attempting to bring all the rentals in that area into conformation at the same time and could probably well be argued that we're discriminating against one using it all up at one time.

MR. BELL: Then, we're going to change them all on November 15th; is that right?

MR. NORTHROP: Yes, sir.

MR. CORY: Have you discussed with the applicant, the order of magnitude of increase, so he's not going to be blind-sighted?

MR. NORTHROP: Yes, he understand the increase is going to be considerable.

The Chairman in discussion with staff indicated that the insurance liability on this particular item -- because the State would well be a target for a suit -- indicated he would be -- he would really like to see the insurance liability increased.

We've checked with the Attorney General's office and they indicated that this was a statutory requirement, and we'd have to move that to -- or at least a mandatory requirement.

Dick, where was that?

A VOICE: Is that mandatory?

MR. CORY: I raised the question and the
staff went over the agenda. The $300,000 was relatively modest.

MR. NORTHROP: The Attorney General felt it was consistent with the operation. The Attorney General felt it was consistent with the size of the operation.

The liability insurance, one person, $100,000.

MR. CORY: On that point, it seems to me the question on the order of magnitude of insurance shouldn't relate to size of operation, but more to the exposure of the risk.

And what I'm questioning is if we're running a marina, if the State does in fact have any liability, being somewhat of a target risk in these days of inflation and higher injury award, I'm going to question whether $300,000 is really adequate protection.

$100,000 for bodily injury, $300,000 for accident is not that big of an award if you've got five people in one boat and some reason it blows up.

A VOICE: Mr. Chairman, I believe checking with regard to this insurance, it's the state insurance offices not our office.

MR. NORTHROP: Oh, representative of the state insurance office, all right.

A VOICE: So this schedule is a little cold.

MR. NORTHROP: I might suggest we put this over till next time and look into this.

MR. CORY: What is the position of Mr. Stults
in the meantime?

MR. NORTHROP: He's still in possession. He

has possession.

MR. BELL: It will be five months less.

MR. NORTHROP: Mr. Chairman, the next three
calendar items deal with --

MR. CORY: 6A, B, and C relate to the offshore --
this is the question of the unitization agreement, which
altered the economics of the lease development of Huntington
Beach?

MR. NORTHROP: No, this one here relates to
the drilling of five --

MR. BELL: The redrilling of two and the
drilling of one.

MR. NORTHROP: Yes, redrilling of two and
the drilling of one. The Item A, the oil that we will
receive from that one will be at the new price.

MR. BELL: At the new price?

MR. NORTHROP: At the new price.

So that one -- we can dispense with that
one because within that informal policy laid down by the
Commission of the staff, that one is within -- and the
next one --

MR. BELL: Now, what about B?

MR. CORY: Let's go through A first.

Do you want to tell us about A?

MR. NORTHROP: A is a new drilling of some
new wells in an area, which would make it -- from
surfaceable locations, that would allow the State to sell the oil. Oil would be sold and we would get a percentage with new oil prices.

MR. CORY: This is part of the same one?

MR. NORTHROP: No, 391 is different. That's the last item.

MR. CORY: Bell moves, Dymally seconds. 6A Item B approved.

Is there anyone in the audience that wishes to address himself to Item 6A?

Hearing none, approval will be ordered without objection.

6B?

MR. NORTHROP: Mr. Chairman, we have here two well sites and that will be drilled on the flank of an existing field.

The time frame involved here is about six months. We -- our percentage would come out of the old oil price and it is the feeling of the staff -- the staff has a general feeling that by this time the price of crude oil will be well above the $4 we're getting for it now.

And because of lead time involved, it recommends an approval only on the fact that it's to discover a flank area that's -- the price we are receiving for oil is on the old oil well prices.

MR. CORY: Why is it in our interest to take in more oil out of the ground at old oil prices?
MR. NORTHRUP: Mr. Chairman, the only reason, of course -- the economic reason, we need the money; we don't want to lose it all. But secondly, the staff is very sympathetic to your position. And I can see no reason to take it out of the ground. We look down the road and probably within a year at the most, pessimistic estimates of oil prices, see some kind of phasing out at least between a year and some even sooner, as much as 90 days.

MR. CORY: Okay. Great. Where are we in terms of --

MR. TAYLOR: I think it is a policy question as to whether you want to go ahead with it. And I think one thing that we have to consider is whether or not this could cause any damage to the field by not continuing a regular MER program. And that's beyond our competency to answer.

As far as predicting whether there will be any relaxing of the FDA rules --

MR. CORY: Is this something that's totally discretionary on the part of the Lands Commission whether they approve or not approve?

MR. SHAVELOSON: The criterion in the statute which -- is normally maximum economic recovery, which it differs from the usual term, which is maximum efficient recovery, and it certainly gives the mention that the -- to look at the economics more than it would if it were limited strictly to engineering considerations.

I don't think the discussions were
completely uncandid, but I certainly think that exercise was within reasonable limits without damage to the oil fields and which were not unreasonable delays in development, that this policy is pliable.

MR. BELL: I don’t know anything about potentials of damage to oil fields, but I do know the lead time is eight to ten months, to the extent of Mr. Northrop’s remarks about 90 days to one year.

It doesn’t look like we’re putting ourselves in too favorable condition.

MR. CORY: Well, what about your early comments about pessimistic --

MR. NORTHROP: I am pessimistic; I am pessimistic.

MR. CORY: I wonder if we should wait until we hear from Mr. Zarb?

MR. NORTHROP: Mr. Chairman, I’m pessimistic on the parity for California crude oil prices with the rest of the nation. But I think on the other hand -- I think there’s going to have to be some kind of end to this two-tier pricing system.

I think my discussion with the Feds, they indicated they’re attempting to one way or the other -- to end that.

And just this morning Representative Dingell from Michigan indicated that he was in favor of a phase-out plan that would cover a five-year period. So we have a phaseout for a five-year period from Representative
Dingell, to the president who says he wants to end it right now.

So, I think somewhere between five and zero there's going to be a compromise.

MR. CORY: What about -- what does this do to the field? We're talking about a flank area?

MR. NORTHROP: I really can't see that -- that we can argue that we would lose it. I just don't -- that argument hasn't been made to staff and I don't think that was an argument that's been made.

What we're trying to do there is profile two wells.

MR. CORY: If we put this off to the next meeting, the consequence is we're throwing the lead time one month forward?

MR. NORTHROP: We're setting the lead time one month back. Yes, sir.

MR. BELL: Do you have --

MR. NORTHROP: What they really want to do is to see what's on that flank and if there's something there, they propose a drilling pattern.

MR. CORY: Do we have the approval of the drilling pattern at that point or do we have the same discretionary options on the additional drilling after that test hole or not?

MR. SHAVELSON: Yes, sir. Yes. Your control over the drilling within the criteria of good economic practice.
MR. CORY: The economic practice applies to all of them?

MR. SHAVELSON: Yes. But as I say, we must exercise with definite criteria in mind.

And I think that we shouldn't be too vague about speculating as to future change. But I think that the situation now is, as I say, for reasonable periods of time. I think that we have that --

MR. CORY: Is the test hole -- we have control?

MR. BELL: I think that's true.

MR. CORY: Mr. Bell moves and Mr. Dymally seconds. Without objection 5A will be approved as presented. I beg your pardon, 6B.

6C.

MR. NORTHROP: This is again a broad item, Mr. Chairman. It's different from the last one only in this respect: that Burma would experiment with steaming on some wells. And this -- this procedure of secondary recovery is a test operation. If it works out well, they'll continue it on and we -- like the last one we had, it will come before the Commission before it goes, other than the wells that were specifically mentioned.

MR. CORY: A single well, one item?

MR. NORTHROP: I believe it's a redrilling of one well, J-163. The surface is located on the upland.

MR. CORY: Dymally moves, Mr. Bell seconds. Without objection 6C will be approved.

Item 6D.
MR. NORTHROP: Mr. Chairman, this is an assignment of a lease from Edwin W. Pauley and Barbara Jean McHenry Pauley to a Pauley Lifetime Trust. They have qualified by paying fees. And, I believe, the attorneys have investigated this, and would you care to address yourself to the Chairman, Mr. Shavelson?

MR. SHAVELSON: The Assignment E in this instance is a bona fide charitable trust registered with the State of California as a charitable trust. We've checked the registrar to find that it's in good standing.

This is a normal financing type of transaction, or a transaction for tax purposes. And you probably see a number of transactions. This is the first that you have had. This is the first that you've had since you've been on the Commission.

There is a provision for the working interest in this, but this is such a small amount that we do not think that would ever occur.

We'll watch for that in review.

There is responsibility of the working interest passing that assignment that would be a very serious question, but that would not occur in this transaction.
We have given a letter to your staff today indicating approval by the Attorney General's office.

MR. CORY: Any questions from the members?

Anyone from the audience that wishes to address himself to Item 6D?

Hearing none, Dymally moves, Mr. Bell seconds. It will be approved without objection.

6E.

MR. NORTHROP: Mr. Chairman, this is an application by the City of Vallejo for dredging on a launch basin, as part of the Vallejo waterfront development project. Description of the dredge area attached as Exhibit A.

The initial -- the spoils on this -- from this area will be deposited on unencumbered state lands, including Alcatraz spoil sight within the state grant of the City of San Francisco.

MR. CORY: Anybody in the audience wishes to address himself to Item 6E?

Dymally moves, and Bell seconds. Without objection, and that will be the order.

6F; 6F, Glorietta Bay.

MR. NORTHROP: Mr. Chairman, Item 6F is additional drilling permit from Glorietta Bay Marina on a dredge. Permit of the spoils on this permit would go on private lands. It is ten cents a cubic yard royalty.

And the environmental impact report is not required on private land from the administrative
building.

MR. CORY: Anybody wishes to address himself to Item 6F on the agenda?

MR. BELL: I move.

MR. CORY: Bell moves. Dymally seconds.

Without objection, approved. This item approved.

Okay, Item 7.

MR. NORTHROP: Mr. Chairman, Mr. Wil Thompson from the State Lands Commission will make a presentation on this portion of legislation in Long Beach.

MR. CORY: Okay.

MR. THOMPSON: The first Item A, the tenth modification, which is merely an adjustment of various exhibits within the present planned budget, prior to modification.

However, we will probably be coming to you next month with augmentation because of inflation and additional cost.

Item C involves a subsistence project with a final closing and a resolution of subsidies cost in the project, and the credit to the City of Long Beach.

Now, the other item is a plan of development and operation and budget for the years 1975 and '76, which starts July 1, 1975.

Now, this particular thing comprises three parts: The plan, which is an outline of the work anticipated to be done during the fiscal year.

The budget, which provides the funds
for the projects covered in the plan.

And a procedure section which outlines the methods of implementing the plan and budget.

We are now recommending your adoption of the plan and a budget of 67.6 million dollars.

Now, the proposed budget is approximately six million dollars over the anticipated level of expenditures for the current fiscal year.

(A slide presentation was given at this time.)

In the slide you see the past expenditures and net revenue. The yellow and orange bars represent the costs, and the green bars represent the net revenue.

You can see our current year has a big jump in expenditures from 47 to 62 million dollars. This is due to our energy increase and cost.

We anticipate this year to get $167,000,000 gross revenue, with our level of expenditures $62,000,000, getting a net of $105,000,000.

The objectives for next year, a small drop in gross revenue to about $165,000,000. The projection of $68,000,000 in cost; the combination of this, $8,000,000 or less in the increase cost and inflationary measures, again with the fixed cost of oil at about $4.18 a barrel.

So, we're in the squeeze here, now of fixed oil prices and inflation and energy.

(Another slide was shown at this time.)
Here's a plot of an oil-rig unit, and you can see, starting this period here (indicating) by redrilling, drilling new wells, water injection second, secondary recovery procedures, we have been able to flatly decline. We expect we'll have a small decline this next year.

(Another slide was shown at this time.)

This is another additional possible expense, here as our continuing injection rate is going up, and our cost of living grows. If we have additional volumes we're going to have additional expenses in this.

(Another slide was shown at this time.)

The next slide now, shows net revenue as a percent of the gross revenue.

The upper bar is not including taxes. The lower one is including taxes.

You can see how we have peaked and are now coming down.

The taxes equal to about 8 percent of the gross revenue in Long Beach.

(A chart is being viewed at this time.)

As far as taxes are concerned, the current year we're in, our taxes are almost $15,000,000. This is an increase of about $5,000,000 from the previous year on the basis, just on the basis of the valuation of
the crude oil prices.

They're estimating next year taxes will be about 13.6 million dollars, and these taxes comprise about 20 percent of the budget.

We have information before me now, we'll probably come back and augment these taxes later on. The City of Long Beach is proposing an increase in business license tax and also we have a statement that the advalorum taxes may be a little low. This was in the morning paper that the L.A. County tax budget rate is up -- 10 percent.

MR. DYMALLY: One question, am I to understand that the Lands Commission pays taxes?

MR. THOMPSON: No, the Lands Commission does not pay taxes.

The taxes are assessed against the contractor. They are part of the expense in the net profits.

(Inaudible discussion at this time.)

MR. THOMPSON: Yes, it comes out, and this is the revenue that is shared by the City and State.

MR. DYMALLY: And who gets the taxes, the City?

MR. THOMPSON: The City of Long Beach, the County of Los Angeles, the school districts, all districts.

(Another slide is viewed at this time.)

Now, another large part of our cost, the energy costs, here is a plot of costs, kilowatt hours set for kilowatt hours, energy in the Long Beach unit.
You can see, starting with the energy situation at the end of 1973 that energy costs have more than doubled. And are continuing to escalate here as utilities are faced with inflation within their own organization and fuel costs.

(Viewing of another chart at this time.)

Now, the actual energy cost we're estimating next year to be 11.6 million dollars. This is 2.6 million dollars increase over this year. So about a six million dollar increase. We're talking about 2.6 million dollars comes in electrical energy. The balance is primarily due to inflation and additional fuel handling price.

(Viewing of the next chart at this time.)

Now, if we take the next chart we can actually see what the expenses are, excluding taxes and investments. You can see again, where our large jump has been in the present year and inflation and energy has really caused an increase here of almost 30 percent in our cost.

(At this time an overlay was used.)

Now, at this time, if we take and use the overlay, which shows the energy cost and shows on the previous slide, these orange spots are again the same scale in time and you can see how they coincide on the drastic increase in cost.
In summary, we are proposing a 67.6 million dollar budget with the investment portion being a little less than 10 million dollars of which 6.7 million dollar is for new wells and conversions and 3.1 million dollars is for field and well facilities.

55.8 million dollars is proposed for expense which, as we pointed out earlier, includes 13.6 million dollars for taxes and 11.6 million dollars for electrical energy.

The balance of 30.6 million dollars is for the operations involved in lifting, treating, dehydrating the produced oil, gas and water, injection of produced and purchased water, salary and wages for field contractors and City of Long Beach employees, office expenses, and environmental control.

In addition to this, the City of Long Beach and the field contractor, under the unit operating agreement, are allowed as an overhead allowance 1 percent and 3 percent, of the expenditures including taxes, licenses and injection water purchase. This administrative overhead expense cost included in this budget is a little over two million dollars.

We recommend approval of the 1975-1976 plan and budget. We believe it is consistent with the policy guidelines you have established for the division and will allow the continued orderly operation of the Long Beach unit.

MR. CORY: Can you tell us in that budget
approval, how much of a private sector are salary increases and fringe benefits increases?

MR. THOMPSON: They seem to be about the 10 to 11, 12 percent range, which is comparable with those in the Plan 1.

MR. CORY: How much gross dollars is that? I mean how much?

MR. THOMPSON: This one involved maybe 10 percent on -- in the neighborhood of four to five million dollars, the total of -- you're looking at maybe half a million dollars.

MR. CORY: And how many people are involved in getting half a million dollars?

MR. THOMPSON: Directly through the field contract of these organizations, has about -- 200 plus people and then the City of Long Beach, portion of the unoperable cost, there is not a number of people involved in that, but that's about 1.2 million dollars.

MR. CORY: Five hundred thousand is going to -- directly to 200 people?

MR. THOMPSON: Plus the public vehicle parking in the City of Long Beach, the operable costs.

MR. NORTHRUP: What's that total?

MR. THOMPSON: Somewhere in the neighborhood of, I would say, 300 people.

MR. CORY: The reason for -- for my raising this, "Business Week," April 14th was a little shocked at what was going on in the oil industry. And I want to know
whether or not we're participating in it.

They went down to interview, for example, the chairman of the board of Standard Oil of California had a 55.2 percent cash salary increase. It seems like the industry was averaging -- the average amount probably was somewhere around 20 percent salary increase for their executives.

And I wonder if we're passing on the same kind of salary increase to the THUMS executives and how that compares to what the workers are getting?

MR. THOMPSON: No, the pattern here is an industry pattern.

MR. CORY: It's the industry pattern that I'm concerned about.

MR. THOMPSON: We've checked. The top people in THUMS are not exceeding that other level, and are not anywhere near this wage that you are talking about. They have received the wages that are consistent with this pattern and in some cases even less.

MR. CORY: Any questions about this demonstration?

We need approval of separate items.

MR. NORTHROP: Mr. Chairman, it's -- the City Council of Long Beach in its meeting on March 11th, adopted this proposed plan of development, operation for the budget, and authorized it to stay with the State Lands Commission for consideration approval.

It is recommended that the Commission
adopt the resolution, plan budget.

MR. CORY: Any questions from the audience?

Commission members?

MR. BELL: This is our final action on the entire '75-'76 budget.

MR. NORTHROP: Till augmentation comes in.

MR. BELL: Till augmentation comes in, right.

MR. THOMPSON: Now, the State Lands delegated authority does control the approval of all wells, new wells and --

MR. NORTHROP: Within the budget.

MR. CORY: Those are things you can't say through the budget. This is the last, in terms of area of credit, where you must cut, squeeze and trim.

MR. THOMPSON: However, you'll have to look at the past spending trends, and you'll see that this is actually a very practical thing. If you want to look back at the last exhibit we showed.

(Looking at the last exhibit shown.)

From this year to last year, there was an increase of almost 10 million dollars of expenditures. And we are hoping to flatten this trend. Inflation and energy costs sometimes are out of our control.

MR. CORY: Governor Dymally moves; Mr. Bell seconds.

MR. BELL: Yes.

MR. CORY: Approved without objection. Such will be the order. And that takes care of Item 7A -- B --
MR. NORTHROP: No, B.

MR. CORY: Plan and development; right?

MR. NORTHROP: Yes.

MR. CORY: Okay. Item 7C, which is the project review on the subsidence contract.

MR. NORTHROP: Subsidence for that project, final closing of that.

MR. CORY: Any questions from members of the audience on Item 7C?

Dymally will move. Mr. Bell will second. Without objection, approved.

Item 8A, major litigation.

(Off the record discussion was held at this time.)

MR. NORTHROP: Mr. Chairman, on this item, since the circulation of today's agenda to the members of the Commission to acquire title of certain portions of State Lands described in the item -- this item, our understanding that the -- that service has not yet been accomplished upon either the Chairman or the Attorney General in this action. Commission action is still necessary because of Leslie Salt sued the estate commission to get this title action. But we feel this action is still necessary for us to -- we initially planned to initiate a suit, but apparently Leslie beat us to the punch. So we request the commission action today to file appropriate pleadings that were necessary in this action.

MR. CORY: And if not, it's -- it could be
worded that for some reason they haven't filed, you could go ahead and file?

MR. SHAVELSON: Mr. Chairman, Mr. Cook is from Stanford, who has worked on this from our office. But what has happened in this matter is that they have -- Leslie, after the announcement of potential action, the distribution of the calendar, Leslie sued us immediately upon that.

But they only sued for the portion of the property, which is shown on the map, the map over there -- the colored map.

They only sued on the northeast corner.

The authorization in this calendar item is to bring an action over the entire area known as the Bomberg Tract which extends along the landward side of the Hayward bridge, on the Hayward side of that bridge.

And you can see it, indicated generally there.

You can see San Francisco Bay and the bridge going across.

This action allows us to file responsive pleadings in the action, which Leslie has filed but not yet served.

And also allows us to add additional property to the case.

We think it a rather selective process, engaged in by Leslie and what they started. And we believe that other lands should also have its title determined in
that area.

MR. CORY: Is that handled by filing a separate action and then amending it?

MR. SHADELSON: We're covered by the calendar items to take all the answers necessary either to answers or responses --

MR. NORTHRUP: Mr. Falik -- before you go any further, the attorney for Landel, Ripley and Diamond representing Leslie Salt Company would like to make a statement in regard to the calendar item.

MR. CORY: Okay.

MR. FALIK: Mr. Chairman, my name is Bill Falik. I represent Leslie Salt Company. And I'm with the law firm of Landel, Ripley and Diamond in San Francisco.

The staff of this State Lands Commission has asked for authorization for the State Lands Division and the office of the Attorney General to proceed with such litigation or other action as may be appropriate to establish and confirm the nature and extent of any possible State Lands within San Francisco Bay and its estuary in the area of Mt. Eden Creek, Alameda County, presently owned by the Leslie Salt Company.

Leslie has recently been informed that the staff of the State Lands Commission is attempting to assert a state interest in the State property; namely the State public trust for commerce, navigation and fishing.

Leslie has conducted an extensive title investigation of its property and this subject area property,
which has been held by Leslie or its predecessors in
interest for over 100 years, free of any claim of the
State Public Trust. And Leslie has determined conclusively
through its investigation, legal and factual analysis that
its title to the subject property is valid and free of
any claim of the State Public Trust. In this regard, Leslie
has met with the State Lands Commission on several occasions
attempting to explain its position regarding its title to
the subject property, free of any state interest.

Leslie has agreed with the staff of
the State Lands Commission to submit a memorandum analyzing
the basis for Leslie's position. In return for which the
staff of the State Lands Commission had agreed to respond
to Leslie's memorandum. Pursuant to the disagreement that
we had with the staff of the State Lands Commission,
approximately two months ago, Leslie submitted its memorandum
fully setting forth its position with regard to the title
to these lands. The staff of the State Lands Commission
has still failed to respond.

Because Leslie is convinced there is
absolutely no basis for the State to assert any interest
in the State public property, and because Leslie has been
informed and believes that some of the staff of the State
Lands Commission feel that the State should attempt to
assert an interest in the subject property, Leslie was
compelled to file an action to acquire title to approximately
254 acres of the subject property in Alameda Superior
Court on April 24, 1975.
The memorandum, which we have submitted to the staff of the State Lands Commission, set forth the basis for Leslie's position. And Leslie feels that it is not appropriate at this time and at this meeting to set forth the extensive legal and factual basis for its position.

Suffice it to say that over a century the State has treated and taxed the lands, which are the subject of this inquiry, as swamp and overflowed lands and not as tidelands. And that these lands are not now nor have they ever been tidelands. And are not now or have they ever been subject to public trust for fishing, commerce and navigation.

MR. NORTHROP: I have a letter here also from the City of Hayward, if I may.

"It is requested that the following statement --"

MR. CORY: Is that your statement?

MR. NORTHROP: Yes.

I have a letter here from the mayor from the City of Hayward. It is requested that the following statement be made a matter of record.

"The City of Hayward wishes to indicate its support for the State Lands Commission's proposed investigation of title questions in the Hayward shoreline. Existing questionable conditions surrounding the title to present properties are a hindrance to vital public
and private projects contemplated in this area.

I wish that I could have attended personally to express the city's views on this important matter, but unfortunately my schedule and transportation arrangements made this impossible.

We are looking forward to the Commission's meeting at Hayward next month and wish to express our thanks for the extremely helpful cooperation received from the State Lands Division.

Sincerely, Ilene Weinreb, Mayor of Hayward."

MR. TAYLOR: I might make one response, though. I don't believe we're going to have several years in court to explain our position to each other. But I think that it should be clarified that the State is claiming a fee title as to part -- portions of this property and not just an easement.

And I believe that the history of this State will demonstrate that the condition of title has always been reflected and known to the private parties.

MR. CORY: Dymally moves, Mr. Bell seconds.

The provision will be granted. Without objection such will be the order.

And I'd like to just comment to this comptroller to look very carefully at any claims to purchase
salt from Leslie. You may already own that salt.

Item 8B.

MR. NORTHROP: Do you want to address yourself, Mr. Shavelson?

MR. SHAVELSON: 8B we're on?

MR. CORY: 8B.

MR. SHAVELSON: This is a Long Beach item. It authorizes the settlement of a quiet title action on the East Beach in Long Beach. It authorizes the office of the Attorney General to execute a stipulation for dismissal on behalf of the Commission.

We reviewed the items, the settlement, and the potential buy-out of the private parties is consistent with our position in the case. And with our advice of our office has received from the staff.

There will be an item next month to approve an expenditure of Tideland oil revenue, which will also be in connection with this item. This item allows a dismissal of the lawsuit and the other item will be a separate matter.

MR. CORY: Anybody in the audience wish to address itself to Item 8B?

MR. BELL: I have no questions. I move.

MR. CORY: Bell moved; Dymally seconds.

Without objection such will be the order of 8B.

Item 8C.

MR. NORTHROP: This authorizes us to intervene on behalf of the State Lands Commission in the case of
HKM Investments.

MR. TAYLOR: Yes. At the request of the City Attorney of South Lake Tahoe, the office of the Attorney General is taking action to aid the City Attorney with regard to a claim of implied dedication on Lake Tahoe, and also in that case it's turning out that there's a problem to the extent of the State ownership of the sovereign lands underlying Lake Tahoe. So that in accordance with the State Lands Commission's current policy with regard to implied dedication of areas adjacent to navigable waters, and of course its statutory responsibility with regard to the sovereign ownership, we think that it's very proper for the State Lands Commission to be a party to this case, and perhaps essential.

MR. CORY: Mr. Bell?

MR. BELL: I move.

MR. CORY: Mr. Dymally seconds. Such will be the order without objection.

Major litigation.

Do you want --

MR. NORTHRUP: Mr. Shavelson is informing them only. So we'll cover the major portion of it in the next item, so you go on that.

MR. CORY: Item 9A.

MR. NORTHRUP: Mr. Chairman, on Monday, April 21, Exxon obtained a temporary restraining order prohibiting the State Lands Commission from taking any action on calendar Item 9A today, which seeks to cancel the Exxon
lease for its failure to proceed with development within the time limits specified in that agreement.

As a result of the court order, I'm informed that no action can be taken on this matter by the Commission until the issue is resolved in the courts.

That means, we cannot approve the Exxon then and go ahead with it.

MR. BELL: I don't think it would be appropriate.

MR. CORY: They missed their chance. I thought they wanted to settle.

10A. Some people like to fight, I guess.

Item 10A.

MR. NORTHROP: Mr. Chairman, this is the Fish and Game request for an artificial fishing-kelp reef to be installed on a test basis.

MR. CORY: Any comment from any members of the audience with respect to Item 10A?

MR. BELL: What's the material they're going to use?

MR. CORY: Used tires.

Okay. That's this one. This isn't the ship?

MR. NORTHROP: No, no. No, sir.

MR. BELL: I move.

MR. CORY: Bell moves; Dymally seconds.

Without objection such will be the order.

10B.

MR. NORTHROP: This was an item that was on the
agenda last time. The representative of the City of Pittsburgh appeared, but did not have his permits in. And he has returned to the Commission now, asking for a fishing pier to be built on an 8,000 plus square foot parcel submerged land in the Sacramento River and Contra Costa County, at Pittsburgh.

MR. CORY: Public access?

MR. NORTHROP: Yes, a public.

MR. CORY: Without fee?

MR. NORTHROP: Without fee, as I understand it. Hold it.

I have been informed, by Mr. Shavelson, without fee.

MR. BELL: Mr. Chairman, the Wildlife Conservation Board is already active on this in expectation of our action, so I would move that it be approved.

MR. CORY: Mr. Bell moves; Mr. Dymally seconds.

Is there anyone who wishes to address himself to Item 10B?

Nobody wishes to filibuster. Without objection to that, such will be the order.

Mr. Dymally has requested to take Item 12.

MR. NORTHROP: Mr. Chairman, the PRC-91 is a unit agreement that was presented to the Huntington Beach area, wherein the formula applied this way: the higher the oil price the less the unit operators got; and it's to the point -- the point now, it's so high that unit operators
are threatening to cancel the unit and go back into the old 12-1/2 percent portion of the State.

So it makes economic sense for us to revise this. So the staff has revised it. The legal coverage is not only with Burmah Oil Company but with the representatives of the independent owners of small working interest in this lease, and we feel this is an interest agreement that allows the State to maintain a better revenue. And it's understood that they are merely holding the town lot owners hold as what they would have, again, had the lease not been unitized. And after 17 months, approximately 17 months, they would no longer participate in the reward from this.

MR. BELL: It just goes from that period?

MR. NORTHROP: This is as to its new unit numbers in that case.

MR. CORY: Any questions, Mr. Bell?

Anyone from the audience who wishes to address himself to Item 12A?

None.

Mr. Dymally moves; Mr. Bell seconds.

Without objection, the item will be approved.

MR. NORTHROP: Back to Item No. 11, sir.

MR. CORY: Item 11A.

MR. NORTHROP: Mr. Chairman, on January 14, 1975, the Commission suspended approval for Atlantic Richfield to resume drilling operations on Platform Holly,
pending a further staff review of drilling procedures and environmental considerations. The staff was also asked to consult with state legislative and executive branches to determine current policies.

Staff re-examination has been completed. Dialogs were conducted with legislators and the Governor's office February and March. One of the matters of chief concern at those meetings was a complete rejection of the Atlantic Richfield application, on the basis it involved -- however, we considered the risk of potential litigation and a possible physical impact upon the State of serious magnitude.

These bodies advised us to try and reach an agreement with Atlantic Richfield with respect to blow-out prevention measures as well as provisions to assure that the company operator would discharge any liability arising in the event of oil spill damage.

Following those guidelines, exhaustive negotiations have been conducted with Atlantic Richfield. The results of these lines of endeavor are before you today for consideration.

First, the proposal.

Essentially, ARCO proposes a drilling program which would not exceed 17 new producing wells additional to the 13 producing wells already located on existing Platform Holly.

The proposal would complete the drilling program from that platform, which has been in
abeyance since the 1969 moratorium.

I might add that the 13 wells in production prior to the moratorium have created no untoward incidents, and have already provided the State with about $10,000,000 in royalty revenue.

The 17 new wells are expected to provide an additional oil production of approximately 20,000 barrels per day. The eventual royalty income to the State could reach a peak of approximately $100,000,000 per day or $36.5 million per year. Oil produced from these wells would be "new oil" and not subject to the control of FDA.

The full program, however, of 17 new wells, would require approval from other state and local agencies to modify existing onshore facilities and to construct Stretford plant to remove excess sulfur compound from produced gas.

If these approvals are not forthcoming, ARCO then proposes to initiate a partial interim drilling program of eight to ten new wells on Platform Holly. Such reduction in the program would reduce the rate of oil production from 20,000 per day to 12,000 per day. Revenue to the State would decrease proportionately.

The proposal before the Commission today is limited to the drilling of a maximum of 17 new wells on an existing platform. Any additional wells or facilities that Atlantic Richfield might contemplate in the future would be subject to separate commission consideration, and to the preparation of a separate environmental impact
Staff re-examination has been directed to many areas of public concern: Predominantly that the operator conform to new procedures adopted by the Commission; that the operator abide by an established contingency plan and critical operations plan in the event of spillage or leakage; that more stringent training be required for operator personnel; that drilling approval be on a well-by-well basis; and, that the operator agree to liability responsibility in the event of a spill. One at a time, these work this way.

The new procedures adopted by the Commission include requirement for well casing, blow-out prevention, drilling mud programs, and facility safety inspections. Platforms must be equipped with integrated safety-control systems that will cause shut-in of all wells in the event of fire, pipeline failure, or other catastrophe.

Special emphasis on mitigation of oil spills, contingency plan, has been written into the new procedures. These include initial abatement of an incident; clear and mandatory reporting methods; and, mandatory containment and clean-up of oil spill.

Certain operations performed in drilling and production work are more critical than others. So with that in mind we have installed a critical operations plan to control fire, explosions, oil spills, and other discharge or emissions. Such operations must be listed, and may be
curtailed or even terminated under certain weather, sea, or other conditions.

As an added safety measure, all critical drilling operations will be monitored by an on-sight State Land Division inspector, who is empowered to shut down drilling operations if, in his judgment, safety conditions so warrant.

In addition, inspection frequency by State Lands Division staff will be increased, and will include daily monitoring efforts.

Training of personnel. Well-controlled training will be conducted daily until each crew is thoroughly trained and thereafter, at least once a week for each crew. The company drilling supervisor will be responsible for instructing all drilling crews in blow-out prevention and State procedures for drilling operation.

In addition, all Atlantic Richfield and drilling contractor supervisor staff will be required to have attended, on an annual basis, a formal blow-out control training school.

The introduction of legislation is now being considered to require training certification of all drilling personnel. We would report such legislation.

Well-by-well approval.

While the State Lands Division has previously issued a blanket approval of nine specific wells on Platform Holly, our re-examination considers that approval to have been excessive in number.
Therefore, only pursuant to delegation of authority by the Commission, the executive officer proposes to approve the drilling of a much smaller number of wells.

Such approval will be based on prior separate engineering review by the State Lands Division, and will be consistent with appropriate engineering and geological data.

This method of well approval will be of substantial improvement over the previous program, and will provide the staff with the necessary information on nature and location of each proposed well.

Liability responsibility.

In view of the fact that it took a responsible oil company six years to pay damages after the infamous Santa Barbara oil spill in federal waters, the staff conducted extensive negotiations with Atlantic Richfield in an attempt to achieve absolute liability responsibility on the part of the operator.

We were unable to get agreements on absolute liability or on binding arbitration. The office of the Attorney General has advised that it is beyond the power of the Commission to impose such conditions unilaterally.

We have, however, been able to come to an agreement with Atlantic Richfield, which we feel, affords increased protections to third persons, and to the State for any damages arising from operations conducted under
the leases.

Briefly, these agreements would provide the following:

One. Atlantic Richfield will furnish to the State Lands Commission a certificate of insurance in the amount of $10,000,000, our current insurance is one thousand -- one hundred thousand, including also the State named as the named insured and evidencing insurance against liability for damages to third persons arising out of any and all drilling and production activities on or from Platform Holly.

Two. Procedures shall be established for the prompt processing of all claims to third parties, and prompt payment of uncontested claims.

And three, to facilitate the settlement of contested claims by third persons without the necessity of litigation, Atlantic Richfield will agree to mediation procedures approved by the executive officer, after consultation with the office of the Attorney General.

Mr. Chairman, the staff has completed the assignment given to it by the Commission last January. Should the Commission determine to approve resumption of drilling on Platform Holly by Atlantic Richfield, we offer a resolution now before you which would accomplish such purpose, and which would be agreeable to Atlantic Richfield.

Mr. Chairman, I might add that we have spoken to the proponents of the resolution, a number of people probably eight to ten in number, and in opposition to
it we have one or two.

MR. CORY: Those are the ones who want to speak in favor?

MR. DYMALEY: Why don't we get the opposition since there's just a few.

MR. NORTHRUP: Anthony C. Fischer has indicated he has --

Mr. Fischer is a Deputy City Attorney of the City of Santa Barbara.

MR. FISCHER: Mr. Chairman, Gentlemen, my name is Anthony C. Fischer. I'm the Deputy City Attorney for the City of Santa Barbara. I am here representing the City Council on behalf of the City of Santa Barbara to oppose approval of application for the resumption of drilling operations in the South Ellwood offshore oil field, Platform Holly.

At previous meetings of this Commission Mr. Cappella, the City Attorney, has stated our reasons for our opposition to the resumption of drilling. The only reason he's not here is a prior commitment to speak at an oil litigation at the League of California Cities.

Our reasons for opposing this resumption of drilling, in addition to those previously I referred to in the hearings, are that an environmental impact report is not adequate. The project will not have enough proceeds in the event of an oil spill due to the drilling or a tanker accident. In reviewing the cumulative impact of this project the environmental impact report erred in
relying upon negative declaration filed on Standard Oil Platform Heidi, Hilda, Hazel and Holly.

As you know, a full environmental impact report was required for those projects and some are now being prepared. The outcome for the approval and the adoption of drilling on Holly must await preparation of the environmental report.

The EIR -- environmental impact report also fails to study the cumulative impact in view of the extensive offshore leasing and drilling of the federal government, the increased barge traffic which accompanies that. The environmental statement issued by the Department of Interior in November of 1974, and some new traffic in environmental impact statements issued in February of 1975, which are not considered in your environmental impact report, required an affirmative analysis of this project. The adverse environmental impact of this project, as listed in your EIR, are the provisions for a normal Standard operation. The consumption of scarce water resources and the large and small oil spills from platforms and tankers provide a reasonable basis for this Commission to deny this request to resume drilling.

I am aware that ARCO estimate royalty revenues to the State of California if the 17 new wells are drilled, of $40,000,000 a year. Despite this large flow /
of money to the State, you have not taken action to provide financial protection to local entities, such as the City of Santa Barbara in the event of another spill. And I assure you I am aware that the federal government has finally and recently admitted, and predicted that offshore drilling will result in oil spills. Adequate provision of the city's revenues does not exist.

Our experience, as pointed out by your officer, has shown that achieving a collection of damages in litigation will result in the payment only after years of experience of litigation.

As an alternative, establishment of the fund to administrating action, to properly pay the clean-up cost, loss of use, and loss of cleaning, tax revenues would greatly reduce the burden of spill upon the city.

I notice from reading your staff recommendation, some mention to have administrative proceeds of some damage claims. That is not adequate either in the coverage or in the procedure set forth. Those administrative procedures should be proposed and submitted to the public for comment prior to any approval of resumption of drilling. Also, the recommended resolution makes no direct reference to tanker accidents or tanker spills. Production from the tanker spills is just as important as production from the blow-out and should receive the same type of handling.

In addition, in reviewing the comments of the staff, which I received yesterday morning, I notice
that the staff recommendation is in fact a revision of the
environmental impact statement. I have not had sufficient
time to review all of your regulations, but I understand
it is the requirement that when an environmental impact
report is issued that a period of time take place before
any commission takes action on that environmental impact
report. The guidelines, I think it's--the administrative
manual speaks to the period of 14 days. The federal
guidelines would require 30 days before any action could
be taken.

If you're going to treat the staff
comments as something other than an amendment to the EIR
then obviously your EIR is not adequate, and therefore you
could not take any action on application this morning.

That's all I have this morning.

Thank you for your attention.

MR. DYMALLY: I have a few questions I want
to ask you.

Are you proposing to the establishment
of a fund in case of any spill?

MR. FISCHER: Yes. I think either State should
guarantee a fund or the driller should guarantee a fund
of money to be available immediately upon a spill so that
funds would be there to get the clean-up started and
completed without having to wait for everyone to decide
who's going to pick up the tab for each part.
MR. DYMALLY: I like that, too.

Have you visited the platform?

MR. FISCHER: I have--personally have not visited the platform.

MR. DYMALLY: Do you understand that that is not proposed to build a new platform?

MR. FISCHER: That is correct.

MR. DYMALLY: There are now in the channel, which I discovered yesterday, natural leaks. Even if you close all the leaks, you still have natural leaks in the channel.

MR. FISCHER: I have had experts telling me that for months, and in litigation, yes.

MR. DYMALLY: When we talk about the resumption of drilling, in fact they are presently drilling now. So we're not talking about a resumption of drilling. We are talking about something else. I don't know what. But they are actually drilling right now.

MR. FISCHER: Are they drilling on Platform Holly?

MR. DYMALLY: Yes, they are drilling oil from Holly right now.

They are drilling, so we would not be talking about resumption. So the impression that we stopped drilling --

MR. FISCHER: I think the application is for some new wells; is it not?

MR. DYMALLY: Okay. But I got the impression
before I got in to this, we had completely stopped drilling after the spill, but drilling continued. We just stopped new wells; is that your understanding?

MR. FISCHER: I believe you're correct.

I have not looked into it.

MR. DYMALLY: So we are not talking about a resumption. We are talking about some other terms, maybe new wells. Okay. And that these wells would be drilled on the same platform?

MR. FISCHER: That's correct.

MR. DYMALLY: Not a new platform?

MR. FISCHER: That's correct.

MR. DYMALLY: The reason I raised that, until yesterday I suspected like the rest of the public—I had some very different notion about this whole thing.

I thought we were talking about a new platform. I thought we had stopped drilling after the spill. And I didn't know we were continuing to drill. And I just thought we'd make those points clear because I think there's a public misconception about this whole thing. And I had to clarify it yesterday after I visited your fair city, in fact, they're still drilling now. In fact, they're natural spills there. In fact, there's not a new platform being constructed.

And the final question, are you aware of the Attorney General's position about a legal problem we face?

MR. FISCHER: Yes. I'm not sure that that
takes away your discretion on approving the environmental impact report.

MR. DYMALLY: Okay. Thank you very much.

MR. FISCHER: I'm not certain I have not read his opinion. I don't think it's been made available to the public.

MR. DYMALLY: I think we have it down here, at least I hope so.

MR. CORY: Any further questions?

Is there anyone else who wishes to speak in opposition?

MR. KELLOGG: My name is Martin Kellogg. I'm representing the Isla Vista Community Council.

Our community is approximately 500 feet from the platform in question. And I have some remarks regarding the opposition to my beneficial use of the oil resource. There are some side effects which need some reemphasis.

One is the potential impact of our pollution now due to the consumption of the oil produced. About one-tenth of 1 percent of U.S. present consumption is proposed to be developed on an annual basis from this platform due to this new drilling. 1970 air pollution economic damage was estimated at six to eighteen billion. And over three quarters of the U.S. energy consumption is of oil and gas. Much of this damage should be the economic effect to the damage of human health, and a large share of all these damages must be due to oil consumption.
Therefore, the economic damage is likely to be on the order of magnitude about $1,000,000 per year, perhaps several millions. Due to this drilling, air quality standards have been considerably delayed, measures to reach. And some of the effects such as sulfur oxides are just now beginning. Now, if production was substantially delayed, damage would be substantially lessened.

Regarding the oil spill effects. Very little is known overall. One of the potential effects is the loss of species. This, according to the United States Fish and Wildlife Service, almost happened in the '69 spill when the entire flock of black grand was held over by storms.

Another, there are a number of direct--or more direct effects on the channel that are possible. One, that they're all due to oil. Now, the oil contains toxins, that is poisons. It may contain carcinogens, that is, cancer-producing chemicals, and mutagens, mutation-producing chemicals. It may interfere with the production, design, direction and the balance to much of the vital feeding, act of reproduction at every low concern, below the fatal level. It may concern -- in food change, it may increase inconsistency as the processing of food changes, and it may persist to this period that is long, even on a geological time table, that is, many thousand of years or longer, other low level effects, such as reproduction and other metabolic function as has been suggested.

It's also highly possible that infection
is a problem, that contact of surrounding seafood would occur as a result of any spill. It is very likely that the oils to be produced do contain carcinogens. Many carcinogens have been found in crude oils and some refinery personnel have to wear protective coverings because they started to prevent cancers, which developed in the petroleum industries.

There is no known safeguard available for any chemical carcinogens, according to the report of the Academy of Natural Science. Therefore, any increment at all, despite the fact that we have some natural links, will be viewed as potentially harmful to the food and in the channel, and the people using the beaches, and the people eating the food in the channel.

Another point, general point, is that at present it needs to be conserved to maximally benefit mankind, because it's a finite resource. For one example, fossil fuels are the only practical source of hydrocarbons. And the hydrocarbons form the basis of nonsynthetic organism. There are no alternatives.

In the Natural Academy of Science report of two months, an industry estimate of only one thousand one hundred thirty million barrels of undiscovered reserved is expected. Therefore, total world reserves may be estimated at approximately fifteen hundred billion barrels. If the entire world were to consume at our rate, per capits rate, their oil will last only about 10 years.

Furthermore, with this natural report
estimated U.S. Reserves another about one hundred and five to one hundred and twenty billion barrels, which we would consume entirely in about 15 years at the present rate if we didn't import. And this report warned that the development of offshore should go very slow because our reserves are probably so very small.

We can conserve through two ways. One, increased efficiency. Estimates currently in circulation cite that a broad scale potential conservation of energy of 30 to 50 percent can occur, and this is only an initial estimate. In the May issue of the JANUARY SCIENTIFIC AMERICAN article, it concludes that the efficiency of the automobile can be increased by 40 percent, by 1980.

The need to conserve is made even more acute by the lack of conservation in the development of conservation in the past.

The part of the thorough energy reserve and department budget proposed by the administration, given to induce conservation, is only some-tenths of 1 percent of their entire budget.

Solar energy in that proposal receives only about 9 percent. To conserve in a second way, you can decrease demand. The 15th of November, 1974, science suggested that so long as our "per capita" energy consumption does not go below that of any other developed nation, we can sustain a reduction in energy use without long-term deprivation.

Our indicators are using the study of
health and health care, of education and culture, and of general satisfaction, the result of their analysis to use a deprivation of economic indication. The economic indications they were using were the telephone, radio, television, automobile and gross national product per capita, and in that connection they remarked that to some extent that these and other appliances can be made to operate on less energy. We could reduce energy consumption without deleterious effects.

Regarding the possible litigation that was raised in the staff report recently in Santa Barbara County, a judge declared that one subject property owner sued for potential damages, the local water work agency -- they sued the water work agency for declaring a moratorium on the housing units due to water shortage. The judge declared a -- a proper remedy was a water connection and service, not damages. And in regard to their litigation, that it said it took years to reach a conclusion. Actually, a substantial part of that is still for the '69 spill, is a substantial part of that is still going on. The fishermen are just now readying their case finally.

The last point is that there is no contingency plan for complete assessment of all biological damage caused by any spill referred to in the oil contingency plan for the project.

If and when permission to drill is given, we -- because of the effect of the oil spills is so little known--for example, very little is known about
the 1969 oil spill. The work that's been done is subsequently inadequate and not very scientific and relates mostly to short-term, directly observable effects. And also for its own sake, we request such a biological contingency and plan -- the required production and transfer that -- for the tankers, it should have two parts: One, a previous baseline study, completed and kept up to date. For example, the whole Santa Barbara channel is very poorly understood.

The EIR states that for the area of this project there are various potentials expected by the spill, hardly at all specifically referred to. That is, there's hardly any data that just specifies exactly to the area of the project. It's mostly inferred. So there's much need for baseline study. Also, this contingency plan should have a completed component ready for immediate implementation, to which would determine comprehensively and conclusively the full biological impact of the spill.

The 1969 oil spill is still very little understood. And I must repeat.

Thank you.

MR. CORY: I would like to make one thing clear, that many of the things that you stated in the abstract, we have a great deal of sympathy for. Unfortunately, in the term of a legal ramification, some contracts were already let, which make that difficult for the attorney to have a free reign of discretion that we would have if these contracts weren't let. The previous Commission did in fact let the contract, so that some of the things, although
we have to balance whether or not we can pursue total
discretion, economically. And I think that's necessary to
be said so you understand our position.

    Thank you very much, sir.

    MR. KELLOGG: You're welcome.

    MR. NORTHRUP: Mr. Chairman, at the conclusion
of the proponents, the attorney's office will read articu-
lation of --

    MR. CORY: Anyone else wish to speak in
opposition?

    MR. NORTHRUP: We have the proponents, Mr.
Chairman. There have been 10 people who wish to speak in
favor of the proposition, including Mr. Hundley from
Atlantic Richfield. And we'll take them in alphabetical order,
and save Mr. Hundley to summarize, if that meets with your
approval.

    Along that line, the first man alphabetically is Charles F. Armin, District Director for
OCAW Union, Oil, Chemical, and Atomic Workers Union. He
would like to speak in favor of the proposition.

    MR. ARMIN: My name is Charles F. Armin, and
I'm the District Director for the Oil, Chemical, and Atomic
Workers Union here on the west part of the United States,

    I think if you were to look at the
amount in our organization, you could understand that any
time there seems to be some kind of an environmental
question raised the people that ARCO represent somehow get
involved.
We support the resumption of drilling in the Santa Barbara channel on Platform Holly.

I'll make my remarks very simple and as brief as I possibly can. I think the matter should probably be summed up in the following way.

Number one. There is already an existing platform that has been constructed, and there's been no excessive addition to the platform.

Number two, the platform was designed for 30 drilling rigs, 30 well sites, only 13 of which has been completed and the additional 17 wells can be drilled without any substantial change or additional environmental question raised.

The pipeline facilities to carry the oil from rig to shore from shoreline facilities that are needed with the exception of the sulfur refinery areas have been completed and there's been no additional environmental questions raised there.

It is our feeling that the oil is badly needed. We recognize that -- the fact that oil is the major source of conventional energy that we now have available to us. California is an oil-short state, in the sense of feeding its existing refineries to the extent that they cannot meet domestic needs to the people here on the western part of the United States.

We're still a long ways off of getting the oil from Alaska, off the north shore, or other places which will help to alleviate these needs. And we feel that resumption of this drilling can be accomplished and should
be done, and we urge that the Commission vote in support of this resumption.

MR. DYMALLY: Thank you.

MR. NORTHROP: The next is Mr. George V. Castagnola.

Mr. Castagnola is in private enterprise in Santa Barbara.

MR. CASTAGNOLA: Mr. Chairman and members of the Commission, my name is George Castagnola. I have been a son of Santa Barbara, born and raised there. My dad was a fisherman. I've been through the channel for many years and seen what's going on. There's no big problem. And I'm going to get to the platform.

I hope the State of California, some also will be able to help us out on, the natural seepage that's out there.

I'm glad that Lieutenant Governor was out there yesterday and saw firsthand that there is oil seepage coming through every day. Now, they want to drill 17 more platforms, 17 more wells of the same platform, without even changing that platform.

They want to use the existing facilities. There will be no changes affecting the environment, and believe me, we are all interested in environment; everybody is in what we do.

It will increase the royalty to the State from 6,700,000 to 40,000,000.

Now, somebody may say, "Well what's money? It's only money." But we're spending it faster than we can make it. We have more welfare problems than
we ever have. So no matter what you call it, we're going
to need more of that green stuff all the time.

Under the proper conditions—and I want
to compliment you for one thing; first of all that the
State of California under offshore rigs and the State Lands
have had, if any at all, very few minor accidents. And
that, Gentlemen, I want to attribute to the fact that
you have guidelines. You have strict regulations for those
guidelines, as Mr. Chairman here just said. I think it's
wonderful to get the protection. We need them as well as
getting the oil and gas out of there.

We need employment. These wells are
going to employ more people. It's going to give us some-
things that we need. It's going to give us a shot, to oil
related businesses that are in there. It will increase
the production of natural gas.

Now, the thing that I can't help forget,
is last night's newspaper. I seen Southern California Gas
Company wants to raise the rates again. Why? They say
they can't get enough gas.

You know, and I think of the aged,
I think of these old people, I think of the people that
are retired. God knows things are high enough now. And
if this thing keeps going on, it just makes a burden on
them and the rest of we taxpayers.

If they are allowed to drill the 17
wells, I understand that they will be getting 14, approxi-
mately 14 million cubic feet per day, which is two and a
half times the consumption of the Santa Barbara City area. And I think this is great.

They paid advalorem taxes of $797,000 in 1974, and this is no small amount of money.

I just want to say, Gentlemen, that I feel as a native son, as a heavy taxpayer, that the gas is out there, oil is out there, we need it, we need the money, we should go out and get it.

And Atlantic Richfield, I want to say firsthand because I have operated and seen them operate, they're good operators. And with your restriction, I'm sure it would be the thing to do.

Thank you very much.

MR. CORY: Any questions from the members?

Pardon me, sir, what business are you in?

MR. CASTAGNOLA: I am in the restaurant business at the present time. We had the Santa Barbara Wharf Company before the franchise let up. We now run a restaurant on the pier. We also have a business of loading and unloading the boats from the pier to the oil platform.

That's what I say. That's some firsthand deal on the Atlantic Richfield and their operations.

Any other questions?

MR. CORY: Thank you.

MR. NORTHROP: Mr. Don Cole, business manager of the Sandpiper Golf Course has requested permission to speak.

MR. COLE: Gentlemen, as stated, I'm Don Cole
and I am the business manager of the Sandpiper Golf Course.

We're a public golf course located immediately adjacent to the Atlantic Richfield shore facility, shore site, with Platform Holly located off our shoreline. And as such, it's our observation, since we've been there, that Atlantic Richfield conducts their existing operation in a good and workman-like manner. We feel that the resumption of drilling on Platform Holly will have a beneficial effect on the local economy.

And being a public golf course dependent upon public play, we certainly feel the effects, economic belt of the surrounding area.

Additionally, the tax dollars generated from the increased Atlantic Richfield's assessed valuation would help relieve the ever-increasing tax burden upon the taxpayers within the county.

Therefore, we would like to also recommend that you approve the resumption of continuation of drilling operations on Platform Holly in accordance with the original concept for the platform.

MR. CORY: Thank you. Any questions?

MR. NORTHROP: Next is Mr. Taylor Hancock, vice-president of Global Marine, Incorporated.

MR. HANCOCK: My name is Taylor Hancock as indicated. I'm vice-president of Global Marine, which is a company with its headquarter in Los Angeles.

Our principal activity is drilling for oil and gas wells throughout the world, primarily in the
oceans of the world. We have a fleet of 12 drilling rigs. We've drilled for oil and gas approximately 60 different countries of the world, and I believe it's in the neighborhood of eight states of the United States including the Great Lakes.

Our company originated the concept of drilling from a floating platform, and we have the largest fleet of drilling ships in the world.

We have within our company, approximately -- and I counted this morning -- 120 rigged years of experience. That is the equivalent of one well drilling for a term of 120 years.

I haven't counted up the number of wells, or the number of feet drilled. It would be respectively in the thousands, and in the hundreds of thousands.

In all of this, we have not experienced one instance of oil spill or pollution. We are not necessarily unique in that regard. It is an extremely rare thing that you have any serious or significant oil spill, or oil pollution in the drilling for oil and gas in the oceans or the seas of the world.

While everything we do in life has some risk attended to it, being here this morning. It is hard to conceive, however, of any industrial or commercial activity in which we, modern man --modern man and woman, have less attended risk involved than the drilling of oil or gas wells, land or marine.

Most wells drilled by our company,
incidentally, and I think this is important, are in unexplored areas, where if there is any risk, there is actually greater risk of loss of control of wells because of the fact the geology of the area is not known. Therefore, you have to proceed very tenderly, but you're never sure when you're going to hit a high pressured zone, hydrocarbons.

In contrast, wells that are drilled in a proven area have much less of a chance of encountering a loss of control situation, since the substrata is known and therefore can be accommodated far ahead of time.

This consideration today is, of course, a classic case of this. As far as the resumption on continuation, Governor, of drilling of Platform Holly, the field is known, the field is developed. There are probably very few fields in the world left to drill today where more is known about what's down there and more has been done; to be sure. I might also -- I would like also to say that today's equipment, testing, operating procedures, programming, safety training and the extreme consciousness, and therefore the extreme caution that exist in operating in an area such as the classic Santa Barbara, particularly Santa Barbara, insures even less of a risk of any loss of control situation.

In my work, I visited most of these 60 countries that we worked in. Ever since 1969 Santa Barbara has become a byword. When they say, "We don't want a Santa Barbara here" -- when they say that, they don't
want the oil spill. Because of that, there isn't a person in the oil business -- if ARCO would fly in somebody from the darkest part of the Middle East, or from anyplace you can think of in the world, to go out there on that platform, who is in the oil business anyplace, out of Iran, out of Saudi Arabia, you name it, that person would be extremely conscious of -- "My God, here I stand in Santa Barbara, I'd damn well better be careful." No question about that.

We feel, incidentally, we Global Marine -- or I, as a representative of Global Marine, am extremely qualified, really, here to testify here this morning because of the fact that we are so terribly aware of this situation in our business.

We find throughout the world that all oil operators are cautious to the nth degree, to the extreme. Once you get into pollution, there's no consideration about money. There's no consideration about time. By God, if there's any danger of pollution near, stop drilling. We can't afford that kind of an accident or incident to occur.

Somewhat incidentally, but I think importantly, almost through -- Global Marine itself does not drill from platforms. All of our work is done from a floating ship or in one case a barge.

This might lead to the preliminary conclusion that we don't qualify to testify here, but
in fact, I think it makes us well-qualified.

Even though we drill more exploration wells than production wells, we as a company, have long sought to be able to drill oil and gas wells in the productive mode. We have had some success at this. We have drilled and completed two productive fields very near where this platform is.

One is an oil field with approximately 22 wells, and the other is a gas field with approximately 12 wells.

And Governor, I'll venture a guess that you probably don't know about this and many people in your group probably don't either. Because you can't see it. It's not visible. The oil wells are produced out of the water. There's never been a leak of any kind or has there been any pollution.

These wells, these wells in the fields have been there for well over 10 years. They're producing today, as far as I know. They're producing today. They have been in the recent past.

The point is the same thing in a sense is true here in that there is going to be no "visual pollution."

I don't approve of that term because to me an oil platform is a beautiful thing, like a refinery. When you're in the oil business, it's beautiful. Like a shoemaker's shop is beautiful to a shoemaker, I suppose.

I would also like to say that our
company is extremely qualified to say something here this morning because of the adverse effect that the moratorium had on our business when as a result of the 1969 episode, all drilling on oil and gas leases was stopped in the State of California.

One of our drilling rigs, which at that time represented about 12 or 13 percent of our fleet, was shut down and remained shut down for some five years. It was a rig that was peculiarly adopted to drill here in California.

I'm glad to say, confirming the Governor's information, that it is out drilling today on a federal lease.

But this resulted in a severe loss of income to our company. Absolutely and unequivocally a loss of jobs and adverse effect on the economy of the Santa Barbara area and the Southern California area. In addition to the loss of valuable oil and gas resource, which undoubtedly during that five-year period of time would have been produced by the wells today. From the wells that rig would have drilled if it had been drilling.

Thank you very much.

MR. CORY: Thank you very much.

MR. BELL: No questions.

MR. NORTHROP: Mr. Hotchmuth, past president of the California Wildlife Federation.

MR. HOTCHMUTH: Mr. Chairman and honorable Commission. I'm not here today to -- I have a very brief
statement, I'm not here to support the ARCO application. I'm here today to support the principal that we must resume oil and gas drilling on the California coast for a number of reasons.

The California Wild --

And I'm past president of the California Wildlife Federation and consultant, consultant to the National Wildlife Federation. I've been lifelong in conservation and wildlife work.

In June of 1973, the California Wildlife Federation enacted a resolution into the Secretary of the Interior to resume leasing and production on the OCS, under a stringent set of environmental considerations. In that respect, what we're attempting to do was to have the Feds use the same safety restrictions and inspection restrictions and environmental consideration as does the State of California.

We wish to commend the State Lands Division for its past record in this respect.

And later in March of 1974, the National Wildlife Federation enunciated its policy in this matter.

Let me read it, it's very brief.

MR. CORY: Before you do that, can I interrupt you for just a second?

MR. HOTCHMUTH: Yes.

MR. CORY: I notice the arrival of the City Manager, John Mansell, and I'd like to acknowledge his joining us and being here.
MR. NORTHROP: Off the record.

(A discussion was held off the record.)

MR. HOCHMUTH: Two more minutes.

MR. CORY: Go ahead.

MR. HOCHMUTH: Let me read the very, very brief resolution of the National Wildlife Federation.

"Offshore oil exploration, production should be undertaken only after, one: The locations are coordinated with overall on-shore land use or coastal zoning management plan by units of government at all levels, which fully protects public recreational wildlife values.

Two. Wells are fully equipped with fail safe preventative devices.

Three. Assurances are provided for inspection and monitoring of safety precautions by responsible government officials.

And four. Bonds to insure containment and clean up of spills as required."

Now, in listening to the discussions this morning, it would appear that the State of California is moving in that direction, or has already arrived at that direction. The federal government has not.

So, to conclude, we think that the oil and gas can produce from the coast of California without
any permanent environmental degradation. The only time we would -- we propose to support economic development, is one, it does not produce permanent and substantive environmental degradation, irreversible degradation. If it does, then we will oppose it 100 percent.

If it will cost temporary, but it's not lasting, then we think that we should look at the whole picture and support it if we have the necessary environmental protection.

Thank you.

MR. CORPY: Thank you very much.

MR. NORTHROP: The next in alphabetical order is Mr. Clarence Howard, who claims to be a business representative of Local 12, but he neglects to say in which union.

MR. HOWARD: Thank you. Members of the Commission, my name is Clarence Howard. And Controller Cory, Lieutenant Governor Dymally, Director of Finance Bell, I certainly appreciate you people coming down here personally to see this thing instead of sending someone else.

MR. DYMAIi: Will you give us your union affiliation, please?

MR. HOWARD: My union affiliation is the International Union of Operating Engineers, Local No. 12.

And Lieutenant Governor Dymally, I appreciate the fact that you yourself went out and did a little research on this.
I am a construction worker and operating
engineer, and needless to say, a user of energy. And like
many other people of this nation, a very concerned citizen.
Concerned with what is happening to America because of the
red tape, hearings and reviews by such political means as
the State Lands Commission to delay or stop from, again
being a self-sufficient country.

I am what you say, one of the silent
majority.

And frankly, the silent majority is
going to become more vocal, and vocal to the point that I
honestly feel that it's going to wind up turning to
violence.

When this silent majority wakes up to
what is happening and realizes how it has happened, when
they realize that foreign powers by misuses of issues
such as environmental issue can come so close to totally
crippling the economy of this nation, they'll no longer
be the silent majority.

I have a good example, Governor, of
allowing the nation right here, slowing this nation right
here. There's an oil field in the Santa Barbara area,
the Atlantic Richfield Company, an existing oil field,
and not a new area, yet you have not permitted them to
sink more wells in the same area. And I cannot see by
any stretch of the imagination--see where this would have
any impact on the environment.

Sure, you'd have a view of the derrick
where they were drilling on the in-shore area, but as soon as the well is drilled, the drilling system is all gone. They're not like the old derricks of years back, when you drilled the wells you left the derrick up there. It's going to return to what it looked like before.

I cannot see where it could come under Proposition 20. It states in Proposition 20, where there's a significant impact upon environment, they'll be an environmental impact report.

This is an existing field, yet it has been delayed and delayed. And no one can show any reason for the delay.

Sure, we may spill some oil in the Santa Barbara channel. Well, Old Mother Nature has been spilling oil in there from the beginning of time, and nobody ever came up to her and told her to put out an environmental impact report.

We need this oil and we need this gas. People say in five years. Sure, in five years we're going to need it. We need it now. We should have never ran short of oil and gas products to the point where any nation such as the Arabs could get us under their thumb. This should have never happened.

You hear people say, if we use our own energy resources we're going to run out of them. This is the biggest piece of nonsense I've ever heard.

America is a most vital country. Let her
stand on her own feet, and let her develop her own energy resources.

Then the foreign nations will realize they'd better come around and talk with us. It will again be the law of supply and demand. If we have our own supplies, there will be less demand for the Arab oil. And believe me, their prices will come down. Then will be the time to use a foreign oil and gas. And then will be the time to conserve our own energy resources.

Not now, at a time when every American themselves, every wage earner, needs every nickel he can get on his check. He doesn't need to pay out another nickel, dime, quarter, or whatever for each gallon of gas. Nor does he need to see a continual flow of dollars going overseas.

I, like so many others, cannot help but be suspect of anyone or any governing body that is going to do anything for whatever reason, that is going to do anything to hinder America.

It is no secret that I was not in favor of Proposition 20 when it went on the ballot. And I am not in favor of the Postal Commission continuing. But in the meantime, we do have it, let's live with it. At least it is an American act. It's time, Gentlemen, in fact it's past time to use our own natural resources.

I would like to take a good hard look at what is happening. You as the State Lands Commission
have an opportunity to correct part of it, if only a small part.

And I say, point blank, as a working man and a taxpayer, take a good hard look at America. Don't hold up the drilling. Let's think America, just a little bit. And get off our duffs. Quit hindering when we should be helping America. And let's speed up the drilling.

Thank you.

MR. CORY: Any questions?

No questions:

MR. NORTHROP: Howard Hogue, vice-president of the Tidewater Marine Service, Incorporated.

MR. CORY: Any members?

MR. DYMALLY: Mr. Chairman, I don't wish to curtail anyone's observation on this, but because we have another scheduled meeting with the Attorney General's office I wonder if the witnesses for proponents can expedite their testimony.

MR. HOGUE: I understand that, Mr. Dymally. I'll keep my remarks short and try not to be repetitious of what's already been said.

Mr. Chairman, members of the Commission. Basically, I would like to speak towards things that I think are positive towards this 17-well program from the standpoint of the small businessmen and the small people of the community.

I took it on myself before coming to this meeting to see if I could find out about hitting just
the top of the iceberg, how many small companies in the Southern California area directly--directly related to servicing in the offshore industry in some way as their principal business. And I came up, with very little effort, with five hundred names of companies.

I'd be glad to make that list available, if you would like.

MR. CORY: Do you have that with you; can you make it a part of the record?

MR. HOGUE: I have it, and I'd be glad to give it to you if you would like.

Further from that, I'm fearful that sometime the impression is given that everybody in Santa Barbara is opposed to oil. And this is not the case.

That's a town when we had in November—when I checked on the figure last, twenty-six hundred families on food stamps. And they had -- we are now in 1975, in the fifth year of continuous unemployment over 6 percent. And I'm sure it's substantially more than that at this hour today, since last November.

This 17-well program in addition to moneys that have been amply demonstrated that would go to the State, would generate something over $1,000,000 to the County of Santa Barbara. A large part of which could go to the school system.

The voters in the last election voted out school bonds at a better than two-to-one ratio. And in a growing community we are cutting back right this
minute on the school program for the next year because there are insufficient funds for those programs.

Second from taxes, a thing like that generates a lot of jobs for laundries, land transportation, water transportation, hardware, rope, soap, nuts and bolts. Everybody in that community that's a small businessman participates in some way. And they should not be overlooked.

I'm fearful too, that one thing the federal government points out daily that we need to be more conscious here. And that's in the LOS ANGELES TIMES, in the last week there was an article saying that El Paso Gas negotiating with some of the entities in this community were advising them of the possibility, even a probability of the reduction in the available gas and an increase in the price.

And that is going on not just in the Los Angeles area but I'm sure in other communities in California.

In Texas, in the last 10 days, and also in Louisiana on a trip not related to this, I talked with some very responsible people. And asked a question, "What would happen if you, due to the shortages and price increase of foreign oil, get in a bind for Texas and Louisiana industries, would you continue to ship priority gas to other states?"

They'd do the best they can, but they would have no choice but to protect their own citizens in their own entities first.

Based on that, I feel it's paramount
in the responsibility of the people running the State
government to give consideration to having our own sources
of oil and gas available. Should some untold event occur
that we would find ourselves under shortage, we can turn
on the valves of what we own and control here in California.

Lastly, I'd like to say that I'm
pleased to see that this Board and the oil industries are
really not in an adversary position. But I think this is
a highly intelligent group.

I think the oil industry with its key
executives, in spite of some of the bad press that it had,
has plenty of responsible people. And I think your group
and that group working together on a case-by-case basis
can develop the appropriate oil fields with the appropriate
safeguards.

Unlike television, where everybody in
the white hat is a good guy and everybody in the black hat
is a bad guy, the oil industry, like any other industry,
has got some good situations that will come before you,
and some that will not be so good. And so I'm hopeful
that you will take on a case-by-case basis and work with
the people that have a good safe thing that looks like it's
responsible and reject those that are not.

I'm hopeful also that we can avoid
all the unnecessary delays because those school systems --
these people that are unemployed are with the State --
the oil that we need should not be further repressed or
delayed on unfounded fears by people that perhaps, while
well-intended, don't know all the facts.

Those tankers are not starting to go into Ellwood, they were going for nine years. And they have not had a spill. And they have been going for 20 years in Carpinteria under Standard, and they have not had a spill that I am personally knowledgeable of. So I think they can certainly continue that good record with some safety.

Thank you very much.

MR. CORY: Any questions?

MR. NORTHROP: Mr. Robert L. Kubik, attorney for Mobil Oil Corporation coming from Denver, Colorado.

MR. KUBIK: I just have a brief statement to read.

Mr. Chairman, members of the Commission, my name is Robert L. Kubik. I'm an attorney with Mobil Oil Corporation. I'm here today with respect to the discussion on Atlantic Richfield's previous permission to drill 17 new oil wells on Holly platform.

Mobil Oil Corporation is part owner of this platform and supports ARCO's request.

In order to conserve time, I won't repeat the information on the drilling site already presented to you. The facts are clear as noted, and need no further elaboration.

However, it should be pointed out that the implementation of this platform will have a three-fold benefit providing more badly needed oil, increasing royalty
revenues to the State, and in some instance some lessening of the nation's dependency on foreign supply of crude oil.

The Commission on December 19th, 1974, approved ARCO's request to complete its original development plan from Holly platform by issuing approval to the drilling of 17 new wells.

This approval—their permission issued pursuant to said approval were arbitrarily suspended by the Commission on January 14, 1975.

An affirmative vote at this time on ARCO's request will allow for the production of a considerable amount of vitally needed oil in a manner consistent with the necessary safeguards to protect the environment.

Mobil is permitted to produce at its maximum in energy potential provided this level is consistent with good environment practices.

Positive action by the Commission on ARCO's request will help in fulfilling this commitment and at that -- the same time assist the nation in its quest for establishment of self-sufficiency and supplies.

MR. BELL: Mr. Chairman?

MR. CORY: Mr. Bell.

MR. BELL: Just a comment, Mr. Kubik, I did not consider my vote in January to be arbitrary.

MR. CORY: May I ask a question. You are employed by Mobil?

MR. KUBIK: Yes, I am.

MR. CORY: You're here as their representative?
MR. KUBIK: Yes, I am.

MR. CORY: The actual platform in the field is an undivided interest between ARCO and Mobil?

MR. KUBIK: Yes.

MR. CORY: And so, in this case ARCO is your agent for negotiating the terms and conditions of these permits?

MR. KUBIK: Yes. We have an operating agreement with ARCO, and they do have the responsibility for operating the platform and doing --

MR. CORY: So that when ARCO agrees, you're doing that with your blessing?

MR. KUBIK: Well, ARCO has--as the operator, ARCO has the authority to do whatever is necessary.

MR. CORY: Okay. Thank you.

MR. NORTHROP: Richard W. Mansfield, legislative advocate for the Trade Council of California.

MR. MANSFIELD: Mr. Chairman, and my good friend Mr. Cory and Mr. Bell, Governor Dymally, I want to thank you this morning for affording me the opportunity to appear in front of you and express the opinion of four hundred thousand some odd members of the State Building and Construction Trades Council of California.

I have appeared in front of you before on this issue of resumption of drilling in the State tidelands.

I want to state for the benefit of Mr. Dymally, that I've lived in Santa Barbara from 1929 to
1969. I was educated in the Santa Barbara City School System. I, like Mr. Castagnola, have been all over that channel. I was employed in drilling operations for Signal Oil and Gas Company in the Ellwood area. And I'm very familiar with the operation of the State Lands Division. And I want to compliment the division upon their proposal this morning and the resolution that they are recommending, and I urge your adoption.

I'd be very happy to answer any questions.

MR. CORY: Thank you very much.

MR. NORTHRUP: Mr. Bob McHale, business representative for I.U.O.E. Local No. 12.

MR. McHALE: I'm Bob McHale. Pardon me.

Mr. Chairman, members of the Commission, I'm Bob McHale. And I would like to express my gratitude for you, for the opportunity to express my feelings on this -- I -- speaking for this.

And my qualifications -- I don't know just how good they are. I'll go over them real quickly.

I started as a rototiller in 1974, derrick man, driller, business rep, representative of Local 12. I did quite a bit of offshore work for derrick barges, so forth, that do work around the platforms.

The main thing I wanted to go over what I gathered from the papers, maybe I'm wrong, I hope I am. It looks to me like many branches of the government is looking for a piece of the action out there. And it's
costing us dollars, and delays.

Now, I hope this isn't true. I read it every day in the paper, and the delays is costing us a lot of money and they're using -- I feel they're using the ecology as a leverage. And I hope there, I'm wrong too. Because this is the only matter that should be considered, is the ecology. We're all interested in the ecology.

Now, to get back to ecology, I've seen natural seepage out there, and it's quite a bit. We worked on derrick barges; in fact, I've overhauled many mines, tanker moorings, off the coast. Worked on these -- and these companies are extremely cautious today.

And I've seen this stuff just ball up on the bottom. And one way to reduce this would be production, to reduce the pressure. It's the only way that it could relieve the pressure on this seepage.

Now, on the pro's side on the ecology and how many spills we can get out there, when I first started in the oil fields we didn't know anything about it. We'd come on brand-new hands, didn't know what the -- what valve to turn on or what to do. When there was a blow-out, we were in real trouble. I experienced two blow-outs myself. And at that time I did gain enough experience to where we got them under control. At one time this was as a derrick man, and one time as a driller.

The crews they had in the Santa Barbara channel are not experienced from what I can gather, the
information that I can gather at that time.

    I talked to crews, and they did everything wrong on that job.

    Today, I, as a business rep, we represent the drilling crews. This is what I'm doing. And I am on their jobs every day. And they have -- the operator is paying as much as $140 an hour for these rigs, but they're taking time, and having a blow-out drill. They're shutting down their operation, so to speak, to have a drill, to teach these roughnecks, these new hands coming into the fields, they're sending them to school, the contractors. So it's a whole lot different now than it was then.

    Another thing that blow-out that they had in -- I believe it was '69, it's woke up everybody. It woke up the workers. It's woke up the oil companies.

    I for myself, don't see where we're going to have another one. I know the oil companies can't come out with that statement because they're a conservative group. And they look at it like it may happen. But with the crews we have today, I don't see where we're going to have it.

    And the need of the oil is -- it far outweighs any chance that there would be a blow-out. And I understand if there is a blow-out, they have the equipment to clean it up very quickly.

    This inflated price -- the longer we delay this, we pay more and more.

    The Middle East is investing money --
It's no use going over this, we all know what's going on.

The thing to do is, we got to drill now. We need the jobs now. I talked to hands all along. I talked to people in construction who don't have anything to do with drilling. When are they going to get that darn thing going out there? It's costing us work. This energy thing, is costing a lot of people work. It doesn't just have to be a roughneck, a driller. It's costing jobs all over. And if we run short of natural gas, it's going to start shutting down plants.

Since that channel's been shut down, our production -- I don't know the figures, but it's dropped off quite a bit of natural gas in this area. And they're raising the rates, as one gentleman before mentioned, and my wife's mentioned it to me, too. We can't go this route. So I'm going to close. This is my feelings. The feelings, the general feeling of our membership that they want this offshore drilling.

It's not only that, the P.T.A. in my area -- I have talked to many people there. These people don't know anything about it, but when I informed them of the situation, they're for it.

I think if people were informed of the fact that we can drill the wells cleanly and safely, the only pollution we're talking about is a spill. And if the people are informed and know that we can drill this today, and they know what's happening to us in dollars and cents
and inflation, I think they'd be with us.

I think a lot of people—a lot of people are with us that we don't know about right now.

Thank you,

MR. CORY: Thank you, sir.

MR. NORTHROP: Mr. W. B. Wood, assitant vice-president for Southern California Gas Company.

MR. WOOD: Thank you. I'll try to shorten my remarks to make them brief.

I'm here to speak in support of the Atlantic Richfield proposal and also to speak primarily to the natural gas side.

Southern California Gas Company is the largest natural gas distribution company in the United States. We serve over twelve million people through three million customer meters. The point of importance is 94 percent of Southern California residents use gas for water heating; 92 percent heat their homes with gas, and 77 percent cook with gas. We deliver the daily energy equivalent of the output of 70 Hoover Dams.

We have been the dominant energy supplier in the area for stationary uses for many years. Our gas supplies have been declining since 1970.

In the past and through 1960 as California gas supplies declined, we were able to go to out of state to get new supplies from West Texas, New Mexico, and Oklahoma.
In 1969 those suppliers from those areas informed us that they could supply us no new supplies. And, in fact, we are now being curtailed by about two hundred and fifty million cubic feet per day. That's an energy equivalent, the volume of energy output of the Los Angeles Department of Water and Power, the largest municipal electrical utility in the country.

Overall our supplies has declined by about 20 percent since 1970, and supplies in California has declined over 75 percent since 1968.

Regarding this proposal, we expect that about fourteen million cubic feet per day would be produced from this drilling, if it's allowed. That's enough to supply the gas needs of over 50,000 average residence customers.

Although it's not a major supply addition, it's typical of the type of supply additions that we have received from California in the past and have not received in the recent years.

Our supply today, from California is about one hundred million cubic feet per day, so it's about 15 percent of that. But that supply has declined from over six hundred million cubic feet per day in 1968.

The development program would take about 18 to 24 months, so the gas supply maximum delivery would come to us about 1977. This is a very critical time period for us.
Right now, our service to electrical generating customers is virtually nonexisting, and without new supplies we may have to curtail customers. That's homes, businesses without alternate fuel supplies in 1978 -- in a cold year that it could occur in 1977.

We have major supply projects planned for other areas, but we don't expect them to be in by then. The only way to solve this short fall is drilling from traditional sources.

We believe that the health and well-being of the people and businesses of the area are significantly affected by the availability of natural gas. Alternate sources of energy are not easily used to replace natural gas.

Coal has never been important locally, and has never been acceptable from an environmental standpoint. Fuel oil has been used primarily by electric generating customers, but many of our customers that I mentioned earlier, have no alternate supplies.

Electricity cannot take up the slack of the decline in the natural gas supply.

As I mentioned, the decline in our California supply is over five hundred billion cubic feet per day. That is equivalent to the energy output of the Southern California Edison Company. You simply can't build electric facilities to replace the supplies, decline in supplies of that magnitude.

The only alternative is to hope that
the customers could use fuel oil, and use foreign fuel oil at that.

Adequate energy supplies for the coming area are critical. Our major supply programs can bring gas for many new areas, but we need all we can get.

We shouldn't overlook local supply. The offshore areas are a case in point. We recognize and understand the environmental concern related to the offshore drilling production, and we recognize and support for -- the need for the appropriate safeguards.

We believe that Atlantic Richfield is capable of operating in a safe, environmentally acceptable manner.

The risk of not allowing proceeding with that project is even greater, and we can't afford that.

Conservation efforts will help greatly, but they will not solve the problem.

We're active in a number of areas, including solar energy. And they simply won't be in the time frame that we're talking about.

In summary, California -- Southern California is in an energy-short region. Alternative forms of energy will not solve the needs of our customers. We believe the proposed project will be accomplished in an environmentally safe manner. Additional supplies of gas are needed in California area even with active conservation programs. We cannot afford to leave these gas resources
there, shut in in the ground. Development of local
supplies, such as South Ellwood, are necessary to help
offset the impact of supply deficiencies on the economy
of Southern California.

Thank you.

MR. CORY: Any questions?

No questions.

MR. NORTHROP: Mr. J. B. Hundley, operations
manager from ARCO will sum up the ARCO argument.

MR. HUNDLEY: I'm Jack Hundley with the
Atlantic Richfield Company. And as a summation of what
we've heard today, I'd like to begin by -- begin by stating
that the reason we are here today is to receive your
confirmation of the December '74 decision to allow resump-
tion of our drilling operation on Platform Holly. We have
heard many fine testimonies indicating that it will be
from existing facilities.

Platform Holly was brought out in 1966, it's still there. We intend to use her completely. The
pipelines to shore will remain the same. The facilities
on shore will remain the same.

We've heard how the increased production
will increase royalty revenue to the State. It will
increase employment and business volumes in the Santa
Barbara County and California area. Also it will afford
an increase in our energy demands, the production of oil
and gas that we dearly need in our state now.

I'd like to point out that it is from
proven zone. We know the oil is there. We know the wells
to be drilled will be productive and produce the needed
oil and gas.

I'd like to reaffirm our position that
the EIR was tendered to the State, received by the State,
and approved. We have nine permits returned to us, approved,
indicating procedural compliance.

Speaking of compliance to the procedures,
I'd like to compliment the State Lands Division staff
engineers in their adopting these operating procedures,
as they call them. And it's been brought to my attention
that the federal government has essentially duplicated
your state lands operating procedures to incorporate in their
Federal OCS Order No. 2. This is indeed a compliment to
the State and division people.

To sum it all up, we're ready to go.
And the State operating procedures are fully effective,
and we intend to comply with them. We are ready in every
respect. So all we need to have from you is just to tell
us to proceed.

Thank you.

MR. NORTHRUP: Mr. Chairman, Mr. Shavelson of
the Attorney General's office would like to address himself.

MR. SHAVELSON: I'll be very brief and
obviously none of these remarks reflect any opinion as to
policies since that's not our function, but simply to try
to advise you what we think the law is.

And our conclusions are as follows:
Number one. We consider the environmental impact report previously prepared under the supervision of the State Lands Commission, State Lands Division is legally adequate.

We think that the State Lands Commission acted properly and responsibly and in a spirit of the California Environmental Quality Act when it made the decision in January to re-examine that environmental impact report and familiarize itself with both the beneficial and detrimental consequences of this project before allowing it to go on. And we do not think that was an arbitrary act, but a completely proper and desirable act.

Thirdly, the State Lands Commission does not have the same discretionary authority it would have over issuing a new lease or even if it were to employ a new platform, or other drilling structures under the existing lease. And therefore, we have been forced to advise you that -- that not going ahead under these circumstances would entail legal risks that would have to be weighed against any undesirable consequences.

And finally, that the State Lands Commission, as Mr. Northrop informed you, we stated that you do not have the unit authority to inform -- impose unilaterally conditions relating to the liability, and to third persons, and things of that character under an existing lease.

And therefore, whatever we -- whatever provisions have been put in for the protection of the public.
may not be anything the executive officer would have liked. But they're all that could have been gotten.

And the proposed resolution adopted today, to back legislation that hopefully will fill in some of these gaps such as Assembly Bills 693 and 366, we think is the proper way for the Commission to proceed rather than attempt to impose the conditions on a specific lessee.

So those are the -- that's the summary of our position, and if anyone has any objection I'd be glad to address myself.

MR. BELL: Why don't you ask --

MR. CORY: I have a couple of questions, J.B.

The questions raised by the City Attorney from Santa Barbara with respect to the staff's analysis has to be considered an amendment to the EIR, and is not in at the proper time reference in terms of violation of guidelines. Is there any merit to that?

MR. SHAVELSON: I think it was just as you stated, Mr. Chairman, and that is, a staff analysis of the environmental impact report. It was not a change or a further study in and of itself. And -- but a -- but a termination as to -- as to what was in that report and what -- and a digesting of that information.

And therefore, we think that it's that EIR is still adequate and that is what we are basing their action on.

MR. CORY: You -- that's their exis -- we've
had a staff analysis and there is no way that any of that 
 purported legal structure that he put forth would give us 
 any flexibility on our action, in your opinion?

MR. SHADELSON: I don't believe so, Mr. 
 Chairman, at this time.

MR. CORY: The most judicious way then for 
 us to proceed would, if we wish to go ahead and if they 
 feel the law to be contrary and different, they would have 
 the option to bring action to suit the Lands Commission 
 and have the court resolve the question of whether or 
 not we are acting properly?

MR. SHADELSON: That is correct.

MR. CORY: Okay.

In the proposed resolution, Mr. Northrop, 
you made reference to -- Northrop made reference to, not 
a blanket approval, but an executive officer was giving a 
well-by-well --

MR. SHADELSON: Yes.

MR. CORY: -- authority, is that the way this 
is drafted?

MR. SHADELSON: The way it's drafted, as you 
recall in January there was a suspension of two things. 
The approval by the Lands Commission on December 19 
of the resumption of drilling on Platform Holly, and the 
approval by the State Lands Division of eight specific 
wells and one redrill on Platform Holly. 

Today what the -- if you do adopt 
the resolution that the executive officer has presented to
you, what you would be doing would be lifting the suspension on the Lands Commission's approval of the resumption of drilling, but revoking the action of the State Lands Division in approving those wells, and then redelegating to the executive authority to -- to approve wells as he feels is necessary within his -- his technical discretion -- the policies made by the State Lands Commission and the technical discretion exercised by the executive officer.

MR. CORY: So if there was some sign of some adverse thinking that we did not consider, the executive officer would have the discretionary authority to stop any further drilling?

MR. SHAVELSON: Certainly. If it came within the area of the unforeseen geological conditions, pressures, et cetera. Dangers of spill, we definitely would. And also we would have the opportunity in case he felt the changes in policies would be desirable to make recommendations to the Commissioner in that regard.

MR. CORY: Further with the calendar items as proposed resolution is currently drafted.

There is -- I understand it and am in agreement with -- or an understanding as to the safety control program, training personnel, and the like, and certain promises; are those in writing from the operating company as to these people being trained? There was a mention made of daily, and until they are trained, and then at least weekly.

MR. SHAVELSON: Procedures that has been
proposed is that the executive officer, when they applied for a permit, the executive officer will require that they agree to those conditions as a condition to their obtaining the permit in the State Lands Commission -- from the executive officer, that is your direction to the State Lands Commission not to give a permit unless they do agree to those conditions.

MR. CORY: If they do agree to those conditions and they violate them, what is the remedy?

MR. SHAVELSON: The -- certainly the --

MR. CORY: Does it vitiate the permits?

MR. SHAVELSON: Pardon me?

MR. CORY: Does it vitiate the permits?

MR. SHAVELSON: Yes.

I -- it -- it's grounds for cancellation of the permit.

MR. CORY: That can be unilateral action by the executive officer?

MR. SHAVELSON: Yes.

I think certainly -- I would -- we would certain bring it back to the Commissioner for -- for confirmation so that he could act, in my opinion, immediately, if in his opinion he felt that those conditions were being violated. He could revoke the permit then and there.

MR. CORY: Okay.

The other question that seems to be somewhat ambiguous in the document that I have, is the
question of the Stretford plant, which as I understand is a mechanism to onshore facilities to treat the natural gas produced from the wells.

If that is not approved, the alternative posture that is currently before us would be that ARCO could go ahead and proceed with a fewer number of wells and reinject that gas.

My question is, as I recall reading the environmental report, I do not think they really addressed themselves to the reinjection process and what that does to the natural seepage.

If we are not redeeming the pressure in those zones, but in fact we're going to maintain it by reinjecting, that does not appear to be dealt with in the environmental impact report.

And I am wondering, can we sever that so that if it comes to that, if someone else refuses to approve the onshore facility, that maybe we ought to come back and have a hearing on what we're going to do with the gas that's being produced, and we don't have a budget for it.

MR. SHAVELSON: The resolution -- reserves in the State Lands Commission the power to make any policy changes. And should your studies indicate that it is going to pose a danger, you have the power to modify today's action.

MR. CORY: But the question in my mind, are we not in a better position if we get a legal -- if we grant
the approval for the full 17, with the assumption of the Stretford, but the Stretford is not approved for any reason, then we ought to come back and have a full discussion of what happens to that gas?

MR. SHAVELSON: I think that could be your -- the extent of your delegation of authority to the executive officer.

MR. CORY: One of the potential benefits is not only the economic, but the removal of the pressure in the zone. And I'm concerned with whether or not we're going to get that pressure back in the same place or put more pressure in a different location.

And so far I have not seen anything on the subject.

And I am personally hesitant to allow that to be handled in administrative action if there is a mistake. If that's what I'm --

MR. SHAVELSON: The environmental impact report, as you know, Mr. Chairman, did contemplate this as a possible contingency in their discussion, if that's my recollection. So that we think the resolution as proposed is covered by the environmental impact report. But certainly, that doesn't preclude you from determining that they want to take another look if the plant is not in fact going to be built.

As I stated before, any -- if any further studies indicate further difficulties, you have clearly got the authority. And today, you're making it
clear that if the plant is not built, you are likely to take it back.

    MR. CORY: I would like to make it explicit. If the Stretford is not approved that the item come back here so that somebody -- the technicians can explain to us in detail what happens when you start repressuring in that field.

    That is the specific question, I haven't had anybody really educate me on. And I'm unprepared to have the staff assume that risk in case it goes wrong.

    If that's within our legal perimeters, I would like to put that limitation on it.

    MR. BELL: I would like to see that.

    MR. SHAVELSON: I think that that's proper, Mr. Chairman.

    MR. CORY: The other question that was --

    MR. NORTHRUP: Mr. Chairman, the draft resolution that's been before you, it's been recommended there be some minor changes, particularly as it applies to Item 3.

    MR. CORY: Yes.

    The third paragraph refers instead of new oil fields, practices, good environmental practices in order to achieve maximum economical environmental controls.

    MR. DYMALLY: So moved. So moved for the amendment of the resolution.

    MR. CORY: Without objection we will amend
the resolution in that fashion.

MR. SHAVELSON: If I may, Mr. Chairman, interject that, as I stated once before -- the discretion in the executive officer is a technical discretion and -- And you're now laying down the criteria under which he can exercise it.

MR. CORY: We have thus amended the resolution before us, and if it needs to be further amended to make sure that the Stretford is approved, that it has to come back, and that needs to be made explicit to the staff?

MR. SHAVELSON: That does need to be made explicit.

MR. CORY: That amendment --

MR. BELL: That would be ample --

MR. SHAVELSON: Yes.

MR. BELL: That in effect at least to be brought back to the Commission for discussion, that type of thing?

MR. SHAVELSON: (No audible response.)

Mr. DYMALLY: I have a motion.

I move that the staff be instructed to negotiate with the oil companies in the Santa Barbara channel, the setting up of an emergency fund for possible oil spill in the Santa Barbara channel.

MR. CORY: Motion to have the staff negotiate, similar to what the City Attorney --

MR. DYMALLY: Yes.

MR. BELL: And that would be over and above --
above the insurance?

    MR. DYMALLY: Yes.
    MR. BELL: Well, I would second that motion.
    MR. CORY: The motion is that the staff be
directed to commence negotiating to try to get the oil
companies to accomplish that.
    MR. SHAVELSON: That is not, I take it, a
condition preceding --
    MR. DYMALLY: No, not at all. Completely
separate.
    MR. CORY: Motion is seconded?
    MR. BELL: Yes.
    MR. CORY: Motion is seconded.
    Any questions?
    All in favor say aye.
    MR. BELL: Aye.
    MR. DYMALLY: Aye,
    MR. CORY: Motion is carried.
    MR. DYMALLY: And a final point, amended to
this in the form of a motion, and I hope the staff could
explore with the oil companies the development of
environment in the channel that's similar to the one we
now have in Long Beach.
    Additionally, after my visit there
yesterday, those rigs are much too ugly to be called by
female names. And we should also negotiate the possibility
of calling them John Smith or John Brown, Harry whatever
you call it.
MR. BELL: Mr. Chairman, we are at the point now, the final consideration of the item as amended.

MR. CORY: Yes.

MR. BELL: I would move that we adopt the staff recommendation as amended.

MR. CORY: As amended.

MR. DYAMALLY: Second.

MR. CORY: Mr. Bell moves, Mr. Dymally seconds.

Any discussion of the motion?

All those in favor of the motion say aye.

MR. DYAMALLY: Aye.

MR. BELL: Aye.

MR. CORY: Opposed?

(No audible response.)

MR. CORY: Motion is carried.

MR. NORTHROP: Next meeting, item on our agenda is --

MR. CORY: The next item on our agenda is --

MR. NORTHROP: Is the confirmation of the meeting --

MR. CORY: Is the confirmation of the meeting of Hayward --

MR. NORTHROP: Tuesday, May 27th.

MR. CORY: Tuesday, May 27th.

MR. SHAVELSON: The adjournment today would be subject to the call of certain executive sessions that may be necessary to discuss the pending litigation.
MR. CORY: The adjournment today is subject to executive sessions to discuss pending litigation.

MR. NORTHRUP: That is correct.

MR. CORY: We stand adjourned, and I call the meeting.

(Meeting was adjourned at 12:45 P.M.)
REPORTER'S CERTIFICATE

STATE OF CALIFORNIA )
COUNTY OF LOS ANGELES ) ss.

I, the undersigned, Official Reporter for the within hearing, do hereby certify that the foregoing pages constitute a full, true, and correct transcript of the proceedings held in the County of Los Angeles at the time and place heretofore mentioned.

Dated this 8th day of June, 1975.

Sherry L. Perkins
Sherry L. Perkins