MEETING
STATE LANDS COMMISSION

Room 6028
STATE CAPITOL
SACRAMENTO, CALIFORNIA

THURSDAY, MARCH 25, 1976
10:00 A.M.

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MEMBERS PRESENT

Hon. Roy M. Bell, Director of Finance, Acting Chairman
Mr. Peter Pelkofer, for Kenneth Cory, Chairman
Mr. Walter McGuire, for Mervyn M. Dymally, Commissioner

MEMBERS ABSENT

Hon. Kenneth Cory, Controller
Hon. Mervyn M. Dymally, Lieutenant Governor

ALSO PRESENT

Mr. William F. Northrop, Executive Officer, State Lands Commission
Mr. James F. Trout, Land Operations, State Lands Commission
Mr. Robert C. Hight, Staff Counsel, State Lands Commission
Mr. N. Gregory Taylor, Deputy Attorney General
PROCEEDINGS

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ACTING CHAIRMAN BELL: Ladies and gentlemen, I'd like to get the meeting started.

Mr. Northrop, may I have a roll call, please.

EXECUTIVE OFFICER NORTHP: Chairman Cory?


EXECUTIVE OFFICER NORTHP: Lieutenant Governor Dymally?


EXECUTIVE OFFICER NORTHP: Director of Finance, Mr. Bell?

ACTING CHAIRMAN BELL: Present. Quorum is here.

Minutes of February 26 were distributed with your agenda. Do you have any corrections, comments, or otherwise? If not, they will be deemed approved.

Report of the Executive Officer.

EXECUTIVE OFFICER NORTHP: Thank you very kindly.

Mr. Chairman, Members, as Executive Officer of the State Lands Commission, I have been named, along with the Director of the Office of Planning and Research and the Principal Consultant to the Energy Commission, as the California representative to the Federal Energy Administration Advisory Committee on the Impact of Alaskan Oil on the Western States.
We had our first meeting in Seattle, Washington, on March 12. It was decided, at that time, that the FEA would prepare a report with input from this western states group. California was successful in arguing for a Minority Report in the event any of the western states disagree with the majority opinion of the report.

The next meeting is scheduled for April 23 in San Francisco.

As far as FEA hearings in San Francisco on March 17 and the continuing saga of what's the price of our crude oil, Mr. Thompson will give us a report on the agenda item on the Fifth Modification.

ACTING CHAIRMAN BELL: Very definitive.

EXECUTIVE OFFICER NORTHROP: It will be probably as definitive as the last three or four chapters in that saga have been.

ACTING CHAIRMAN BELL: All right, go ahead.

EXECUTIVE OFFICER NORTHROP: At that last Commission meeting during the consideration of Pacific Gas and Electric Company's several pipeline crossings applications, the Commission asked questions concerning that company's position on wheeling power for the cities which make up the Northern California Power Agency. Staff was asked to report back at this meeting concerning the status of this situation. Both Pacific Gas and Electric and representatives of the Northern
California Power Agency were contacted.

The Power Agency is a joint authority involving cities which have their own electrical distribution facilities. The Agency, as representative for these cities, has been attempting to acquire additional electrical energy to meet their requirements and wants a contract with Pacific Gas and Electric for wheeling this power. The Agency has an overall general plan for obtaining and generating their own power. They feel it is imperative that they have agreement with the Company to wheel this power at a proper price over Company lines for a specific period of time.

Representatives of PG&E have stated that it's Company policy to wheel power for anyone, at any time surplus capacity is available, providing the Company is appropriately compensated. However, it is the Company's position that the Agency -- that the Northern California Power Agency -- substantiate its requirements and identify its power source before attempting to contract for wheeling power. PG&E states that power supply centers are located at such diverse areas as The Geysers, Rancho Seco, and the San Joaquin Nuclear Facility.

Staff evaluation is that the situation is a little like the chicken and the egg -- which comes first? In order to move off dead center, staff would recommend that the
Commission consider language similar to the following which is part of any additional lease for powerline crossings of State lands under the Commissions' jurisdiction. The language follows.

"The facilities occupying the lands described herein, as a condition of this lease, shall be made available to publicly owned power systems for the transportation of electrical energy, subject to reasonable charges therefor, whenever surplus capacity exists in said facilities. Surplus capacity shall be deemed to exist whenever the California Public Utilities Commission shall determine, pursuant to their procedures, that said facilities are not being utilized fully, or that alternate available routing of power would make surplus capacity available in said facilities. This lease shall terminate upon 60 days written notice to lessee if the use of said facilities is not made to publicly owned power systems when a surplus exists as defined above."

With the Commission's approval, I will submit this proposed language to the appropriate parties. So what we're
really saying, gentlemen, is that not only must PG&E have
the line capacity, but this would preclude them saying they
don't have the capacity when, in fact, they do. It would
leave the onus on PUC as to whether the statements of PG&E's
capacity, the availability, was, in fact, true.

ACTING CHAIRMAN BELL: All right. Wheeling
restrictions would apply only to publicly owned power systems.
I would assume it would extend to more than PG&E.

EXECUTIVE OFFICER NORTHROP: Yes. It would extend
to any -- Bob, do you want to address yourself to this?

MR. HIGHT: It would allow private users to sell
to any of the public-owned utilities in the northern area
through PG&E power lines.

MR. McGUIRE: In other words, when we had those
geothermal hearings, one of the problems was the private
companies couldn't -- they didn't have access to transmission
lines. This would open that up.

EXECUTIVE OFFICER NORTHROP: Right. This would
open that up and give some criteria other than PG&E saying,
"Well, I'm sorry, fellows, we ain't got the space."

If they don't have the space, they have to demon-
strate that to PG&E, so it leaves it more than on the word
of PG&E. And I think as the chairman, Chairman Cory pointed
out last time, if we're going to use public lands, we should
give the best public benefit for the use of this land.
ACTING CHAIRMAN BELL: All right. You have before us for our approval a request which would then say you would submit this proposed language to the appropriate parties.

EXECUTIVE OFFICER NORTHROP: Yes.

ACTING CHAIRMAN BELL: We are not actually passing on the language at this time.

EXECUTIVE OFFICER NORTHROP: That's correct. I'm just coming to you with the concept in the language. If that's acceptable, we'll come back with it in some kind of a formalized form. This is where we are. This is the first step before we go on.

MR. McGUIRE: So move.

MR. PELKOFER: I'll second it.

ACTING CHAIRMAN BELL: All right. I have a motion from Mr. McGuire, seconded by Peter that the Commission approve Mr. Northrop submitting the proposed language to the appropriate parties. All those in favor say aye.

MR. PELKOFER: Aye.

MR. McGUIRE: Aye.

ACTING CHAIRMAN BELL: Aye.

Opposed? (No response.)

That's approved.

EXECUTIVE OFFICER NORTHROP: The Commission entered into a contract with Inca I Corporation for a grass roots opinion poll of American Indians throughout California
relative to jurisdiction over their tribal lands. Once we receive this information, the Commission will be in a better position to make determinations concerning the retrocession of jurisdiction on Indian lands.

At last month's meeting, staff brought to your attention a question of whether "lead agency" status on the SOHIO Project should be assigned -- as it was then -- to a local agency, the Port of Long Beach, or to a statewide agency such as the State Lands Commission or the Public Utilities Commission.

Pursuant to your direction at the time to raise the question with the Office of Planning and Research and in response to a March 1 request from OPR, staff did inform the Office of Planning and Research on March 8, that a dispute did exist between the State Lands Commission, the Public Utilities Commission, and the Port of Long Beach relative to the role of lead agency with the respect to preparation of an EIR for the SOHIO Project.

On March 10, OPR confirmed the existence of a lead agency dispute, and requested formal statements from this Commission and the Public Utilities Commission and the Port of Long Beach. Such statements were submitted on March 19.

On March 22, staff participated in a meeting attended by representatives of the City and Port of Long Beach, the California Public Utilities Commission, and the
Attorney General's Office representing OPR. The subject of negotiation was a compromise agreement whereby Long Beach and the Public Utilities Commission would, under conditions believed by the staff to be favorable to this Commission, would function as a combined lead agency for the SOHIO Project. Under the terms of the agreement, the State Lands would have substantial input into the total EIR process.

This proposed agreement was considered by the Public Utilities Commission at their March 23rd meeting and was approved by a vote of five to zero. The Office of Planning and Research now has the option to recognize the agreement and formally announce the termination of the lead agency dispute.

That completes my report.

ACTING CHAIRMAN BELL: There is nothing before us in terms of our own action on this item?

EXECUTIVE OFFICER NORTHROP: No.

ACTING CHAIRMAN BELL: All right. The next item on the agenda is the progress report on land consolidation survey.

EXECUTIVE OFFICER NORTHROP: That will be presented Mr. Chairman, Members, by Mr. James Trout of our staff.

MR. TROUT: Mr. Chairman, Commissioners, we talked off and on about the possibility of consolidating the State Lands Commission's holdings of the state school lands into
manageable parcels, and your staff has worked under
Mr. Northrop's direction for several months in this area,
and we found a couple of things that are somewhat surprising
to the staff.

One thing we knew was that 45 percent of California
land is owned by the federal government, or 45.6 million
acres; that one-third of this federal ownership is under
the control of the U.S. Bureau of Land Management. That's
15.6 million acres. To put this in perspective, California
received less than nine percent of its land area from the
federal government, grants totaling about five and a half
million acres.

Today only 1,457,000 acres of that land is still
in state ownership or under state control in one way or
another. 607,000 acres is in fee title. 100,000 acres is
unsurveyed entitlement. That's a debt we believe owed to us
from the United States. 20,000 acres of indemnity entitlement--
this is land that we couldn't get because the federal govern-
ment had already given it away. 717,000 acres of mineral
rights; we don't own the surface, but we own the minerals
in varying degrees -- one-sixteenth to one hundred percent.
And there are 13,500 acres that we own but which the Bureau
of Land Management has informed us were incorrectly surveyed.

Now, considering the state's nine percent that was
granted on statehood, by comparison other western states
received a much larger portion of their territory in grants from the federal government; Alaska, perhaps as much as 29 percent, although this is subject to native claims; New Mexico, 16 percent; Arizona, 14 percent; Utah, 14 percent; Oregon, 11 percent.

Now, today California has more federal ownership within its boundaries than 43 other states. The average federal ownership in each state is about 16 percent.

Now, at the August Western States Lands Commissioners Association meeting that Mr. Northrop attended, the western states agreed that they have been discriminated against in amounts of federal land grants by comparison with the southern and eastern states; and at that time, they resolved to seek additional federal land within their borders. These states today average almost 50 percent of their land areas in federal ownership. California, therefore, should appear to be justified in seeking additional federal lands for state management.

Now we come to the problem. In looking at the 15 million acres under the jurisdiction of the Bureau of Land Management, we find that PLM lands could be evaluated for the purpose of satisfying this shortage and in looking at the needs to consolidate state holdings. However, we find that BLM ownership is nearly as scattered around the state as our own land; that 90 percent of BLM land is generally
without economic or recreational potential except for open space, grazing, and hunting, and those are purposes for which BLM is now managing the lands; that ten percent, or barely 1.6 million acres, is suitable for acquisition by the state for management purposes; and any additional lands for consolidation or for grants would most likely have to come from several agencies other than BLM, perhaps the U.S. Forest Service or surplus Department of Defense installations.

Therefore, we have submitted a preliminary report to the Executive Officer evaluating these findings, but we think we're going to have to look a little further.

ACTING CHAIRMAN BELL: Thank you, Mr. Trout.

Any questions by Commission members?

MR. McGUIRE: What is the time table, then, for looking into this?

MR. TROUT: We're going to have to now take a look at the resources of the National Forest Service, for example, in terms of the holdings we have, the holdings they have, and the possibility of exchange and consolidation in that area.

We are, frankly, a little surprised because the maps that the Bureau of Land Management had published, basically in four and five-color sheets, showed large blocks of federal ownership. When we got to looking at these specifically by planning unit, we find out that they have
just colored general large areas in which BLM has ownership, but that didn't represent their ownership at all. Their ownership is scattered parcels much as ours. There were only two BLM planning units where BLM has compact, large acreages within their management, so I really can't answer your question, Commissioner McGuire. It's going to take us another -- we're going to have to have to take a month or so to take another look at the broader perspective.

MR. McGUIRE: We're going to miss this year, though, if we wanted to go back to Washington.

MR. TROUT: Pardon.

MR. McGUIRE: We were thinking in terms of going back to Washington with a resolution.

EXECUTIVE OFFICER NORTROP: No, I think we'll be timely to do that. I think what we're looking at now is, perhaps, putting some more valuable land in the picture, and I think we can do that in rather short order. Frankly, BLM land is not all that good. The intent of Congress, particularly Congressman Pettis' desire, is to set a lot of the desert lands, BLM desert land, into a desert unit has just complicated what we were trying to do, so we are now looking at some other lands.

ACTING CHAIRMAN BELL: Okay. The last staff report on the agenda is presentation on Bethel Island meeting with Senator Nejedly by Mr. Trout.
MR. TROUT: I'd like to preface my remarks by saying that following the Bethel Island meeting we had indicated we would look at some alternatives, and it has turned out that every alternative we've looked at has resulted in maybe 18 problems. And therefore, we're giving you a progress report rather than the more detailed report we had thought we could give you this month.

As the Commission is aware, title investigation and leasing activity on state-owned land is part of a statewide program being conducted by the Division. The program is being continued at various places in the State, including Bethel Island, Donner Lake, the Colorado River, and lagoons and estuaries in Southern California.

At the December '75 Commission meeting Senator Nejedly asked that representatives of the Division meet with Bethel Island property owners. The Senator specifically asked for presentation of State intentions with regard to the Commission's leasing program and its ownership claims. The meeting was held the evening of January 19, 1976, at Bethel Island and was attended by about 300 persons.

Property owners at Bethel Island disputed the factual basis for the State's contention concerning the location of boundaries. Consideration is being given to the additional information presented in the comments of the people of Bethel Island. The property owners objected to the State's
leasing policy under which processing fees and rents would be charged for various types of facilities constructed in the waterways. Staff is evaluating all of the data and information concerning matters raised at the meeting. Ways are being sought to resolve the dispute. The Office of the Attorney General has been involved to assist in evaluating various alternatives which might be available.

The staff will keep the Commission apprised of progress on the evaluation of both the information and alternatives. It is expected that a recommendation can be presented to the Commission for public comment within three to four months.

Staff has agreed not to press for further lease applications until the overview is concluded. Without objection from the Commission, we would continue to advise Bethel Island property owners of the extent of the State's claims, but not to require lease applications for structures within state-claimed lands until the information discussed above has been presented to the Commission. In the meantime, the Division will continue to issue leases to those parties willing to make arrangements with the State.

ACTING CHAIRMAN BELL: Fine. Thank you, Mr. Trout. Are there any public comments on this item from members of the audience? If not, does the Commission have any comments?
MR. McCONNEL: Mr. Chairman.

ACTING CHAIRMAN BELL: Yes.

MR. McCONNEL: My name is Darrel McConnel. I represent the Marina and Recreation Association of California.

With respect to Bethel Island and other activities of the State Lands Commission involved in lease right negotiations, would it be in order that we ask the Commission at the present time to defer from any negotiation throughout the State on these matters until this problem becomes resolved? There are problems on the Sacramento River. There are problems, Donner Lake, et cetera, all over the State, and I think that these negotiations should be held up until we can reach some sort of a basis, a common basis, throughout the State on these negotiations.

ACTING CHAIRMAN BELL: Thank you, Mr. McConnel.

May I have some advice from our staff?

MR. TAYLOR: Mr. Chairman, I believe you have a leasing policy for the state. It's being applied in a state-wide manner. The State Lands Commission is charged with the leasing schedule. The State Lands Commission is charged with administering the leasing program of the state; that is a mandatory duty. It has been the concern of the Legislature that this program go forward, and it's been the concern of the Office of the Governor and the Department
of Finance that the program go forward, and the budget and
the staffing of the Lands Commission has been. Unless
there is a change in the law and regulations of the State
with regard to that, this is a public asset which must be
administered in the public interest. I think, as we made
clear at all the hearings, that this is the program of the
State.

The primary problem with Bethel Island are the
boundaries. I think without a change in the law -- and I
think there still may be a problem in that as far as
potential gift of public property is concerned -- I believe
that the duty of the Commission is clear to proceed.

EXECUTIVE OFFICER NORTHROP: Staff has made it
very clear that should -- at the resolution of this problem,
everything will be retroactive as to leases as well, so I
think the gift of public property raised by the Attorney
General is well taken by the rest of the staff.

ACTING CHAIRMAN BELL: Thank you. Any comments
from Commissioners?

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

MR. PELKOFER: No, I don't either as long as
that policy exists. It seems that if there are landowners
willing to enter into lease agreements that they feel are
satisfactory, I see no reason to preclude them doing that.
ACTING CHAIRMAN BELL: Mr. McConnel, as I interpret the attorney's language, which is always difficult to interpret, and my own Commission members, the answer to your question is no, we feel it is quite proper to negotiate with those who want to negotiate. We are, however, accepting the fact that the staff's agreed to not press in those areas when further lease applications would be resisted by the --

EXECUTIVE OFFICER NORTHROP: Bethel Island only.

ACTING CHAIRMAN BELL: Bethel Island only.

MR. MCCONNEL: Well, why just Bethel Island?

Let me say this, that I'm concerned over, say, just our own back yard, the Sacramento River, right at the present time where the Commission is going in and making all sorts of wild increases, say, from $180 a year for lease right to $3,300 a year; ranging from $800 up to $3,300 on the various resort owners on the Sacramento River.

Now, this seems a little wild to me. I'd like to see that we get down to some standardized procedures and not to go in and beat these individuals over the head on increases this way. This doesn't sound right.

MR. PELKOFER: Mr. Chairman.

ACTING CHAIRMAN BELL: Mr. Cory's representative would like to comment.

MR. PELKOFER: It seems to me that the gentleman
is raising a problem other than what we are dealing with in
terms of Bethel Island. If I understand the Attorney General
correctly, the dispute as it exists there is not a question
so much as to how much but whether or not we have a right
in any case because of the boundaries, as I understand them.

MR. McCONNEL: The boundary dispute, yes, is
taken; but at the same time, it's the increases that are
being demanded by the Commission, by the State Lands Commission,
upon these individual owners that these people are very much
concerned with. And I think that we should --

MR. PELKOFER: I think that's not really before
us. That may be a valid subject of investigation or considera-
tion. I haven't sat that often here, so I don't know, but
it seems to me that's really not what we're talking about
in terms of Bethel Island specifically at this point.

ACTING CHAIRMAN BELL: Thank you.

MR. McCONNEL: Thank you for your time.

MR. WALSH: I'd like to comment on the same
subject, if I may.

ACTING CHAIRMAN BELL: Would you care to step
forward and identify yourself?

MR. WALSH: My name is John Walsh, and I'm the
chairman of the organization that convened the January 19
meeting with the State Lands, and I'd like to compliment
Mr. Trout. That was a fair and factual summary of the meeting;
no more and no less.

I think there's one thing I'd like to get into the record though. It's this, that one of the disturbing aspects of the State Lands' actions or attitudes toward we people in Bethel Island has been the lack of disclosure, and I'd like to place on record that at the meeting Mr. Trout, in the name of the State Lands, undertook to deal with the parties involved on any questions that assumed any acuity at all, to deal with them from the principles of utmost disclosure and legal particularity. He did more than that; he pledged that, and I would just like to have that reaffirmed. I would like to be able to report back to my membership committee that in questions, I repeat, of any acuity that we can expect complete disclosure from the State Lands.

ACTING CHAIRMAN BELL: Comments?

MR. McGuire: I don't know what to say except I think that's always been the policy of the State Lands.

EXECUTIVE OFFICER NORTHROP: That's the policy of the State Lands. We've got nothing to hide. Things are out in the open.

MR. WALSH: I know it's not the issue before, but that has not been my experience with the State Lands. It's a positive blank wall. It's infuriating and frustrating and -- well, it's just that.

On a less serious note, I'd like to compliment...
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Mr. Trout on the manner in which he withstood the slings and arrows of the outraged Bethel Island citizenry.

ACTING CHAIRMAN BELL: It's one of the advantages of being the staff guy you send instead of having to do it yourself.

MR. WALSH: Thank you very much.

ACTING CHAIRMAN BELL: Thank you very much. I do think, though, that it is our policy, and if there is something outrageously out of line, that really should be called to the Commission's attention.

MR. WALSH: We'll do that in future if we feel that's the case, Mr. Bell.

ACTING CHAIRMAN BELL: Any other comments? If not, we will go to the rest of the agenda.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Items C10, 23, and 33 have been by either Attorney General or other reasons have been taken from the -- stricken from the agenda. C10, 23, and 33.

ACTING CHAIRMAN BELL: C10, 23, 33?

EXECUTIVE OFFICER NORTHROP: Yes. I may have a comment on 33 when we get to 34. I have a good reason for that.

ACTING CHAIRMAN BELL: Thank you. Now, we have before us for the first time, I believe at the request of the Lieutenant Governor, a suggestion that we use a Consent
Calendar; is that correct, Mr. Northrop?

EXECUTIVE OFFICER NORTHROP: That's right, and it includes Items Cl through Consent Item Number 17.

There have been no registered objections; we have none today. Those people who have items on the Consent Calendar have been advised they were going on consent, but if they had any -- if they would like to make any statements or felt any statements would have to be made to support their positions that they were to attend. It was not to be considered that the Consent Calendar was automatic. It's merely a mechanism for the Commission to deal with these noncontroversial items more expeditiously in the meeting.

ACTING CHAIRMAN BELL: All right. I think without objection, I have no particular desire to read 17 items myself. Perhaps I could just deal with the Consent Calendar by asking if there is anyone in the audience that has any objections to the Consent Calendar being adopted.

If not, are there any problems by Commission Members? If not --

MR. PELKOFER: I'll move, Mr. Chairman.

ACTING CHAIRMAN BELL: I have a motion --

MR. MCGUIRE: Second.

ACTING CHAIRMAN BELL: All a second that the Consent Calendar be approved with the exception of Item C10, which is deleted. All those in favor say aye.
MR. PELKOFER: Aye.

MR. McGUIRE: Aye.

ACTING CHAIRMAN BELL: Aye.

Opposed? (No response.)

That's unanimously adopted.

Mr. Northrop, Item 18 on the regular calendar.

EXECUTIVE OFFICER NORTHROP: Chairman Bell and Members, this is an application by Shell for a pipeline roughly from the Sacramento Airport to Shell's Martinez refinery.

Let me say at the outset of this meeting that Shell Oil Company has been extremely cooperative with those members of the public who have raised objections to the routing of the line. The staff tells me they have really done -- have been very cooperative in putting this pipeline route together and the objections raised, the bulk of them have been overcome.

We have Leslie Hood, from the Natural Areas Coordinating Council, Sonoma County, called. He would like to make a short presentation. However, before we get to that presentation, it's been suggested by some of the Commissioners in conversation with staff that, in fact, we're looking at a through-put concept in the Executive Session this afternoon, or immediately following this meeting, the legal ramifications of the imposition of a through-put
concept; that we may want to hold this item over for a month
and make this the first item on the Through-put Calendar,
so I make that suggestion first. I know that Chairman Cory,
in conversation with him, indicated that was what he had
in mind. I don't know whether his representative has
been so instructed or not.

MR. PELKOFER: In that wise I was instructed that
that would be -- was to be considered, and he would recommend,
and I would make such a motion when the time is proper.

ACTING CHAIRMAN BELL: All right. Quite frankly,
I would want to be assured that the Shell Oil Company
would not be damaged by putting the item over a month,
because I happen to appreciate some cooperation by people
around here, but that's beside the point at the moment.

Is Mr. Hood here to make comments?

MR. HOOD: I am Leslie Hood. I'm chairman of
the California Plant Society Conservation Committee and also
the Executive Director of the California Natural Areas
Coordinating Council, and the latter is an organization
attempting to determine what areas, what natural areas in
the state should be protected and how we can protect them.

I have three points to make. The first point is
necessary to understand the second point. I was just
handed an alternative routing by the Shell Oil people
which takes -- surrounds the Dixon vernal pools. This is
very important. Vernal pools are found in California. They are, perhaps, one of the more unique habitats in the state. They used to be very common in the state but, perhaps, now, oh, ten or twenty of any substantial size. These pools are formed in a shallow hummock. They stay there during the spring, and over a period of some 20 to 30 thousand years, a number of plants have grown up around them. There is probably a plant community of 40 to 50 plants that live in these pools and are found only in California and only in this pool habitat. In the Dixon area there are three rare plants, one of which is found in Solano County; one of which is found in several other spots in the state; and one of which is found only in this particular pool.

Secondly, the area also is one of the best native grassland areas remaining. Before the coming of the Spaniards and their domestic animals, approximately 20 million acres in the State of California was covered by the bunch-grass. Today we now have something less than 7,000 acres that is in anywhere approaching a natural state, of which approximately 1,500 acres are in the vernal pool area in the Dixon-Dumbarton area. Therefore, this does have a very important biological and historical value in terms of the original landscape of the state.

Mr. Chairman, we have been negotiating with Shell and had a number of meetings with them. I think I can speak
for most of the members of the -- whatever you want to call it -- the environmental elements, and Shell has agreed to reroute its pipeline from the Sacramento northern right-of-way, around, down Highway 113, and around Creed Lane to avoid this very environmentally sensitive area. This is a positive precedent, and we are very appreciative of this.

On the negative side, we had hoped that this area, this particular routing down 113 and around Creed Lane would not become the major corridor. A six-foot water pipe in there would cause damage that would eventually, perhaps not in my lifetime, perhaps not in yours, but would eventually damage the vernal pools, probably resulting in their absolute destruction. Therefore, one, we hope that the Shell routing will establish a precedent but also hope that the precedent won't be a full precedent.

And my last comment would be that I would like to -- and I think Mr. Northrop's comments that Shell has been magnificent in their willingness to cooperate with us and have bent over backwards in doing what can be done, and I would like -- I wish that everybody that we worked with were as cooperative and as understanding. I thank you.

ACTING CHAIRMAN BELL: Thank you, Mr. Hood. In other words, this alternate route is a lot better than the one they originally had laid out.

MR. HOOD: Very definitely.
MR. HOLLIMAN: Mr. Chairman and Members of the Commission, my name is William Holliman. I'm the attorney for Shell Oil on this particular project.

I would like to address myself to the suggested continuance, possibility of a continuance, and I'd like to break down the comment into two areas because the significance differs. First you have before you the EIR as the lead agency and, secondly, of course, the application for the permits and the lease.

With respect to the EIR, fortunately, I believe we have been able to resolve the significant environmental questions, and with everyone exchanging commendations, I have to say that your staff spent a great deal of time and effort, more than I've seen expended on numerous EIRs, in requiring and preparing responses to significant comments that were, indeed, raised on the initial draft. But the project to which the EIR addresses itself now is a route which includes the alternate route; that is to say, by way of mitigation. And the recommendation before you is that the EIR be certified as adequate under CEQA and, secondly, that a finding be made that there is no significant environmental effect.

We would hope that you would proceed on that
aspect of this calendar item today for the following reason:
We may not proceed to file our application with the Bay
Conservation and Development Commission nor with the Corps
of Engineers until that EIR has been certified; and further,
we have to do it within a specified number of days following
that.

Now, the second part of the calendar item had
to do with the question of a through-put charge. We've had
an opportunity to review the staff report to the Commission
as well as a draft of the lease which would be applicable.
We have understood from the outset the Commission's interest
in exploring and pursuing a through-put charge as opposed
to the long-established cent per diameter pipe and so forth.

The proposed lease contains a suggested provision
that Shell would agree that if a through-put charge is
established that we would then pay that through-put charge.
As you well know, last March those hearings were opened
under the Administrative Procedures Act; and then after a
lot of discussion and hearings, they've been suspended and
they're still suspended and now pending. And we think the
proposal is fair. We think that if you proceed and if, in
fact, a through-put charge should be enacted state-wide and
industry-wide, then we have agreed and would agree in this
lease that it would not only be applicable but retroactive
to April 1 of 1976.
There is a damage to Shell in the delay, in a month's delay. Part of that is because of the necessity of the construction period to avoid some of the environmental problems that the report indicates; the necessity of doing a large amount of the work in the dry period to avoid problems with some of the water areas. And the one month will, in fact, be a serious delay to us. And in view of the proposed through-put provision within the lease, we would hope that we could avoid that delay. It would seem to me that that provision would take care of the situation which would arise if, in fact, you do proceed to work out a through-put charge.

ACTING CHAIRMAN BELL: Mr. Holliman, I personally happen to agree with both of your statements. Unfortunately, I don't have either Mr. Cory or the Lieutenant Governor here with me, but their representatives are here and they would seem to indicate at least they have not -- they seem to have nodded when you were saying about the EIR. And I notice in our official Calendar Item 18, on pages 56 and 57, that the recommendation of the Commission consists of four steps. One, to determine a final EIR Impact Report has been prepared for this project, et cetera. Two, that the final Environmental Impact Report Number 186 has been completed in compliance with the Environmental Quality Act of 1970 and the State Guidelines, and that the Commission has reviewed
and considered the information. And three, determine that
the project will not have a significant effect on the
environment. Now, that was the first part of your comment.

The fourth part of the recommendation was to go
ahead by authorizing the issuance of a 15-year lease, which
I sense some reluctance by my fellow Commission members
on that, and I was wondering if, perhaps, we could have a --
you can take an action which would in effect approve the
EIR and those three points and not issue -- and in effect
put over the issuance of the lease.

May I have a comment on that?

EXECUTIVE OFFICER NORTHROP: As soon as staff
gives me one, we'll be right with you.

(Laughter.)

ACTING CHAIRMAN BELL: Okay. I'm trying to see
whether we can divide your question.

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

ACTING CHAIRMAN BELL: By the way, while you're
in the middle of a consultation, may I be sure that our
action on the EIR would indicate that this is on the alternate
routing?

MR. HOLLIMAN: I'm sorry, Mr. Chairman. I was --

ACTING CHAIRMAN BELL: No. I was just trying to
get back to the staff and break up their conversation by
saying that if we approve the EIR part of this, does this
cover the alternate route?

MR. HOLLIMAN: I believe that to make it clear
that it does, and we have committed ourselves to all the
environmental people that that is our intention; that I
want to say for the record now that the project to which the
EIR refers and, therefore, is applicable, is a project which
shows the route as altered on a set of maps which have been
provided to staff and which may be marked as an exhibit and
so forth.

MR. PELKOFER: If the staff is satisfied that
the EIR covers the alternate route, there's no problem.

EXECUTIVE OFFICER NORTHROP: Correct.

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

ACTING CHAIRMAN BELL: By the way, this is a
reasonably significant item for us to discuss.

MR. HIGHT: Yes.

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

EXECUTIVE OFFICER NORTHROP: Mr. Chairman.

ACTING CHAIRMAN BELL: Mr. Northrop.

EXECUTIVE OFFICER NORTHROP: Thank you very kindly
for the delay. In consultation with not only our counsel
but Shell's counsel, the delay for them would be, as far as
the environmental concept, would be if we would adopt items 1, 2, and 3 as required, Shell has indicated a willingness to go with the through-put concept, and we would have to put -- the terms of that would depend a great deal on the discussion this afternoon with Counsel on the through-put concept and put that as an agenda item for next month as the first through-put.

ACTING CHAIRMAN BELL: All right. We have the advice of the staff which seems to conform with the prior thinking of the Board members.

I would like to accept a motion that we approve recommendations 1, 2, and 3 on pages 56 and 57, and we defer item 4, which was the authorization for the lease, until our next meeting.

EXECUTIVE OFFICER NORTHROP: In the interim we'll have a meeting with Shell.

MR. HOLLIMAN: Mr. Chairman, may I just make a comment prior to consideration of the motion?

That is satisfactory, first of all --

ACTING CHAIRMAN BELL: That's what I wanted to know.

MR. HOLLIMAN: -- and we can go along with that. I just want to be sure that there's nothing misleading in the record. The point that I had made with respect to the issue that's being delayed is simply to say that in
recognition of the fact that the Commission has had and is continuing to consider the enactment or provisions for the enactment of a through-put charge, that we were prepared to say that should it be enacted, that the rate would be applicable to this lease and —

ACTING CHAIRMAN BELL: I appreciate that.

MR. HOLLIMAN: — and that is the only remark that I intended to make with respect to the whole through-put issue.

ACTING CHAIRMAN BELL: Thank you. All right, may I have such a motion?

MR. MCGUIRE: I move that we accept the first three recommendations and defer action on the fourth.

MR. PELKOFER: And I'll second the motion.

ACTING CHAIRMAN BELL: I have a motion and a second. All those in favor say aye.

MR. MCGUIRE: Aye.

MR. PELKOFER: Aye.

ACTING CHAIRMAN BELL: Aye.

Opposed? (No response.)

Thank you, Mr. Holliman.

MR. HOLLIMAN: Thank you.

ACTING CHAIRMAN BELL: Now, if I can find my way back to the agenda. Item 19, exercise of the public trust within a portion of Morro Bay, San Luis Obispo County.
EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, we
have had -- we have here a letter from the Department of
Fish and Game -- correction.

On this item, Mr. Chairman, we have Mr. Charles Ogle,
of the law firm of Ogle, Gallo & Merzon, representing Morro
Bay Land Company. He called the state and advised he would
like to make a presentation at the Commission meeting in
opposition to the item. The Commission and the Commission
members, addressed to the staff officers, have received
17 letters in support of the Commission's exercising the
public trust over Morro Bay.

ACTING CHAIRMAN BELL: Thank you. What was the
name of the gentleman?

EXECUTIVE OFFICER NORTHPROP: Charles E. Ogle,
O-g-l-e.

ACTING CHAIRMAN BELL: All right. Mr. Trout, are
you going to present the item to the Board?

MR. TROUT: At the Commission's pleasure, I'd
be happy to.

We have over here on kind of our black easel,
this is a composite area photograph of south Humboldt --
Morro Bay.

I've been accused of having this an all-purpose
map. You turn it this way and it's San Francisco, but this
is Morro Bay.
This is a mosaic of color area photographs showing the area we're talking about. This line basically represents the line of the limit of presently privately-owned tideland patents that extend from the lower part of the Bay up to this area. Some tideland patents have been -- the underlying fee has been purchased by the Department of Parks and Recreation, and there is some up in the town of Morro Bay itself. Some of the tideland patents include lands that are submerged lands for which we argued title never passed to the private owners. But this is the area we're talking about, and for about a minute and a half we'd like to start at this area and show you a few slides around Morro Bay as the tide recedes, and we'll come back and show you a good idea what this area looks like at the present time. And I think it also illustrates some of the important aspects of Morro Bay that are necessary to be preserved under this. And I would apologize to the audience for the angle that we have, but it's the best we can do, I think, here.

---oo0---

This is starting at the east side, as I pointed out, kind of gives you an overview of the situation.

---oo0---

Another view.

---oo0---

And then we're moving kind of south around the
southern part of Morro Bay.

--000--

This is the kind of area that exists there with
the various kinds of estuary and habitat.

--000--

And some habitat, a man there.

--000-- --000-- --000--

Looking kind of across the very southern end.

--000-- --000--

That one upside down.

--000--

Here again is some of the very desirable habitat
that the letters and the reports that are indicated in the
Calendar Item say must be preserved.

--000-- --000--

This is the very southern end.

--000-- --000-- --000-- --000-- --000-- --000--

This is the small area that shows on the aerial
photograph that has been developed.

--000--

An artificially created lagoon.

--000--

And now the tide is nearly at low tide as we go
quickly back around a portion of the Bay. These areas would
be covered at higher stages of the tides.

--000-- --000-- --000-- --000-- --000--
These are the dunes that extend out toward Morro Rock from the south.

--o00-- --o00-- --o00--

Again you can see the fine area that's basically undisturbed.

--o00--

It's this area that is consistent with the Commission's exercise of the trust to preserve:

--o00-- --o00-- --o00-- --o00-- --o00--

I think we must have dropped a carousel at one time or another.

--o00--

That's basically an overview of the portion of south Humboldt -- Morro Bay. We've got problems in Humboldt Bay and it stuck on my mind.

ACTING CHAIRMAN BELL: Thank you, Mr. Trout.

Is Mr. Charles Ogle here?

MR. OGLE: Yes, I am, Mr. Chairman.

ACTING CHAIRMAN BELL: Would you like to address the Commission?

MR. OGLE: If I may.

Mr. Chairman and Members of the Commission, perhaps my first comment will be to the effect that certain of the slides showed the area known as Shark Inlet which is the water area being the southernmost portion of the Bay.
That area is no longer in private ownership, and to that extent the legal description attached to the proposed resolution is incorrect. After several years of litigation and a jury trial last fall, much of the Morro Bay inlands, uplands ownership and also their tidelands ownership comprised of Shark Inlet was taken by Parks and Recreation.

Now, I'm the attorney for the Morro Bay and Land Company which is a California partnership comprised initially of 17 people who purchased these tideland holdings and large upland holdings about 20 years ago. The tidelands have been in private ownership for about 75 years, and over that 75-year period, very substantial real property taxes have been paid.

Aware, obviously, looking around at your very crowded agenda and the great number of people here, I will abbreviate my remarks for that reason, but I must say that speaking for the owners and the partners that own these tidelands, and though I will keep my remarks low key, we very vehemently protest the imposition of the public trust upon these tidelands. We feel it's unnecessary for reasons that I'll advance, but we further feel that it would, in effect, confiscate valuable property. Though we don't seek condemnation, our position would be rather this, if the people want to acquire those tidelands, a condemnity and then we can negotiate a settlement; or failing that, a jury can
ascertain their value.

We view the imposition of this public trust which, perhaps, is authorized but not demanded by the Marks vs. Whitney decision, as the equivalent of down zoning. You might just as well take a C-1 piece of property upon which you could build a hotel in downtown Sacramento and zone it to R-1, single-family residence, and turn around and try to condemn it at the lower value. We believe that would be the process that would be started by the imposition of this public trust. But more than that, we feel it's unnecessary. It sounds great, imposing the public trust and preserve the tidelands; but in actuality, that isn't so.

The staff report, which is otherwise extremely well-written and objective, contains some phrases that keep cropping up when people talk about certain sensitive areas. The staff report addresses itself to ongoing pressure for a continued development of the Bay. Well, factually that's not true. I'm one of the partners of this partnership, and I've represented the partnership for its 20-year existence, and there are no past or present ongoing pressures for the development of that bay. As a matter of fact, an interest about five years ago -- as an example of what cannot be done -- the county -- this is an unincorporated area -- the County of San Luis Obispo together, I'm quite sure, with the blessings of and I believe proposed financial assistance
of the State of California, no doubt by State Lands, proposed to erect a small boat launching harbor at the south end of the Bay -- this is the county and the state acting together -- leading from that man-made lagoon or an area near that to the nearest channel, and the Corps of Engineers stopped them. So we see -- and, of course, the environmental movement has progressed rapidly since that five or six years ago, but even as of then the county and the state acting together were not allowed to even dredge a channel of those tidelands.

I further observe that San Luis Obispo County, although some other counties might challenge this reputation, is known by some as a hot bed of environmentalists. My point is it's just not realistic and it's not factually correct, it's not true to say that there's any pressures for the development of that bay. And again, the staff reports suggest that the imposition of the public trust is necessary for the protection and preservation of the public property rights. Again I say, not so. What will result from the unilateral imposition of this trust without compensation, because that's what this resolution seeks to do, would be to greatly enlarge any existing public property rights and greatly reduce, maybe diminish entirely, the private property rights and without compensation.

Now, I next observe that the imposition of the
public trust with announced purposes such as -- looking
at the staff report -- clamming, will inevitably, I believe,
lead to a situation, to wit, pressures for continued use
by the public, willful trespass, that would probably defeat
the very laudable purpose thought to be served by the
imposition of the trust. In plain English, the word's going
to get around that a public trust was imposed in the Bay,
that the private property owners don't have any rights any
more, and people are going to tear up that bay. They are
going to get out there and flop around and try to do whatever
they can do. At worst it's going to result in the distur-
bance of the tidelands. It's also going -- you're either
going to have to spend money policing or suffer the inevitable
result of an encouraged and renewed public interest.

I next observe that, as we all know, the Coastal
Plan is before the Legislature now. As a separate argument
against the imposition of this trust, I would observe to you
that most definitely the Coastal Plan has addressed itself
in large measure to wet areas and coastal areas; and
obviously, these tidelands are well within the purview of
the Coastal Plan. And as a separate and independent argument,
therefore, I suggest that any resolution imposing a public
trust at this time will be premature. You don't know
whether the stated uses as suggested in your resolution
will be consistent or at variance or inconsistent with whatever
uses of these tidelands that will be set forth in the Coastal Plan wh. and if adopted. And really, I would suggest stopping right there is a valid argument not to impose this trust at this time.

Finally, and again although this matter is of extreme importance to the owners, I'm aware of the many other matters before the Commission today. There are two developments which I believe to be further persuasive of the partnership's position that the trust should not be imposed, at least not at this time. One is the fact that for two or three years, as counsel for the partnership and with certain other partners, I've negotiated with the University of Southern California for a marine biology type of gift to the University. I've met with the Director of the Alan Hancock Foundation and with Dr. Walsh, who heads the Institute of Marine Studies, as I recall the name. I met with these gentlemen as late as two or three days ago to specifically secure their approval to bring up the name of the University in these proceedings, and I received that approval. It is contemplated that, perhaps, the westerly one-third of these tidelands will be given by the partnership to the University; and the University, perhaps with a consortium of other schools, will establish a facility of some type on the dry land area -- we're also talking about giving them an acre or two of dry land --
and conduct educational pursuits on the westerly one-third that's given to them.

Now, I'm aware that educational pursuits are one of the stated objectives that are allowed, I should say, within the public trust thought to be imposed. But I suggest to you that if the public trust is imposed upon all this property, it just won't work. No private university is going to be interested in going in there and competing with ten thousand people sloshing around in tidelands that otherwise would be set aside for scientific study by graduate students and others of this type of foundation.

Further, we, as owners, have been dealing with various individuals who wish to lease and make beneficial use of these tidelands, the type of beneficial use, to wit, shellfish cultivation, that's entirely consistent, something that can be done by the private sector, but entirely consistent with the objectives thought to be achieved by the imposition of the trust.

As it so often happens in life, just at the time when the tidelands are becoming valuable, somebody wants to do something with them. In this case, it's the State impressing the trust.

Now, I have and will leave with the staff and won't dwell on it because of time considerations, a three-page letter with resumes of the authors of that letter, one
of which is a Ph.D. in marine biology from the Scripps
Institute, people who know what we're talking about. These
are people who are in the business of cultivating shellfish.
They point out -- something that was of interest to me --
that there are only four areas left in California which
the Department of Public Health recognizes as being certified
or approved for shellfish culture. These are Humboldt Bay,
Tomales Bay, Drake's Estero Bay, and Morro Bay; and of the
four, Drake's and Morro are considered to be the best from
a water quality standpoint. Now, the United States govern-
ment owns all of Drake's. The State owns all of Humboldt;
some of Tomales is in private ownership or at least owned
by the State and leased out; and in Morro Bay, the State
owns two-thirds and this partnership owns the other one-third.

This letter goes on to say, in effect, we know
what we are doing. This is an industry that will grow
massive amounts of food for the world's population, in
this instance, or population of the western half of the
United States in the very near future. The authors of
this letter feel that should the public trust be imposed,
there's a strong possibility, quoting from the letter,
that the tidelands would come under the management and
jurisdiction of the Department of Parks and Recreation,
thereby eliminating them as potential food source.

Now, I can make other points, but I respectfully
suggest that any one of the several points I've made
certainly should mitigate against impressing this trust
upon this property at this time. The State can always
act at any time they wish. There is no threat, there is
no threat whatever, to the waters of that bay by any
intrusion by man. There are many agencies that would have
to be consulted and their approval sought before this
could come about.

Thank you.

ACTING CHAIRMAN BELL: Thank you. Do the
Commission members wish to ask Mr. Ogle anything or
should we go directly to staff's findings?

Thank you, Mr. Ogle. Mr. Taylor, any comments?

MR. TAYLOR: Mr. Bell, I think a few words of --
briefly to respond to the statements made by Mr. Ogle are
appropriate.

The first is that we are not seeking to impose
a public trust. He has used the word "imposition". This
property was originally -- the title was in the State.
We conveyed whatever tidelands were within the perimeter
descriptions of these areas subject to a retained right.
That retained right is what we are dealing with today.
The action that is proposed for the Commission is to
formally exercise that right, to put everyone on notice
that we believe that the status quo should be maintained
in this area; and that if there are any further changes, that the State Lands Commission wants to be a part of any of those proposed changes.

Mr. Ogle pointed out that we have included Shark Inlet and some other areas which may have passed into public ownership. That was deliberately done. We are not discriminating between public or private agencies in this exercise. The Lands Commission's interest in this is to preserve the area. Some State agencies might want to do things which wouldn't be, in the view of this Commission, preservation. I think the boat launching site that you mentioned could be a kind of situation that could arise in the future.

The action that is being proposed here is consistent with the action taken many years ago in Newport Bay where Mrs. Newcombe had a tideland patent from the State, and the State had granted the retained rights to the city of Newport Beach; and the development of Lido Island and the channels which are familiar around 17th Street today. Her patent was decided to be the area of the ships channel. The ships channel or dredging for ships channel purposes was an exercise of the trust. The dredgers came in and took her property, and the California Supreme Court held that there wasn't anything compensable as far as her interest was concerned, although if she
wanted to pay taxes in the event that the channel would no
longer use it and her title would pop up, that she was free
to do.

All that is being done here is to leave the use
as it is. We are not asking that any existing development
be taken out. All that we're saying is that as a result
of a good number of studies made by the Department of Fish
and Game, resolutions made by the Legislature, it appears
that this is an area which can be threatened and has
periodically been threatened over the years. It is also
appropriate at this time, as opposed to the time when the
combination action arose for this action to be taken outside
of the contention of pending acquisition. And right now
is a very dormant period with regard to any discussion of
that sort, and it should give us time to exercise your
prerogatives in this area in a vacuum. But the Lands
Commission has repeatedly requested to give statements
with regard to the extent of public interest in an area,
and I think that this would be of some assistance to
public agencies in proceeding with their planning.

Now, for those reasons this matter is being
presented to you at this time and with those clarifications,
at least as to our position. Mr. Ogle, I believe, has
very articulately stated the position for the private
parties.
ACTING CHAIRMAN BELL: I think he did an excellent job.

MR. PELKOFER: May I ask a question of Counsel?

ACTING CHAIRMAN BELL: Please.

MR. PELKOFER: Do I understand that what you're saying is that other public projects, school things, learning facilities, educational matters and so on could be advanced and -- in other words, the land would be usable or the services would be usable for these purposes even though this resolution were passed?

This is not going to preclude any of those types of things?

MR. TAYLOR: This resolution does not preclude it, but it just says that the Lands Commission has formally exercised the easement and in light of that exercise wants to be a part of any further action that's taken, and the Commission --

MR. PELKOFER: It says any change you've got to consult with us first.

MR. TAYLOR: Right.

MR. PELKOFER: It's not to make any changes.

MR. TAYLOR: Otherwise, everything is frozen as it is now.

MR. PELKOFER: In private ownership or anything else?
MR. TAYLOR: There has been always a combination of private and public ownership in this area, and we're just saying that as far as -- we are not being passive with regard to this area.

The argument can be made by the private parties that if we don't come in and assert our interest that they can be free to go ahead, absent our objection, and make any improvements. If that occurs, then we are in a position under the law of having to compensate them for that. In this area, we're not being passive with regard to the public trust easement. We are exercising it; saying we're freezing everything and come see us, because we think our easement is important in that area for the retention of that area as it presently exists.

MR. PELKOFER: Okay. Thank you.

MR. MCGUIRE: I'm going to move that we pass the resolution.

ACTING CHAIRMAN BELL: All right. We have before us on page 67 the recommendation that the Commission adopt the resolution attached and direct the resolution be recorded in the Office of the County Recorder and authorize the staff and the Office of the Attorney General to take all action necessary to implement the foregoing, including but not limited to litigation. You have the resolution before you on page 69.
I have a motion; do I have a second?

MR. PELKOFER: You have a second.

ACTING CHAIRMAN BELL: I have a second. All those in favor say aye.

MR.McGUIRE: Aye.

MR. PELKOFER: Aye.

ACTING CHAIRMAN BELL: Aye.

Opposed? (No response.)

Approved unanimously. Thank you.

Item 20, approval of the Fifth Modification of the '75-6 plan for development and operation budget for the Long Beach unit.

EXECUTIVE OFFICER NORTHERN: Mr. Chairman,

Mr. Thompson has a presentation to make and a language modification in the resolution; Mr. Thompson and staff.

Thompson also at this time will clarify the FEA.

MR. THOMPSON: I'll hedge on that last. I guess I'm back here for another chapter in the book on FEA crude oil pricing, and whether it's a history book or a fable or fairy story, it depends on your viewpoint, I guess.

The Fifth Modification, we have a carry over again. We have two alternatives in here based again on the pricing policy of the FEA on crude oil. There has been one positive step, I believe. The FEA, they had hearings on the 17th and 18th of this month, came up with proposals,
but they are taking the position they want to have a final
Crude oil policy for the remaining 39 months but they
don't quite know how to go about it.

We might have to drop back and see really what
has happened here on crude oil pricing. Really now, since
February 1st, all crude oil, domestic crude oil in the
United States, is under price control; before only so-
called old oil. We now have new buzz words. Old oil
becomes lower tier oil; new oil becomes upper tier oil.
We have to change buzz words periodically to stay in vogue.

Then Congress passed a bill in which they
decided to control this by establishing a composite price
for all domestic crude oil, and this was to start out at
$7.56; then they allowed some provisions by which through
inflation or incentive there would be a potential of about
10 percent per year increase in the composite price of
all domestic crude oil. So it would move, then, from
$7.66 a barrel to approximately $10.50 at the end of this
30-month period.

Now, within this $7.66 you have this mixture of
lower tier and upper tier oil that must fit under this.
So they arbitrarily decided then that as of this point in
time, February 1st, that the lower tier oil comprised
60 percent of domestic production and upper tier was 40 percent;
so therefore, then, they established then that they would
freeze lower tier oil at the price they thought best at the time which was $5.25; then they worked the problem backward to fit under the $7.66. They then arrived that the upper tier price would be $11.28, which is a back down of about $1.32 from the existing levels at that time.

Under this composite, then, in the future you must have this mix of upper and lower tier oil, and some projections show that lower tier oil, then, will drop from its current about 60 percent -- that's estimated -- down to, depending on whether you put Alaskan crude in that mix or not, of between 43 and 36 percent. At the same time, then, your upper tier oil is increasing in volume. Even though the overall volume of the two will be going down, the percentage within it will change.

The President has to make a determination in mid '77 as to whether Alaskan crude goes and fits in this mix or not, and this is the reason for the difference in here. If it goes in, then you'll have about a 10 percent difference in the mix.

All right. Then what does that translate to, then, as to actually what might happen for future crude oil prices? Well, the FEA has considered two different proposals, have to fit under this composite price, and these are the ones that came up in the hearings of the 17th and 18th. One proposal is that they would take and split this 10 percent
allowable with a period of time that allows this composite
to go up, and split equally between upper and lower tier
oil. This is what would happen in this particular case.
You can see here that upper tier oil came through at this
point in time, was reduced $1.32 down to this level here.
This is the U.S. composite here, now. The lower tier oil
was at $5.25. So if you get a 50-50 split of this parti-
cular allowable, then this upper tier oil would go from
$1.28 to $13.54. The lower tier would go from $5.25 to
$6.32.

The other proposal that they considered would
be that they would put all of this 10 percent allowable
onto the upper tier oil and keep lower tier oil as it is.
They realized they had to have some incentive to go on
this, so they devised another way of getting a production
decline -- I'll go into later -- to give some incentive
to the lower tier.

Now, because of the gravity differential situation
in California, the actual impact on low-gravity crude in
California -- here we've done it for 18 gravity Wilmington
crude -- is not as you saw before but actually it's over
a dollar difference. Even upper tier oil starts at $10.01
instead of $11.33. We start at $4.21 instead of $5.25,
so we would parallel these cases. But even at lower tier
oil under their incentive plan of getting half of it, after
39 months we would be just about where so-called lower tier price starts in the U.S. right now, and this is the gravity differential situation. But again, we're not getting any satisfaction from the FEA.

ACTING CHAIRMAN BELL: What's our percentage on our site as opposed to 60-40 at the present time? Would they apply the same necessary 60-40?

EXECUTIVE OFFICER NORTHROP: Our percentage, Mr. Bell, is almost the reverse. California is nearly 60 percent old oil, 40 percent new.

ACTING CHAIRMAN BELL: And they would recognize that, no?

EXECUTIVE OFFICER NORTHROP: No, they would not recognize that.

MR. TAYLOR: Force us into the U.S. mix.

EXECUTIVE OFFICER NORTHROP: We're thrown into the national mix.

ACTING CHAIRMAN BELL: Great.

MR. THOMPSON: Now, as part of the alternative method, and again, let's get back to how to define upper tier oil. Upper tier oil is that amount of oil produced in excess of either your 1975 production or 1972 production, whichever one you select. Therefore, if you select 1975, that oil which you produce in excess of that is considered to be upper tier oil. Anything below that is lower tier oil.
Then by a decline method that they proposed, you would then be able to take some of the lower tier oil and reclassify it to upper tier oil.

The problem comes that if you have been really working at your properties, it gets you at a disadvantage. This is the Long Beach Unit plot here of our production. Starting back in here, we were on a decline; got some crude oil price incentives in here. We started doing a lot of work, and we arrested this decline. This area here represents that volume attributable to the redrills and new wells that we have in Long Beach.

ACTING CHAIRMAN BELL: The yellow section

MR. THOMPSON: Beneath this would be an additional volume from our stimulation and water injection projects that we started back here. But they propose that you take your production in 1972 to 1975, take the difference, divide by three to get an average yearly decline and start applying that as of July 1st.

In the simplest terms, then, the result of that would be that you would then get to classify any oil above these two red markers as upper tier oil; except that you can see that even though we've arrested the decline, we've done such a good job that we just can't do any better but we never get any incentive for it. If we had followed this trend --
ACTING CHAIRMAN BELL: We should have stayed --

MR. THOMPSON: -- we would then be down here

and we would then get it.

ACTING CHAIRMAN BELL: That would have helped us.

MR. THOMPSON: This was the biggest part of the

comments they received in their hearings, and this may be

up for modification. We don't know, but this is the

situation that we find ourselves in, that if we get -- if

they pick the alternative of getting a 50-50 position, we

will get some gradual relief for our lower tier oil with

time. But under this proposal, the decline method, we

have no potential at all.

So all I can report back is that we know a little

more than we did last month at this time except that the

FEA has said they want to decide once and for all the

carry-through from March 1, the full 39 months, of what

the future pricing will be so that people will know.

So before you, again, we have carried over the

Fifth Modification. Again, you have two proposals at that

time depending on the action of the FEA. Again, we would

recommend that, we think consistent with Commission policy,

that you take the second alternative in there which is to

transfer funds within the budget instead of augmenting the

budget.

ACTING CHAIRMAN BELL: Right.
MR. THOMPSON: And this is to handle primarily the additional funds for mineral rights and personal property taxes in the area. We handled some of it last time at your directive, and the Executive Officer transferred funds in the amount of about four or five hundred thousand dollars if you ratify that action from last month, and we would recommend you approve the 1B part and the part 2 of our proposal.

ACTING CHAIRMAN BELL: Does that present an interest problem on the personal property tax?

MR. THOMPSON: It's a combination of both mineral rights and personal --

EXECUTIVE OFFICER NORTHROP: Mining rights and personal.

MR. THOMPSON: And we already took care -- well, I take that back. And also business license tax; City of Long Beach increased the business license tax.

EXECUTIVE OFFICER NORTHROP: This recycles back.

MR. THOMPSON: This recycles back so it has no impact on title.

So we would recommend, then, that you approve 1B proposal and the ratification of the Executive Officer's action as Item 2.

ACTING CHAIRMAN BELL: Are there any remarks from anyone in the audience in opposition to this recommendation?
I assume that the City of Long Beach is --

EXECUTIVE OFFICER NORTHROP: The City of Long Beach is represented today.

MR. AUGUST: Yes. My name is George August. I'm a Deputy City Attorney for Long Beach. We are in accord with the choice of 1B on this proposal.

ACTING CHAIRMAN BELL: Thank you.

All right. Are there any questions by Members of the Commission? If not -- do you have a question?

MR. PELKOFER: No.

ACTING CHAIRMAN BELL: May I have a motion.

MR. PELKOFER: I move that we adopt the recommendation of staff.

ACTING CHAIRMAN BELL: All right, on the Fifth Modification.

MR. McGUIRE: Second.

ACTING CHAIRMAN BELL: I have a second. All those in favor say aye.

MR. PELKOFER: Aye.

MR. McGUIRE: Aye.

ACTING CHAIRMAN BELL: Aye.

Opposed? (No response.)

It's unanimously approved.

MR. THOMPSON: May we then add these additional phraseology here because, in effect, we are modifying the
Plan. I wonder if we could incorporate this statement you see outlined in red as part of the Commission's policy.

EXECUTIVE OFFICER NORTHCROP: The language being:

"By the transfer of Budget funds from Development Drilling and Operating Expenses, the Commission is in fact modifying the Plan of Development and Operations toward a lower level of drilling and operational activity. This modification of Plan is necessitated by the Federal Energy Administration's failure to relieve the freeze on December 1973 crude oil prices."

ACTING CHAIRMAN BELL: Well, that more or less corresponds to the testimony we've had.

MR. THOMPSON: The reason for this is that actually you had earlier adopted the Plan, and we want to make sure everyone realizes, in effect, we are modifying some part of that Plan.

ACTING CHAIRMAN BELL: Without objection by Commission members this amended language will be incorporated in the initial motion.

MR. THOMPSON: Thank you. I'll take a few more seconds and cover the Parcel A Information Items on later on.

This other curve is Parcel A production curve
and, again, you were in exactly the same situation under the proposed pricing rules as before; that we have spent money to flatten the decline out, but we can only get above this decline method here which is very difficult for us. We will probably triple that, and that leaves us in exactly the same situation. And again, as far as the benefit of this, roughly for every 25 cents fuel oil price increase there results about 10 million dollars for statewide use. That's the dollar impact.

ACTING CHAIRMAN BELL: Hopefully.

MR. THOMPSON: Hopefully. Conversely, if we do not get a crude oil price increase and, in effect, inflation reduces the price of crude oil, every apparent reduction that way loses 10 million dollars to the State for every 25 cents inflation reduction.

EXECUTIVE OFFICER NORTHROP: Thank you, Mr. Thompson.

ACTING CHAIRMAN BELL: All right, that completes Item 20.

Item 21.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 21 is kind of unique on the calendar in the fact it's not asking for approval of anything but a sense of endorsing a concept or a sense of the Commission on a willingness to issue a lease to Walter M. Harvey and F. Brett Stauffer on a parcel of land in the Old Sacramento area in which to
locate, among other things, a stern-wheeler restaurant

to be called as I understand it, the "Mark Twain." Rental

on this would be, after April 30th of '77, 2,800 a year

plus a through-put of one percent of the gross sales.

If the Commission has no objection to that, we would like

to get your expression on that.

ACTING CHAIRMAN BELL: Well, the use of the

word "through-put" is just --

(Laughter.)

EXECUTIVE OFFICER NORTHP: Well, that was -- I

saw the Attorney General who has been working on through-

put in the back of the room, and I thought I'd just do that
to make him feel good.

ACTING CHAIRMAN BELL: Perhaps we would interpret

the remark slightly differently.

All right. It's a question of a 19-year commercial

lease, but the fact that we get the one percent on gross

sales, in effect, is a sort of a replacement of the normal

renegotiation at five years; is that correct?

EXECUTIVE OFFICER NORTHP: That's correct.

ACTING CHAIRMAN BELL: Any objection by Members?

All right. Without objection, Item 21 is approved.

Item 22.

EXECUTIVE OFFICER NORTHP: This is an authoriza-
tion, Mr. Chairman, and Members, to institute trespass
litigation or at least litigation against R. H. Pelham on the Sacramento River, Tehama County, to collect back rent.

ACTING CHAIRMAN BELL: Collect back rental. Any problems? Any objections? If there are no objections, Item 22 will be approved.

Item 23 you said was off the Calendar?

EXECUTIVE OFFICER NORTHROP: Off the calendar because the Attorney General wants to take a look at it.

ACTING CHAIRMAN BELL: All right. Item 24, to authorize cession and retrocession of concurrent jurisdiction to the United States over the Naval Support Facility, Terminal Island, Long Beach, Los Angeles County.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we have a unique situation here where on this particular facility there are geographic areas within it which are either State or Federal. We're asking that jurisdiction be -- that either State or Federal have jurisdiction in these areas, so we're willing to give to them, they are willing to give to us this jurisdiction authority. This mainly will have -- Mr. Counsel, would you care to speak to this?

MR. HIGHT: This allows -- in the past there has been some confusion as to which area there was exclusive State jurisdiction and which area there was exclusive Federal, and this clears up any problems and allows concurrent
jurisdiction in the entire area.

ACTING CHAIRMAN BELL: All right. Now this is concurrent?

MR. HIGHT: Right.

ACTING CHAIRMAN BELL: So that means both of us have jurisdiction --

MR. HIGHT: Right.

ACTING CHAIRMAN BELL: -- as opposed to exclusive?

MR. HIGHT: Right.

MR. MCGUIRE: No objection.

MR. PELKOFER: No objection.

ACTING CHAIRMAN BELL: All right. Without objection, then, Item 24 is approved.

We now come to the section on permits, easements, rights-of-way granted. Item 25, California Department of Fish and Game.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, this is a 66th year public agency lease for wildlife and a study and management and protection. It's a Public Use permit for the Department of Fish and Game. Counsel has a language he would like to add to the resolution.

MR. MCGUIRE: Mr. Bell will be back in just a second.

MR. HIGHT: Okay. I would like to amend the resolution on page 100 to add the language that I'm going
to read to be Number 4, and Number 4 would then become Number 5. Number 4 would then read:

"Find the permit is categorically exempt under 14 Cal. Adm. Code, Sections 15107 and 15108, and to Cal. Adm. Code, Section 2907, Classes 7 and 8."

This was an omission that we didn't put in the original resolution.

MR. McGuire: Any objections to the resolution as amended?

MR. Pelkofier: I have no objections.

MR. McGuire: No objections, so move.

The next Calendar Item, Number 26.

EXECUTIVE OFFICER NORTHROP: The City of Stockton is asking for a 30-inch sewerage line crossing. They met the environmental standards.

MR. McGuire: Any objection of Calendar Item Number 26?

MR. Pelkofier: No objection to Item Number 26.

MR. McGuire: Any comments, by the way, on any of these as we go. No objection? Passed.

Next, Calendar Item Number 27.

EXECUTIVE OFFICER NORTHROP: Item 27 is an application by Phillips Petroleum Corporation for some product lines.
The Chairman of the Commission in discussing it with staff wonders if Phillips Petroleum -- there is a representative for Phillips in the audience, because the question was raised just very recently as to why if Phillips is divesting itself from all pipelines, they are now applying for a pipeline. And we understood they were told to divest, and we just want the question raised as to why.

MR. JENSEN: Commissioners and staff, my name is Richard S. Jensen, Counsel for Phillips Petroleum Company.

The reason we are applying for this renewal as well as the renewal on Calendar Item Number 29 is because the basic terms of these leases expired, I believe, last fall, and we are protecting our interest in the event that for any reason the transaction as presently contemplated fails to close.

EXECUTIVE OFFICER NORTHROP: Okay. That answers the question that was raised earlier.

MR. PELKOFER: Is there any reason why they have to be 25-year leases on that basis, or is that just customary? Staff or somebody.

EXECUTIVE OFFICER NORTHROP: That's customary on this.

MR. PELKOFER: You don't find any objection on
that considering the answer the gentleman from Phillips
gave us?

EXECUTIVE OFFICER NORTHRUP: If Phillips maintains
that we have a right to go through-put, and we're sure
that Phillips won't object to a through-put concept either.

MR. PELKOFER: Then I don't have any objection.

MR. MC GUIRE: The Controller's questions were
answered?

MR. PELKOFER: Yes.

MR. MC GUIRE: With no objection, so move.

Calendar Item 29.

EXECUTIVE OFFICER NORTHRUP: This is an assignment
of a lease, commercial lease, from Alan Lewe to Gaylen
R. Marquardson. Seem to be no objection to this.

MR. PELKOFER: You're on 28 or 29?

EXECUTIVE OFFICER NORTHRUP: 28.

MR. PELKOFER: I have no objection.

(At this point Mr. Bell returned.)

EXECUTIVE OFFICER NORTHRUP: Item 29 is where we
are?

MR. MC GUIRE: Yes. Calendar Item Number 29.

EXECUTIVE OFFICER NORTHRUP: Did we approve 28?

ACTING CHAIRMAN BELL: Item 28 I have no problem
with if the Commission does not.

MR. PELKOFER: No problem.
ACTING CHAIRMAN BELL: All right. Item 28 is approved.

Item 29.

EXECUTIVE OFFICER NORTHROP: Item 29, Mr. Chairman and Members, this is a thing that's bothered the Chairman -- Commissioner Cory to a great degree, and staff is at a loss to explain why the Gulf Oil Company, GITCO, who is not normally in the coke business is being apparently subsidized in the coke business by the Chicago First National Bank which happens to be the bank of ARCO to put them in the coke business. And Mr. Cory's raised some questions as to why this circumstance exists, and staff has been talking to Mr. Lyon, I believe, Mr. Jim Lyon from TOSCO, in this regard and --

MR. TAYLOR: John D. Lyon.

EXECUTIVE OFFICER NORTHROP: John D. Lyon, L-y-o-n, in this regard. To this date, staff has been unable to come up with any answers that appear to answer this question, and I wonder if Mr. Lyon -- Mr. Cory has asked that we raise the question again before we approve this item.

ACTING CHAIRMAN BELL: All right. Mr. Lyon, would you like to comment -- or whoever is here -- would like to comment on the question which Mr. Northrop raised which apparently Mr. Cory was concerned with.

MR. JENSEN: Mr. Chairman and Commissioners, I
don't believe that Mr. Lyon is present at the meeting.

ACTING CHAIRMAN BELL: I see. He's not here right now.

MR. JENSEN: No --

ACTING CHAIRMAN BELL: Can you speak for him?

MR. JENSEN: -- but I think I can respond generally to it. While you were out I explained my name is Richard S. Jensen. I'm Counsel for Phillips Petroleum Company.

This is part of the financing arrangements whereby TOSCO and its wholly-owned subsidiary, Lyon Oil Company, are acquiring the assets from Phillips Petroleum Company pursuant to an order to divestiture entered into by the United States District Court, Central District, California. It's really not, as far as I'm concerned, a subsidy of anyone. What's really happening here is that the First National Bank of Chicago as part of some other financing arrangements is going to make a loan to Lyon Oil Company for about ten million dollars which note will be guaranteed by Gulf International Trade Inco., a wholly-owned subsidiary of Gulf Oil Company. As part of that transaction, GITCO, Gulf International Trade Inco., acquires a supply of petroleum coke from the Avon refinery. It gets a favorable price on the supply and then, as I understand it, their plans are to market the petroleum coke to purchasers of it.
And I can't respond to the exact reasons why they're willing to go into it, but apparently it's an arms-length business arrangement as far as I know.

MR. MCGUIRE: That didn't seem to answer your question but rather raise it.

MR. PELKOFER: That was kind of my feeling, too. I don't know, Mr. Chairman, if this is appropriate, but I think since Mr. Cory has a question and I wasn't fully briefed on where he was at this point, in his behalf I would like to see that matter put over until he is present and see if we can get some answers to his questions.

MR. JENSEN: Excuse me. Is it possible that I could answer some more specifics?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr. Lyon from TOSCO was asked to be here specifically today to answer this question.

I think you made it very clear to him, didn't you, Jim, that we were going to raise these questions?

MR. TROUT: Mr. Lyon talked to Mr. Cory.

EXECUTIVE OFFICER NORTHROP: Oh, he did directly?

MR. TROUT: Yes, so I don't know the answer to that.

EXECUTIVE OFFICER NORTHROP: Okay, fine.

MR. PELKOFER: When I spoke with him this morning, apparently Mr. Cory didn't have his answers, so I would be
in the same position that I am that I'd like to see that 
done until he gets an answer to his question.

MR. McGUIRE: What does this do? I mean is there 
any reason why --?

MR. JENSEN: Yes. This part of the financing 
is critical for the consummation of the closing. Closing 
is scheduled for April 1st. It may seriously prejudice 
our ability to close this transaction on time.

EXECUTIVE OFFICER NORTHROP: As Counsel explained 
it to me, the alternative, do you want to go into that?

MR. JENSEN: May I say this, too, that -- I don't 
know if Mr. Trout or the staff has advised you, but we wish 
to delete items -- recommendations items 4, 5, 6, 7, and 8 
from this Calendar Item which relate to the GITCO financing 
as we had advised the staff it would be some time ago.

EXECUTIVE OFFICER NORTHROP: It has been deleted.

MR. JENSEN: It has been deleted, fine.

EXECUTIVE OFFICER NORTHROP: The question is still 
there, however.

MR. JENSEN: But let me say that Gulf International 
Trade Inco. will not have any interest in this property, 
and so while you ask the question, I wonder --

EXECUTIVE OFFICER NORTHROP: Why do they want to 
guarantee it if they have no interest?

MR. JENSEN: I think I responded to that in part,
that they are getting as part of the package a supply of petroleum coke.

Mr. PelkofeR: Well, I wish I knew the more exact and appropriate questions to get the answer that Mr. Cory wants, but under the circumstances I don't -- since I wasn't completely briefed, I'm afraid I'm going to have to stay with my position on this.

Mr. Jensen: Just a minute.

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

Acting Chairman Bell: Mr. Northrop.

Executive Officer Northrop: Yes, sir.

Acting Chairman Bell: May I ask a question?

Executive Officer Northrop: Yes, sir.

Acting Chairman Bell: If instead of adjourning this meeting we recess this meeting and take this item up again tomorrow as a continuation of this meeting so that we don't louse up any April 1st deadlines or whatever, so that or perhaps after the Executive Meeting.

Executive Officer Northrop: Or perhaps if we could delay this until the end of the Calendar, we may be able to get Mr. Cory to come up here.

Acting Chairman Bell: Okay. That might solve it. I'll tell you what, then. Let's put Item 29 on at the end of the Calendar, and maybe we'll get some answers in between.
MR. JENSEN: Thank you.

ACTING CHAIRMAN BELL: Okay, fine. Thank you, Mr. Jensen.

Item 30, Kenneth E. and Ursula Grimes.

EXECUTIVE OFFICER NORTHROP: This is a commercial lease, Mr. Chairman. This Grimes is no relation to Grimes on our staff.

ACTING CHAIRMAN BELL: All right. No objection?

MR. McGUIRE: No objection.

MR. PELKOFER: No objection.

ACTING CHAIRMAN BELL: Item 30 is approved.

Item 31, Paul R and Mary Reed.

EXECUTIVE OFFICER NORTHROP: This is another commercial lease, Mr. Chairman. Staff has arranged the rental to be in line.

ACTING CHAIRMAN BELL: All right. Without objection, Item 31 is approved.

Item 32, the 4-Jay Investments, dba Rio Ramaza Marina.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a Sacramento River marina, and there's no objection in the rental rates.

ACTING CHAIRMAN BELL: All right. Without objection, Item 32 is approved, and we now go to Item 33 which is off-calendar.
Item 34, Burmah Oil and Gas Company.

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, for the record I'd like to just read a paragraph from Burmah Oil requesting "withdrawal of our application to drill well number UJ-269. The economics of drilling this well have seriously been affected by the recent Federal Oil Administration pricing regulation. UJ-269 does not now meet Burmah's criteria for acceptable investment."

This loss to us alone, Mr. Chairman, is $187,000 in royalties by this FEA action.

ACTING CHAIRMAN BELL: Thank you. I would like to have the minutes indicate the presence of that letter in response to Item 33 and the reason for which it's being pulled off.

EXECUTIVE OFFICER NORTHPROP: All right. Thank you, Mr. Chairman.

ACTING CHAIRMAN BELL: All right. Item 34, Burmah Oil and Gas Company.

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, Item 34 is a drilling of a well that staff and Burmah considers is economic, and it will do nice, good things for us.

MR. PELKOFER: No objection.

ACTING CHAIRMAN BELL: All right. Without objection, Item 34 is approved.

Item 35, Standard Oil Company of California.
EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, under separate cover earlier this week or late last week, you received a draft Environmental Impact Statement. We are now asking for authorization to hold a hearing in Santa Barbara on May the 8th, Board of Supervisors, Hearing Room; I believe the time starting is 9:00 a.m., at which we will receive public comments on this EIR.

ACTING CHAIRMAN BELL: All right. What we have before us is authorization to -- for the staff to hold a public hearing on this draft Environmental Impact Report concerning the resumption of drilling operations on certain State oil and gas leases by Standard Oil.

EXECUTIVE OFFICER NORTHRUP: Right. On four existing items.

ACTING CHAIRMAN BELL: Four existing items. All right.

MR. PELKOFER: No objection.

ACTING CHAIRMAN BELL: We are authorizing here the public hearing. Without objection, Item 35 is approved. Item 36, Exxon Company.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, this is a dredging permit for Exxon Company to do some channel dredging from 80,000 to 400,000 cubic yards at 15 cents a cubic yard.

ACTING CHAIRMAN BELL: Fifteen cents a cubic yard?
EXECUTIVE OFFICER NORTHPROP: Yes, sir.

ACTING CHAIRMAN BELL: Without objection, Item 36 is approved.

I'm assuming if anyone in the audience doesn't like an item, that they'll sort of yell or let me know or something.

Item 37, Industrial Mineral Ventures, Inc.

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, this is a lease for the extraction of clay at a ten-year period at a percentage of the sales price -- my, how many times we're coming that up today -- at a minimum 40 cents a ton. Staff has indicated that this is for a ten-year basis. The Industrial Mineral Ventures, Inc., had indicated they would like to have it for a longer period of time. They may wish to address the Commission. I do not have a notification here from them officially.

ACTING CHAIRMAN BELL: Is there anyone here representing this outfit?

MR. TILDEN: Yes, sir. My name is Bill Tilden. I'm an attorney representing IMV.

We have just a brief comment. We had applied originally for twenty years. We did feel that that was a reasonable length of time in light of the necessity of investment in that area and development of the lease area. We would submit that the twenty years is still an appropriate
length of time. We have not as yet had an opportunity to review the recent draft of the lease, and for that reason we can't comment on the exact parameters of the lease nor can we really discuss the terms of it intelligently.

We would make one comment, and that is that we feel it would be most appropriate to have the term of the lease dependent not on the arbitrary date set now, but rather on the date of signature of the lease. The reason for this is that it's been some time in coming, and we anticipate that probably the lease will be some time in being signed; and this would be even more appropriate if the ten-year period is to be the length which finally is agreed upon. But we would request that the Board certify the compliance with the EIR and also approve the EIR as formulated.

ACTING CHAIRMAN BELL: All right.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, staff feels --

ACTING CHAIRMAN BELL: Mr. Northrop, any comment?

EXECUTIVE OFFICER NORTHROP: Staff feels that in the light of the future shock, the way things are running on resources, that ten-year period is more than -- is an adequate period, and staff has no problem with ten years from time of signature, but anything longer than that is --.

ACTING CHAIRMAN BELL: All right. May we modify
this and say ten years from the time of signature?

EXECUTIVE OFFICER NORTHRUP: Fine.

ACTING CHAIRMAN BELL: Any objection?

MR. PELKOFER: No objection.

MR. McGUIRE: No.

ACTING CHAIRMAN BELL: All right. The action of the Board will be amended that way.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, I think we ought to put some kind of a cut-off, one year cut-off.

ACTING CHAIRMAN BELL: All they have to do is wait ten years and then sign the lease, and they've got twenty years.

EXECUTIVE OFFICER NORTHRUP: Twenty years, that may well be.

ACTING CHAIRMAN BELL: All right. Let's have it a one year cut-off.

EXECUTIVE OFFICER NORTHRUP: Okay, fine. If it's not signed within one year, it's --

ACTING CHAIRMAN BELL: If it's not signed within one year I think it ought to come back.

MR. TILDEN: I think there is an additional item with respect to the length of the lease, and that is that in the comments -- now, I haven't seen the final draft of the lease. I understand that it is now drafted and in the
hands of the Lands Commission. However, it was my understanding there would be a provision in the lease that if there was substantial changes in either environmental or other considerations that the lease could be reconstituted in terms of what could be done under it and, in the final analysis, terminated. This seems to give the State significant control in this area, even more significant than, perhaps, a ten-year termination date would give. In that regard I would ask that that be considered when considering the effect of granting the longer term of twenty years.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in light of the fact that this lease is the only consideration this lease Counsel tells me is the mining royalty, there is no performance guarantee, that I guess if it's not mined, it's not paid, it's not a lease.

MR. TAYLOR: I think that the changing provision is the changing rules and regulations of the Commission that you're objecting to, not changing the lease over the period of time; but whether this lease would be subject to the evolving regulations that are -- from time to time may be changed for the protection of the resource, and that's what the objection is addressed to. Am I correct in that?

MR. TILDEN: Yes.

MR. PELKOFER: I'm confused at this point. Are we
saying that you've got a clause built into a lease that
says that if the Commission changes some rule or regulation
that affects the resource involved, then that rule or
regulation will also apply to the lease, and that's the
objection?

MR. TILDEN: Yes.

MR. TAYLOR: The State may prescribe in its rules
and regulations those conditions it deems to be necessary
for the protection of any mineral resources.

ACTING CHAIRMAN BELL: We're saying if clay becomes
a scarce commodity and we don't want them to mine it any
more, that we can close it off by regulation.

MR. TAYLOR: For the protection of other minerals,
not clay.

ACTING CHAIRMAN BELL: I'm sorry.

MR. PELKOFER: Is that pretty standard in this
type of agreement?

ACTING CHAIRMAN BELL: The lease is for clay
extraction, is it not?

MR. TILDEN: That's correct.

MR. PELKOFER: The lease is not yet signed; is that
right?

MR. TAYLOR: That is right.

MR. PELKOFER: So if they object to that particular
item they can either negotiate it or refuse to accept the
lease, period.

MR. TAYLOR: I think that's the lease as it is before you at this time. Either that or we should put it over for another month and try to work this provision out.

ACTING CHAIRMAN BELL: I'm inclined to put it over and make sure what we're doing. I don't like to act on something that I'm up in the air as to what we are doing. What does that do to you?

MR. TILDEN: This part of it is not of particular concern to us except for the fact that we would like to bring this matter to a head. We've been quite some time getting to this point. I would like to see --

ACTING CHAIRMAN BELL: I don't like to hold you up either.

MR. TILDEN: -- that there would be certification of compliance with the California Environmental Quality Act and also approval of the EIR at this point.

ACTING CHAIRMAN BELL: Do you have any other permits or permission that you have to obtain from other agencies? Mr. Taylor.

MR. TAYLOR: Mr. Bell, Mr. Goldstein has worked on this item with Mr. Bray, the staff counsel, and I think that his clarification might help you with regard to this one item.
MR. GOLDSTEIN: Mr. Commissioner, I believe the statement he's referring to reads as follows:

"The State may prescribe in its rules and regulations those conditions it deems necessary for the protection of other mineral resources."

ACTING CHAIRMAN BELL: Other mineral.

MR. GOLDSTEIN: Other mineral resources, not clay. We're not attempting to take away their right to extract clay pursuant to the lease.

I might give an example. Perhaps the Commission could decide in its rules and regulations that a certain kind of machinery was inappropriate for use in this desert area and would require in its rules and regulations that other methods be found. This would have to come before the Commission as a proposed change to the rules and regulations, There would have to be a hearing on it, and the applicant could, of course, have any say at the public meeting at that time as to his position on it. I do not believe in any event it would limit his right to extract clay minerals for which this lease is granted.

MR. PELKOFER: If I understand the gentleman, he's using this argument to say that we really ought to consider twenty years, because if we start imposing some rules and regulations it might affect his economic picture,
and he'd rather have a longer term.

ACTING CHAIRMAN BELL: Covering your front money or something?

MR. PELKOFER: Is that where you're at?

MR. TILDEN: That's correct.

MR. MCGUIRE: Why do you anticipate a delay between this meeting and the signing of that contract; just for you to review the contract?

MR. TILDEN: I suppose that my basic reason would be past history of this particular lease application and prospecting permit. It has taken significant time to get to this point.

MR. MCGUIRE: It seems to me, though, that if the lease is before the Commission now and is satisfactory to the Commission, then the only hold-up would be whether or not you sign it in which case it would be in your own hands anyway.

MR. TILDEN: That's correct. I would have no objection to the Commission going ahead and authorizing the lease to be issued, and upon our review of it and then signature, it then could become the document. I wanted to simply make clear that, in fact, we were quite concerned about the twenty-year period. We were concerned about it for several reasons, those of which I've indicated and those that you've asked questions on. I wanted to simply
explain that. After we've reviewed the document, we may
well be able to sign it and end the situation.

MR. McGUIRE: It seems to me you don't have to
sign it if you want to come back.

ACTING CHAIRMAN BELL: I assume you would have
the right to appeal if you didn't want to sign it and wanted
to come back for something different.

MR. TILDEN: I believe that's correct.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, they
have a right to five-year renewals without any --

ACTING CHAIRMAN BELL: Okay.

MR. GOLDSTEIN: Mr. Chairman, let me indicate one
more thing. The statute that authorizes the issuance of
this lease clearly places it within the discretion of the
State Lands Commission to issue the lease for a period not
to exceed twenty years. With that in mind and having
reviewed the lease provisions and the procedures in the
applicant's plans, the staff has made a decision that ten
years is the appropriate time period.

ACTING CHAIRMAN BELL: Thank you. I sense that
neither of you have a problem with Item 37.

MR. PELKOFER: No.

MR. McGUIRE: No.

ACTING CHAIRMAN BELL: All right. Without objection,
then, Item 37 will be approved by the Commission, and then
we'll either hear back from you or not, Mr. Tilden.

MR. TILDEN: Fine. Thank you, Mr. Chairman.

ACTING CHAIRMAN BELL: Now, on geothermal resources, Item 38, Union Oil Company of California, Magma Power Company, Thermal Power Company.

EXECUTIVE OFFICER NORTHROP: This is approval of well, DX-2 in the Geysers Steam Field.

ACTING CHAIRMAN BELL: Geysers?

EXECUTIVE OFFICER NORTHROP: Yes, sir.

ACTING CHAIRMAN BELL: Without objection, Item 38 will be approved.

Item 39, granted tide and submerged lands.

MR. SUTER: I have a comment I'd like to make on Item 38. Is that --

EXECUTIVE OFFICER NORTHROP: Oh, excuse me. I beg your pardon. There is a gentleman here, Vane E. Suter, and I apologize.

ACTING CHAIRMAN BELL: Mr. Suter, we are going to rescind our action of Item 38 and listen to you.

MR. SUTER: Okay. Now, I'd like for it to be approved. I asked to speak for a minute after you'd taken your vote, and I thought you had taken your vote.

ACTING CHAIRMAN BELL: I'm sorry. I'm going to rescind the rescission.

MR. SUTER: My purpose --
ACTING CHAIRMAN BELL: Without objection, Item 38 now stands approved.

MR. SUTER: Thank you. My name is Vane Suter. I'm the District Manager for Union Oil's geothermal operation at the Geysers, and I'd like to take this opportunity to make an appeal for help in cutting through some of the red tape that's slowing down our geothermal development.

In order to drill a geothermal well on State lands we need to get five major permits: One from the County, one from the Air Pollution Control District, one from the regional Water Quality Control Board, one from the Division of Oil and Gas, and one from State Lands.

All right. These two wells in question, we started this permit process back in July of 1975, and in two months, by September '75, we had four of those five permits and the only permit we did not have is the one we just got. And that was back in September '75, and for the last six months we've been trying to get to this point of having this hearing set.

ACTING CHAIRMAN BELL: Mr. Suter, now I see why you wanted the vote taken before you spoke.

MR. SUTER: That's right. My concern is that during the last six months, what's been going on. There haven't been any issues to resolve. There's no environmental impact involved at all because these wells aren't even on
State land. They happen to be off State land and they're going to be drilled underneath.

What's been going on for the last six months is that between the three parties, which is Sonoma County, the State Clearinghouse, and the State Lands staff nobody could figure out exactly what needed to be done next. And I'd like to make an appeal to try to get that situation improved.

We have a recommendation, and we're going to propose a change to CEQA that would call for a fixed time table with deadlines that need to be met, and that if the deadlines were not met, that this constitute automatic approval. We're going to be proposing such an amendment to current CEQA legislation that's in the mail, and we'd like to ask for the support of this Commission for those proposed changes.

ACTING CHAIRMAN BELL: Mr. Suter, it isn't necessary now, because now that we've done this one, we know how to do it and we won't hold it up any more.

MR. SUTER: Well, I hope that's true. I hope to be back next month with a permit that was started in October of last year, so it's getting better.

Thank you kindly.

(Thereupon a brief recess was taken.)

ACTING CHAIRMAN BELL: All right. Back to the
real world.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
would like to --

ACTING CHAIRMAN BELL: Mr. Northrop.

EXECUTIVE OFFICER NORTHROP: -- respond to
Mr. Suter's criticism of the staff and the fact that the
County of Sonoma ran the report all the way through without
going through CEQA, and we could not work with this report
without going to the Clearinghouse. So that's what happened.
We had to take it back to the Clearinghouse. We apologize
to --

ACTING CHAIRMAN BELL: Doubled up on the time.

EXECUTIVE OFFICER NORTHROP: -- Mr. Suter. However,
local entities are local entities, and we don't try to tell
them what to do despite Mr. McConnel's -- notwithstanding
Mr. McConnel's comments this morning.

ACTING CHAIRMAN BELL: You got that one in,
didn't you?

EXECUTIVE OFFICER NORTHROP: Couldn't let him
get away.

ACTING CHAIRMAN BELL: Item 39, grant to tide
and submerged lands, approval of description and maps of
the tide and submerged lands the State transferred to the
San Diego Unified Port District.

EXECUTIVE OFFICER NORTHROP: We must by legislation
map it, and we have and we're reporting this to the Commission.

ACTING CHAIRMAN BELL: And we have finally, since 1962, concluded the mapping. Gee, if they thought six months was bad, this one has been fourteen years.

EXECUTIVE OFFICER NORTHRUP: Well, they didn't have Mr. Suter on their side.

MR. TAYLOR: There was a lawsuit involved in this.

ACTING CHAIRMAN BELL: I know. I'm kidding.

Gentlemen, is there any objection?

MR. PELKOFER: No objection.

ACTING CHAIRMAN BELL: If no objection, Item 39 is approved.

Item 40. This is a moratorium.

EXECUTIVE OFFICER NORTHRUP: In the past year the Commission has recommended a Environmental Impact on all the recreational piers in Huntington Beach. That's been done, and we're requesting lifting the moratorium on leasing recreational boat permits.

MR. PELKOFER: No objection.

MR. McGUIRE: No objection.

ACTING CHAIRMAN BELL: Without objection Item 40 is approved.

Item 41, boundary line agreement.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, Mr. Bob Hight from our staff will speak to that.
MR. HIGHT: This is the execution of a boundary line agreement at Marina Lagoon.

ACTING CHAIRMAN BELL: San Mateo County?

MR. HIGHT: San Mateo County, and everybody's in agreement.

MR. TAYLOR: I have two comments to make in regard to this.

ACTING CHAIRMAN BELL: Mr. Taylor.

MR. TAYLOR: Mr. Chairman, the real party and interest in this boundary line agreement will be Security Savings and Loan Association. Mr. Berryman has an option to acquire the property. Whether it's actually an interest which will require a signature on the boundary line agreement will be dependent upon a title report which is in process; but I would like to disclose that there may be several other parties including Security Savings and Loan.

ACTING CHAIRMAN BELL: Does the et al include -- is that inclusive enough?

MR. TAYLOR: I think it is, and that's why we didn't change the calendar item, but we want to make it clear for the record that the primary party in this agreement is Security Savings and Loan Association.

ACTING CHAIRMAN BELL: Thank you.

MR. TAYLOR: The second item is that it is contemplated that at next month's Commission meeting we will
have a lease of the area to be obtained by virtue of this boundary agreement transferred to the City of San Mateo. There has been legislation introduced to amend the grant of land to the City of San Mateo in trust, and because there will be a number of permits to be processed for piers, it would appear that since the city already has a procedure set up, it would be easier for the city to continue that procedure in this portion of Seal Slough which is not in the grant. So there will be for the Commission's consideration at the next meeting an interagency lease of this area if this transaction is closed and we have title to the property by that time.

ACTING CHAIRMAN BELL: Thank you, Mr. Taylor. Without objection --

MR. PELKOFER: No objection.

ACTING CHAIRMAN BELL: -- Item 41 will be approved.

Item 42, report of investigation of substantial compliance.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, last month the staff had on the calendar, put it over this failure of the City of Carlsbad to substantially improve the tidal-lands, and the staff is recommending that the grants revert to the State of California.

ACTING CHAIRMAN BELL: All right. As I understand it, the City of Carlsbad is not opposed to that action.
EXECUTIVE OFFICER NORTHROP: They are not appearing.

ACTING CHAIRMAN BELL: They are not appearing.

MR. TROUT: They are not opposed.

EXECUTIVE OFFICER NORTHROP: They are not opposed.

All right, fine.

ACTING CHAIRMAN BELL: All right. Without objection, Item 42 is approved.

Item 43, multiagency hearing procedure.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a multi -- asking the Commission to endorse a multiagency hearing concept in connection with a major industrial development in the Collinsville area which will include Dow Chemical. There been some criticism. Mr. Suter is not alone in criticising the length of time. In an attempt to do this we were trying to put together a multiagency hearing to expedite this sort of thing.

However, I would like on this same matter to recommend that this -- that we take a hard look -- the Office of Planning and Research take a hard look at this entire area to see what's going in in the long run.

ACTING CHAIRMAN BELL: I can assure you they are.

EXECUTIVE OFFICER NORTHROP: Good.

MR. PELKOFER: No objection.

ACTING CHAIRMAN BELL: All right. Without objection, Item 43 is approved.
Item 44.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a -- well, I'll let the lawyers explain this.

MR. HIGHT: Mr. Chairman, this is an action to protect the state's interest in some land which Hamilton Air Force Base is going to declare excess April 1st. It is the contention of the staff that this land should rightly revert to the State Lands Commission, and we want to have authorization to properly protect this interest.

ACTING CHAIRMAN BELL: Well, okay. This would authorize the AG to institute --

MR. TAYLOR: It's my understanding the suit won't be immediately initiated. We won't have the authority to do so. We'll try to talk to them further, but if that is unsuccessful or if they initiate a time sequence of events that would not permit us to get back to the Commission, we want the authority to bring this suit immediately.

ACTING CHAIRMAN BELL: All right. Item 44 to authorize, without objection is approved.

Item 45.

MR. HIGHT: Yes, Mr. Chairman. The City of Morro Bay desires to institute quiet title action to protect some public interest within Morro Bay, and the statute requires that the Commission be made a party to this action, and this authorizes us to become a party to that action.
MR. PELKOFER: Do I understand correctly if we don't join as a plaintiff we'll be added as a defendant?

MR. HIGHT: Yes.

MR. PELKOFER: Okay. No objection.

ACTING CHAIRMAN BELL: We're choosing sides.

MR. PELKOFER: Right.

ACTING CHAIRMAN BELL: All right. Item 45 is approved without objection.

Item 46.

MR. HIGHT: Item 46, Mr. Chairman, is the settlement of a lawsuit. Construction Aggregates Company has a lease with the State Lands Commission. The City of San Francisco -- a mineral lease. The City of San Francisco issued a similar mineral lease to Unqua River and Navigation Company, and the two had a disagreement over what rights each had, and this is a settlement of that.

ACTING CHAIRMAN BELL: This is a settlement of that report.

MR. McGUIRE: No objection.

ACTING CHAIRMAN BELL: Without objection, Item 46 is approved.

Item 47, Anza Pacific.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this has other litigation aspects and the possibility. I'd like to have the Attorney General discuss this with you.
MR. TAYLOR: Mr. Chairman, some years ago we made a settlement of some title and boundary problems, and had our title confirmed to some land which was then leased back to Anza Pacific Corporation to operate. There are a good number of outstanding bonds against the property. Anza Pacific Corporation now desires to go out of business, go into a liquidating trust and to assign the assets.

This agreement is to protect our interests and to get a reaffirmation of all the obligations to pay the bonds; the Trans-America Title Insurance Company, Anza Pacific Corporation, and the liquidating trust. We will have to present to you for your approval subsequent assignments out of the liquidating trust. There are also provisions that if the liquidating trust will not do certain -- will not make assignments of these assets to certain parties, and there is a provision that if anything defaults that we get immediately paid off. We get some pay-offs as they're due.

ACTING CHAIRMAN BELL: Guaranteed by Trans-America?

MR. TAYLOR: Trans-America.

MR. McGUIRE: No objection.

ACTING CHAIRMAN BELL: Without objection, Item 47 is approved. We're down to three items.

Item 48, status of major litigation.

MR. TAYLOR: I think we can cover that in Executive
Session.

ACTING CHAIRMAN BELL: Fine.

Item 49, review of the second quarter fiscal year production revenue, Parcel A.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr. Thompson did that earlier.

ACTING CHAIRMAN BELL: He already covered it, so that is done.

And Item 50, the last item on the agenda, approval and modification of San Francisco grant maps with respect to military reservation shown and identified with the Marin County boundary line.

MR. HIGHT: Yes, Mr. Chairman. The grant to the City of San Francisco required that we map that grant. There has become, now, a dispute as to owns 300 yards around each military reservation, and the maps now reflect this disagreement so our position is made whole and unprejudiced.

ACTING CHAIRMAN BELL: We're approving the modification of those?

MR. HIGHT: Yes.

ACTING CHAIRMAN BELL: All right. Without objection, Item 50 is approved.

Time and place of next meeting.

EXECUTIVE OFFICER NORTHROP: April 22nd, in San Francisco.
MR. PELKOFER: I think it's appropriate to reraise Item 29 at this point if we've finished the agenda.

ACTING CHAIRMAN BELL: We're just about to the end of it. The 22nd, did you say?

EXECUTIVE OFFICER NORTHRUP: The meeting is the 22nd.

ACTING CHAIRMAN BELL: Now, we're back to the last item on the agenda, Item 29, which we put last on the agenda.

MR. PELKOFER: The questions and objections raised by the Controller have been answered, if at least not satisfactorily, have been answered; and we will withdraw our objection or our request that the matter be put over at this time and the Commission may act on it.

ACTING CHAIRMAN BELL: All right. Do you have any objection to moving Item 29?

MR. MCGUIRE: None.

MR. PELKOFER: No objection now.

ACTING CHAIRMAN BELL: All right. Without objection, then, Item 29 will be approved.

MR. JENSEN: Thank you very much, and thank you for the splendid cooperation you've demonstrated.

ACTING CHAIRMAN BELL: You bet, Mr. Jensen.

We will now adjourn to Executive Session.

(Thereupon the March 25th meeting of the State Lands Commission was adjourned at 12:14 p.m.)

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State of California
County of Yolo

I, ANITA VAN WEBB, a Notary Public in and for the County of Yolo, State of California, duly appointed and commissioned to administer oaths, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, Anita Van Webb, a shorthand reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office this 19 day of April, 1976.

ANITA VAN WEBB
Notary Public in and for the County of Yolo, State of California

OFFICIAL SEAL
ANITA VAN WEBB
Notary Public - California
Principal office in YOLO County
My Commission Expires Jan. 29, 1980