MEETING
STATE LANDS COMMISSION

Resources Agency Auditorium
1416 9th Street
Sacramento, California

THURSDAY, MAY 27, 1976
10:00 A.M.

C.S.R. License No. 3067
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MEMBERS PRESENT

Hon. Kenneth Cory, Controller, Chairman
Hon. Roy M. Bell, Director of Finance, Acting Chairman
Mr. Keith Seegmiller, representing Kenneth Cory
Mr. Richard Thomson, representing Mervyn M. Dymally

MEMBERS ABSENT

Hon. Mervyn M. Dymally, Lieutenant Governor

STAFF PRESENT

Mr. William F. Northrop, Executive Officer, State Lands Commission
Mr. James F. Trout, Manager, Land Operations, State Lands Commission
Mr. W. M. Thompson, Manager, Long Beach Operations
Mr. Robert C. Hight, Staff Counsel, State Lands Commission
Mr. R. S. Golden, Assistant Executive Officer, State Lands Commission
Ms. Diane Jones, Secretary

ALSO PRESENT

Mr. N. Gregory Taylor, Deputy Attorney General
PROCEEDINGS
--00--

ACTING CHAIRMAN BELL: Let's get the meeting started.

EXECUTIVE OFFICER NORTHROP: Chairman Cory?

MR. SEEGMILLER: Deputy present, not voting.

EXECUTIVE OFFICER NORTHROP: Lieutenant Governor Dymally?

MR. THOMSON: Deputy present.

EXECUTIVE OFFICER NORTHROP: Director of Finance, Mr. Roy M. Bell?

ACTING CHAIRMAN BELL: I'm here. We have a quorum.

MR. TAYLOR: Mr. Chairman, it should be made clear that Mr. Seegmiller is not participating in the meeting today as a Member of the Commission. The only members voting today will be the Lieutenant Governor's designee and yourself. Mr. Seegmiller will be observing the meeting and giving whatever comments that he may wish to make, but his comments will be in the capacity of any other person attending the meeting.

ACTING CHAIRMAN BELL: Thank you, Mr. Taylor. Let the record so note.

First item is the report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Mr. Bell, Members.
First, there are a number of items, about five in number, that will be deleted from the Calendar today, and as those items come up, we will delete them. But, for those in the audience, let me run through the Calendar quickly and give the numbers of those items that have been deleted, so if they have an interest they may care to stay or make a presentation. However, they will not be considered.

Item Number 19 has been withdrawn from the Calendar; Item Number 22 has been withdrawn from the Calendar; Item Number 25 has been withdrawn from the Calendar; Item Number 26 has been withdrawn from the Calendar; Item Number 33 has been withdrawn from the Calendar.

We have that clear for the record.

ACTING CHAIRMAN BELL: Thank you. That will save a lot of people from sitting here and never getting to their item.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman and Members.

Through the efforts of the FEA a grant in funds in the amount of $118,000 [sic] was obtained from the State Energy Resources Conservation and Development Commission to conduct studies to investigate and inventory energy resources located on State lands. Upon authority of the State Lands Commission, the Division entered into an
interagency agreement with the Energy Commission on August 27, 1975, to perform the following studies.

One, to develop proposed regulations for California deep water offshore drilling operations. Two, to assess the oil and gas resources on California offshore lands and San Pablo Bay. Three, to develop equipment techniques for measuring heat flow in the sediment and water column of water bodies on State lands and to evaluate their geothermal potential.

Today, I would like to report on Item 1, the proposed regulations for California deep water offshore drilling operations, as this study has been completed by Brandt and Witherspoon. Studies are in various stages of completion and will be reported on at a later meeting.

As you know, the present drilling procedures of the State Lands Commission specifically cover operations from fixed platforms and island structures existing on State leases. To further explore and develop existing leases, as well as other State offshore lands, it is recognized that drilling operations will be conducted from drill vessels or jack-up type drilling platforms, commonly called "floaters". Although most of the requirements contained in the existing drilling procedures would apply to floating drilling operations, there are procedural areas and specifics of these types of operations not presently covered.
The study was a joint effort by the staff and consultants, H. Brandt, R. C. Sharp and P. A. Witherspoon. The consultants were retained for a $15,000 contract which was approved by the Commission and issued in October of 1975. The study was completed in March, 1976, and consists of four parts, namely, one, training of personnel of offshore drilling; two, blowout prevention systems for offshore drilling; three, additions to existing regulations for drilling and casing programs for offshore operations; and four, a proposal for a working conference on safety regulations for deep water subsea facilities used in oil and gas recovery. The purpose of this conference would be to discuss the operation and the safety aspects of subsea production facilities and systems that support it as to provide an understanding of the problems associated with these operations, and identify the areas in which safety standards should be developed.

As to the disposition of this study, the staff proposes to use the information contained therein, to revise the existing drilling procedures to provide the needed specific coverage for the safe conduct of floating drilling operations.

The next item I would like to report on is the Santa Barbara Office.

The Division maintains a small office and
laboratory in Santa Barbara. This is a small wood-frame house, is some 20 years old and is located at one end of an existing shopping center. The property is zoned C-2, commercial. It is in a high demand area, and it offers the additional attraction of having an existing water connection. New water hookups are presently limited in the Santa Barbara area.

I have asked the staff to evaluate the continuing need for this office facility. Staff has also been asked to consider alternative uses of the site, among these is the possibility that office development proposals would be an attractive approach to meeting both the needs of the State and those of the immediate community.

A more detailed report will be presented later.

The concept of this is we have a very expensive piece of property which we seriously doubt we're using to its highest and best possible use.

MR. SEEGMILLER: The State owns that in fee?

EXECUTIVE OFFICER NORTHROP: The State Lands Commission owns that in fee.

After the Commission authorized and staff filed suit against Alamar Landing to require Mr. Alan Lewe, owner of the marina, to comply with the Commission's leasing regulations or be ejected from sovereign lands, thereafter, Mr. Lewe sold his marina to Mr. Garlen R. Marquardson.
The settlement of the Commission suit has been obtained, and Mr. Marquardson has now obtained a lease, and the Commission has received back rent in the amount of nearly $3,000.

Mr. John Lamont, our representative from Washington, is here. I would appreciate if Mr. Lamont would give us a run-down on the FEA meetings that are scheduled in Los Angeles and Washington and the position with regard to FEA and crude oil pricing.

ACTING CHAIRMAN BELL: Fine. Mr. Lamont, good morning.

MR. LAMONT: Good morning, Commissioner Bell. I think it's a good morning.

The Federal Energy Administration has begun the hearing process on the third stage of the implementation of the rather complex procedures of the Energy Policy and Conservation Act. They were about a month late with beginning the hearing procedure and they're unusually complex with the form of it.

They're holding two series, the first of which will be in Washington on June 2nd, which are the so-called national hearings; then, they will be holding hearings in Los Angeles, in Dallas and Anchorage, Alaska.

We have asked time at both the national and the L.A. hearings primarily in order to make certain that we
have an opportunity to present new material with respect
to the gravity differential problem which was raised in
this set of hearings. If all goes well, the primary
presentation will be made in Los Angeles on, I believe
it's the 8th --

EXECUTIVE OFFICER NORTHROP: And the 9th.

MR. LAMONT: 8th and 9th of June. And we will
use what time is made available to us in Washington
primarily as a matter of presentation and rebuttal, if
essential; otherwise, simply turning it back.

The difficulty with the presentations are that
this is a continuation of the gravity differential rule-
making proceedings which were begun back in February, 1975.
It's been suspended and renewed several times, and each
time under slightly different requirements by FEA as to
the material to be presented. In other words, we have
been asked, again, to reevaluate the effect on production
of the possible proposals that will be forthcoming from
this third stage hearing, which is sort of, again, like
shooting at a moving target from a moving base, and neither
the base nor the target are proceeding at a predetermined
speed.

At the same time, there are some legislative
presentations being made by the California Congressional
Delegation at the suggestion of the Governor's legislative
liaison, which may have some impact on this. I'm not quite certain what those proposals may be, but action is being developed which hopefully will end some of this mess.

ACTING CHAIRMAN BELL: Well, it really wasn't that good of a morning, was it?

MR. LAMONT: It really was not.

EXECUTIVE OFFICER NORTHRUP: The last item I would like to bring to the Commission's attention is that Williams Brothers Engineering Company contacted the Land Transactions Unit by telephone on May 18, 1976, and requested permission to take three 5-inch by 30-foot core samples from the California side of the bed of the Colorado River. Williams Brothers is a contractor for Dames & Moore, who are preparing engineering plans and environmental documents for the SOHIO Pipeline Project which, you know, is supposed to take Alaskan crude out of California. The proposed alignment is approximately one mile south of the Interstate 10 crossing the Colorado River near Blythe. The information gathered from the core samples will be used in preparation of engineering and environmental documents. Williams Brothers has made arrangements with the Coast Guard for core samples to be taken early in June, and notice to mariners has already been given.

Ordinarily, this project would be handled by lease, but because of the short time notice allowed for us,
and the environmental data collection nature of the project, it is recommended that the project be allowed to proceed at this time. Data collected, of course, will be made available to the Commission, and Williams Brothers has agreed to pay for a permit.

I think it's significant enough that the Commission should take notice of this even though we do not have in our hands at the present time a completed document.

ACTING CHAIRMAN BELL: It does not require any Commission approval, though, for them to proceed until they do apply for ratification?

EXECUTIVE OFFICER NORTHROP: It's a ratification, probably, Mr. Bell. I think time being of the essence -- I think the answer to your question is yes. I will approve it if I don't get some adverse comments today on doing so.

I really have not had a chance to review it, and the reason I brought it here is that the State has been criticized for holding up environmental projects in the time line, and this really points out the problem we have many times. The contractors who want the permits want them out of sequence of our ordinary operating procedures, and it makes it very difficult for us to give prompt action to these sort of things when they don't come to us in a timely sort of manner.

The reason it is on the Agenda, or at least in my
report today, is to tell you the dilemma I'm in, whether
to sign without prior approval and hope the Commission
will ratify my approval or come to the Commission.

ACTING CHAIRMAN BELL: What you're really asking
for is to cover you for a month until we get back with a
permit for an environmental research project.

EXECUTIVE OFFICER NORTHROP: That's really correct,
Mr. Bell.

ACTING CHAIRMAN BELL: Do either of you Members
have any comments?

MR. SEEGMILLEN: I'd like to hear Counsel's
comments.

MR. TAYLOR: This is just a data collection
permit, very minor situation. I don't think there is any
problem with this.

ACTING CHAIRMAN BELL: Without objection, we'll
cover you until you get in.

EXECUTIVE OFFICER NORTHROP: Thank you.

ACTING CHAIRMAN BELL: By the way, how far is
this exploratory area from the present El Paso natural
gas line which SOHIO had originally been talking about?

EXECUTIVE OFFICER NORTHROP: It will be part
of that project, and the connecting link on that is in
Jal, New Mexico, I believe, and it will be short of that.

But, this just happens to be part of that overall program,
Mr. Bell.

ACTING CHAIRMAN BELL: Any other comment by Commission members?

If not, we'll go to the Consent Calendar. As I understand it, this includes the first 18 items on the list which are, in the staff's opinion, non-controversial. As I understand it, the normal procedure is to find out if there is any request to remove any item from the Consent Calendar.

EXECUTIVE OFFICER NORTHROP: Mr. Bell, before we get there, I think we should approve the minutes of the last meeting, so to keep in order.

ACTING CHAIRMAN BELL: If there are no objections the minutes of the April 28th meeting, which are before you, will be approved. Are there any objections? Corrections, modifications?

If not, they stand approved.

EXECUTIVE OFFICER NORTHROP: The staff apologizes for not having it there.

ACTING CHAIRMAN BELL: Well, it's not on the Agenda.

EXECUTIVE OFFICER NORTHROP: We apologize for that, sir.

ACTING CHAIRMAN BELL: Now, as I said, we go to the Consent Calendar. These 18 items, as I said, are on and
I assume they are distributed as part of the normal Agenda distribution.

Are there any objections or requests to remove any of the items from the Consent Calendar by anyone? Has anyone in writing asked for any?

EXECUTIVE OFFICER NORTHROP: No, sir.

ACTING CHAIRMAN BELL: All right. I assume, then, everyone has had the opportunity to request removal of an item from the Consent Calendar. And so without objection, the Consent Calendar will be approved.

Item 19 has been withdrawn.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, for the record, 19 has been withdrawn at the request of Mr. Harvey, the applicant.

ACTING CHAIRMAN BELL: Item 20, Mr. Northrop.

EXECUTIVE OFFICER NORTHROP: This is an application from 4M Company for a Prospecting Permit. Mr. Hight has worked very closely on this, and I would like him to advise the Commission.

MR. HIGHT: Mr. Chairman, this is an item that was before you last month, and as you will recall, the Chairman had some reservation.

We've amended the lease requirements. The applicant is in agreement with those amendments and this would allow the applicant to prospect some 19,000 acres off...
the coast of San Diego.

MR. SEEGMILLER: This is strictly a prospecting permit; the applicant has to return for any development?

MR. HIGHT: Yes. The applicant has to return in order to obtain a lease from the Commission. He has certain rights in which to obtain a lease, and the Commission may limit the acreage, and an environmental impact report is required of the applicant before that lease may be issued.

ACTING CHAIRMAN BELL: Without objection, Item 20 is approved.

Item 21.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a request for an extension through July of a permit by the Truckee-Donner Public Utility District.

Mr. Trout from our staff has worked very closely on this, and would like to address the Commission.

MR. TROUT: Mr. Chairman, for some period of time we've been coping with an unpermitted pipeline in the bed of Donner Lake. As a result of legal action by the Commission, the Truckee-Donner Public Utility District applied for a permit for this pipeline, and in addition, applied for the water rights to the Water Resources Control Board. The purpose of both permits would be to supply water to a development called Tahoe-Donner, a Dart Resort
subdivision. The Commission acted on that application
through the preparation of an environmental impact report
and held several hearings.

One of the results of the hearings was that much
of the public felt that there were alternate sources of
water other than Donner Lake. Dart Resorts had agreed to
investigate, and the District had requested extensions of
the processing of their application. Two six-month extensions
were granted in the normal processing by staff, the last
of these expired on April 21st of this year. Last month
in the Executive Officer's report, Mr. Northrop indicated
that the District had requested an additional six-month
extension.

At a special meeting of the District on April 19,
I appeared and indicated some of the frustration that the
staff was having with the processing of this application,
and suggested instead, that the District consider an
extension only until the end of July at which time the
District would make a complete report to the Commission
about the status of things and the possibility of a time-
table of when the project might be completed.

The question from the Commission, as I heard it
last month, was what's in it for the State; why should
the Commission permit the continued occupancy of the bed
of the lake while these alternate sources are investigated?
Why shouldn't the pipeline just be plugged, why shouldn't it just be terminated? Why shouldn't the Commission just cancel the application and go on about its business without prejudice, and at some future time if the pipeline was actually needed, the District could reapply.

At the direction of the Commission, we advised the District of the Commission's concern about that. And in the audience today to speak for the District is Mr. Paul Hobensack, Manager; Mr. Dan Cook, District Engineer; Mr. McDonough, Attorney for Dart Resorts, and, I believe, a staff member for Dart. I don't know whether they want to say anything or not.

I think the real issue boils down to, in terms of meeting the Commission's question, not whether or not there is or isn't alternate groundwater sources, but whether or not there is any benefit to the public for continuing to defer action on the lease application.

ACTING CHAIRMAN BELL: Mr. Hobensack?

MR. GRUMER: My name is Steve Grumer. I'm General Counsel for the Truckee-Donner Utility District. Mr. McDonough was unable to make it today.

Gentlemen, the Truckee-Donner Public Utility District basically concurs with and supports the staff recommendation for an extension of time through July 31, 1976, and the filing of a comprehensive progress report on...
or before July 12, 1976.

We feel that part of the issue here is the fact that there might be alternate water sources, groundwater sources, and that during this period of time studies are being conducted to determine with certainty whether or not these, in fact, are available. We have a collateral issue, and that is a loss of water right. I believe the Commission would have at this time a trespass of this pipeline, but the loss of the water right would be of significant importance to the community until such time as we know with reasonable certainty alternate or numerous alternate groundwater sources are available.

One thing for your information I'd like to correct is on the Calendar item, page 64, in the second full paragraph, last sentence of the second full paragraph, it says, "In a special election". There was no special election on this date and this sentence is totally inaccurate.

ACTING CHAIRMAN BELL: The entire sentence should be removed?

MR. GRUMER: It should be.

MR. TROUT: It is our understanding, Mr. Chairman, there was a general election of District Directors at that time.

ACTING CHAIRMAN BELL: But, the voters did not reject the idea of using Donner Lake as a domestic water

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source as part of that election, is that correct?

MR. TROUT: I would believe that's correct. We might speculate on who was elected and what issues they might have campaigned on, but I think the statement of the gentleman is correct.

ACTING CHAIRMAN BELL: I just crossed it off my Agenda.

MR. GRUMER: Thank you.

I have with me today Dan Cook from Cook Associates, the District Engineer, and we felt that for the sake of time we'd like to forego testimony at this time until the public discussion, if any, is over, so we can wrap up the complete package.

ACTING CHAIRMAN BELL: Okay, Mr. Grumer.

Mr. Cook will also reserve his comments until later, is that correct?

There is a Marjorie Adkerson that wishes to speak today. Is she in the audience?

MR. TROUT: Mr. Chairman, while Mrs. Adkerson is coming up, I'd like to apologize to both Mr. McDonough, who is not here, and Mr. Moskovitz, who is the attorney for Dart, who is here, and who's name I messed up.

MR. CHRISTIN: I believe my name got left off the record. My name is Harold Christin. We are members of the Donner Lake Plug the Pipeline Committee of the
Donner Lake Property Owners Association.

ACTING CHAIRMAN BELL: The two of you are together?

MR. CHRISTIN: Yes, we are. We consist of around 500 property owners around the lake.

Marge resides at Donner Lake and has been attending the Public Utility Board meetings, and we feel this Commission should be made aware of situations arising since the current PUC Board was seated.

MRS. ADKERSON: My name is Marge Adkerson.

The vote which was under controversy just a moment ago was by a previous Board of Public Utility Directors who campaigned on the issue of Donner Lake water, incidentally. And as our name may indicate, our Committee is certainly in favor of plugging that illegal pipeline that is in the lake. We are concerned at this point because of actions that have been arising from the meetings of the Truckee-Donner Public Utility District, their Board, at a meeting when the most recent request for the 180-day extension was made -- and by the way, that's the one you're considering now that's been pared down now to 90 days.

Our Committee respectfully requested that the Board not ask for this extension of time because there is an abundant water supply, groundwater supply within their own District.

We were told at that time that the Board intended keeping the application for Donner Lake water current quote
"If 30 years from now water from the lake is needed, I do not wish to be the one responsible for dropping the application", is a rough quote from the Board Chairman.

And at the same meeting another Board member stated that after this request they would ask for another 180 days, and after that still another, and so on.

On a three to two count the Board voted to make the request for the extension of 180 days. Mr. Cook, the District Engineer, apparently felt that a more substantial reason for the application for extension was for exploratory purposes. So, on April 12th or 19th, whichever it was that the State Lands Commission staff, Water Resources Control Board, and Department of Real Estate, came to Truckee for the Public Utility District Board meeting, this exploratory purpose was the rationale that was presented to those people.

Since this time, Dart has informed Truckee-Donner Public Utility Board that they do not intend to drill for any other test wells, but that rather they intend to develop the Sales Office Well which they were testing at the time Mr. Trout and the other staff officers were in Truckee.

This precludes the District gaining any further water source information. Now, we do not feel that the reasons and rationales and the actions of the Board majority
have been consistent or that they warrant any extension
of time on Donner Lake water.

Thank you.

ACTING CHAIRMAN BELL: Thank you, Mrs. Adkerson.

Mr. Christin?

MR. CHRISTIN: We, the Plug the Pipeline Committee,
request that you do not grant Truckee-Donner Public Utility
District an extension, and that you reject applications as
of this date, because there are sufficient groundwater
sources to meet the needs of the District for use of
Tahoe-Donner. In fact, Tahoe-Donner has put up a surety
fee for first right of refusal for the Airport Well which
has an extremely large flow. We believe the District and
the research being done is to find the cheapest source of
water for Tahoe-Donner, which we do not object to, but which
does not indicate the need of an extension of the Donner
Lake water application.

If the State Lands Commission does reject the
Public Utility District's request for this application,
the Plug the Pipeline Committee of the Donner Lake Property
Owners Association offers to render inoperative the 24-inch
pipeline illegally placed in Donner Lake. We will render
it useless in whatever manner is agreeable to State Lands
at the expense of the Plug the Pipeline Committee.

Thank you.
ACTING CHAIRMAN BELL: We are reminded of the Owens Valley people from Los Angeles.

MRS. ADKERSON: I'm sorry, I could not hear you.

ACTING CHAIRMAN BELL: I came from Los Angeles, and I was remembering what the Owens Valley people did when the Los Angeles people put their aqueduct in and swiped all the water away from them. And I assume you wouldn't be doing that.

MRS. ADKERSON: Well, this isn't necessary. The Hydrologist, which the Public Utility District and Dart hired, has assured them of adequate groundwater. All they need to do is drill for it.

ACTING CHAIRMAN BELL: Thank you. Mr. Trout?

MR. TROUT: I don't know if there's anyone else in the audience who wants to address themselves or whether the District would like to speak.

ACTING CHAIRMAN BELL: If there is no one else, then the District better get up and close.

MR. COOK: Thank you, Mr. Chairman. My name is Dan Cook, District Engineer for the Truckee-Donner Public Utility District.

I did make the rationale, at the request for the extension that was presented at the Board meeting that Mr. Trout mentioned. The exploration, I feel, is very important. As a person responsible for the providing
of water to the community, I see my responsibilities maybe a little more seriously than those people that have a different water source than the one under consideration, but yet, are part of the same utility district.

I need not remind you of the conditions that exist throughout our state this particular year and the deficiencies in water supplies in many areas. There would appear to be a substantial groundwater supply within the basin that was unknown to us prior to the Sharp Report, Dr. Sharp with Hydro-Search, Inc., that explored the Morris Valley, it has a substantial recharge and is very deep. Prior to that report being issued, a big well in our region was 250 gallons a minute. And back in time, prior to that, the District undertook a Master Plan that described the only known source of water for the growth and development in satisfaction of the consumptive water in the area as being Donner Lake. That was the purpose for the original application.

At issue here is a loss of water right as well as trespass, as we see it. I personally feel that until we are reasonably assured that we can actually tap that groundwater basin productively, that the request for extension should be made. We concur with the staff on that.

ACTING CHAIRMAN BELL: Would you like to comment, sir, on the Plug the Pipeline Committee's comments that the
Dart Industry's people don't plan to do any more exploratory work? I don't know whether it's true or not. If so, you're not going to learn anything more.

MR. COOK: Well, we certainly are going to learn more. At this point in time, the Sales Office Well is the well that is currently in the pilot hole stage. The sanitary seal is being installed at this particular time.

Last Tuesday, a series of logs were conducted on it. The E-logs and resistivity logs showed some potential. An ultrasonic log is being analyzed by the computer programmer at this point which will give us further information.

Now, the significance of this particular hole, and it's the one that changed, in my view, Dart's exploration program that they had embarked upon, is that we passed through the Truckee formation and the Loust-Toun formation, at a depth of about 300 feet. Those two formations that the Airport Well is in, is the one that our north side well was founded in, both of which produced substantial sums of water. The 600 feet below the Truckee formation and the Loust-Toun formation are unknown at this point as to their water bearing capacities. The geologist and hydrologist in question seems to feel that there could be substantial amounts. The very significant, in my view, point will be the area of recharge which would increase manyfold as compared to the February '75 report that was
issued by Hydro-Search. That exploration is underway at this time.

Because of the new information that's being developed, they feel -- they being the Hydro-Search people -- that the development of that well as a production well and pump testing is necessary before they go on to the third pilot hole. Prior to penetrating the new formations, additional pilot holes were envisioned, two additional pilot holes, the Sales Office Well and one that is known as Sha-neva.

So, I think the answer is that "Yes", they are proposing additional testing, additional information is being gathered at this time. The program is different than the one we envisioned when Mr. Trout was kind enough to come to our meeting in April.

ACTING CHAIRMAN BELL: You're talking about a two-month extension at the moment?

EXECUTIVE OFFICER NORTHROP: Yes, Mr. Chairman.

ACTING CHAIRMAN BELL: Are you going to be finished at the end of two months with exploratory work?

MR. COOK: Unfortunately, no.

MR. TROUT: The staff recommendation is a two-month extension. But, to give you better advice in August, the staff is looking for something significant in July.

On page 65, the staff recommendation is that the
District submit a comprehensive progress report of the findings of the test well drilling program, and also that they give us a specific program for where they are going, at least, as it relates to the Commission's lands and to the pipeline application that's presently before it. And I think that the staff recommendation is based upon the acceptance on the part of the District to meet these obligations, these requirements.

ACTING CHAIRMAN BELL: Any comments by Commission members?

MR. THOMSON: I have one question. Is there any water passing through this pipeline at this time?

MR. COOK: No. There is not. There's a set of double valves on that pipeline, both of which are closed and shut with seals on them.

MR. THOMSON: What do you think will actually happen between now and July 31st?

MR. COOK: What I anticipate to be the case between now and July 31st will be the results of the logging that has been undertaken will be completed and a reasonable guess based on that scientific information developed from that logging as to the probability of yield, number one.

Number two, there will be a meaningful analysis of the recharge area in the little subsection that we call "G" that will have a profound effect on the District's
facilities that now exist in the recharge area "G". We feel that that recharge will be substantially greater. That's number two.

Number three, I would anticipate that the District would undertake the environmental review process at which time the analysis will address many of the points to which you are currently concerned.

MR. THOMSON: That's all going to be concluded by July?

MR. COOK: Those three items, yes, sir.

Now, the pump testing will not be completed in July.

The schedule we have, the physical delivery, draw down, specific yield, and things of that nature so that we've got tangible -- I like to call it tangible where you can see it, measure it, taste it and pump test it, actually touch the water supply -- that won't be available until the first of October. We think meaningful information can be provided to you in July.

I think there is one other and very important factor, and this is the reciprocal question of what is the loss if we were to proceed with the application at this time.

The loss would be, number one -- these are not my values. I contacted yesterday a firm that did the
original draft and just asked them a hypothetical, what
if the Commission today said "No", and what if we must
proceed through the final, they indicate to me it would
be nine months to a year prior to publication. They
indicate the cost would probably be somewhere in the range
of $30 to $70,000. Those are a very broad spectrum of
numbers, I know that.

Furthermore, during that period of time, while
the EIR process is going on, we feel that the conclusive
information necessary by the pump testing should be in hand,
so there would be a duplication of effort during that
period that would be wasted, in my judgment.

We feel at this time very similar to Marge Adkerson,
that there is a substantial groundwater supply available.
We think the chances of it being available -- my personal
numbers based upon Dr. Sharp's work -- are probably about
85 percent. We feel that a 15 percent risk is not worth
taking at this point, my personal view, as the individual
responsible for the community.

COMMISSIONER CORY: I'm confused on this. If we
do not grant the extension, what are the legal ramifications
of that? Greg? Bob?

MR. TROUT: While they're getting their heads
together -- the statute requires, from the operating manager's
standpoint, that the Commission either accept or reject all
applications within 270 days or 180 days after completion of the environmental impact report. The applicant in this case has voluntarily requested that this process be waived. But, I think the real question is, as long as this project remains open, the staff is compelled to spend some time and effort on it.

COMMISSIONER CORY: No. My question is, what happens if we just terminate it and say, "Fine, you don't have your ducks in a row" --

ACTING CHAIRMAN BELL: I think by not taking action on it we are terminating it.

COMMISSIONER CORY: If we do that, what's the adverse effect if they want to come back in after they get their act together and file a new application?

MR. TAYLOR: They can always refile, and it will be the priority of the filing -- that they will lose that -- and they ought to go back and either update or redo the EIR.

COMMISSIONER CORY: There was an earlier reference to a loss of water right or something?

MR. TAYLOR: We do have an action pending, which would require them to take out the pipeline, to take away what is appropriate consistent with the advice of the Department of Fish and Game.

MR. TROUT: The water right application is with
the State Water Resources Control Board Water Rights Division.
That's a separate application. If that were to be granted,
the pipeline would be one way of utilizing that water right.
But, those hearings have not been set.

COMMISSIONER CORY: I'm sorry. I don't understand
that.

MR. TROUT: There are two aspects to this thing.
There's a question, but there seems to be 2,000 acre feet
of water rights grandfathered under the former Donner Lake
Improvement Company, and those water rights apparently
exist to remove water from Donner Lake. I believe the
water is usually passed out of Donner Lake and picked up
down below, as Mr. Cook indicated.

The obligation, to my understanding, of Tahoe-
Donner with an agreement with the District, was to furnish
the District with a water supply source of 4,000 acre feet.
In order to come up with 4,000 acre feet, Tahoe-Donner
purchased the two existing grandfathered 2,000 acre feet
and applied for an additional 2,000 acre feet of water.

Now, that is under the jurisdiction of the Water
Resources Control Board, the allocation of water rights.
The pipeline is simply a device, a straw, for sucking the
water out of the glass, provided that you are allowed to
suck and --

COMMISSIONER CORY: Why don't we let them suck and
terminate?

MR. TROUT: Certainly, if the Commission were to reject the extension we, the staff, would suggest that it be done clearly without prejudice. But, that is the effect. The water rights seem to be a separable issue. The pipeline is one way you have of utilizing water rights.

The present 2,000 acre feet are taken out of Donner Lake by allowing the water to run out, is taken somewhere else, but that's certainly another alternative.

Dart has invested significant amounts of money in the pipeline, in the pumps, the pump house, the transporters, the pipeline system which, I think, is probably not, at least as a staff concern. But I'm trying to put the thing in perspective.

MR. TAYLOR: Mr. Chairman, you asked for the legal effect of your failure to approve the extension that they have asked for. I don't think that that would terminate the application. I think that you would have to take formal action to terminate the application. We do have a time period specified by statute. If we don't meet that time period, however, it doesn't automatically kill the item. It isn't life or death whether a function goes forward.

So, if there's no action taken on this today, the action would be open, it would --

COMMISSIONER CORY: If our action was to terminate the
application by saying the applicant is not ready to proceed, we've got a time constraint on us, let's have everybody go back to "go".

MR. COOK: I think the two issues are tied together, if I might, by a common draft environmental impact report that addresses both the issues, the issue of the pipeline on State lands and the water right.

COMMISSIONER CORY: Is it complete?

MR. COOK: The draft is complete but the final statement is not complete.

COMMISSIONER CORY: I'm sitting here and saying, this is how you're coming across to me, there is some private developer who wants to do some number in the hills, and the time frame, the guy hasn't met it, and I hear no reason why I should extend myself and the Commission to keeping the door open. The door will be open tomorrow when you get your act together, and you can come on in. Why isn't that the expeditious way to proceed?

MR. TAYLOR: I think you need to take final action on the pending EIR which we don't have before you. So, I think you'd need to have one more meeting on this subject to wrap up the EIR process which is going on, and you could terminate it with that finding which has been prepared.

As I understand the purpose of this Calendar item,
is that there has been a considerable amount of staff time spent with very little progress. The staff is trying to maximize its use of time, and it's using the vehicle of this Calendar item to bring it to the attention of the Commission and try to get a clarification from the Board. And if it's the Commission's desire to terminate this application, then we'll have to wrap up the EIR process and put it on the next Commission Calendar to terminate the application. But, you'll have to finish the EIR process which has been underway.

This action started with the authorization of the previous Commission to reject Dart facilities which were constructed without the permission of the State, and this matter has been held in abeyance pending the work-out of this problem. But, that action is still pending, and if you terminate the application, you will have to resume the lawsuit.

COMMISSIONER CORY: But, the question of where we are, we are spending a lot of staff time and resources allocated to the project, and for somebody who came in and put a pipeline in under a trespass situation --

MR. TROUT: That is correct.

COMMISSIONER CORY: -- and I'm tired of dealing with trespassers like they're nice people. And, you know, that's just where my head is at. And it seems to me we
should go ahead and terminate the thing and if you want
to come in, get your act together and have something for
the people of California, we'll listen to you.

ACTING CHAIRMAN BELL: I assume you want to address
the Board.

MR. MOSKOVITZ: My name is Adolph Moskovitz and
I'm the attorney for Dart Resorts.

I was going to sit here and listen quietly, but
since questions have been addressed to Dart's role and
Dart's intention, I thought possibly it would be better to
come from me than secondhand by others.

First of all, the well exploration program which
has been mentioned was commenced because of the objections
that had been raised to Donner Lake as a source of water.
And it was pointed out that possibly groundwater would
be available and would be a far better source. And I think
everybody agreed that groundwater was available in sufficient
quantities and could be obtained if environmental review
and water rights, and so forth, permitted that to be done,
that would be the desirable source.

Dart Resorts has been financing a very, very
expensive well exploration program and groundwater research
program. We've got the best man because we know the
District has gotten the same man, Dr. Sharp. We have done
a lot of work up to now, and we're going to continue with it.
Mrs. Adkerson's information that we're stopping is not correct. We are continuing, and we're continuing strictly in accordance with the recommendation of Dr. Sharp. We are following his professional advice.

His professional advice, right now, is as a result of the latest test well that is being drilled, the so-called Sales Office Site, it opens up new information not previously known, and it requires that there be some test pumping to find out the extent and the significance of this new opening that's been penetrated. Before we can undertake that without any possibility of legal challenge, an environmental review process has to be commenced and followed through. And that has to be done by the Public Utility District because that's the entity that will own and operate the well that is put into production.

We have requested the District to commence that process. In the meantime, it will be the compilation of the information already received and an analysis of the computer work, so that there will be a better basis for the test pumping.

Now, that addresses Dart's intentions with regard to groundwater. We want to pursue it to a conclusion, and we hope that it will result in confidence by everybody that that is the source. And at that point, we will happily suggest to the District that they withdraw its lease.
application, because that will end that controversy, and
we'd like it to end. But, the District feels, and we
concur with the District's feelings, that until that
groundwater source has really been pinned down, it's
imprudent to cut off this other alternative even though,
in all probability, it will not be. We just feel it's
imprudent to do so, and we feel the additional time while
we pursue in orderly fashion is of no prejudice to anybody,
has no prejudice to anybody. And for this reason, we
think that it's advisable from the standpoint of the State,
as well as the District, as well as Dart and the people
in the community, to simply maintain the matter in status
quo.

It's been mentioned that there is an environmental
impact report draft that has been completed subjected to
hearings, but it's not the final. In order to play this
game out, if you want to take final action and not defer
as has been requested, you would have to complete that
draft and make it a full-scale environmental impact report.
That will take time and money, and in light of the current
posture of the matter, it may well be money and time wasted
for no good purpose.

So, instead of doing that, we ask that the
District be permitted to proceed, we be permitted to proceed
and come in and show you very specifically what has been
I'm Pat Sutton from Truckee, and I'm a Member of the Board of Directors from the Truckee County Public Utility District. Unfortunately, I did not get here when this hearing started, and so, I don't know who told you what about what. I've heard enough in the last few minutes, though, that I feel that I must say something.

Mr. Moskovitz likes to refer to me as one of his dissident Directors, and I guess that is perhaps what I am. Last year I supported two requests by the District for extensions of time on this matter, and I did that because I thought that there was something to be gained by it.

I've given you a rather long statement, and I don't know whether you want to take the time for me to read it or not. I'd like to clarify for you that last year when I supported the extension the first time, it was because the groundwater study had just come in and we...
needed to explore with Dart the alternatives presented by the groundwater sources. And we did enter into negotiations, and we came very close to acquiring what is known as the Airport Well, which could provide a substantial amount of water for Tahoe-Donner.

In October we requested another extension of time because we needed to complete the agreement between Dart and the District and the Airport District which was, in fact, the owner of the well. But, soon after the extensions of time were granted, Dart lost its interest in that well and not long after that, Dart decided to pursue its water exploration program independently of the District.

The District is not being consulted properly by Dart in the groundwater exploration. Mr. Cook mentioned a little bit ago that there is more than one test site. On May 18th the representatives of Dart told us that they were not going to do any more exploration, any more test drilling until after construction of the present test hole into a well. And I would say, then, that we are not assured of another testing site being decided upon right now, we're still fighting over who is going to make a decision and on where the test sites shall be.

ACTING CHAIRMAN BELL: Just as a little short, I see that your statement recommends June 30th rather than
July 31st?

MS. SUTTON: Yes.

ACTING CHAIRMAN BELL: Otherwise, we certainly agree with the other proposals that you are suggesting. But, we have to cut this awful short because we have other Commission business.

MS. SUTTON: Can I prompt you to read this someday?

ACTING CHAIRMAN BELL: I read it already.

MS. SUTTON: You took a speed-reading course, then.

What I'd like to suggest that you do is take some kind of special action today and turn down your staff recommendation which is a result of an ill-considered decision by the majority of the Board of Directors, and which I opposed, and I would ask you to only grant an extension until June 30th and that you attach some conditions to it which would help me and the community of Truckee, and perhaps the people who are concerned about the Donner Lake, to find a way to get back to a working relationship with Dart on resolving the water problems whether they are eventually at Donner Lake or underground sources.

So, the conditions I would like to see attached to an extension to June 30th would be that the District be required to present and plan to resolve its problems on groundwater alternatives.

And two, that the District present a timetable for
disposition of the Donner Lake lease application, so that you know what we're doing and we find out what we're doing right now. Nobody knows.

The third thing is that the District come back to you by June 30th, or as soon as you meet after that date, and present a request for a time extension that is of a sufficient length to accomplish the resolution of the problems and the disposition of the lease application.

We can go on like this, I think, for a few more years because some of the Members of the Board do not want any action taken on this application at all. They have expressed on numerous occasions that they want to delay your action as long as they can, and they are thinking in terms of years.

ACTING CHAIRMAN BELL: We got you. Pat, our only difference, really, is July 31st instead of June 30th, and we have to have a meeting before that date.

MS. SUTTON: In July you have to meet or when you meet?

ACTING CHAIRMAN BELL: If we give them until June 30th, that means we have to settle the problem in June, and I'm not sure just what our chances are. Otherwise, our staff action is very similar to what you are saying.

MS. SUTTON: No, it really isn't because your staff recommendation --
ACTING CHAIRMAN BELL: They have to come in and ask for a course of action, and it's saying just about what you are saying.

MS. SUTTON: Okay. No, it really isn't, because I'm the one up there that's been doing the fighting.

The staff recommendation asks for a comprehensive report on the findings of the test drilling, right?

ACTING CHAIRMAN BELL: Yes.

MS. SUTTON: This cannot be accomplished by July 31st. We have very limited knowledge of the well, officially, although Dr. Sharp, who is Dart's Hydrologist, is proceeding with his evaluation. But, a well cannot be pump tested or rated until after it has been built.

What we have right now is a hole in the ground that goes down 132 feet, something like that.

ACTING CHAIRMAN BELL: Did you say October?

MS. SUTTON: Well, one of the things you should realize was that it was suggested the District by-pass the environmental review process on this well in order to provide you with meaningful information by July. I don't think that any of us want that to happen. I don't think Dart wants to risk its money to proceed in that manner. So, I would suggest that what the staff recommendation is does not deal with the problem, and I would like for you to take a close look at what the staff recommendation was and to
look again at what I'm suggesting.
And I'd be glad to answer any questions.

ACTING CHAIRMAN BELL: Fine.
Mr. Cory?

COMMISSIONER CORY: I would like to move that we place on Calendar for the July meeting termination of this application. That would give us until the July meeting, as opposed to the thing, for people to get their act together and come in with a specific alternative proposal, or they can start from scratch, again.

ACTING CHAIRMAN BELL: Now, do we need anything else?

COMMISSIONER CORY: I'm asking the staff if we need an additional meeting to wind up the EIR; can that be accomplished at the July meeting?

ACTING CHAIRMAN BELL: Do you need to extend this until July, or are you just incorporating that?

COMMISSIONER CORY: Yeah. I was thinking there should be a final meeting at which --

MR. TAYLOR: It will take us the two months to wind the thing up, at least.

COMMISSIONER CORY: And if the District and Dart and the people of the community come up with a specific alternative plan, I think the staff should, you know, during the course of that time, be prepared to present that
alternative plan to this Commission. But, I think that we can spend years massaging mosquitoes, and I'm not sure we should be doing that with our time.

ACTING CHAIRMAN BELL: Mr. Cory has made a motion.

MR. THOMSON: Second.

ACTING CHAIRMAN BELL: There is a second. All in favor say aye?

(Ayes.)

ACTING CHAIRMAN BELL: Opposed?

Adopted unanimously. Item 21 is approved in that manner.

MR. TAYLOR: It should be noted that Mr. Cory entered during the beginning of the debate on this item, and we now have three members voting.

ACTING CHAIRMAN BELL: You're absolutely right, Mr. Taylor, and the record will show that.

Now, I have fulfilled my duty, and I'm going to turn the Chair back over to Mr. Cory and trade places.

CHAIRMAN CORY: Sit still. I would like you on my left.

COMMISSIONER BELL: I always thought I was more conservative than you.

EXECUTIVE OFFICER NORTHROP: Item 22 has been taken off Calendar.

CHAIRMAN CORY: Item 23? Application of
William Morrow, Commercial Lease, Sacramento River, OakHall Bend. Any questions?

Anybody in the audience who wishes to address Item 23?

Without objection, Item 23 will be approved as presented.

Item 24, application of Charles R. & Pearl I. Landers, seawall, San Luis Obispo County, nominal rent, but at the same time, we are defining boundary, I believe.

Is there anybody in the audience who wishes to address this Item 24?

Without objection, Item 24 will be approved as presented.

Items 25 and 26 are over.

Item 27, applicant is Harry C. Schilling for a lease, San Joaquin River, Andrus Islands, Sacramento County, for the maintenance of a commercial marina.

Anybody in the audience who wishes to address the Commission on Item 27? Any questions from Members of the Commission?

Without objection, Item 27 will be approved as presented.

Item 28, Schnitzer Steel Products, verification of dredging permit, to dump the hump in the hole of Alcatraz, right?
CHAIRMAN CORY: Is there anybody in the audience who wishes to address themselves on Item 28?

Without objection, Item 28 will be approved as presented.

Item 29, Long Beach Operation.

EXECUTIVE OFFICER NORTHROP: Mr. Thompson, from our Long Beach Operation, would like to address the Commission just briefly or answer questions on Items 29, 30 and 31 and also Item 39 on the Agenda. Mr. Thompson?

MR. THOMPSON: Item 29 is merely a modification of a projection of revenue as of December, 1976. It's a little late getting here because of our problems with FEA in getting additional information. It will be followed by another one in a few months to bring you up to date, and we ask adoption of modification. It has no impact on the State revenues that we've already given to the Finance Department.

CHAIRMAN CORY: Without objection -- anybody in the audience wish to speak to Item 29 on this modification?

Hearing none, Item 29 will be approved as presented.

MR. THOMPSON: Item 30, a pipeline survey indicated the need for some work on some pipelines on Pier J on the shore portion of the Long Beach Unit. So, for the work to be done, the Executive Officer has approved the transfer
to us of some funds, and we're asking your ratification on this.

CHAIRMAN CORY: ... questions on this?

Without objection, 30 will be approved as presented.

MR. THOMPSON: Number 31, project review, I believe this is the first of this particular nature you've had before this particular Commission.

Under Chapter 138 there are certain specific projects for which the City of Long Beach may spend their share of the revenues on certain projects that are defined in Section 6, items (a) through (g), and Section (a) which describes the procedure for which these are submitted to the Commission for a determination, if the Commission desires, that this money is going to be expended for one of the projects on 6(a) through (h).

Item 6(c) here includes within it the provision that these monies will be spent on recreational facilities, and that's what this is. This is a fishing pier adjacent to a bridge across the San Gabriel River. At that particular point, the river is the dividing line between Los Angeles and Orange Counties, so it's just the Long Beach portion of the river bed and it's adjacent to a bridge, there.

CHAIRMAN CORY: Any questions?

Anybody in the audience who wishes to address this?
Item 31 will be approved as presented.

MR. THOMPSON: Item 39 is a Calendar informational item.

CHAIRMAN CORY: Item 32.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a boundary line correction.

CHAIRMAN CORY: This is just to get the meets and bounds to conform with reality --

EXECUTIVE OFFICER NORTHROP: Right.

CHAIRMAN CORY: -- as opposed to what someone thought reality was.

Does anybody wish to address themselves on Item 32? It will be approved as presented.

Item 33 is off Calendar.

EXECUTIVE OFFICER NORTHROP: 33 is put over.

CHAIRMAN CORY: 34, a maricultural agreement.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is an approval of an agreement between Atlantic Richfield and California Marine Associates for a development off the Platform Holly for mariculture.

Let the record show we have a letter from Mr. E.C. Fullerton, Director of Fish and Game, asking the Commission approve this lease because of the beneficial effects that could possibly be derived from it.
CHAIRMAN CORY: Those are what, money?

EXECUTIVE OFFICER NORTHRUP: Beg your pardon?

CHAIRMAN CORY: Is that a money lease?

EXECUTIVE OFFICER NORTHRUP: No. It's a --

MR. TAYLOR: It is some money, but it's not the primary purpose.

Their interest is whether or not you can raise abalone commercially in these pens and market them as a resource.

CHAIRMAN CORY: The California Marine Association, Mr. Hugh Staton?

I'm glad you're here because I was wondering, we have it in our records as the California Marine Association, and its the California Marine Associates.

MR. STATON: Associates, correct.

CHAIRMAN CORY: It is a --

MR. STATON: Limited partnership.

CHAIRMAN CORY: -- and a profit-making venture, we hope?

MR. STATON: Well, thus far, we're about $670,000 in the hole, but we hope to be sometime.

CHAIRMAN CORY: Do you wish to address the Commission?

MR. STATON: Yes. We have at the bottom of the paragraph on page 1, of the Research Agreement, we either
take exception to, or, at least, clarification -- we don't know whether we take exception to it or not -- starting with the word "under" which is the fifth line --

EXECUTIVE OFFICER NORTHROP: Where are you quoting from?

MR. STATON: Oh, page 1.

EXECUTIVE OFFICER NORTHROP: Page 93 of the Calendar.

MR. STATON: I'll just read it:

"If Phase II is successful, the parties may jointly undertake a commercial venture for abalone mariculture at Holly, or elsewhere, under terms and conditions to be determined at that time."

The terms and conditions for an ongoing commercial venture are covered in our Research Agreement with Atlantic Richfield beginning on page 5, section 5, Commercial Venture.

CHAIRMAN CORY: What they're telling you is maybe that's what your agreement is with ARCO, but the agreement with the State can be something else. Is that what you want clarified?

MR. STATON: I would like it clarified if this is what it is to be. As it is written, the parties may
jointly undertake a commercial venture under terms and conditions to be determined at that time. I think terms and conditions have already been determined for them.

MR. TAYLOR: I think the concern is whether the ultimate plan is going to be developed and what effect it will have on the structure. So, the way the Calendar Item is drafted, Don, is that we have another look at this before they go into Phase II.

MR. EVERITTS: Don Everitts, Manager Energy and Mineral Resources Development.

If Platform Holly were used for the ultimate commercial venture, then obviously, the State Lands Commission would have to review and consider and approve or disapprove it in terms of the contract. It's my understanding that more than likely if the venture does turn out to be commercial, that the commercial operation would probably be conducted from tethered systems away from Platform Holly, at which case, under current legislation, the law of Fish and Game would be the sole negotiators on the mariculture lease.

The term "at Holly" really means just in the general area rather on Holly.

CHAIRMAN CORY: Not right on the platform?

MR. EVERITTS: That is correct.

MR. STATON: That was my next question of
clarification. When it says at Holly, are we talking about
the physical structure of Holly itself or on the whole
lease, PRC, whatever that comprises that lease at which
Holly sits?

CHAIRMAN CORY: Sir, what is your time schedule,
because I understand your concerns in terms of business
implications, and I really have reservations that you
should proceed without the lawyers really going over and
your lawyers and the State's lawyers really knowing what
the hell we're approving, because you may not get what you
want or we may end up giving you more than we should be
giving you if we really don't understand. I would not want
you to rely on verbal assurances as to be an amendment to a
written contract which we might probably later regret or
not have the power to grant to you. I don't know what
your time frame is.

Greg, do you have any qualms about us abiding
by the seat of our pants and amending these?

MR. STATON: The time frame is very tight. We
have had a 90-day wait imposed by law on the Fish and Game
lease which will be issued tomorrow. And this 90-day
scheduling is going to cut into our summary, and we only
have so many dependable days of good diving weather, and
it is of some importance.

I would say that the Fish and Game lease under
paragraph 3 which is on the next page, it says: "will be issued for an initial term of five years with an option to renew the lease for two additional five-year periods". That should read two additional ten-year periods.

MR. TAYLOR: We have not had a legal review of the Agreement that is being proposed.

CHAIRMAN CORY: That is what I'm concerned about. I think it's okay but --

MR. TAYLOR: I will say this, that if what Mr. Everitts has expressed the intent that we are only approving Phase I, which is the testing and exploration, which is the way the Calendar is written, that the item could be amended to provide that. We'll approve the contract between them as to Phase I, which is the experimental process, on the specific understanding that no approval is given for Phase II at this time. And they will return to the Commission at a time they are ready to proceed with Phase II for full consideration of the matter at that time as to whether it will have an effect on the platform.

Our jurisdiction is limited to the effect it's going to have on the platform or any facility or upon our operations with regard to oil and gas.

MR. STATON: Well, I think it has been determined that neither I or Phase II would have any.

CHAIRMAN CORY: No. We're telling you that this
Mr. Staton: Yeah. Okay.

Chairman Cory: And that's the problem. I don't want you to walk out of here thinking you've got something that you haven't and that's why I'm hesitant to approve it. And I think Greg's suggestion, to put it out "cold turkey", that if we were just approving Phase I which allows you to proceed, with the understanding at some point, and it's probably totally technical, but there's certain business risks incumbent upon that, and it may take the lawyers a couple of days to sit down and realize that never going to be anything there unless you want to utilize the structure of Platform Holly. Then, at that point, we get concerned vis-a-vis the effects of the platform which we have jurisdiction on. That's what I'm haggling with you. I don't want you to walk out of here thinking you have the world and you don't.

Mr. Staton: Our contemplation is not using Platform Holly for a commercial-type venture. Our idea is to use Platform Holly for a Phase I and Phase II study which will culminate in a wealth of informational material to determine whether the possibilities for a commercial venture near Platform Holly or halfway between Platform Holly and Santa Rosa Island could be, at least as a possibility, of becoming something.
CHAIRMAN CORY: But, this confusion that you raise in terms of Phase II I'm not sure can be clarified in this meeting.

MR. STATON: I'm not trying to raise confusion.

CHAIRMAN CORY: No.

MR. STATON: The confusion is at the time that a possible commercial venture would come about from the results of Phase I and Phase II -- because we have felt that we would be off the platform, and this statement at the bottom of the paragraph that any agreement for commercial production involving the use of Holly, we're not sure whether this is on the PRC lease on which Holly sits, or the physical Platform Holly itself.

At the present time, we are not interested in utilizing Platform Holly for a commercial venture because of the possible problems with the integrity of the platform.

MR. HIGHT: Mr. Chairman, in a second we'll have some language that will say all the Commissioners are approving at this time is Phase I and that Phase II will be subject to further review.

CHAIRMAN CORY: That's not what the gentleman is asking. He means Phase I and II approved.

MR. STATON: If we're only going to get Phase I approved, we might as well forget the whole thing. I can't conceive of someone putting out $180,000 to do a one-year
study unless there was a possibility of taking it to completion.

MR. HIGHT: I think the Chairman's problem is we don't know what our rights and liabilities are when you get into Phase II, and that's the point that we want to look at.

MR. STATON: Phase II is a mild expansion of Phase I. Maybe you are talking about Phase II as a commercial venture. I'm not. We're talking about Phase I as a small-scale study, Phase II as a slightly larger-scale study where we will do studies on animal vitality in quantity. You are talking about 3,000 animals in Phase I, they have a lot of room to move around in. In Phase II, you will be upping that to approximately 30,000 animals, so that we can check the stress on the animal, the growth of the animal in more crowded conditions. And, then, what we would call a commercial venture would really be Phase III.

MR. EVERITTS: I'm not sure you are familiar with some of the technical statements. But, he's talking about testing some different types of containers at different depths of water. And when they go to Phase II they are simply going to put more animals probably in the same containers, very few different -- not a great deal of difference in the number of containers. But, structurally, in the containers of the platform I don't see any difference.
CHAIRMAN CORY: You are going from 3,000 abalone --
MR. STATON: To 30,000 over a period of a year.
CHAIRMAN CORY: -- to 30,000. So, you've got
the weight of 27,000 abalones submerged in seawater which
is buoyed up a certain way. What do they weigh, a pound,
a pound and a half?
MR. STATON: (Laughter.) These are tiny, two
and a half to three-inch animals which are somewhere in
the neighborhood of 90 to 100 grams. Suspended in water
we have a specific gravity of water of just slightly above
that of water. So, the containers themselves will have
a positive buoyancy.
CHAIRMAN CORY: So, the added weight of 27,000
animals is negligible.
MR. STATON: Right.
CHAIRMAN CORY: Do you have something for us,
Greg?
MR. TAYLOR: Well, if I understand, Phase I and
Phase II are exploratory. In other words, they are both
data gathering of information. As I understand the
Commission's concern, it is that there be no commercial
operation commenced pursuant to this Agreement without
our prior approval; is that correct, does that satisfy?
MR. STATON: Now, we are back to the crux of
the matter. Are we talking about the integrity of the
physical Platform Holly itself, or are we talking about the whole lease area?

MR. TAYLOR: We're talking about anything that would enter here with the State Lands Commission's operation of an oil and gas lease. Whether that would extend beyond Holly or not would depend upon what you propose.

CHAIRMAN CORY: If you start building steel pens around that we can't get to, the platform --

MR. STATON: Oh no, no.

CHAIRMAN CORY: We don't know your business, that's our problem.

MR. STATON: Steel wouldn't last very long, anyway.

CHAIRMAN CORY: All right. Plastic.

MR. TAYLOR: I think that if the language in Item 3 can remain the same as it is and just add a sentence, or add a phrase there and change the period to a comma after the word "Commission", "and subject to the Commission's prior approval of any commercial operations which may be undertaken as a result of said Agreement."

CHAIRMAN CORY: I really think --

MR. STATON: Now, you're putting yourself between the Fish and Game Department.

CHAIRMAN CORY: We can deal with them.

(Laughter.)

MR. STATON: I don't want to get into a family
squelbble.

CHAIRMAN CORY: No, no. I'm asking the staff if there is some mechanism by which we can approve this tentative to say, the Executive Officer or the staff negotiating the final settlement, because I see some serious problems that had better be spelled out as to what our concerns are or are not. And somebody better sit down with these people before they spend any more money. I don't want to delay you another month, but we are giving you tentative approval, which means that if you can't cut a deal with the staff and that everything is written up explicit -- now, I'd even be prepared if you have a problem to call some sort of quick meeting where you have one last chance to thrash it out. But I'm really fearful that we are not sure that we're communicating about the same thing. And to draft a contract here in the room that we don't know about, the staff had better do a better job of getting together with you in terms of finding out what it is we don't agree on.

MR. STATON: Well, in all fairness to the staff, this was kind of a rush thing.

CHAIRMAN CORY: I'm not criticizing. I'm prepared --

the general concept doesn't scare me. I'm just fearful of asking Bob and Greg to be drafting and you say "No" that's not what you mean. That tells me that the lawyers are being
asked to do something they don't clearly understand, and
they better have some more staff hours spent on it. Does
that make sense?

COMMISSIONER BELL: Are you saying we'd approve
it as submitted to us even without extra language subject
to ratification, whatever it is, being agreed to between
the staff and the party?

CHAIRMAN CORY: Yes. I figure that the staff
knows what we need, and they can sit there as long as this
is legal and proper, and if we see that as long as they
don't interfere with the oil and gas lease, they have
no great concerns. But, that has to be spelled out so
that you know the risk that you are undertaking.

I say steel tanks, you know, plastic tanks, those
are the kinds of things that go through my mind. I don't
know what your project is like.

MR. STATON: I have pictures and everything if
you want to get into it.

CHAIRMAN CORY: I think there are more intelligent
people who are better equipped to look at those pictures
to understand what it means.

EXECUTIVE OFFICER NORTHROP: The staff will take
it.

CHAIRMAN CORY: If there is not agreement, if
there is any hesitancy on the staff's part, contact the
Chairman and we'll get a quick meeting, and I would imagine you would be available to argue your point.

MR. STATON: We could really come to resolve the whole thing if we just said involving the use of Platform Holly or interference with the fine petroleum production use of that platform.

CHAIRMAN CORY: I'm not sure that the lawyers -- that may, in fact, work, but they better think that one through.

MR. STATON: Because once we move off of the platform, from what I am able to understand, we come under the total auspices of Fish and Game and the Federal Bureau of Fisheries and the Army Corps of Engineers.

CHAIRMAN CORY: If you weren't interfering with the lease rights that we have to protect.

MR. STATON: Correct.

CHAIRMAN CORY: And it's the final caveat that the lawyers are going to have to haggle over. And then it's how it's drafted -- if you don't agree with the language you have the opportunity to come back and get a special meeting.

MR. STATON: Oh, I will.

CHAIRMAN CORY: Okay?

MR. HIGHT: He wants to play with the language.

CHAIRMAN CORY: I don't want to.
MR. HIGHT: No. For the resolution.

CHAIRMAN CORY: Oh, for the resolution? Okay.

MR. TAYLOR: Mr. Chairman, your concern is not the starting of the commercial operation as I previously worded the language, but we would add a phrase at the end of this that we authorize approval of the Agreement subject to their getting a lease, and provided that the work done pursuant to said Agreement shall not interfere with the operations done pursuant to PRC Number 77 as determined by the staff.

MR. HIGHT: That accomplishes, I think, your goals and allows for us to negotiate with him.

CHAIRMAN CORY: Does that --

MR. STATON: I don't know. I don't know if Atlantic Richfield would be willing to go ahead on that basis. Here again, I can't speak for them.

MR. TAYLOR: It limits your concern, that we're only concerned about oil and gas operations pursuant to this lease, not just necessarily the structure, because it could be there would be interference with landing or safety requirements in connection with the platform. So, it has to be a little broader than the actual platform.

MR. STATON: This is really already in our Agreement with Atlantic Richfield.

MR. TAYLOR: All we want to do is retain the
ability to say, in our opinion, it's interfering with it.

CHAIRMAN CORY: Our difficulty is that we are not always happy with the way some of our lessees have interpreted their best interests.

MR. STATON: Now, you are being caddy. (Laughter.)

CHAIRMAN CORY: At times they make good decisions and at times they make bad decisions. And we are saying to you and to our other tenants the Lands Commission is concerned about that. And they have taken certain risks in that channel that, I think, they shouldn't have in the past, and we're not going to let them --

MR. STATON: Well, I'm sure we can work out an equitable agreement.

CHAIRMAN CORY: That is an approval with that express understanding.

MR. STATON: Mr. Sucato is a representative from ARCO and is here today.

MR. SUCATO: Yes. My name is Paul Sucato from Atlantic Richfield.

I'm not in a position to say one way or the other whether or not we'll approve this project as a result of this meeting. I would like to recommend, though, would it be possible for the staff to review our proposal within the next month, and put it on your next Calendar meeting?
This would expedite any consideration by ARCO management with regards to the continuation of the project.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, may I say that I made this suggestion to ARCO through our staff last week, and I was told that it was imperative that this be on the Agenda at this time.

I wonder why the change in ARCO's position now, to really, we're in this position trying to hurry.

CHAIRMAN CORY: We are prepared to give you tentative approval subject to staff's drafting of the language. Right now. We're prepared to put the whole item over to next month, but the gentleman here seems to not want to wait that long, and I can appreciate his concern.

MR. SUCATO: We're happy right now with the temporary tentative approval, but we would like to resolve this any further approval regarding our commercial operations prior to spending our large amounts of money. We do need approval today to go into Fish and Game tomorrow.

MR. TAYLOR: There's going to be a continuing problem, one is to determine the feasibility of this as I understood it. And quite frankly, I thought this was a minor data gathering-type permit from the reading of the Calendar Item. If it's more than that or if it's problems of continued operations, there may be some continuing liaison necessary to insure that we're satisfied.
We're surely, if anything goes haywire with this, going
to be co-defendants in an action. And if they wanted to
go ahead, I would say that it would be provided that this
last language would be the understanding, that they bring
back a specific Agreement, then, they wanted to define
that more specifically next month. But, that we make that
dolegation now.

CHAIRMAN CORY: Is that what you are asking for?

MR. SUCATO: You see, the only reason we came
to object today is we had not seen the write-up in the
Calendar until -- at least I hadn't seen it until yesterday.
And we had assumed that this approval to be granted by
the Commission was to include operation through some part
of a commercial venture. And that was our impression prior
to several days ago. Apparently, it has changed, or not
changed, there's been a miscommunication.

MR. EVERITTS: There certainly has been a
misunderstanding, because never at any time did we discuss
commercial operation, not once. And it's just a statement
of fact.

MR. TAYLOR: Mr. Chairman, with the uncertainty,
perhapes we better put the matter over for 30 days.

CHAIRMAN CORY: I'm really reluctant to, because
they do have a seasonal problem.

COMMISSIONER BELL: I see no problem with what
you are proposing, and in effect, then, we set it on the
Calendar this month.

CHAIRMAN CORY: If you are at issue for some
reason, if you can't get together with the staff, ARCO
and California Marine Associates, we can --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, do
I understand ARCO to say that they were opposed to this
project?

MR. SUCATO: No, that's not correct.

CHAIRMAN CORY: They aren't opposed to the project.
They were opposed to the way we were going to tentatively
approve it. They want the whole cake, not part of it.

MR. SUCATO: That was my understanding coming
to this meeting. Well, it was my understanding up to
several days ago.

MR. TAYLOR: As I understand the Commission's
expression, we're concerned that they operate in a manner
which will not interfere with our operations, but we think
the proposal is a good proposal. If it would accomplish
their purpose this morning, we could use the second language
I suggested, that the approval be subject to the fact that
the Agreement between ARCO and California Marine Associates
not interfere with work done pursuant to PRC Number 3842,
we could make that approval. If they want a more specific
agreement on that, we can put it back on -- a more specific
agreement defining this proposal -- at the next meeting.

MR. STATON: I think that would be fine.

CHAIRMAN CORY: Without objection, then, we'll approve the language Mr. Taylor has presented to us, and the thing will be approved on that basis.

I think before the staff releases those documents, they should sit down with the principals, both the representative from ARCO and California Marine Associates and make sure that there is no misunderstanding as to what it is, because there seems to be some confusion.

MR. TAYLOR: May I read the resolution as I understand it has been adopted?

"and provided that the work done pursuant to said Agreement shall not interfere with the operations done pursuant to PRC Number 3842."

Shall I just leave it at that, or do you want to add "as determined by the staff"?

COMMISSIONER BELL: At this point, I think that's all you need. But, they ought to then have the next month to look at it to see if they want it.

CHAIRMAN CORY: You are saying, as determined by the staff?

MR. TAYLOR: Let's just leave it at that. "shall
not interfere with operations pursuant to PRC Number 3942
period".

Then, it would be the understanding -- 3242,
I'm sorry. 3242.

Then, it would be the understanding that the
staff will bring back to the Commission for approval a
definition of this proviso which will be in the form of
an Agreement with California Marine Associates and ARCO
for your approval at a subsequent Commission meeting,
either the next one or the one after that.

CHAIRMAN CORY: Okay. I think having the staff
language in there will not be inappropriate because it
spells who is and who is not the determiner of fact.

MR. TAYLOR: All right. Then that would be in --

CHAIRMAN CORY: I think your suggestion there
is that an amendment is worthwhile if the other Commissioners
agree.

Thank God that was a simple item.

Major litigation, Item 35, request for authorization
for the staff of the State lands and/or the Office
of the Attorney General to take all steps necessary including
litigation to collect from Mr. and Mrs. Smith, just
compensation for their prior unauthorized use of the
submerged lands in Agate Bay in Lake Tahoe.

Anybody in the audience who wishes to address
themselves of this item?

Any questions by Commissioners.

Without objection, Item 35 will be authorized as presented.

Item 36, again, necessary steps including litigation to eliminate the continuing trespass of Eugene D. and Charlotte F. Shea in Lake Tahoe, El Dorado County.

Is there anybody in the audience who wishes to address themselves on this item?

MR. SHEA: My name is Eugene Shea. Before this goes through, I would like to read a brief statement, if I may, regarding this controversy between myself and the State Lands Commission. It is in the form of a narrative, and I'll make it as brief as possible to explain my position.

In 1960 my wife and I bought an old home in Jameson Beach near Camp Richardson, remodeled it a little bit, and along with our five children, are still enjoying it very much. I say summerhome, because it is generally inaccessible in winter, and our roads are not kept up by the County.

In 1962, I was advised by a neighbor that I was required to obtain a permit from State Lands to maintain an old pier that ran out a short way into the lake on the north side of our house. I wrote State Lands and completed
its application, and for $5 was granted a ten-year permit for the pier and a buoy for our boat.

In October 1972, ten years later, I wrote State Lands because the ten-year permit was expiring, or had expired, and in return received a request for a $25 filing fee, a plat of the structures of the land, a copy of my Deed, names of my neighbors, photographs of structures and other information.

I replied to the request item-by-item. I was also advised by Mr. Kirks that if I did not wish to replace the permit to remove all the structures and advise him. This I did not do.

There are additional short letters from Mr. Kirks, Mr. Maricle, and phone calls from a Mr. Darrow.

Then, on April 10, 1974, almost a year and a half from my renewal letter in 1972, I received a letter with lease attached asking me for rent from October 11, 1972 to October 10, 1974. The lease and attachments were 16 pages, and it was for two years at $75.40 per year. Not being a lawyer and wholly unfamiliar with the terms of the leases, or this lease, and being a public accountant and it being April 10th, I did set the two-year lease for $180 aside until I had time to go over it and decide what I should do.

Well, on January 17, 1975, after receiving a letter from Mr. Gordon of the State Lands Commission that
I could be in violation of something, and adding 75.40 to the 150.80 for another year, I sent the State Lands a check for $226.20 under protest. My protest at that time was that I was the only person, to my knowledge, being asked to pay 75.40 for a permit for the use of State lands for a small pier.

Subsequently, on January 9, 1976, I received another letter revising the other leases and informing me that I owed State Lands 514.30, less the 226.20 I paid for rents for the pier and buoy, plus rent for a waterline that I used to provide water to my home.

Gentlemen, I am here today to enter another protest in that I believe Mr. Gordon's interpretation of the structures I described to State Lands as my home for my family had been held by him to be somewhat on the order of a commercial enterprise.

I have my home at Lake Tahoe on a 50-foot lot. It's a two-story home, two small bedrooms downstairs and a dormitory for the children and their friends upstairs. About ten years ago, I built a small one-room structure almost adjoining my home for the sole benefit of my mother-in-law and sister who are kind enough to help us with all the children once in awhile during the summer. When we do not use this one-room structure, I allow my children only to use it. I do not have two homes for separate families.
on my 50-foot lot.

Except for the fact that we would have had to
tear out a group of trees, I could have added this one
room to the south side of our home. It has the same water,
utilities, except for no telephone, and the same sewer lines
as our home.

In conclusion, by applying for a permit to use
State lands in 1962, and again in reapplying in 1972,
indicates my intent to pay my fee or rent for the use of
its land. I certainly will continue to pay what others
in the same circumstances as I, with a family place in
Lake Tahoe, agree to pay. I also believe in the event that
a date is set by State Lands to start a universal lease
arrangement with like property owners who have never as
much as applied for a permit, that I should be included
in that starting date with a credit of $251 paid to State
Lands since 1962.

In looking over your Agenda, I noticed on Item
C12 something about Pier Permits. I really believe,
gentlemen, I should have been included in that Item C12.

Thank you very much.

CHAIRMAN CORY: Staff?

EXECUTIVE OFFICER NORTHROP: Mr. Trout?

MR. TROUT: Mr. Chairman, there were two aspects
of this.
The statute says that an upland owner who has a single-family residence on the upland is entitled to a rent-free permit. I think that the Commission might consider what Mr. Shea has said and consider that a single out-building for his mother-in-law and sister is part of a single-family residence. The staff, in taking the strict interpretation of the law, felt that this involved an additional family, and therefore, was not included with a single-family residence, but actually, was a single-family residence plus a guest residence or facilities for additional parties.

If the Commission were to take an interpretation that this was, in fact, totally a single-family residence on the upland, that would reduce the rental by $332.

The problem also, in the second aspect, is that the pipeline is not entitled to be free, should have been paid for from the beginning, and that the minimum rent on that would be during earlier times about $20 a year, and then would be slightly reduced during different periods when regulations applied. And then, now, it would be approximately $100 a year under the Commission's minimums adopted last June. That amount is $182.39.

The Commission should be aware that the staff has been guided by the statute. We've been a little frustrated through Mr. Shea's periods of inaction. True,
he may have been busy or so on, but, as he admitted, it
was between April of '74 and January of '75 during which
period we heard nothing. So, from that standpoint, I think
that it probably does resolve itself into one, an interpre-
tation of whether or not the upland is improved with a
single-family residence; and second, the fact that there
is a pipeline which would come under the regulation for
residential rates in any case.

Mr. Taylor might want to comment on the extent
of the Commission's discretion in this area, assuming
that Mr. Shea's children were to use this cottage, they're
part of his single family, and perhaps that construction
would be appropriate.

CHAIRMAN CORY: The other concern of Mr. Shea
would be Commission staff is proceeding against all
similarly situated property owners. Mr. Trout, is it not
ture that the Commission staff is proceeding against all
similarly situated people?

MR. TROUT: That is correct, Mr. Chairman.

We now have an application from Mr. Shea's neighbor. We,
of course, will ask for back rent on all of these structures.
And in the litigation it will be pointed out that a major
case involving the Cindercove Lodge, HKM Corporation, has
been settled, favorably, and we have recovered not only the
lease but back rent in that case.
CHAIRMAN CORY: The point of the question in terms of the amount of the rate, whether it's a single-family residence or not, is there any evidence contrary to indicate Mr. Shea's contention that he has a 50-foot lot with a single-family residence? That seems to me to be the area where he has the greatest argument in his favor. Are there some factors that are not yet on the table that we should be discussing?

MR. TROUT: Not that I am aware of. In addition to the pipeline, there is a buoy which is not covered under the statute and for which there would be a minimum rent. I don't think that the question would significantly affect the rent, and I think everything is pretty much on the table.

CHAIRMAN CORY: It's a single-family residence.

MR. TAYLOR: There is a question of the literal ownership.

CHAIRMAN CORY: There is a question of whether or not he's the literal upland owner which would allow him to have any --

MR. TAYLOR: Let me say this. There's apparently an intervening ownership with the property. I don't know whether you agree with that statement or not.

MR. SHEA: This is the first I've heard of it.

MR. TAYLOR: The staff research indicates there
may be an intervening title interest in that area. I would say this, that under that type, there would be very little difference in net effect dollarwise to him considering the term of recreational permits, if it went as provided or if he had to pay the administrative processing fee at the beginning.

I should also caution that the question of recreational pier permits is pending, whether or not that is constitutional is a pending question of the Commission to the Attorney General's Office, and we're working on preparing that. If that opinion were to be that there is a constitutional problem about whether or not such permits can be made, then the result would be as what is being proposed to the Commission now with respect to that question.

But, dollarwise, I don't think you're going to see much difference between the two approaches, because one is there as an administrative fee charged at the beginning as a lump sum as opposed to stretching out the payments over a period of years at a lesser amount.

CHAIRMAN CORY: If the landowner has not been put on notice, it seems to me that the question of whether or not he is or is not the literal owner, at least temporarily, we should probably assume that he is.

COMMISSIONER BELL: I would say so.
CHAIRMAN CORY: If there are facts that come to light to prove different, then we can act accordingly.

MR. SHEA: Mr. Chairman, I have no objection at all to paying a lease to the State. None. I've been doing it in very small amounts since I built the place. I'd like to take the stand that if it's good for me, I think everybody around the lake who draws water out of the lake and has a single-family unit on a 50-foot lot should start something and pay the same amount.

CHAIRMAN CORY: We are in the process, sir --

MR. SHEA: I seem to be the only one.

CHAIRMAN CORY: Everyone has been brought in on that, and I think it's an area where the previous Commissions have not been as diligent where they could have been in enforcement. And we have taken the stand that everybody must pay and everybody must be treated equally. It may be that the data that they pay will be different because of when we find them and when we enforce them. Some of the people will say "No, you are going to have to take us to court". Then we will go to court and we'll win and we'll get the money. But, everybody is going to be treated equally.

There is the question in my mind, and I don't know if the staff can give us some indication whether or not this man has a single-family residence because everything
seems to indicate that he does.

MR. SHEA: Well, my own interpretation is nobody could live in it. It is a single room, two foldaway beds.

CHAIRMAN CORY: Is it like 10,000 square feet in a single room?

MR. SHEA: I really don't know how big it is. There's a bathroom in it.

CHAIRMAN CORY: Are we talking about a second apartment or what?

MR. TROUT: Probably in the low 100's. Jerry, do you know how big it is?

MR. GORDON: I don't remember offhand, but it is quite small.

MR. TROUT: We do have a great number of leases in the Tahoe area. We may not have 100 percent leases, but this isn't a new program.

MR. SHEA: May I ask, sir, who is my neighbor that has applied for it?

MR. GORDON: Mr. Worthington has an application in, and it is going before the Commission next month.

MR. TROUT: Mr. Gordon informs us it is Mr. Worthington.

MR. SHEA: Where do I stand now, sir?

CHAIRMAN CORY: I'm trying to figure out where we are.
I think that the Commissioners, I could be mistaken, but I think they are of the opinion with the photographic evidence we have before us that we have a single-family residence. The question of whether or not it's a literal owner, we really have nothing before us if that case can be proven. And I don't want Mr. Shea to be --

MR. SHEA: Who would the other owners be?

MR. TROUT: If any, it would probably be the County of El Dorado.

MR. SHEA: $100,000 a square foot.

(Laughter.)

MR. TROUT: The problem is that the subdivision tract, one of the lots of which Mr. Shea has, terminates at a line that is not the high-water mark. There is a difference between the subdivision boundary as shown on the subdivision maps and the high-water mark of the lake.

COMMISSIONER BELL: A lot of room or just a little room?

MR. TROUT: It varies. It's extensive -- it's a few feet on one end and perhaps tens of feet on the other end.

In view of the expression of the Commission's thoughts on this matter, I think we, in the staff, would suggest that the Executive Officer consider the possibility
of putting this over until next month as a Calendar Item, and let us sit down both with the County and Mr. Shea and perhaps we can bring back a lease.

CHAIRMAN CORY: Do you understand, here, the determination, rightly or wrongly, that we've got a single-family residence. And if he's here in good faith and willing to sign what everybody else is going to have to sign, it seems to me that we shouldn't even spend money litigating it.

MR. SHEA: May I ask another question, sir? This waterline business, is this something new?

CHAIRMAN CORY: You're lucky we aren't charging you improvement.

(Laughter.)

COMMISSIONER BELL: One hundred on the line, a one-time charge, or minimum per year. Are you talking about going back on that retroactively?

MR. TROUT: I'd like to look at the whole thing again. It's 40 feet long and a penny a diameter inch, it would be 40 cents a year. So, I don't think the pipeline is going to be a significant factor. The significant factor is going to be the minimum rent involving the buoy and whether or not he'd be better off with a use permit as opposed to the $250 processing fee for the rent-free structure.
CHAIRMAN CORY: I think you and the accountant can have a lot of fun discussing how to do that.

MR. TROUT: So, if Mr. Northrop concurs, the staff will work in that direction.

CHAIRMAN CORY: We, in essence, do charge for pipelines, for piers or whatever. We'll charge everybody.

MR. SHEA: This I was not aware of.

COMMISSIONER BELL: It's just a matter of getting to everyone.

MR. SHEA: Everybody around the lake has a pipeline into the lake, for years, and it's used for homes there. It would be cheaper to put in a well.

CHAIRMAN CORY: Not at 40 cents a year.

COMMISSIONER BELL: Not at 40 cents a year.

MR. SHEA: Oh, 40 cents. I thought he was talking about $100.

Thank you very much.

(Thereupon a recess was taken.)

CHAIRMAN CORY: In view of the time, here, can we take Item 44 out of order? I think that is the item some people want to address the Commission on.

The question that we have on Item 44 is the petition by the Western Oil and Gas Association for reconsideration and/or repeal of amendments to regulations of the State Lands Commission which were adopted at the April 28th
meeting. And Executive Officer, do we have a letter petitioning us in this regard?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Counsel, Mr. Hight will go over -- or Mr. Taylor from the Attorney General's Office will go over this.

MR. TAYLOR: Mr. Cory, we received a letter from Western Oil and Gas Association written by their attorneys, the McCutchen firm. Copies of the letter are attached to the Calendar. You'll see them on page 117 and 118.

The request is made by the Association according to its letter pursuant to California Government Code Section 11426. The Section following that in the Government Code requires action within a 30-day period. Without admitting whether this procedure or the Section is appropriate, we have placed it on the Calendar for the Commission's action so that a special meeting would not be required. In essence, they are requesting your reconsideration and rescission of regulations which were adopted at the last meeting, and which, as I understand it, will not become effective until the 1st of June. The reasons set forth for this request are enumerated in the letter, and the staff recommends to you on the Calendar Item --

COMMISSIONER BELL: I'm sorry, Mr. Taylor. You mentioned a 30-day period?

MR. TAYLOR: If the action that is being taken
pursuant to this Government Code Section is correct, the action must be taken within 30 days of the receipt of the letter.

COMMISSIONER BELL: Oh, I'm sorry. Not 30 days effective date?

MR. TAYLOR: No. What we're saying is if this procedure we are following at the present time is correct and timely, then the action would have to run 30 days from that.

COMMISSIONER BELL: Thank you.

MR. TAYLOR: Basically, it's the same items which have been previously discussed by the Commission. And the recommendation of the staff is that the request be denied. I anticipate that this is an attempt by the Association to exhaust its administrative remedies.

COMMISSIONER BELL: We have a request from Mr. David Destino.

MR. DESTINO: My name is David Destino, and I'm appearing on behalf of the Western Oil and Gas Association. I'm with the law firm of McCutchen, Black, Verleger & Shea. Mr. Taylor is certainly correct, in part, as far as our exhaustion of administrative remedies is concerned. I thought I detected some question on his part of the appropriateness of this procedure.

I'm not sure of its applicability, either, but it
is my understanding that the Attorney General has taken
the position, at least, in one other matter which we are
involved in that this is necessary before bringing a
lawsuit. And this is one of the reasons we did bring it.

Another reason, however, ideally we would hope
the Board would reconsider. We do set forth reasons raised
in earlier hearings, and I don't see any purpose in
rehashing those again, save for the specifics with respect
to the adequacy of notes which was alluded to several
people speaking at both the April 21 and April 28th hearings,
without specific reference. A letter directs the Commission
to Government Code Section 11423, which requires a 30-day
notice before the adoption and/or appeal of amendments to
a regulation.

I understand that the staff's position is, of
Counsel, is that the requirement had been met with the
prior hearings back in 1975. We don't share that view.
Rather, it was, at least in our view, the matter had laid
relatively dormant since at least July of '75, and it was
almost in the beginning of April, some two weeks before
the April 21 hearing, that Western Oil and Gas was advised
that this matter was now on the Calendar. The changes in
the regulations are substantial, we think, and should have
required additional hearing, again the view that was
expressed by several at the prior hearings.
I don't feel I want to expound on any of the other reasons raised unless somebody has questions.

One point of clarification. I think Mr. Taylor was reading on this Government Code Section 11427 [sic], that Section provides -- and I think there was some confusion on that -- that within 30 days of the receipt of such a petition the Commission must either deny it in writing or schedule a public hearing on it pursuant to Government Code Sections 11423, 424 and 425.

CHAIRMAN CORY: Let me ask a question. Is there anybody in the audience who wishes to discuss this item pursuant to Section 114, et seq.? I mean, is there a bunch of people who want to talk on this, now?

MR. DESTINO: I don't believe a hearing now would be appropriate. If a hearing is to be set -- it is my understanding the Commission's choice is one, to either deny it in writing within 30 days; or two, to set a hearing pursuant to the Section cited, which would entail as part of it the requisite 30-day notice under Section 11423.

MR. TAYLOR: We have adopted the first procedure, that of the recommendation of the staff to the Commission, and that is, that it is recommended that the request be denied and the staff be directed to notify the Petitioner, which is the first part of that Section.

COMMISSIONER BELL: You think it is not appropriate,
then, to go to public hearing?

MR. TAYLOR: No. That would be up to the Commission. If you would care to set that for further public hearing, Mr. Bell, that is the other alternative you have under this Section. You are free to take either course.

MR. DESTINO: Our position, of course, would be that there has yet been an adequate public hearing with the requisite 30-day notice on the original adoption, which is Reason 5 set forth in our Petition.

MR. TAYLOR: Mr. Chairman, we went to that at the time of the meeting, and we had extensive hearings on this matter, with the exception of during the time of Jay Shavelson's death, it did not lie dormant. The staff has been working on it and talking to people. It is our opinion that this was a continuation of hearings that were publicly noticed, and in addition, we feel that parties were aware of this earlier than has been indicated by your speaker. Those matters were covered at the previous hearings. And I guess there were questions we talked about.

CHAIRMAN CORY: And you are satisfied with the record on the previous hearing on that subject?

MR. TAYLOR: As it will stand on the record.

MR. DESTINO: I do not mean to suggest that the staff is doing nothing in this eight to ten-month period
from July, I think 31, '75, with the meeting of the oil
company representatives, and the notice, I believe April 8,
1976. What I am suggesting is that the 30-day requirement,
I think, can be in run where you have the procedure where
you have the meetings in July of '75, there is, at least
no public showing of interest on the part of the Commission
for eight to ten months, and then a new regulation is
sprung, if you will, in two weeks in advance of the April 21
hearing. It is with reference to that that I say the
30-day notice is required as far as people having knowledge
in advance of 30 days. I believe the Government Code
Sections are fairly specific as to what notice entails,
how it is to be communicated.

EXECUTIVE OFFICER NORTHROP: May I point out to
the Commissioners that the changes incorporated in the
latter regulations were promulgated or suggested in the
earlier meeting. So, I think we have taken ample note of
their objection.

MR. TAYLOR: If the Commission feels that there
would be something gained by a further hearing -- your
alternative -- this hearing will have no effect on the
regulations becoming effective. This is a Petition, in
effect, to repeal them under the provisions of this Section
that's been used. So, you could give them a further hearing,
or you would deny it at this time. Those are the two
courses of action authorized.

CHAIRMAN CORY: So, you are saying if we wanted a hearing -- it's what, the 27th -- so we could have a hearing like around the first part of July if the Commission would like, but the regulations would still go into effect.

MR. TAYLOR: I would say that we would either have 30 days in which to deny the Petition or schedule the hearing. I think that would be the way it would be. So, the hearing would not necessarily have to be within the 30-day period.

CHAIRMAN CORY: If we gave a 30-day notice for the hearing we'd be talking about the early part of July. Now, the question in my mind, you're suggesting that this is a Petition for a repeal of an already adopted regulation so that the regulation would already be in effect. The question before the Commission after the conclusion of that hearing, should we choose to grant it, would be whether or not we should repeal an existing regulation.

I would like to know whether or not the Attorney for the requesting party would agree that this would be the place where we would be.

MR. DESTINO: I've not had an opportunity to look at that question. The reconsideration language was put in with an abundance of caution, and at least my initial reaction would be that Mr. Taylor is correct in that.
that the procedure as I envision it does not, in any way, stay the regulation.

I would suggest that that would be appropriate to do that for the one-month period, but I don't believe that that is either necessary or, for that matter, really even encompassed in the letter. But, I don't see any harm would be done by that procedure.

MR. TAYLOR: It could be a part of the next Commission meeting, as long as you take the action today before the next meeting.

COMMISSIONER BELL: You feel there is no question of proper notice?

MR. TAYLOR: We feel no --

CHAIRMAN CORY: Greg, Greg.

Given the context of how this came up, I would prefer that we take about a two minute recess and have you and Mr. Hight come up here, and pursuant to Government Code Sections vis-a-vi Litigation, I think there are some questions I have and they have that you should answer for us, and then we can take this back up.

MR. DESTINO: Before you do, I have one comment. I think that maybe I'm misunderstanding Mr. Taylor. I think the action that is required under the Government Code Section that the Petition is brought under that refers within 30 days it either be denied in writing or a notice of
hearing goes out. I don't believe the hearing has to take
place within 30 days, rather it contemplates that 30 days
notice would be given for whatever hearing takes place.

CHAIRMAN CORY: Given the context of this, I
think we had better discuss this with Counsel.

(Thereupon a recess was taken.)

CHAIRMAN CORY: Back in session for the Commission.

Do you have any further remarks? Somehow you have a
sequential presentation here with someone else.

MR. DESTINO: No. I have nothing further at
this time.

CHAIRMAN CORY: Is it Leichtner?

MR. LEICHTNER: My name is Robert Leichtner,
representing Pacific Refining.

I'd just like to make a couple of brief remarks
according to what Western Oil and Gas Association has said.

CHAIRMAN CORY: Let me get something in my own
mind, here, for the record. You are representing Pacific
Refining Company?

MR. LEICHTNER: Yes. I'm from the firm of
McCutchten, Doyle, Brown & Enersen of San Francisco, and
I'm appearing on behalf of them.

CHAIRMAN CORY: They are not related to McCutchten,
Black, Verleger & Shea?

MR. DESTINO: Not any longer.
CHAIRMAN CORY: They were one law firm. But, the McCutchenes are related but separated?

MR. DESTINO: The law firm is separate.

CHAIRMAN CORY: The law firm is separate but the families are related.

MR. DESTINO: Right.

CHAIRMAN CORY: Okay.

MR. LEICHTNER: Briefly, as I'm sure the Commission staff is well aware, Pacific is very concerned about the new --

CHAIRMAN CORY: Who are they?

MR. LEICHTNER: They bought the Hercules Refinery. They also have an application to an assignment of the State lease pending --

CHAIRMAN CORY: They've got guts. Go ahead.

MR. LEICHTNER: Representatives of Pacific Refining and Coastal States would have been here if they could, but we only learned about this item on May 25th. I don't think it's necessary to take your time to add arguments to what Mr. Destino has already said. Just for the record, I'd like to say we support the Petition for reconsideration and/or repeal of the regulations and that we encourage the rescheduling of a meeting so that everybody who is concerned about it, including representatives of Pacific Refining and Coastal States can...
appear and present their views.

CHAIRMAN CORY: You are requesting that we grant
the Petition to consider repeal of the adopted regulations?

MR. LEICHTNER: That's correct.

COMMISSIONER BELL: I would move, Mr. Chairman,
that we reschedule this item. And unfortunately, since this
is so late in the month, the next normal June meeting does
not give us the 30 days. So, we probably ought to reschedule
it for the July meeting.

CHAIRMAN CORY: You're not asking to reschedule
this item, but to put an item on for a hearing pursuant
to --

COMMISSIONER BELL: I would like scheduling of
a public hearing as required by that Government Code Section,
or as one of the two options.

MR. THOMSON: Second.

CHAIRMAN CORY: Moved and seconded. Anybody in
the audience who wishes to address themselves to this item?

MR. TAYLOR: Mr. Chairman, it's my understanding
that this will be handled by the Commission pursuant to this
Section 11427.

COMMISSIONER BELL: Right.

MR. TAYLOR: And that it is not the intent of the
Commission that the regulations shall not become effective,
but that we shall have a hearing on whether or not they
should be repealed at that time pursuant to the request.

CHAIRMAN CORY: Correct, and I understand that
is the request of the Petitioner, and we're taking that
option.

MR. DESTINO: We, of course, would prefer the
regulation, if not rendered not effective, at least,
"stayed. However, I don't know what the Commission has
before it in the way of leases coming up. And I'm not
sure if that is necessary at this point in time. I would
suspect that language could be worked out in lease should
the rule be repealed; otherwise, that matter would be
taken care of at that time.

CHAIRMAN CORY: Anybody else in the audience
who wishes to address the Commission on this item?

Without objection, that motion will be adopted
unanimously.

Item 37.

EXECUTIVE OFFICER NORTHOROP: Item 37, Mr. Chairman,
would you please on the record delete Wittpen, Garcia Bend
Marina as we now have a lease.

Item 37 is to authorize the State Lands Commission
to take all steps, including litigation, to bring
Schilling, formerly the Captain's Table; Hussey, Village
Marina; Powell, DaRosa Marina; and Robles, B. & B. Marina
under lease or litigation.
ACTING CHAIRMAN BELL: All right. Is there anyone in the audience who wishes to speak on this item?

If not, so moved.

Without objection, Item 37 approved as presented.

Item 38.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a removal of a pier under an Agreement with Holly Sugar Company. This authorizes the Attorney General or the State Lands Commission to take whatever steps necessary, including litigation, to resolve the dispute between Holly and Glen Bowlsbey.

ACTING CHAIRMAN BELL: Is there anyone to appear on Item 38?

If not, without objection, Item 38 is approved as presented.

Item 39.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr. Thompson addressed Item 39, but no action was taken.

ACTING CHAIRMAN BELL: Is action required?

EXECUTIVE OFFICER NORTHROP: No, it's just an informative item, Mr. Chairman.

ACTING CHAIRMAN BELL: Item 40, status of Major Litigation.

EXECUTIVE OFFICER NORTHROP: Mr. Taylor of the Attorney General's Office.
MR. TAYLOR: Mr. Chairman, we filed the appeal in the Exxon pipeline case over the last weeks, controversy with Exxon. This is on the Santa Ynez Exxon unit pipeline coming into the shore, there. And that connection, it should be noted, that the Court of Appeals recently reversed the dismissal of a taxpayer's action challenging the rezoning referendum. So, apparently, that is going back to trial. It will probably be several months before the record is prepared, and will be several months -- 45 days after that before the first brief will be filed by the State.

The Executive Officer executed a letter, which I'm sure you are aware of, but just for the record I think it should be stated that we are now in the second 75-day period with the City of Long Beach over outstanding trust accounting problems. No agreement has been reached yet. It is our hope that an agreement would be reached with the City of Long Beach by the end of the extension of 75 days. If not, both parties reserve the right to go to litigation.

The State has been served as a party in the Lane versus the City of Redondo Beach regarding whether or not the City reserved adequate public access to the beach. The Commission has now been made a party to that action.

There is an item which we can take out of order,
Santa Monica item which you don't have a minute item on in your Calendar.

The City of Santa Monica appeared for a time between the last meeting and this to have changed their position with regard to who owns the tideland area in the City of Santa Monica. And after, a letter was sent by the Attorney General's Office requesting clarification on behalf of this Commission and the Department of Parks and Recreation. The City Counsel met and informed us that there has been no changes in position, and we're proceeding on the litigation on the basis of what we've always understood to be the understanding of the State, and that is, that the Department of Parks and Recreation has leased the area to the City for use.

We have been sued -- you will recall the Decon matter, which was the termination of a lease which Decon has sued the State Lands Commission this last week on that item.

Hamilton Air Force Base, the Federal government has informed us that they will not negotiate whether the State has any interest in that area. And the Executive Officer will discuss with you what steps to take next.

We have another new lawsuit in Santa Ana which was filed by Mr. Penbroke. We haven't seen the action yet, but he has informed us that it is in the mail.
Mr. Trout has mentioned to you that the staff of the State Lands Commission and the Attorney General’s Office have reached a compromise in the settlement of the HKM Settlement at Lake Tahoe, seeking payment of back rent in recognition of the historic use by the public of a certain beach area, of public parking for that beach area and its operation by the City of South Lake Tahoe. That item will be before the Commission shortly.

We have two other items regarding litigation and potential litigation which we would like to discuss with you following the meeting in connection with Newport and some FEA matters.

ACTING CHAIRMAN BELL: That concludes Item 40, and with it, Item 43, I assume.

So, we are now on Item 41 on cession of current and retrocession of jurisdiction. Really, this is just a technical correction.

EXECUTIVE OFFICER NORTHPROP: Right.

ACTING CHAIRMAN BELL: With the U.S. Naval Hospital?

EXECUTIVE OFFICER NORTHPROP: Yes.

ACTING CHAIRMAN BELL: San Diego?

EXECUTIVE OFFICER NORTHPROP: Yes. Counsel was not pleased with the language as we had adopted it, so they have asked that the new language as indicated on page
109, 110 be adopted.

ACTING CHAIRMAN BELL: All right. Without objection, Item 41 is approved as presented.

Since I have been reading without calling the roll call, may the record show that Mr. Cory left after a discussion of through freight regulations on Item 44, and when we started over again on Item 37 Mr. Cory had left and at that time there were only two voting members left.

Item 42, annexation of tide and submerged lands.

Mr. Northrop.

EXECUTIVE OFFICER NORTHROP: Mr. Trout of my staff will address this.

MR. TROUT: The City of Trinidad is interested in putting in some 450 moorings in Trinidad, Humboldt County. The first step in this project would be to annex this area into the City. The Commission is required to approve the legal description and then the annexation. They have asked for lease of this area. We expect no controversy at this stage, but the lease stage may result in some opposition by the Humboldt Bay Harbor Recreation and Conservation District, which is interested in expanding its grant into Trinidad and Shelter Cove area. This will be back at a subsequent time.

ACTING CHAIRMAN BELL: This is purely approval
of the boundaries, and we will get it back again pretty quick.

All right. Without objection, Item 42 is approved, and that concludes the Calendar. Mr. Taylor?

MR. TAYLOR: Mr. Chairman, Mr. Graber has noted that the City of Santa Monica was informed that we would briefly discuss this matter today, and there is a possibility that someone in the room might want to speak.

ACTING CHAIRMAN BELL: I'm sorry, I certainly neglected my duty in asking is there anyone who wishes to address the Commission in regard to the Santa Monica State Beach and encroachment litigation?

If they are, they have given up.

With completion of the Calendar I see that the next meeting of the Commission will be on Thursday, June 24, 1976 at 10:00 a.m.

EXECUTIVE OFFICER NORTHROP: In Sacramento.

ACTING CHAIRMAN BELL: And with that confirmation, we are adjourned.

(Thereupon the State Lands Commission Meeting of Thursday, May 27, 1976, was adjourned at 12:35 p.m.)

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State of California )
County of Placer ) ss.

I, DIANE LYNN WALTON, a Notary Public in and for the County of Placer, 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, Diane Lynn Walton, a Certified Shorthand Reporter of the State of California and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for 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 16th day of June, 1976.

Diane Lynn Walton
Notary Public in and for the County of Placer, State of California
C.S.R. License No. 3067