MEMBERS PRESENT

Hon. Kenneth Cory, State Controller, Chairperson
Hon. Mervyn M. Dymally, Lt. Governor, Commissioner,
  represented by Ms. Betty Jo Smith
Hon. Roy M. Bell, Director of Finance, Commissioner,
  represented by Mr. Sid McCausland

MEMBERS ABSENT

NONE

STAFF PRESENT

Mr. William F. Northrop, Executive Officer
Mr. Richard S. Golden, Assistant Executive Officer
Mr. James F. Trout, Manager, Land Operations
Mr. Robert C. Hight, Staff Counsel
Mr. Jan Stevens
Mr. Dwight Sanders
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PETERS SHORTHAND REPORTING CORPORATION
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TELEPHONE (916) 383-3601
CHAIRPERSON CORY: Call the meeting to order.

Mr. McCausland, do you have some comments on the minutes of the meeting?

MR. McCAUSLAND: Yes, I do, Mr. Chairman.

Item 55 of the Minutes, page 4, includes the following statement: -- and this is in regard to the pricing of natural gas --

"Upon motion duly made and carried, the following resolution was adopted by a vote of two to zero with one abstension."

If I may, Mr. Chairman, I would like to read from the transcript of Item 55. I won't read all of the pages that I had originally intended. I'll read my motion:

"I have language which I would like to propose in the form of a motion as a substitute to the staff recommendation on this calendar item. I would like to propose that the reasonable market value or current market price of the gas produced and sold from the Rio Vista, Ryer Island, River Island fields for the period in question shall be those prices that are the result of the pending arbitration between PG&E and Texaco, Aminoil and Superior, provided however that
should the Public Utilities Commission determine
to regulate the price for California-produced
gas and impose a ceiling on the price that a
California producer may charge, the determination
of the State Lands Commission shall be that
ceiling price for all time periods in question."

Commissioner Smith then commented on the motion.

Executive Northrop noted that I had left Isleton out, and
I stated:

"That was an inadvertent error. The motion
should be amended to include Isleton."

Ms. Smith said, "That's fine with me. Second the
motion."

Chairman Cory said:

"Is there anything that the Commissioners
wish to discuss, or are we at the point where
the mind cannot cure what the seat cannot endure?

"Do you wish to put any caveat of limitation
as to a maximum to which the arbitration, if they
came in, should not exceed based upon this record?
Do you want the motion to stand where it is?

"MR. McCausland: I made my motion. You can
amend it.

"CHAIRMAN CORY: We have a motion and
seconded. All chose in favor signify by saying
aye.

"(Ayes.)

"CHAIRMAN CORY: The ayes have it. The motion is carried. We stand adjourned."

Mr. Chairman, I have served on this Commission as the alternate for Commissioner Bell for two years. During that entire two-year period, every motion has been by acclamation unless somebody specifically made reference to the fact that they wanted to be noted otherwise in the minutes. There is nothing in the transcript that would lead me to the conclusion that the minutes are appropriate, and therefore, I make the following motion that Calendar Item 55, page 4, be amended in the minutes to say, "Upon motion duly made and carried, the following resolution was unanimously adopted by the Commission."

CHAIRPERSON CORY: You wish to amend the minutes to reflect that?

MR. McCausLAND: Yes, sir.

CHAIRPERSON CORY: Okay. Now my point is that I did not vote on that, and I have no qualms with changing that minutes to say that it was carried. But I did not, in fact, vote on that motion, and, therefore, I think it would be inaccurate to say that it was unanimous. Two aye votes. It was a voice vote, and the significance of that, I think, is relatively minor and it relates probably not to that
which people seem to be sensitized to at this point.

MR. McCAUSLAND: Let me make a substitute motion, Mr. Chairman, and also suggest some procedure that I would like incorporated into the sense of my motion.

Number one, rather than the amendment which I just proposed, let me suggest: "Upon motion duly made and carried, the following resolution was adopted by a vote of two to zero period." Strike the clause, "with one abstension."

Second, if that motion was adopted, I would want the following two motions to be considered by the Commission immediately following adoption of the minutes. First, that our prior action on gas pricing be rescinded and that the matter be reopened for public hearing and further discussion by the Commission.

And second, that all future votes on all calendar items of this Commission be taken by official roll call, noted by the secretary.

CHAIRPERSON CORY: Okay. Is there a second?

MS. SMITH: I second.

CHAIRPERSON CORY: We will go in sequel, I guess. The first thing is to amend the minutes to reflect a two-to-nothing vote period.

All in favor signify by saying aye.

(Ayes.)
CHAIRPERSON CORY: Motion is carried.
The next motion is --

MR. McCAUSLAND: Well, let's adopt the entire set
of minutes, then. I move we adopt the minutes as amended.

MS. SMITH: I second it.

CHAIRPERSON CORY: Without objection --

MR. McCAUSLAND: I would like a roll call vote.

CHAIRPERSON CORY: Will the Executive Officer call
the roll.

EXECUTIVE OFFICER NORTHRUP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHRUP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHRUP: Mr. McCausland.

MR. McCAUSLAND: Aye.

EXECUTIVE OFFICER NORTHRUP: Three ayes,

Mr. Chairman.

CHAIRPERSON CORY: The minutes are adopted.

MR. McCAUSLAND: Mr. Chairman, I would like to move
that the action of this Commission whereby we set the
arbitrated price of gases in the Aminoil, Texaco, and
Superior arbitrations as the appropriate price for our gas
unless PUC interceded -- I would like to move that we
rescind that action and reopen the matter for further public
hearings.
MS. SMITH: I second the motion.

MR. McCAUSLAND: I would like a roll call vote.

CHAIRPERSON CORY: There is a question as to whether or not that matter can be before us.

MR. McCAUSLAND: Well, I don't think I need to stay here today if we can't find a way to bring it up during the calendar.

CHAIRPERSON CORY: I am concerned -- I have no problem. I am willing to vote in favor of your motion, but what I am concerned about is that there are interested parties who have not been notified.

MR. McCAUSLAND: I would say that we are not denying any parties an opportunity to be heard on the matter. If anything, we are giving them further opportunity to make their case and bring the issue before us. And if the motion should be more properly phrased, set the matter for -- that we rescind our previous action and set the matter for -- I really don't see anything wrong with the motion, as a matter of fact.

CHAIRPERSON CORY: I don't know. I am just asking, so we don't --

MS. SMITH: Jan, is there anything wrong with the motion?

MR. STEVENS: We were just discussing the authority of the Commission to reconsider in the absence of
a statute at this particular time. There seems to be a
question with respect to that. On formal decisions, in the
absence of a statute, an administrative body doesn't have
the authority to reconsider its decision. Neither one of
us can recall at present whether the contracts in question,
and leases, would provide this kind of authority with
respect to these prices or whether the Commission's action
was such a final action as to preclude it from
reconsideration at this time.

So the answer in a nutshell is, we are not sure
you can do it.

MR. McCausland: All right. I would like to do it
unless somebody proves otherwise.

Chairperson Cory: I would guess that we should go
ahead and do it and see what happens. That eases the
burden.

MR. McCausland: I would say that if individuals
can change the minutes that individual actions are probably
not valid. As far as I'm concerned, I would be willing to
take this entire issue to court on the question of whether
or not it is properly recorded in the minutes of the
Commission and, therefore, constitutes a legal act of this
body.

Chairperson Cory: I'm willing to put the motion,
and I'm prepared to vote for your motion.
MR. McCausland: I would like a roll call vote.

Chairperson Cory: Okay.

Executive Officer Northrop: Chairman Cory.

Chairperson Cory: Aye.

Executive Officer Northrop: Miss Smith.

Ms. Smith: Aye.

Executive Officer Northrop: Mr. McCausland.

Mr. McCausland: Aye.

Executive Officer Northrop: We have three ayes, Mr. Chairman.

Mr. McCausland: Third motion, Mr. Chairman. I would like all further matters brought before this Commission to be recorded by roll call vote.

Chairperson Cory: Fine with me.

Ms. Smith: Second.

Chairperson Cory: Call the roll.

Executive Officer Northrop: Chairman Cory.

Chairperson Cory: Aye.

Executive Officer Northrop: Miss Smith.

Ms. Smith: Aye.

Executive Officer Northrop: Mr. McCausland.

Mr. McCausland: Aye.

Executive Officer Northrop: Three ayes, Mr. Chairman.

Ms. Smith: I would like to make a further motion,
that the Attorney General issue an opinion regarding the motion that was made at the last meeting.

CHAIRPERSON CORY: Before we do that, because I think that gets at the point which I think is being missed in this -- I would like to clear the room except for counsel to discuss potential litigation.

(Thereupon the public meeting was recessed for purposes of discussion by the Commissioners and counsel.)

CHAIRPERSON CORY: We have some procedural items which after conferring with counsel we think appropriate to address ourselves to.

MR. McCausland: Mr. Chairman, I would like to move that we strike from the record or rescind my earlier motion, the intent of which was to rescind our action at the January 26th meeting regarding gas pricing, the reason being that I would like to offer a substitute motion following that which would give proper notice of our determination to reconsider.

The motion is to rescind my earlier motion.

CHAIRPERSON CORY: Okay. We have a motion.

MS. SMITH: Second.

CHAIRPERSON CORY: Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.
EXECUTIVE OFFICER NORTHROP: Miss Smith.
MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.
MR. McCausLAND: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, three ayes.

MR. McCausLAND: Mr. Chairman, I would like to move that we publish notice of our intent to reconsider the gas pricing decision of January 26th.

MS. SMITH: Second.

CHAIRPERSON CORY: Before you call the roll, I think that carries with it the implication, and I think the staff should understand that that would dictate probably a Sacramento meeting whenever that is put on the Agenda.

MR. McCausLAND: I believe so.

EXECUTIVE OFFICER NORTHROP: Fine. Thank you, Mr. Cory.

CHAIRPERSON CORY: Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.
CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.
MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.
MR. McCausLAND: Aye.

EXECUTIVE OFFICER NORTHROP: Three ayes,
Mr. Chairman.

CHAIRPERSON CORY: Okay. The motion is carried.

The first item is the report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman and Members, permission was granted to the Pacific Telephone and Telegraph Company to install a telephone conduit facility across state land in the bed of the Mokelumne River adjacent to the State Highway 99 Bridge crossing near Lodi. The Telephone Company has applied for a permit for this crossing; however, the facility must be installed prior to March 15, 1978, when the local water district begins to impound water on this area of that river. The Telephone Company's proposed conduit facility will replace an existing conduit on the Highway Bridge which is being severed by the settling of the bridge abutments. The Telephone Company will be required to continue its efforts to secure a permanent permit from the Commission.

Because of the time frame, we are advising you we have granted that permission.

CHAIRPERSON CORY: Any problems?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr. Thompson will report on the crude oil price increase in the Long Beach Unit with his Long Beach Operations' Report.

Mr. Chairman, that concludes my report, sir.
CHAIRPERSON CORY: Okay.

Mr. Golden.

MR. GOLDEN: Mr. Chairman and Members, this report outlines significant items of current concern to both State Lands Commission staff and the Bay Conservation and Development Commission and the State Coastal Commission. The first group will be on the San Francisco Bay Conservation and Development Commission.

Charles King and Associates - Negotiations have begun between the staffs of BCDC, the State Lands Commission, and Charles King representatives. The latter party is proposing a nine-story office building adjacent to the Bay in the City of Burlingame. The project involves lands with serious title questions. Resolution of the State's interests and assertion of a probable tidelands easement over all or portions of the parcel should be reached in the near future.

International Stills and Cinema - This project involves the mooring of an historical vessel at Pier 1 near the Ferry Building, at San Francisco's Fisherman's Wharf. Although these lands have been granted to the City and County of San Francisco, we are closely following the attendant proceedings for possible applicability and tie-in with our current leasing policies pertaining to historical vessels at Old Sacramento's waterfront area.
Dean F. Collins - State Lands Commission staff
have agreed, in part, to accept tideland dedications on
behalf of the State. The applicant, Dean Collins, has
proposed a residential subdivision on bluff lands in
Benicia adjacent to water-covered lands -- tidelands
encumbered with a trust easement. As a mitigation
requirement, certain lands were offered to be preserved
as open space for perpetuity. Should development on these
lands be undertaken, in accordance with the reversionary
provisions, fee ownership of these lands will be transferred
to the State under the management of the Commission.

Now, as to matters under the Coastal Commission,
the Agua Hedionda Specific Plan was considered. As one of
the components of the City of Carlsbad's Local Coastal
Program, Agua Hedionda is characteristic and indicative
of the title and easement problems associated with the
lagoons and waterways in San Diego County.

Recently, a representative of the State Lands
Commission presented oral comments to the San Diego Coast
Regional Commission. The comments were essentially that
the State Lands Commission staff had begun its study of
Agua Hedionda; however, the study could take up to two years
for completion. Consequently, no recommendations in the
interim could be offered concerning the extent of the
public trust. In response to this, Regional Coastal
Commission land-use designations were deferred on possible trust lands pending completion of the State Lands Commission study.

Hotel Del Coronado - Staff of the State Lands Commission, in consultation with the Attorney General's Office, coordinated efforts with the San Diego Coast Regional Commission and the City of Coronado Planning Department to resolve the claim by a number of Coronado citizens that 3.32 acres of Hotel Del Coronado land is public land subject to a public trust easement.

Subsequent to historical investigations and file research, Deputy Attorney General Anthony M. Summers concluded that "There is no evidence that the 3.32 acres have ever been subject to public trust...but have been upland -- as opposed to tidelands -- dating back at least to the mid-1800's." Close quotes.

Thus, in dispelling unsupported contentions, the Attorney General's Office and State Lands Commission staff quieted allegations concerning lands with purportedly reserved public interests which had been the subject of political controversy for many years.

Humboldt County Area Local Coastal Programs - Staff of the Commission has received and preliminarily commented on the local coastal programs for the Cities of Arcata and Eureka, and Humboldt County. Additionally, an
interagency coordination mechanism has been established to facilitate Bay planning. The Commission staff will be participating with federal and local entities along with the State agencies who have jurisdiction over Bay matters.

The public trust issue is a continuing problem in the Eureka/Arcata tidelands waterfront area. State Lands Commission staff and the Attorney General's Office is heavily relied upon by Coastal Commission personnel to perform boundary, title, and graphic assistance.

Additionally, determinations of project consistency with the public trust doctrine often entail much effort by the Commission and Attorney General's Office. Staffing problems encountered are expected to be rectified in the near future with the addition of new Commission personnel.

Long Beach Coastal Plans - The City of Long Beach Local Coastal Program and the Port of Long Beach Port Master Plan are currently being reviewed by Commission staff. Review to date does not indicate any major Commission concerns.

That completes my report.

CHAIRPERSON CORY: Questions from members?

A request, because of scheduling problems, we will take up Item 20 out of order. Is there any objection to doing that? Okay.

Item 20, Tomales Bay.
EXECUTIVE OFFICER NORTHROP: Mr. Chairman, you have in front of you an understanding between the County of Marin, the Coastal Commission, and the State Lands Commission to handle the problems in Tomales Bay during an interim period.

The staff recommends its adoption. I understand Mr. Flushman from the Attorney General's Office is here.

MR. FLUSHMAN: Mr. Cory and Members of the Commission, this understanding was adopted through a series of -- after a series of meetings and through numerous telephone calls between Marin County and the North Central Regional Coastal Commission, and deals with the interim permitting process during the formulation of the Local Coastal Program. The understanding is just what it says. It is not a binding document on any of the parties to it and just presents standards to them by which the permits that are put before them by applicant should be considered.

The most important of the standards is found on page 3. It deals with whether or not the application deals with a permit for either an existing use or an existing activity which is consistent with the public trust and the objectives of the Coastal Act of 1976.

Marin County just approved this today. By telephone this morning, I have had contact with the representative of the North Coast Regional Commission and
staff is going to recommend adoption to its body as well.

CHAIRPERSON CORY: Questions by Commissioners?

MS. SMITH: Individuals who would normally come to the Commission for approval of their permit applications would still come to this body for approval; is that correct?

MR. FLUSHMAN: Yes. They would. The permit applications would then be considered by what has been euphemistically referred to as the Tomales Bay Task Force which is composed of the members of the North Central Coast Regional Commission (sic), the Division staff and Marin County. The respective staffs would consider it from their interested viewpoints. Marin County deals with the upland, the Coastal Commission and the Lands Commission deal with the permit with respect to the tidal and submerged lands.

CHAIRPERSON CORY: Okay. What is the wish of the Commission?

MR. McCausland: I will move we adopt the staff recommendation.

MS. SMITH: Second.

CHAIRPERSON CORY: Moved and seconded. Call the roll.

EXECUTIVE OFFICER NORTHRUP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHRUP: Miss Smith.
MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHRUP: Mr. McCausland.

MR. McCausLAND: Aye.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, three aye votes.

CHAIRPERSON CORY: Carried.

MR. FLUSHMAN: Thank you, Commissioners, for taking this out of order.

CHAIRPERSON CORY: Okay.

Next we have the Consent Calendar, designated with the letter "C" in front of the numbers, C1 through 13. Is there anyone in the audience who has any difficulties with us approving Items C1 through 13, inclusive, pursuant to the staff's recommendation?

Motion by Mr. McCausland; seconded by Miss Smith that Item C1 through 13 be approved as presented. Call the roll.

EXECUTIVE OFFICER NORTHRUP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHRUP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHRUP: Mr. McCausland.

MR. McCausLAND: Aye.

EXECUTIVE OFFICER NORTHRUP: Three aye votes on the Consent Calendar, Mr. Chairman.
CHAIRPERSON CORY: Item 14 is off the calendar.

MR. McCausland: Each month, Mr. Chairman, there appears to be at least one Informative item on the Consent Calendar, and I'm not quite certain why it is on the Consent Calendar if it's informative. You might want to consider whether or not we want to include those in blanket motion in the future. They might belong in the Executive Officer's Report as just an insert. I don't see why they require action. C12 is the one.

EXECUTIVE OFFICER NORTHROP: We will take necessary steps to correct that, Mr. Chairman.

Thank you, Mr. McCausland.

CHAIRPERSON CORY: Item 15 - Authorization for the Executive Officer to negotiate and sign an agreement with the Port of Long Beach so that there will be a joint EIR for the Shell Data Development.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this deals with the State's concerns with the transportation, onshore, of the Shell production and the federal offshore lease, offshore, Huntington Beach. We are proposing to put together a joint EIR similar to the one that was done for the SOHIO project between the City of Long Beach and the Public Utilities Commission on a co-lead agency basis.

So we are authorizing to negotiate -- we have already had some preliminary meetings. We have set up our
task force for you to approve this. We have started
negotiations to move on this so that we can move within the
time frame as outlined by legislation.

CHAIRPERSON CORY: Any questions by members?

MR. McCAUSLAND: No.

MS. SMITH: No.

CHAIRPERSON CORY: Call the roll. Oh, we'd better have a motion.

Miss Smith moves?

Anyone on Item 15 in the audience?

I would like, before we accept the motion, to remind the Executive Officer that if this is Shell Oil, you had better get it in writing, as I recall their slipperiness on the other issues.

EXECUTIVE OFFICER NORTHROP: Yes, sir, Mr. Chairman.

CHAIRPERSON CORY: Miss Smith moves; Mr. McCausland seconds the authorization be granted. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCAUSLAND: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it's three-0.
CHAIRPERSON CORY: Approved.

Item 16.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 16 is the award of a consultant services contract, removal of navigation hazards in the Sacramento-San Joaquin Delta. Dwight Sanders is the Manager of our Planning and Environmental Unit that has handled that. I would like him to address the Commission on that at this time, with your permission.

CHAIRPERSON CORY: Okay, Dwight.

MR. SANDERS: Mr. Chairman, Members of the Commission, as you are aware, the State Lands Commission received a Federal Economic Development Administration grant in the amount of $1,210,969 for the removal of hazards within the Sacramento-San Joaquin Delta. The grant is subject to a special condition imposed by EDA as follows:

"Prior to the start of construction, the Grantee will present to the Regional Director, Western Regional Office, Economic Development Administration, evidence that the California State Historic Preservation Officer has reviewed and approved final plans and specifications for site-specific removal projects as they are identified."

There are specific requirements of the National
Historic Preservation Act of 1966 and subsequent rules and regulations which must be conformed to in this matter. To this end, the State Historic Preservation Office determined that a formal research effort was warranted in this particular matter as evidenced by the quote in the calendar item.

On February 3rd, 1978, the Commission staff and the State Historic Preservation Office staff agreed to the content of a request for a proposal for the required research efforts which are financed by the federal grant monies. The Commission received two proposals and they have been evaluated independently by two evaluators from the State Lands Commission staff and one evaluator from the State Historic Preservation Office.

The recommendation of the staff is that the Commission award the subject contract to Allen Patterson, et al., and to that end this is our recommendation.

Both proposals, in concurrence with the State Historic Preservation Office, meet the minimum standards for the project. The individuals stated for the Allen Patterson proposal appear to have a greater degree of experience and credentials in this regard, and perhaps this factor is a determinant in the difference in price between the two proposals.

The proposal by Dr. Kenneth Owens is in the amount
of 64,000 -- approximately $64,000. The proposal from Allen Patterson is approximately $37,000.

As I stated, the staff of the State Lands Commission has recommended the adoption of the Patterson proposal. The staff of the State Historic Preservation Office feels that the proposal by Dr. Kenneth Owens is the one which the Commission should consider at this particular time.

We have asked that a representative from the State Historic Preservation Office be in attendance today to state their position and the reasons for their evaluation of the proposals.

There is one item that did at least cause some concern among staff with regard to the proposal by Dr. Owens in that the principal researcher, or the individual who would be in effect ramrodding the project, is presently an employee of the State Historic Preservation Office.

CHAIRPERSON CORY: Is there anyone here from the State Historic Preservation Office?

Yes. Could you come forward and give us your views as to why -- We don't understand your end of the world that much, and it's a question of money is what we are looking at. Thirty-seven versus 64. Why is it that we get something better for that?
MR. KREUTZBERG: My name is Hans Kreutzberg, H-a-n-s, surname is K-r-e-u-t-z-b-e-r-g. I'm an Historian with the State Historic Preservation Office.

As Dwight pointed out, from our perspective at any rate, the qualifications of the personnel in both proposals meet the minimum qualifications standards of Title 36 of the Code of Federal Regulations, Part 64 Proposed.

I took the liberty, I suppose, after knowing that of not dealing with the qualifications as much as I did with the proposal itself. What I dealt with in terms of the proposal is the thoroughness of the proposal, the grasp of the complexities and details of the federal requirements which are reproduced verbatim in an appendix to the RFP. And it became evident, in a comparison of both proposals, that the Owens proposal had, as I said, a more thorough grasp of what was required by the federal regulations; and therefore, had the not inconsequential advantage of being able to come up with a product and a research effort that, later subjected to critical review and comment by the staff of our office and by the staff of the President's Advisory Council on Historic Preservation, would fly more readily through that review process than the proposal of Mr. Patterson.

That is integrated into considerations of time and
and efficiency that I understand are very pertinent to the project itself.

From the standpoint of the extent to which, at least on a written basis, the two proposals conform to the federal requirements, we expressed the opinion to Mr. Sanders that the Owens proposal did, in fact, do so in outstanding fashion, and on the rating sheet we were handed by the Commission, we gave the Patterson proposal on that score of thoroughness an average rating.

We felt, too, that in terms of quality approach, the Owens proposal was more outstanding in that it indicated a more thorough and broadly-based understanding of what the connotations and denotations of the language of the federal requirements were in terms of what is historical.

There were some disturbing, what I would call premature conclusions in the Patterson proposal about the extent of work that could be done. Now, unless the Patterson proposal was based on a set of presumptions that indicated a certain level of scholarly familiarity with what was involved -- and this was not necessarily evident in detail in the research proposal -- I could not understand why some of these conclusions appeared in the research proposal; for example, details relating to the length of the final reports, what I felt to me was a rather superficial approach to the determination of eligibility for
the National Register requirements as outlined in Part 63 of Title 36 of the Federal Code of Regulations.

On the whole, again, in terms of the urgency of the proposal felt that the Owens proposal clearly could, in large measure, deal with the problem most expeditiously. That is in reference to the fact that in the Patterson proposal, it clearly indicates that on the timing there are restrictions on the amount of research time available to the study. The consultant under the potential subcontract, on whom the research burden will fall, all have previous commitments of one sort or another and will require varying amounts of time to terminate or complete those commitments before joining the study.

Taken together, we felt that on that basis that the Owens proposal had the advantage of thoroughness, had the advantage of understanding of what was required, and that each step of the research effort could be guided by that understanding of the federal regulations, so at the time reviewed this proposal would take place and it would take place on a continuing basis. There would be very little in the way of questioning on the most part by our staff and by the Advisory Council staff that might in some way prevent the hazard removal from proceeding in a smooth and orderly fashion.

So there was that component of understanding of the
nature of the urgency of the project involved in making our
appraisal.

As far as the statement regarding the current
employment status of the principal investigator's concerned,
I need merely say that if Dr. Owens were awarded the
contract, there is certainly no question that that
relationship should be immediately severed. I don't believe
this could be described in any way based on that as a
conflict of interest. My feeling on the contrary, given
that there would be the severance, is that a person's
experience with those federal guidelines in the context of
working in the Office of Historic Preservation are a
decided advantage to the quality of the research effort.
I think that is about it.

CHAIRPERSON CORY: On that last point, I will
grant you that, but it seems to me the question is more
one of whether there is a conflict in your recommendation,
not whether or not there would be a conflict in carrying
out the duties. I mean that is what -- I think it is better
to deal with that out in the open where everybody can
throw pot shots at it rather than this: here is something
nefarious going on.

MR. KREUTZBERG: Right. The crux of my initial
statement, as you may have noticed, was that I chose not
to deal with the qualifications of the people involved. In
other words, I was concerned with the thoroughness of the proposal. It was not my intention to inject the current status of the principal investigator into consideration. I still would not do that now.

I would disclaim vehemently any insinuations that our recommendations were based or in some way were otherwise attached to the fact that Mr. Hurtato, who is the principal investigator under the Owens proposal, in any way influenced what we appraise to be the quality of the respective proposals.

I note, for example, in going over the resume of the subcontractors in the Patterson proposal, that up until 1/78, Mr. Steven Wee was employed by the State Lands Commission Water Project in the Lake Tahoe area, and that he also worked for the Attorney General's Office in Basti, in a capacity which was interesting, too.

But in answer to your question, there is absolutely no connection as far as our appraisal of this report is concerned and our recommendation of the contract.

CHAIRPERSON CORY: Pardon me, but why do we even have to go through this? Can the staff tell me? We got it here because there is some federal requirement that we have to do this to get the money; is that correct?

EXECUTIVE OFFICER NORTHRM: That's correct.

It's part of the program.
MR. SANDERS: Ironically, Mr. Chairman, we were informed at that February 3rd meeting by Hans that the special stipulation should not have even been applied to our project because it was not a strict "construction" project that was normally dealt with by EDA. It's one of the major factors we have had to deal with throughout the life of this project in the effect that the proposal is a unique one to EDA's normal means and procedures.

MR. KREUTZBERG: Mr. Chairman, I don't believe that is an accurate representation of what I said at the February 3rd meeting. The special condition which Mr. Sanders speaks of is a predetermined one in its wording that is applied by the environmental reviewers for that agency. I was not consulted by that agency in formulating the wording of that special condition. The special condition I told Mr. Sanders was not suitably tailored to the particularities of the proposed project. But then, very few others were.

The fact is that this does not excuse the project by virtue of the wording of the special condition from conforming to those regulations.

CHAIRPERSON CORY: Thank you.

Mr. McCausland.

MR. McCAUSSLAND: I appreciate the discussion we have had on this issue today, and I can see that it is one
that is probably worthy of continuing in another context.
But in terms of the hazard removal program in the Delta, I
believe that we should adopt the staff recommendation
pursuant to Calendar Item 16.

I will move adoption of the staff recommendation.
MS. SMITH: I second the motion.
CHAIRPERSON CORY: Moved and seconded. Call the roll.

EXECUTIVE OFFICER NORTHE: Chairman Cory.
CHAIRPERSON CORY: Aye.
EXECUTIVE OFFICER NORTHE: Miss Smith.
MS. SMITH: Aye.
EXECUTIVE OFFICER NORTHE: Mr. McCausland.
MR. McCausland: Aye.
EXECUTIVE OFFICER NORTHE: Three-O, Mr. Chairman.
CHAIRPERSON CORY: Item 17.
EXECUTIVE OFFICER NORTHE: Item 17, Mr. Chairman,
is the authorization to enter into basically a time and labor
contract for removal of hazards at Ellwood and Goleta. You
will recall that the Commission has about a $700,000 federal
grant to survey the removal of obstructions in that area.
This is a contract to go in and remove obstructions that
have surfaced because of the recent storms on an emergency
basis.

CHAIRPERSON CORY: Is there anybody in the
audience on Item 17?

   Anything else we need to know? It's an emergency thing, so we have got a time problem?

EXECUTIVE OFFICER NORTHROP: Right.

MS. SMITH: I move the adoption.

CHAIRPERSON CORY: Miss Smith moves. I will second the adoption.

MS. SMITH: For the record, I think it should be noted --

CHAIRPERSON CORY: Well, he is right there. Let me make sure he doesn't have a problem.

(Thereupon Mr. McCausland who had stepped out of the room briefly was consulted.)

MR. McCausLAND: I vote aye.

(Laughter.)

CHAIRPERSON CORY: We have a motion and a second.

Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland records his aye as he requested. Three-0, Mr. Chairman.

CHAIRPERSON CORY: Item 18.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is
the adoption of the annexation of tide and submerged lands
in the Stockton area we had discussed in a previous meeting,
I believe, prior to going to LAFCO.

CHAIRPERSON CORY: Anyone in the audience on
Item 18?

Miss Smith, a question?

MS. SMITH: I have a question. For the record,
are we the only owners of land in that area?

MR. HIGHT: Yes.

For the record, our records indicate that and
our discussions with the appropriate officials indicate
that, yes, the State is the only owner.

CHAIRPERSON CORY: It's an island, is it?

MR. HIGHT: It's an island and some levies.

CHAIRPERSON CORY: Anybody in the audience on
Item 18?

MS. SMITH: Move the adoption.

CHAIRPERSON CORY: Miss Smith moves; Chairman
Cory seconds. Call the roll.

EXECUTIVE OFFICER NORTHRUP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHRUP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHRUP: Mr. McCausland.

CHAIRPERSON CORY: The record will show that
Mr. McCausland was not in the room. Item 18 will be approved.

Item 19.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a result of nearly a year and a half, two years of cooperation between the City of Sacramento and the State Lands Commission in the selection process of developers in Old Sacramento. We have now put together a package for selection in which most of us are concerned, and we recognize the concern of the City of Sacramento for their theme in Old Sacramento and they recognize our land ownership.

We recommend adoption.

CHAIRPERSON CORY: Anybody in the audience on Item 19?

MS. SMITH: I will move the adoption.

CHAIRPERSON CORY: Miss Smith moves. Chairman Cory seconds.

Sid, the Sacramento waterfront --

We have a motion and a second. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.
MR. McCausland: Aye.

EXECUTIVE OFFICER NORTHROP: Three-0, Mr. Chairman.

CHAIRPERSON CORY: Carried.

Item 20 we have taken care of.

Item 21, Amendment to the Administrative Code relating to environmental documents. This is a filing of new regs.?

MR. HIGHT: Yes, Mr. Chairman. This is to require the Commission's regulations to come into compliance with the new CEQA bill that was enacted last year. Basically, it sets up filing procedures and notice requirements.

CHAIRPERSON CORY: Anybody in the audience on Item 21?

Mr. McCausland moves. Miss Smith seconds.

MR. SMITH: I second, and then I have a question. Jan, has your office reviewed the regulations?

MR. STEVENS: No, we haven't. We haven't been involved in this particular process.

EXECUTIVE OFFICER NORTHROP: Our staff counsel has reviewed this.

MS. SMITH: Your staff counsel?

EXECUTIVE OFFICER NORTHROP: Yes.

MS. SMITH: Your staff counsel prepared this?

MR. HIGHT: Yes.

MS. SMITH: You did have a public hearing on the...
regulations?

MR. HIGHT: Yes, we had a public hearing.

MS. SMITH: Was there public comment?

MR. TROUT: Miss Smith, there was only one party who came to the public hearing, and she was primarily an intern from a San Francisco law firm. There were several comments, nonsubstantive, and they have been incorporated into the regulations now before you.

MS. SMITH: Thank you.

CHAIRPERSON CORY: Ready for the motion?

Call the roll.

EXECUTIVE OFFICER NORTHRUP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHRUP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHRUP: Mr. McCausland.

MR. McCausLAND: Aye.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, three ayes.

CHAIRPERSON CORY: Item 21 authorized as presented.

Item 22. This is to allow the Executive Officer to give written authorization to the Motion Picture Development Council for commercial filming by permitted movie-producing companies on State-owned lands.

EXECUTIVE OFFICER NORTHRUP: Correct.
CHAIRPERSON CORY: Anybody in the audience on Item 22?

Any questions from the Commissioners? Miss Smith moves; Mr. McCausland seconds. Call the roll.

EXECUTIVE OFFICER NORTROP: Chairman Cory.
CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTROP: Mr. McCausland.

MR. MCCAUSLAND: Aye.

EXECUTIVE OFFICER NORTROP: Mr. Chairman, three-0.

CHAIRPERSON CORY: Approved.

Item 23, Hollywood Turf Club, authorizes the staff to release Hollywood Turf Club from liability. This is where they have assigned it to --

EXECUTIVE OFFICER NORTROP: To Hanna-Barbera --

CHAIRPERSON CORY: To the cartoon folks.

Marineland; right?

MR. MCCAUSLAND: How is this not part of the prior action of the Commission? Is there a requirement for --

CHAIRPERSON CORY: We signed the lease, but we kept Hollywood Turf Club financially responsible. It's a question of whether or not cartoons are going to keep selling or horses are going to keep selling. It's an economic decision, I guess. If the FTC puts it into -- jammimg that
cereal down the kids' throats, there may not be too much
in cartoons in the near future.

MR. McCausland: Why didn't we vote on this last
month?

MR. HIGHT: This was an assignment last month
from Hollywood Turf Club to Marineland.

MR. McCausland: What have they done in the
meantime now that allows us to make the determination that
we can release Hollywood Turf Club from liability?

MR. HIGHT: They have applied to us. They have
asked to be released, saying that in effect that Marineland
is equally responsible. Marineland is a --

Chairperson Cory: Shouldn't somebody have asked
that question the first time?

Executive Officer Northrop: Mr. Cory, I don't
think so, because we normally on these assignments try to
hold all parties responsible so we have adequate coverage
for the State.

Chairperson Cory: If that's the case, why should
we release them? I mean, if that's sound policy, then
shouldn't the question be asked and determined, "Then what
unique characteristics exist here to let Hollywood off the
hook?"

Executive Officer Northrop: If I may, this is a
particular case in which we have two very substantial parties.
If the case were in a different position where we have a less substantial party, we wouldn't let them off -- we wouldn't recommend letting them off.

CHAIRPERSON CORY: But what Sid's question implies is that when the thing came through the first time, that evaluation -- somebody should have asked.

MR. McCAUSLAND: I'm beginning to understand that we don't normally grant this release, and I guess the answer is that the reason we are considering it at this time is because we have such substantial parties we are willing to let one of them off the hook.

CHAIRPERSON CORY: Correct. But two substantial people have got to be better than one.

MR. McCAUSLAND: That thought occurred to me. Why let anybody off the hook? If it's policy, why not keep it as a uniform policy?

MR. TROUT: Mr. McCausland, from our standpoint, that is certainly a policy question that is before the Commission. In this case, this is a rather complicated transfer. When all of the documents got before all of the attorneys and got ready to be put together, Hollywood Turf Club asked to be relieved because they want to get completely out of this. So we made an investigation of the new people, which involved not only Hanna Barbera, but Taft Broadcasting Company and Kroger Company, both of which are listed on the
New York Stock Exchange, and we feel that in this case an exception to the usual policy is warranted. We have done it once or twice. There was the option regarding relieving Phillips Oil Company, for example, totally of liability and transferring that to Tosco and to their new lenders. But it's a policy option which is used only rarely where it can be supported.

MR. McCausland: I would like to discuss the entire issue on a calendar item in the future before we take any action on any more of these.

Executive Officer Northrop: Would you clarify that, please?

Chairperson Cory: On the Agenda at the next meeting or when it fits in -- I don't see any great urgency even for Hollywood Turf Club -- to have the whole question -- the staff go through the whole policy and if there are any objective standards that could be applied as to whether or not we do release or don't release once we have got somebody on the hook.

Executive Officer Northrop: In other words, some kind of template that says if you meet these criteria, you are released?

Chairperson Cory: No, the whole question, rather than dealing with just this issue. We would like a review of the whole question. What our policy has been and --
MR. McCausland: If we haven't had very many of these cases in the past, it wouldn't be bad to note the instances in which we have granted the release and those where it has been requested and we have rejected. I would assume we have never rejected.

Executive Officer Northrop: No. The Commission, I believe, in our tenure, has rejected the assignment on one lease, didn't we, Don?

(Overlapping.)

MR. McCausland: Well, let's not spend any more time on it today.

Chairperson Cory: No. Check with Mr. McCausland and the various Commissioners. We would like a full item, and I guess we would not like to vote on this item today.

Executive Officer Northrop: Fine.

MR. McCausland: Maybe our existing policy is wrong. Maybe once you have assigned a lease, everybody should be off the hook. But maybe just the opposite.

Chairperson Cory: Item 24, approval of revised beginning date for placement of a floating steamboat in the Sacramento River, City of Sacramento.

Executive Officer Northrop: Mr. Chairman, this is, I believe -- if my memory serves me correctly, Mr. Harvey has been on the Agenda several times. This is a revised
beginning date for the placement of a steamboat. He is doing a theme plan approved by the City of Sacramento.

CHAIRPERSON CORY: Anybody in the audience on Item 24?

MR. McCausland: I'll move it.

MS. Smith: Second.

CHAIRPERSON CORY: Mr. McCausland moves; Miss Smith seconds. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausland: Aye.

CHAIRPERSON CORY: Approved.

Item 25, emergency permit, Fish and Game. This is the land bridge at Mono Lake which needs to be removed because of the low water.

EXECUTIVE OFFICER NORTHROP: Right.

Mr. Chairman, Mr. Leiby from Fish and Game is in the audience. I wonder if he wouldn't, Mr. Chairman, want to address the Commission.

MR. LEIBY: I am James Leiby, Chief of Operations for the Department of Fish and Game.

Negit Island is a 160-acre island in Mono Lake.
It's the largest area for breeding of the California gull in California. Approximately twenty to thirty thousand gulls use this area. Now because of the declining water level in Mono Lake, a land bridge will be formed between the mainland and the island. This will allow predators of all kinds to cross over and prey upon the young gulls.

Our solution to the problem is the use of ammonia nitrate to dig a channel approximately 100 feet wide, 6 to 8 feet deep, and about 1,000 feet long between the mainland and the island so that we maintain the water mote and, therefore, deny the predators use of the island.

The actual blasting would be done by the National Guard. There will be no use of dynamite. No big explosions. Any noise that would alarm the local residents.

We know of no opposition to this project. We have notified the local legislators, the local residents, the BLM, the Department of Water and Power, the City of Los Angeles, and also the Audubon Society who is in favor of this project.

We have miscalculated the drop of the water there, so as a result we have to have an emergency action by the State Lands Commission.

MS. SMITH: I was previously led to believe -- unless I misinterpreted the staff's presentation -- that there would be dynamite used.
MR. HIGHT: Yes. I believe that we discussed that before. It was my understanding that they would use dynamite, but now we find out that it is a much safer substance.

MS. SMITH: Okay. Thank you.

And there are no environmental --

CHAIRPERSON CORY: Pardon me. How do you know that ammonia nitrate is any safer than dynamite?

MR. LEIBY: We have used this in several other areas to blast potholes out of tules and shallow areas so that you have --

CHAIRPERSON CORY: I just never thought dynamite was that dangerous. You know, it blows up, it blows up.

MR. LEIBY: This is more or less of a poof. It doesn't throw a tremendous blast in the air.

MS. SMITH: What are the environmental consequences of the use of this?

CHAIRPERSON CORY: Hungry predators.

(Laughter.)

MR. LEIBY: There will be some turbidity in the immediate area where the blasting is taking place. There will be a minor effect on the brine shrimp, but the lake is loaded with brine shrimp. That shouldn't be a critical problem. There is no fish in the lake, by the way.

CHAIRPERSON CORY: Are we ready for the question?
MR. McCausland: I'll move the adoption.

CHAIRPERSON CORY: MR. McCausland moves.

Miss Smith seconds. Cal the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausland: Aye.

EXECUTIVE OFFICER NORTHROP: Three-0.

CHAIRPERSON CORY: Carried.

Item 26, Boundary Line Agreement between the City of Monterey, a legislative grantee, and the United States Coast Guard at Monterey Bay, City of Monterey.

MR. HIGHT: Yes, Mr. Chairman. This is to set up a boundary line along the waterfront in the City of Monterey. There is one change we would like to make in the recommendation on page 68.

"We find that the Boundary Line Agreement on file with the State Lands Commission between ..." and we would like after the word "the" to insert "State of California and the" City of Monterey. The State of California was inadvertently left out. Our MTST machine sometimes forgets things.

(Laughter.)
CHAIRPERSON CORY: Anybody in the audience on this item?

Ready for questions?

Miss Smith moves; Mr. McCausland seconds with the amendment. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausLAND: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, three-0.

CHAIRPERSON CORY: Carried.

Item 26 (sic), compromise title settlement at Belmont and O'Neil Sloughs, City of Belmont.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that is 27. I think you misspoke yourself.

CHAIRPERSON CORY: Okay. 27.

Tell us about that one.

MR. HIGHT: Yes, Mr. Chairman, this is the settlement of a slough that runs through a parcel of land. The State will acquire title to portions of the slough that is still wet and will acquire an interest in Brown's Island which you will remember is the area that was set up as a land-bank situation. We will acquire a 33/100ths additional
interest in the island in addition to acreage within the settlement parcel.

CHAIRPERSON CORY: Anybody in the audience on Item 27?

Questions by Commissioners?

Mr. McCausland moves. Miss Smith seconds. Call the roll.

EXECUTIVE OFFICER NORTROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTROP: Mr. McCausland.

MR. McCausLAND: Aye.

EXECUTIVE OFFICER NORTROP: Three-0, Mr. Chairman.

CHAIRPERSON CORY: Approval is granted.

Item 28, Litigation. The Attorney General wants to file a disclaimer of interest on the parcel.

MR. McCausLAND: Move the adoption.

CHAIRPERSON CORY: Anybody in the audience on this one?

Mr. McCausland moves; Miss Smith seconds. Call the roll.

EXECUTIVE OFFICER NORTROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTROP: Miss Smith.
MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausland: Aye.

EXECUTIVE OFFICER NORTHROP: Three-0.

CHAIRPERSON CORY: Approved.

29, amicus curiae brief which is an appeal on in essence the same issues of Gion?

MR. HIGHT: Yes.

CHAIRPERSON CORY: We want to make sure that those are not altered?

Anybody in the audience?

Miss Smith moves; Mr. McCausland seconds. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausland: Aye.

CHAIRPERSON CORY: Approved.

Item 30, approval of a proposed drilling of a new well on Gas Lease Easement, Rio Vista Gas Field, Sacramento and Solano Counties, for Chevron.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is Chevron alone. This is not a unit in which anyone else
participates.

CHAIRPERSON CORY: Okay.

MR. McCAUSLAND: Do we have that in writing?

EXECUTIVE OFFICER NORTHROP: No, but --

CHAIRPERSON CORY: Our records reflect the same.

EXECUTIVE OFFICER NORTHROP: Our records will reflect the same.

(Laughter.)

CHAIRPERSON CORY: I understand we have a letter off to Chevron. The records of the Commission do not reflect that any assignment of their interest was given to Shell. So Shell may not own anything, but at some point that will come out in the wash.

Anybody in the audience on Item 30?

MR. PRATER: Yes. I'm Jeff Prater and I'm with Chevron, U.S.A.

CHAIRPERSON CORY: Okay. You came in the middle of the movie, so to tell you what that dialogue was about so you can take it back and underline it.

MR. PRATER: I have already heard about it.

CHAIRPERSON CORY: Okay. You are willing to stipulate for the record that you are the sole owner of this lease and you haven't assigned anything without anyone else?

MR. PRATER: Okay.

CHAIRPERSON CORY: Okay. Mr. McCausland moves;
Miss Smith seconds. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCAUSSLAND: Aye.

CHAIRPERSON CORY: Approved.

Item 31, a question of approval of the Sixth Modification of the Plan of Development of Long Beach Operations.

Mr. Thompson.

MR. THOMPSON: Mr. Chairman, --

CHAIRPERSON CORY: Four and a quarter million dollars for the funding of the second payment of the property taxes which we are currently appealing?

MR. THOMPSON: Right; but we still have to pay the taxes.

CHAIRPERSON CORY: We have to pay the taxes to appeal. Is there anybody in the audience on this item?

Miss Smith moves approval.

MR. McCAUSSLAND: Second.

CHAIRPERSON CORY: Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.
EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausland: Aye.

CHAIRPERSON CORY: Approved.

Item 32, Seventh Modification.

MR. THOMPSON: Just in passing, on that last one, you might be interested in the fact that our total tax bill for the Long Beach Unit is on $19.3 million, which is about 20.5 percent of our total budget expenditure and it looks on a cash basis even higher than that. But this is just to give you a concept of the tax burden we have. That tax appeal will be coming up sometime the end of this year, first of next year. And this will be paid under protest.

CHAIRPERSON CORY: Okay. Item 32 is Seventh Modification?

MR. THOMPSON: This is just a revision of economic projections for the current budget year. We have received some small crude oil price increases and some gas price increases and the net effect is it: about offsets our increased expenditures. As far as crude oil pricing itself is concerned, January 1st we were given an entitlement adjustment for lower tier oil. To date, two companies of the four that posted had no response from their postings late in '77. One company increased some postings on January 1st for
upper tier for five cents a barrel for 29 gravity and above, which does not apply to us. A fourth company then, effective February 1st, increased prices at our particular gravity about 20 to 30 cents. But under the contract terms -- this is averaged with the other four posters, the net effect, we get about a four-and-a-half cent per barrel increase out of $1.74 entitlement adjustment.

This will be about $150,000 more a month additional revenue.

The Department of Energy has scheduled hearings to review this problem on March 16th and 17th in Long Beach, and we are still more or less in limbo as far as receiving ceiling prices.

EXECUTIVE OFFICER NORTHPORP: Mr. Chairman, along these lines, staff plans on making a presentation to the hearing outlining the Commission's historic position in these issues.

CHAIRPERSON CORY: Questions?

That's an informational item? Do you need approval of that?

MR. THOMPSON: Approval.

CHAIRPERSON CORY: Mr. McCausland moves; Miss Smith seconds. Call the roll.

EXECUTIVE OFFICER NORTHPORP: Chairman Cory.

CHAIRPERSON CORY: Aye.
EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausland: Aye.

CHAIRPERSON CORY: Item 31 (sic), closing accounts on a what? Water main?

MR. THOMPSON: Yes.

CHAIRPERSON CORY: Subsidence cost of $147,515.62. This is pursuant to 138 --

MR. THOMPSON: Yes. We have about 6 to 9 feet of subsidence on this. The project had about 50.1 percent subsidence cost in it. These have already been deducted. This is merely a closing of it. There will be no further cash calls.

CHAIRPERSON CORY: Anyone in the audience on this item? Any questions by Commissioners?

Mr. McCausland moves; Smith seconds. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausland: Aye.

CHAIRPERSON CORY: Approved.
Item 34. Parcel "A," review.

MR. THOMPSON: This is merely an informative item. In effect, there will be a little more net revenue because we have cut back on expenditures for redrilling and certain facility installations.

CHAIRPERSON CORY: Any questions by members?

Item 35. This is the Micellar -- Report on that.

MR. THOMPSON: Status report. And this project is running about four or five months behind time, primarily because of the attempt to utilize what was approved for our agent in the future. That was the only way it could be a real commercial venture.

CHAIRPERSON CORY: Okay. Any questions by members?

MR. THOMPSON: Last time you wanted me to report on some status on oil pricing and also the status of the drilling rig purchased, when we had that last modification.

CHAIRPERSON CORY: Yes.

MR. THOMPSON: We expect bids back on that drilling rig about March 1st.

CHAIRPERSON CORY: When is that hearing? March 16th?

MR. THOMPSON: We probably will have 15 to 20 days that this will be good for at that particular time. The rig will probably be somewhere around three and a half million dollars. We would be required to make a ten-percent
down payment within 30 days of accepting the bid, which
means we would then have to pay out about $350,000.

Your question as to what our liability might be.
It would cancel it after that. This again would depend on
how far the work had progressed, as far as the special items
that we had in it. We are buying a whole drilling rig with
drill pipes and a special sub base that has special moving
facilities on it for taking it between locations. They are
wheels that actually jack up when we move it between
locations. So depending on how far along the work had
progressed on the specialty items is what we would then have
to negotiate out of the contract. This conceivably could be
maybe 100 to 150 thousand dollars. There could be possibly
someone who actually purchased the rig at that time. This
is the problem committing the capital expense.

CHAIRPERSON CORY: We are still okay. We have got
a little bit of money coming in on the four cents.

MR. THOMPSON: And we do have assurance from the
DOE that they are going to redo this and have a special
hearing, and hopefully that there will be something done --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
think along this line that it is important to report to the
Commission that the Assembly Energy Natural Resources full
committee approved the resolution unanimously commending the
DOE and the President for the actions they have taken up till
now, but asking them to please keep an eye on our
serious problem here in California.

CHAIRPERSON CORY: Okay. That's informational only? Thank you.

Item 36.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, this is a recommendation to augment the Lobel, Novins and Lamont contract to provide services to the Franchise Tax Board.

MR. McCAUSLAND: Mr. Chairman, the Department of Finance has reviewed the material that is available, which in reality is not very much to date; but it appears to our budget staff that this recommendation really exceeds the intent of the original contract with Lobel, Novins and Lamont, and, in fact, the proposed contract change would be very difficult for us to approve or authorize funding for. I want that to be part of the record.

CHAIRPERSON CORY: Do you know what it is for?

MR. McCAUSLAND: I do know what it is for, and I do know that the Franchise Tax Board has not submitted a proposal to the Department of Finance on this particular issue so I'm not quite certain why the State Lands Commission should jump into the breach and volunteer to do that which the Franchise Tax Board would normally be required to do on its own.

CHAIRPERSON CORY: Procedurally, I would like for us to at least get at this question as cleanly as possible
because there is a disagreement, at least in terms of where you are coming from and where I am coming from. I'm not sure what Franchise Tax Board has done in regard to this issue.

MR. McCausland: Well, I can tell you specifically. To the best of my knowledge, Franchise Tax Board -- the Executive Officer -- has discussed the issue with me and the Director, and has received negative indications from us essentially to the point that the contract would have to be carefully drawn and all supporting evidence rather conclusive for it to get favorable consideration by our budget staff. And the contract approval would not be easily to acquire. I assume that on the basis of that discussion it was the wish of the Chairman of the Franchise Tax Board that the State Lands Commission carry the shield for the Franchise Tax Board in the matter.

Chairperson Cory: Now, what is going on was in essence trying to get the services of those people on the project available to the Franchise Tax Board, and it was explained to me that it was more convenient and expeditious, but whatever hammer you had or didn't have existed whether we did it one way or the other. I have told the Executive Officer that I wanted him to discuss it with you and, you know, figure out how he wanted to proceed, that I was in
favor of trying to provide that ability for the Franchise Tax Board, that there was a split vote on the item but that we ought to deal with it. And he indicated to me that he had been discussing with you people up front.

MR. McCausland: He has discussed the matter with me. I think that the record should be clear that our contract with the principals of Lobel, Novins and Lamont is principally for gas pricing issues, if I understand the relationship.

CHAIRPERSON Cory: That's correct.

MR. McCausland: And that the matter that is proposed for work for the Franchise Tax Board is totally unrelated. I really don't need to make any further comment.

MS. Smith: I have one question.

CHAIRPERSON Cory: Yes.

MS. Smith: Could we get stuck with the $20,000?

EXECUTIVE OFFICER Northrop: Pardon me?

MS. Smith: Could we get stuck for the $20,000?

EXECUTIVE OFFICER Northrop: Mr. Golden is our --

(Overlapping.)

CHAIRPERSON Cory: There is no way unless all necessary approvals are granted that I would envision us opting to allow that law firm or Franchise Tax Board to spend the money, and I will make that very clear to Mr. Huff that everything has to be laid out that either it is legal to spend
the money or it isn't. And I would take it that if it meets
Finance's approval that they have to have an overwhelming
case given the circumstances. And Mr. Huff has to deal with
that or we will not authorize the release, if this item is
approved.

MR. McCausland: May I ask, under those
circumstances, why it wouldn't be just more appropriate
for Mr. Huff to pursue the avenue of an independent
contractor?

Chairperson Cory: I asked that question. For
some reason they thought it would be quicker because this
meeting was coming sooner than the FTB meeting.

Mr. McCausland: I appreciate that. That was
appropriate. That was at that time, but then the matter
was put off for a month.

Chairperson Cory: Yes. So I really don't know.
I just felt that about that other Agenda that was an
unresolved issue. I wasn't sure what the Executive Officer
had done. We had a rather full Agenda, and I just figured
there was no sense in arguing about it at that time.

So I have got no qualms one way or the other,
except the timing, if our approval here would enable people
to go to work back there if, in fact, it is legal, and I
raise that question in terms of whether or not Finance is
going to have to sign off or not have to sign off. They
said it is irrelevant as to which way they went.

MS. SMITH: Do we need, then, to amend the calendar item to reflect the Chairman's position?

CHAIRPERSON CORY: That there will be no notification or approval of any increase, if this item is approved, unless all --

MR. HIGHT: That's understood, Mr. Chairman.

CHAIRPERSON CORY: That they need their clear shot, whatever it is, and if they don't have it --

MR. GOLDEN: Right.

MS. SMITH: With that understanding, I move the adoption of Calendar Item 36.

CHAIRPERSON CORY: I would second it.

Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.

CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausLAND: No.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, two ayes, one no.

CHAIRPERSON CORY: Motion is carried.

Item 37, authorization of settlement of litigation in Roberts versus City of Carpinteria.
EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

Mr. Yang from the Attorney General's Office is going to handle this item.

CHAIRPERSON CORY: Okay.

MR. YANG: Mr. Chairman, Commissioners, Richard Yang from the Attorney General's Office. I wasn't sure exactly whether you wanted me to present this, but since I am up here, I will.

This case, I think, is one of the longest-standing cases that the State Lands Commission has been involved with. It began in '68. Sometime in '73, part of the litigation was settled and they agreed on a judgment line which located a portion of the beach areas near Carpinteria State Beach.

The case involves quiet title to portions of State lands as well as part of a public beach area where there were claims of implied dedication.

The case was bifurcated in '74. Part of the case was settled, as I said. The remaining portion was treated separately for purposes of trial.

In early '77, the Commission approved an Interlocutory Judgment settling the remaining parcel -- settling the judgment line for the remaining parcel for purposes of further negotiation. Those negotiations are now culminated and a final settlement which we are proposing for approval today. That final settlement will locate a
judgment line which will fix the rights of the private parties in the area and the public portion of the beach. The judgment line is substantially landward of the ordinary water mark and is entirely consistent with the judgment line that was previously approved in '77 as well as the partial settlement in '73 and '74.

State Lands Commission approval is required because it was joined as a party defendant pursuant to Section 6308 of the Public Resources Code which requires the Commission's joinder at any time the boundary of State tidelands is involved.

We have done a thorough investigation and are in full agreement with the City of Carpinteria. The case should be settled according to this.

CHAIRPERSON CORY: Anybody in the audience? We have a representative of the City that wishes to speak, as I understand it, only if there are some difficulties.

FROM THE AUDIENCE: That is correct.

CHAIRPERSON CORY: Any questions by Commissioners on this proposed litigation settlement?

MR. McCausland: Move adoption.

MS. SMITH: Second.

CHAIRPERSON CORY: Mr. McCausland moves; Smith seconds. Call the roll.

EXECUTIVE OFFICER NORTHROP: Chairman Cory.
CHAIRPERSON CORY: Aye.

EXECUTIVE OFFICER NORTHROP: Miss Smith.

MS. SMITH: Aye.

EXECUTIVE OFFICER NORTHROP: Mr. McCausland.

MR. McCausLAND: Aye.

CHAIRPERSON CORY: Approved.

MR. YANG: Thank you, Mr. Chairman.

CHAIRPERSON CORY: Status of Major Litigation.

MR. STEVENS: Mr. Chairman, the Murphy case was argued before the Court of Appeal last week and submitted. Presumably, the Court will come out with a Proposed Decision to the California Supreme Court which has jurisdiction. It was made clear at the hearing that no claim has been made to the filled portions of the City of San Francisco, an assertion which was made by various parties in the past.

On California versus Nevada, Assemblyman Cullen has moved for permission to file an amicus brief in which he has suggested that the line should be resurveyed. The brief makes the statement that we would obtain approximately another 80 square miles of land if the resurvey was made. However, our boundary people look at the line which was proposed and ran it to the Oregon border and ascertained that in fact if this line was used -- the line suggested by the amici, California could in fact lose a square mile of land overall.
CHAIRPERSON CORY: Are you accusing Mr. Cullen of being amici?

(Laughter.)

MR. STEVENS: Only in Latin.

Anyway, no decision has been made whether or not they will be allowed to file that particular brief.

CHAIRPERSON CORY: Any questions?

Okay.

The next item is time and place of the next meeting which was tentatively scheduled in Monterey. Is that other item going to be on?

EXECUTIVE OFFICER NORTHROP: Yes. Mr. Chairman, in light of the questions raised at the time of confirmation of the minutes of the last meeting, I suggest we should meet probably back in Sacramento, even though the area in question, Moss Landing Harbor District, has done an outstanding job in working with their grant. We felt that the staff would have liked to have had the Commission because we get involved in a lot of hassles where grants are treated questionably, and even in some cases where we are even talking about taking them back. Where one group has taken a grant and done a very nice job, we think the encouragement would have been important. The Monterey meeting would have encouraged or would have been that sort of a gesture.
So we feel probably in light of that, we should meet here in Sacramento.

MS. SMITH: Could we not at a later date schedule a meeting in Monterey?

EXECUTIVE OFFICER NORTHROP: Yes. We will try to do that. But we think Mr. Wimmer has done a very nice job.

CHAIRPERSON CORY: Sacramento? Okay. The only change will be then Sacramento as opposed to Monterey. Any other items to come before the Commission? Stand adjourned.

(Thereupon the State Lands Commission Meeting was adjourned at 11:50 a.m.)

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

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, Delores I. Dalton, a shorthand reporter, 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 7th day of March, 1978.

DELORES I. DALTON
Notary Public in and for the County of Yolo, State of California