MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, MAY 31, 1978
10:00 A. M.

DELORES I. DALTON
Shorthand Reporter
## INDEX

<table>
<thead>
<tr>
<th>Members Present</th>
<th>iv</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceedings</td>
<td>1</td>
</tr>
<tr>
<td>Executive Officer's Report</td>
<td>1</td>
</tr>
<tr>
<td>Acceptance of Consent Calendar</td>
<td>18</td>
</tr>
<tr>
<td>Agenda Item 16</td>
<td>18</td>
</tr>
<tr>
<td>Agenda Item 17</td>
<td>19</td>
</tr>
<tr>
<td>Agenda Item 18</td>
<td>23</td>
</tr>
<tr>
<td>Agenda Item 19</td>
<td>24</td>
</tr>
<tr>
<td>Agenda Item 20</td>
<td>26</td>
</tr>
<tr>
<td>Agenda Item 21</td>
<td>26</td>
</tr>
<tr>
<td>Agenda Item 22</td>
<td>28</td>
</tr>
<tr>
<td>Agenda Item 24</td>
<td>28</td>
</tr>
<tr>
<td>Agenda Item 25</td>
<td>47</td>
</tr>
<tr>
<td>Agenda Item 26</td>
<td>48</td>
</tr>
<tr>
<td>Agenda Item 27</td>
<td>49</td>
</tr>
<tr>
<td>Agenda Item 28</td>
<td>49</td>
</tr>
<tr>
<td>Agenda Item 29</td>
<td>50</td>
</tr>
<tr>
<td>Agenda Item 30</td>
<td>51</td>
</tr>
<tr>
<td>Agenda Item 31</td>
<td>51</td>
</tr>
<tr>
<td>Agenda Item 33</td>
<td>53</td>
</tr>
<tr>
<td>Agenda Item 34</td>
<td>54</td>
</tr>
<tr>
<td>Agenda Item 35</td>
<td>55</td>
</tr>
<tr>
<td>Status of Major Litigation</td>
<td>57</td>
</tr>
</tbody>
</table>
INDEX (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjournment</td>
<td>60</td>
</tr>
<tr>
<td>Reporter's Certificate</td>
<td>61</td>
</tr>
</tbody>
</table>
MEMBERS PRESENT

Mr. Kenneth Cory, State Controller, Chairman
Mr. Sid McCausland, representing Roy M. Bell
Ms. Betty Jo Smith, representing Mervyn M. Dymally

MEMBERS ABSENT

Mr. Mervyn M. Dymally
Mr. Roy M. Bell

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
Chairman Cory: Call the meeting to order.

The first question is confirmation of the meetings of April 27th and May 10th. Any corrections or --

Ms. Smith: I abstain on the April meeting. I didn't receive them.

Mr. McCausland: No objections on the April meeting and no objections on the May meeting.

Chairman Cory: Betty Jo says she did not receive the April minutes.

Ms. Smith: I got them this morning.

Chairman Cory: We will confirm them as presented, and if you come across anything at the next meeting, perhaps you can unconfirm and correct.

All right. We have the report of the Executive Officer.

Executive Officer Northrop: Mr. Chairman, the format of the Executive Officer's report is a little different today, largely because of item number one we would like to discuss which is the OCS Sale Number 53 which includes everything from north of Santa Barbara to the Canadian border. Staff would like some instructions or would like to share some concerns with the Commission that we are faced with a glut of heavy crude oil in California to the point...
that we have many wells shut in and production decline curves that are accelerating daily. Now we see the federal government taking steps to lease oil that adds to that glut, which we wonder if there shouldn't be some communications with the Secretary of Interior from the Commission expressing our concern on that.

CHAIRMAN CORY: My concern is really not so much the glut of oil, but whether or not they are going to still be using those archaic giveaway schemes that they have on all of the federal programs of bonus bid leasing, or whether they are going to let profit leasing and finding out what they have got before they try to lease it, or whether they are still turning over all of the decision-making power to the private oil companies. I mean, are they still doing in essence their same old program of bonus bid?

EXECUTIVE OFFICER NORTHRUP: There is a bill in to change it. Dr. Rote, who will speak on the second issue of tanker regulations, has been a member of the State Task Force that has been working on that with the feds, and perhaps Dr. Rote can answer that.

MR. ROTE: Mr. Chairman, Commissioners, I am Dr. Jim Rote. I was Assistant Secretary for Resources for two years, and I am now on your staff as a special consultant, working on tanker terminal regs. As Mr. Northrop said, I have been following the OCS issue quite closely, and
there are bills in the Congress -- HR 1614 and S9, which
have passed their respective houses and are now in Conference
Committee.

There is a provision that does allow for
alternative bidding schemes, and we have all been pressing
very hard for the passage of this legislation. This would
be a major amendment to the 1953 Outer Continental Shelf
Lands Act; however, they are hung up again in Conference, so,
as last year, this may still drag along.

I would hope that we can get into not only an
alternative bidding scheme, but we can see a separation of
exploration and development where you would have one lease
to allow the oil companies to proceed with exploration; but
then there would be a holding off and a phase where we could
take a closer look at the assessment as to what the resource
is before we allow them to go full bore with development and
production.

To go along with some of the things that
Mr. Northrop said, you know, we are looking at development
now from Lease Sale 35, which was held in Southern California
December of 1975. Some of the companies are now proceeding
with development, production, and transportation plans.

Right on top of that, we have another Southern
California sale, Lease Sale 48, which we are into the EIS
process; and that sale is scheduled for June of '79, just a
year away.

Lease Sale 53 is now moving along. That's for Central and Northern California. Call for nominations has gone out. They will be received in June, and the tracts will be selected in September. The lease sale itself isn't scheduled until February of '81. But the problem is the Department of Interior is proceeding with this OCS leasing schedule at the same time we are trying to dispose of about a 500,000-barrel-a-day glut on the West Coast. My feeling, and I know Mr. Northrop's feeling, is that we ought to resolve that disposition problem before we add any more oil to that glut. And I think the staff just wanted some direction on that.

CHAIRMAN CORY: The thing that goes through my mind is at some point sanity is going to have to start prevailing in Washington. I guess they have been saying that for a couple of hundred years, but I would think it may be somewhat close at hand with the rumors out of Washington. We have heard those rumors in the past.

What really disturbs me, if we start solving the problem of getting their oil out of here, the overall national problem we have is what -- seven --

EXECUTIVE OFFICER NORTHROP: Seven billion --

million barrels a day import.

CHAIRMAN CORY: Seven million barrels import daily.
If we could maximize our production and get it to the areas where it is needed, that is not all bad. But the concept of when Congress has passed -- as you say, each house has passed slightly different versions, but an expression of changing the mechanism of leasing, it seems to me just outrageous that we continue on this process of trying to lease before we know what is there. As a citizen of this country, I am offended by that concept, instead of finding out what is there and then -- I think we're probably the only nation left in the world that is willing to bonus bid flat royalty lease a mineral resource. The other countries of the world, the so-called Third World Nations and underdeveloped nations have come to the conclusion that they are better served financially by net profit mechanism and retaining ownership of that resource and allowing operating contractors to extract it.

I just really wonder if staff has looked at that, because it seems to me it is getting tantamount in face of all of the evidence to being gift of public funds. I don't know if that gift is permissible under federal law or not. I know it is not under state law. Can the federal government just go giving that stuff away, legally?

MR. HIGHT: Mr. Chairman, we are currently looking at that question, and it looks dubious as to whether the federal government can do it. We haven't come to a final
CHAIRMAN CORY: Well, at some point you might report back to the Commission, because I think maybe at some point we are going to have to do something about it at this end of the question of the glut. But over and above that, I think that we have got to figure out a way to solve the balance of payment problems of this nation and poking more holes in the ground out here to allow people who don't want to particularly bring it out to have control over that oil, to sell the oil in place, really I think goes against the true national interest, since we own the oil. Transferring it to private ownership at a time when we are trying to figure out -- I get really upset over that, but I get upset over what they do in Washington anyway.

EXECUTIVE OFFICER NORTHROP: Thank you very kindly, Mr. Chairman. We will move along the items we just discussed.

The second item on my report is a discussion --

CHAIRMAN CORY: He's going to come back to us with a legal --

EXECUTIVE OFFICER NORTHROP: I am going to come back with a letter.

CHAIRMAN CORY: Yes. So we know what they are doing before they do it. I am just hesitant to have a letter go out bitching about the glut of oil because that
has to be phrased relatively carefully. I think there are
overriding national interests that I am willing to accede
to if there is some sense of rational pattern of what they
are doing in Washington. I have yet to perceive that
rational pattern; but if they can show me what it is, I am
willing to not be totally provincial. Translated, I will
sell out for the right price.

(Laughter.)

CHAIRMAN CORY: Just a joke.

MR. ROTE: Mr. Chairman, I might add that
following Lease Sale 35, Senator Cranston requested of the
GAO a post-audit study on that lease sale; and we have
that report, and that was quite critical as to how that
whole lease sale was conducted and got into the economics
of it. So we could draw on that, and perhaps get some
information back to you.

CHAIRMAN CORY: I would like to see a copy of
that. If we have that report, that would be helpful. None
of us have enough to read.

Okay, Bill.

EXECUTIVE OFFICER NORTHROP: Thank you very kindly,
Mr. Chairman.

The next item -- I am sure most of you recognize
not only Jim Rote, but the face of Admiral Higbee, who
appeared before our Commission in a hearing in Los Angeles.
Admiral Higbee has agreed to give us a hand in putting together some procedures for inspecting terminals under our new tanker regulations. I would like to have Jim Rote kind of bring you up to speed as to where he is on preparing these. We have asked Jim to come aboard and give us a hand. Jim, in addition to being a Deputy Secretary of Resources, was in charge of the Tanker Safety Ad Hoc Committee, which prepared a report. So, Jim, would you give us a background.

MR. ROTE: Thank you, Mr. Northrop.

Very briefly, in my role as Assistant Secretary over in the Resources Agency, I did chair an interagency ad hoc tanker task force that looked into a whole series of issues surrounding vessel safety, port and terminal operations, and also oil spill cleanup and liability.

We broke up into three subgroups. Subgroup B addressed the tanker terminal regulations. As you recall, this Commission held two fact-finding hearings early in 1977 following the Sansininina explosion; and after those hearings your staff prepared Article 6.1 Draft Tanker Terminal Regulations, which were then taken to two hearings and comments were received.

This past month I have spent going over those comments which were quite critical, as I am sure you recall. Now that we have the Supreme Court's decision on Arco versus

PETERS SHORTHAND REPORTING CORPORATION
7700 COLLEGE TOWN DRIVE SUITE 213
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601
Ray, I think we all know what the State's role is in this area. We can't go out and try to redesign tankers, but we sure as hell can say something about how the terminals are operated where these tankers call.

So I am in the process right now of revising those regulations to reflect the Supreme Court's thinking and also to attempt to incorporate the oil companies' and the Coast Guard's comments.

I hope to have those regulations ready for another public hearing in late June, and then, hopefully, bring the regulations to this Commission at your July meeting for adoption.

If there are any questions regarding that, I would be free to comment.

CHAIRMAN CORY: Do you?

MS. SMITH: If you have any drafts, I would like to see them.

MR. ROTE: I will have a revised draft by June 15th. At that time, we will send them around.

MR. McCAUSLAND: I would just like to say, if I might, Mr. Chairman, that I am glad to see you came to the State Lands Commission to finish up this task. There were some of us that felt from the very beginning that if anybody was going to be able to have some handle on the problem, this might accidentally be that body. I hope that we can do
something successful.

I know of serious efforts over the past seven years to address this problem, and maybe it's time to bring it home to roost.

MR. ROTE: I might add that the Coast Guard has come out with an advance notice of proposed rule making, which means that they are just beginning to think about some tanker terminal regulations nationwide. Admiral Higbee attended a meeting in Long Beach about a week ago, I believe it was. Admiral, you might want to just comment briefly on what the Coast Guard proposes.

ADMIRAL HIGBEE: The Coast Guard started off with this task force of theirs, meeting in New York; and then they came to Los Angeles. From here they went on down to Houston. Industry was largely represented down there in Los Angeles, and they came from San Francisco to be there. The Coast Guard's proposals were not welcomed, and I have brought along to Dr. Rote here some of the comments made in great depth against them.

Everything in regard to regulatory port procedures is opposed generally by industry. Even if it's good, they don't like it. Even if in their own manuals they have these procedures, it is preferable to them not to have these as statutory ordinances or laws because noncompliance can then be a violation.
Since you have met down in Los Angeles a year or so ago, my hopes faded because I did not see — because I didn’t know that you are active in this field. But they are rekindled now, and I hope to see that you will take effective action.

There is a void there now, as, for example, in Long Beach and Los Angeles ports, industry plays one port against the other to get immunity. One port will say, "Well, you come over to our side, and you won't be bothered with this, that, or the other thing." So as a result, security fades, and there is necessity of someone moving in.

The Coast Guard has regulatory personnel and inspectors who, because of the rotation of duty, they are on for a year or so, and then these people go. Then they are replaced by other novices. There is need of some permanently trained pros who will stay on the job in that field.

For about 35 years, my work has greatly been in the security of port facilities and the behavior of vessels in approaches to ports and in the ports. If I can help your task force committee, I will be pleased to do so.

I see gentlemen here who probably have strode through the rubble of a tank ship and oil terminal fire and who have smelled the stench of burned bodies and petroleum-destroyed vehicles. And some of you maybe have even been on
an assault beach, amphibious warfare, and seen something of that sort. If you have seen both of those debacles and horrid scenes, I think you would agree that it is similar to a tank ship and a tanker terminal facility. And I am pleased to know that this Board is on the threshold of going ahead and taking some effective action in it. It is worthwhile.

The ports, as I understand it, get their franchise to operate on the state lands from the State Capitol and from the state government, and I can say that there is need in some places for state regulation. I have served in a regulatory status on a federal level and on a municipal level. I was the Port Warden in Los Angeles for 19 years. I founded and was the first president of the Cargo Protection Council. I just know that something has to be done with this. And if your regulations are reasonable and necessary, the higher courts are going to uphold them, which is something I've seen happen year after year. When local regulations have been opposed on the federal level and by industry, and they have taken it to the higher courts, and if they were not reasonable and not necessary, they were denied. But where they have been reasonable and necessary, they have been approved and have become effective.

I will be glad to help you. Thank you.

CHAIRMAN CORY: Thank you very much, Admiral. And
one of the things from your previous testimony that stood out in my mind is that we are going to have to have a mechanism that the inspections and the enforcement are done at least intermittently on a 24-hour basis rather than just in the daylight hours as you suggested.

ADMIRAL HIGBEE: I am so glad you said that, Mr. Cory. I was remarking to your chairman here, the way it is now you have a federal Coast Guard inspection of tank ships before they load or discharge. Any transfer of petroleum. And the fire department is in on it, too. And sometimes some of the port wardens of the city, their officers, look at it. But it's like a football game where there you have the umpire and the field judges and some other officials at the kickoff. As soon as they catch the ball and advance it one yard or more, all officials go home. And the trouble has been that these mishaps have not occurred at the beginning. It's been halfway through, and more often when the vessel has become empty of cargo but is just a big, steel cauldron of captive vapors.

So you are going to have to have something in progress that goes the whole way with this thing and not just as a kickoff.

CHAIRMAN CORY: We will see that that is done.

Thank you very much for being here.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that
completes my report.

CHAIRMAN CORY: Okay. The next item is Mr. Golden's report. Dick.

MR. GOLDEN: Thank you, Mr. Chairman. One item this morning relative to the State Coastal Commission, acting pursuant to legislative directive, ranked and placed in priority order possible onshore liquefied natural gas terminal locations.

Subsequent to many open public hearings, in addition to two final days of extensive evaluations in May, the Coastal Commission selected the Horno Canyon site on the Camp Pendleton Marine Corps Base as its top choice. The second selection was Rattlesnake Canyon in San Luis Obispo County. The other two sites, including Point Conception, were relegated to a lower ranking due to their geologic instability or environmental sensitivity.

Various general and site specific conditions were placed on these sites. These conditions specified that State Lands staff should be represented on a number of consultant groups. State Lands staff was specifically to be consulted with regard to:

One, a review of the offshore facilities construction plan and schedule for the berthing and trestle facilities;

Two, approval of an oil spill prevention and
contingency plan;

Three, the termination of LNG facility operations;

and,

Four, assisting the construction and operations monitoring process.

The State Lands Commission staff submitted several letters to the Coastal Commission expressing our concerns relative to the nominated land sites. The potential for oil and gas development exists in the vicinity of some of the selected sites. For instance, Union Oil Company has applied for an exploratory test well lease off Point Conception. Staff concerns were expressed by letters to the Coastal Commission citing problems of tanker vessel routing and these impacts on oil and gas development.

In response to our concerns, the LNG tanker offshore routing task force was proposed by special resolution. The Coastal Commission by this resolution requested the U.S. Coast Guard to consult with the Coastal Commission, State Lands, and other appropriate agencies on matters of safety and other routing implications.

That completes my report, Mr. Chairman.

CHAIRMAN CORY: You seemed to skip rather briefly over the one thing that I was hoping you would answer for me.

MR. GOLDEN: Why did they choose Horno Canyon?
CHAIRMAN CORY: Yeah. Why?

MR. GOLDEN: Well, the rationale was that they felt that under the act of the legislature they were required to come up with the most environmentally-positive site they could find, and this was the one that they felt outshone all of the other sites that they had under consideration on shore. Way above.

CHAIRMAN CORY: Is that a deterioration of our military preparedness that they were more willing to take on the Marines than the Sierra Club?

(Laughter.)

MR. GOLDEN: Well, there were a number of concerns expressed at the meeting, both by commissioners and people who had testified previous to that about the Horno Canyon, one of them being the strafing operations and landing operations of the Marines in the area and would this be safe for an LNG. And also the placement of the nuclear plant close by. That was also a concern with the Rattlesnake Canyon site.

But ultimately the decision was made purely on the basis of what they felt their charge was, and that was to look at the environmental factors only. And from that point of view, they felt that Horno Canyon was the only one they could really feel very delighted about. The others were ranked down the way because of other problems.
CHAIRMAN CORY: Does airplane strafing -- is that an environmental consideration?

MF. GOLDEN: I think they felt that was a human thing imposed on the land and it could be changed. When asked in light of the fact that the House Committee on Armed Services had sent a telegram saying, "No way," and all of the other expressions by the Navy and Marine Corps to the contrary, they said, well, there was a nuclear plant that came in on them.

CHAIRMAN CORY: Okay. Thank you.

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, Number 23 is off the calendar for today.

CHAIRMAN CORY: Item 23 is off calendar. That's the only one I liked.

The first item we will take up will be the Consent Calendar items which have the prefix Cl through 15. Unless somebody in the audience has any adverse comments to the proposed staff recommendations, these will be approved in one group. Do we want a motion?

MR. McCAUSSLAND: Move it.

MS. SMITH: Second.

CHAIRMAN CORY: Without objection, the Consent Calendar will be approved as presented.

Item 16. Mr. Northrop.

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, this is
a contract for the continuation of removal of objects along
the San Joaquin-Sacramento River Delta area.

CHAIRMAN CORY: Any questions by members?

MS. SMITH: No.

MR. McCausland: Haven't we got it all cleaned up
already?

EXECUTIVE OFFICER NORTHRUP: No. We have some
considerable area left to go, and what we are attempting to
do is to wrap up the areas that we have.

MR. McCausland: How much will the $250,000 buy?

EXECUTIVE OFFICER NORTHRUP: I have no idea on
mileage.

Jim, can you give us some mileage?

MR. TROUT: No. It's very difficult on mileage
because, one, we don't have --

MR. McCausland: Let me ask a question. Did you
go out and ask for a bid that said how much work can we do
for $250,000, or what kind of a bid are you asking for?

MR. TROUT: My understanding of the bid procedure
is that we have asked for comparative rental rates for
equipment and man hours and how much per hour would you
charge to do cleanup-type work.

MR. McCausland: We did that once before, and we
got a funny bunch of formats back from --

EXECUTIVE OFFICER NORTHRUP: Mr. McCausland,
Mr. Mills is aware of this problem we have had in the past and has assured me he has done all necessary to eliminate that happening in the future.

MR. MILLS: We are bidding this contract on an equipment rental basis, on a strictly hourly basis. We will get an estimated 400 hours of work for the $250,000, depending on, of course, the amounts bid, it will increase or decrease.

MR. McCausland: What kind of monitoring do you intend to do of the operation so that you have some assessment of --

MR. MILLS: We have a site supervisor already down in the Delta working on an existing contract. We will add an assistant to his staff. In addition, some of our engineering people in Sacramento will be making periodic inspections, and we will have overall supervision for the entire project.

CHAIRMAN CORY: Any objections?

MS. SMITH: No.

MR. McCausland: Thank you.

CHAIRMAN CORY: Without objection, authorization is granted as requested in Item 16.

Item 17.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 17 is an attempt by staff to amend the regulations in Title 2
to have it conform with §§ 349, the Recreational Pier Bill
that passed last session -- last year -- and it handles our
new leasing policy regarding recreational piers and the
charges therefor.

CHAIRMAN CORY: Where are we with the Attorney
General's opinion on agencies and constitutionality of
statutes?

MR. GOODMAN: Mr. Chairman, I do not know whether
that opinion has been finished yet. I can inquire.

MS. SMITH: Didn't we also ask the Attorney General
to prepare a letter advising us of our different alternatives
in regard to dealing with the rec pier bill in an executive
session.

EXECUTIVE OFFICER NORTHROP: Not that I know of,
Ms. Smith, but it well may be we'll have to research those.
I know we asked them the constitutionality question, but
I don't recall the other one. Does anyone here at the table?

CHAIRMAN CORY: Well, we have asked whether or
not it is constitutional, and we have not heard back?

MR. HIGHT: No, Mr. Chairman. The bill as drafted --
I think it's the opinion of the Attorney General's office
that as drafted it is constitutional.

CHAIRMAN CORY: Okay. They have issued that
opinion.

MR. HIGHT: No. We have that on --
CHAIRMAN CORY: Word of mouth.

MR. HIGHT: Yes.

EXECUTIVE OFFICER NORTHROP: Verbal.

MR. McCausland: Get it on tape.

(Laughter.)

MR. McCausland: Would the Attorney General's office like to comment on that?

MR. GOODMAN: I frankly am not in a position to comment, Mr. McCausland. I'm aware of the situation. I have done some work on the bill. But I know of nothing in writing, and if the Commission --

MR. McCausland: Do we have an opinion forthcoming? I would like to delay action on the regulations until we have an opinion from the Attorney General.

CHAIRMAN CORY: What happens if we do that? Anything?

MR. TROUT: We just would not be able to issue rent-free leases. We would just hold applications in abeyance; or if people were anxious, they could operate under the present regulations which would require small annual rent.

(Inaudible discussion.)

MR. TROUT: No, I don't think so. Assuming that we are not talking about a lengthy delay, we don't have problems.
MR. GOODMAN: Our informal advice to staff was that the finding in Section 2 of SB 349 would be very difficult to overcome in court, and those legislative adoptive findings would cause severe problems in any challenge of the constitutionality of the regulation. That is the most likely advice which would be contained in a written --

CHAIRMAN CORY: How long would it take to reduce that to writing?

MR. GOODMAN: Something happens to opinions when they are requested, either formally or informally. They go through a very protracted process.

MR. McCAUSLAND: Well, this one won't have to come out until after the primaries.

(Laughter.)

MS. SMITH: This bill went into effect in January of this year; right? So what have we been doing in terms of our rentals of rec piers up to this point?

MR. TROUT: Ms. Smith, those people who were anxious to get permits have been willing to pay the minimum relatively small fees -- I think $30 a year or $40 a year rent -- and we have gone ahead and issued those permits. Others, the applicants have just proposed or thought it was best to just wait until the new regulations come into effect, and those applications we are just holding.
MS. SMITH: Any problem with refunding the money after we get our regs adopted?

MR. TROUT: Well, most of the people have opted to go ahead. It's been on the basis that they would not get a refund, and they understood that. They were operating under the regulations in effect. Each one has been given the option, "Do you want to go ahead and pay, or do you want to wait and see what comes out of it?"

MR. McCausland: Mr. Chairman, I have re-thunk my position. I would like to move adoption of the regulation.

CHAIRMAN CORY: If their informal opinion is that --

MS. SMITH: I don't think it is going to make any difference, because you can't overcome a legislative finding of emergency.

CHAIRMAN CORY: Okay.

MS. SMITH: The court won't overturn it unless it's clearly --

CHAIRMAN CORY: Okay. I'll go along with it. Betty, are you happy with it?

MS. SMITH: Uh-huh.

CHAIRMAN CORY: We'll go ahead and adopt it?

Without objection, amendments are adopted as presented.

Item 18, revised minimum non-refundable expense
deposit.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is more closely, or attempts to closely come to some sort of compromise in reflecting the cost of preparation of these deposits.

CHAIRMAN CORY: Any questions on this item?

MS. SMITH: No.

MR. McCausland: No.

CHAIRMAN CORY: Without objection, Item 18 is adopted as presented.

Item 19, Standard Covenants - State Lands Commission Lease, requiring that the lessee, in addition to preventing pollution and contamination of the environment, will practice water conservation.

EXECUTIVE OFFICER NORTHROP: Yes, sir.

CHAIRMAN CORY: This is Ron Robie's shop wanting us to --

EXECUTIVE OFFICER NORTHROP: Yes, sir. They felt that it was very important that we cover that in our lease.

CHAIRMAN CORY: Okay. Anybody in the audience on this item?

Without objection --

MS. SMITH: There's no enforceability?

EXECUTIVE OFFICER NORTHROP: Pardon?

MS. SMITH: I mean, there is no enforcement.
EXECUTIVE OFFICER NORTHROP: I don't really agree. I think if we find someone who is wantonly wasting water in some of their operations where conservation would be considered, I think, particularly in time of drought or that sort of thing, I think the staff would probably recommend to the Commission that they take some kind of action to at least warn the lessee that he is doing that sort of thing.

CHAIRMAN CORY: The only enforceability would be if that would give you grounds to terminate the lease.

EXECUTIVE OFFICER NORTHROP: Yes. That's right. In other words, advise him that a lease cancellation is a --

CHAIRMAN CORY: But are you willing to say that, yes, if this were a covenant in the lease and somebody were violating it and you put them on notice and they refuse to correct, that we could in fact terminate the lease?

EXECUTIVE OFFICER NORTHROP: Yes.

MS. SMITH: I had a feeling you could do it. I just didn't know if that would be anything we would terminate a lease over.

EXECUTIVE OFFICER NORTHROP: I think if we went through another three or four dry years, I think we might well do that.

MS. SMITH: Oh, yeah, in a drought maybe.
EXECUTIVE OFFICER NORTHRUP: Well, I think that is really what the situation was.

CHAIRMAN CORY: Any objections?

Without objection, Item 19 will be approved as presented.

Item 20, acceptance of a bid for a thousand dollars on beetle-killed timber in Lake County, with Ron Borges.

Anybody in the audience on this item? This is a bid -- and that's the highest we could get for our -- I mean, if pecky cedar is worth so much, why isn't beetle-killed timber worth more?

(Laughter.)

CHAIRMAN CORY: Okay. No response is necessary. I guess it's the highest bid, and we have got to remove the timber anyway. And it's worth something. It's a thousand dollars that we didn't have.

MS. SMITH: No objection.

CHAIRMAN CORY: Without objection, Item 20 will be approved as presented.

Item 21, acceptance of $600 --

EXECUTIVE OFFICER NORTHRUP: There are nine trees involved here, Mr. Chairman. This was a negotiated sale with the High Sierra Land and Timber Company who happened to be working in the area. For nine trees, staff felt that
CHAIRMAN CORY: Is there anybody in the audience on this item?

What is the difference between an insect kill and a beetle kill?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think one calendar item was written by someone who liked the beetle kill concept, and the other one covered the waterfront more specifically.

CHAIRMAN CORY: Are they the same creatures that did it in both cases?

MR. TROUT: Similar, but not necessarily the same. One is broader than the other.

CHAIRMAN CORY: I understand the English language. I don't understand what they are trying to tell me.

(Laughter.)

CHAIRMAN CORY: I mean, is there one particular beetle that kills timber, and in addition there are a lot of other insects that kill timber? I am just curious what the hell is going on out there.

MR. TROUT: There is more than one kind of beetle. One is responsible for Item 20. More than one is responsible for Item 21.

CHAIRMAN CORY: Okay. You are sure of that?

MR. TROUT: Fairly certain.
CHAIRMAN CORY: Okay. Any questions?

MR. McCAUSLAND: No objection.

CHAIRMAN CORY: Without objection, we will accept $600.

Item 22, acceptance of a bid of $426,595 with Coin Lumber Company. This is a bid on Ponderosa and White Fir on school lands in Plumas County.

EXECUTIVE OFFICER NORTHROP: Right.

CHAIRMAN CORY: Anybody in the audience on this item?

Questions from members?

MR. McCAUSLAND: No.

MS. SMITH: No.

CHAIRMAN CORY: Without objection, Item 22 will be approved as presented.

Item 23 is off calendar.

Item 24, Chevron USA, Inc.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on behalf of the staff, Don Everitts will make a presentation on this item.

Mr. Everitts.

CHAIRMAN CORY: While Don is coming up, I forgot at the start of the meeting to point out that Mr. Trout—this morning I had the pleasure of presenting him with a Twenty-Five Years of Service Certificate for the State. I
guess a lot of things could be said that probably shouldn't be, but a 25-year old trout smells for itself. Nice to have you with us, Jim.

(Laughter.)

MR. TROUT: Thank you, Mr. Chairman, I think.

MR. EVERITTS: We are proposing to negotiate a lease with Chevron under the terms of Public Resources Code that says where there is no drill site reasonably available or due to an odd shape so that the land actually will not support a well, we can negotiate. This map shows in yellow --

MR. McCausland: Just a second, Don. Is there any objection from anyone on this? I read the calendar item, and I understand it.

EXECUTIVE OFFICER NORTHROP: We have got someone here.

MR. McCausland: Go ahead and present the item then.

MR. EVERITTS: The yellow area is the area that Chevron has under lease. The solid yellow is all under lease. They have negotiated of our lease about 98 percent of this area. We are currently leasing down in here, and they have about half of that under lease right now.

Total acreage is about 1500 acres of their land; approximately 205 acres of our land. This green square
represents the same area shown on this aerial photo, and
that yellow square --

CHAIRMAN CORY: Don, when was that photograph
taken?

MR. EVERITTS: Well, I don't --

MR. McCAUSLAND: '75. March '75.

MR. EVERITTS: I missed it.

CHAIRMAN CORY: Would you order braille maps for
Everitts.

(Laughter.)

CHAIRMAN CORY: Explains a lot of your mistakes.

Go ahead.

(Laughter.)

MR. EVERITTS: Sorry about that.

The yellow spot represents the proposed well
location. This is a residential area across the river.

CHAIRMAN CORY: That is Yolo County?

MR. EVERITTS: This is in Yolo County, and this
is in Sacramento County and the City of Sacramento.

CHAIRMAN CORY: Okay. And that is -- could you
step aside so I could try to locate -- Greenhaven is like
about off the map --

MR. TROUT: To the bottom. It's a pocket.

MR. McCAUSLAND: This is the end of the little
lake right there.
CHAIRMAN CORY: Go ahead. I just wanted to make sure I --

MR. EVERITTS: Well, they are proposing to drill at least one exploratory well and then maybe redrill it a couple of times. The play would probably take a maximum of eight wells. The total drilling time might encompass a year, and it might take 15 years to produce the reserve.

We have negotiated a 30 percent royalty, $15 an acre rent, plus a five percent override on anything that is produced from this side that goes through under the river. So really it's a good lease for us.

CHAIRMAN CORY: The override, they plan on doing that from the site directional drilling to the whole area?

MR. EVERITTS: Well, they may have to move up or down, but they would get a good part of it from that one spot. It would depend on the geology.

CHAIRMAN CORY: But the override you are talking about is it is a directional drill under the river?

MR. EVERITTS: If they directionally drill under the river, we get a five percent override.

CHAIRMAN CORY: On the stuff coming up the hole?

MR. EVERITTS: Right. Plus 30 percent of anything they would be draining from the river.

CHAIRMAN CORY: And the law of capture puts us where? If we don't lease it, they are probably going to
take it anyway?

MR. EVERITTS: They will take it anyway.

CHAIRMAN CORY: It's a delightful choice. It's an interesting concept that remains in the law.

MR. EVERITTS: They have also made one change in the passing which was to our advantage in that the price as determined by the State will be no less than either the highest price of nearby fields or the exchange value of the gas. At this point, we don't have a signed agreement, but that's in the lease.

CHAIRMAN CORY: Some of the sophistry that is going in some of the hearings we have had on gas prices might be avoided, like the change in that contract?

MR. EVERITTS: Yes. That's why it was put in there.

CHAIRMAN CORY: Okay. Any other things you want to tell us?

Rosemary Daniels.

MS. DANIELS: Rosemary Daniels, 6660 Harmon Drive, Sacramento, in the Pocket area.

I would like to be concise, but with us it's not a concise issue. I am going to take some time if you don't mind.

For background, I want to first protest the timing of this hearing for the Pocket people. Most people work in
the Pocket, husbands and wives both, and many could not be here who would like to be here at the hearing.

Going on from here, I want to give you a little background of what happened in the Pocket about four years ago. Around that time, up until about three years ago, representatives from Standard Oil, salesmen, came to the Pocket area and asked for signatures on this leasing document, whereby people would lease their mineral rights to Standard Oil for any natural gas that they found in the area. The people who signed were given $15. It said $15 an acre. Most people have about a third of an acre or less in land, but at any rate, they were given $15. They were told they possibly could make as much as, I guess, $25 a month -- I'm not sure of that -- but if gas was found, there could be a possibility of royalties up to that amount.

They implied to the people that they had already made arrangements to come in, that they were coming in. As if they had gone through city government channels. I don't think they had at that time at all.

They said there was absolutely no risk to the homes. This was stressed to the people. So they got the 50 percent signatures because people felt, "What could we do about this? They are coming in anyway. There is no risk to our homes. So what do we lose?"

I think the salesmen definitely misled us. For
one thing, the area does have some subsidence which people
were not aware of at the time -- some people were not aware
of it at the time. There is subsidence in the area.
Apparently, in order to drill for this natural gas, they
have to -- they assume the water will fill the vacuum if
the gas is there and they take the gas out. But they are
not positive. This is not a sure thing. So there is an
element of time whereas if there is not water filling up
this vacuum, then they will have to pump the water in.
That is a risk. That was not a risk that was told to people
at all.

There is a risk of explosions. We have severe
winds in the Pocket that could come down the river, and a
fire, if an explosion occurred across the river in the
drilling site -- a fire could easily leap across that river.
We have, as I said, severe winds, and I've seen fires leap
across a fourth of a mile very easily in that area.

So we were not told all of these risks at all. We
were told that there was no risk at all involved. And they
got the signatures.

I don't think anybody would have signed if they
had been told all of the risks involved. I really don't
think they would have got signatures at all.

Now we find that the State Lands Commission has
decided that only a Negative Declaration is necessary instead
of an Environmental Impact report. I consulted with an environmental lawyer and people from ECOS, and they were very surprised that an Environmental Impact report was not done on this situation.

I talked to Mr. Willard from the State Lands Commission. He tells me that there is minimal risk to this operation and there is a good chance that if they drill for gas and water does not fill the vacuum, they probably can pump the water in before the land shifts. Now, these are all vague words to me. I would like some definitions on what they mean by minimal risk and what they mean -- one in a hundred, one in a thousand? What risk are we facing here? I would like some facts on this. Is there anybody from the State Lands Commission who would answer my question?

CHAIRMAN CORY: To put it in perspective, the question that we have before us is I think we are in a similar situation as you are. We are a landowner in the area, and our choice is to lease or not lease. Whether or not we lease or do not lease does not preclude them from going ahead and drilling and doing their number.

MS. DANIELS: Except that I understood the City Planning Commission or the Board of Supervisors could say that they don't agree to this. Isn't there still the element of city government?

CHAIRMAN CORY: Yes. If there is some zoning
restrictions in Yolo County, they can decide they don't want that done. But in terms of our position, it is really identical to the homeowners out there, only we are a little further down the road since everyone else has signed. Our question is whether or not we sign a lease and get some of the money or whether or not we don't sign a lease and the laws are set up, the law of capture, that by going over there in Yolo County and putting the hole in the ground, they can take our gas and don't have to pay for it.

MS. DANIELS: But I understood that there still are ways to stop this operation; are there not?

CHAIRMAN CORY: There are ways to stop it, but it will take a landowner, I think, going to court or to other governmental agencies. This agency does not have the power to stop that from happening.

MS. DANIELS: You do have the power to request an EIR, do you not, though? Is this so?

CHAIRMAN CORY: They can still go ahead and drill without it. They can say, "No, we don't want a lease. We're just going to go ahead and poke a hole in the ground and steal your gas."

MS. DANIELS: Since you said you were in the area, you know that that is considerably changed. There is much less open space --

CHAIRMAN CORY: Yeah, that's why I was wondering
when it was taken.

MS. DANIELS: -- in the last three years. I have to admit that I did not read the Negative Declaration, but I had requested the report and it didn't arrive. It was not mailed to me. It was a mistake. Somehow they didn't mail it to me. So I had parts of it read to me over the telephone. On this report, one of the, I think, gross errors was that it said there were very few homes and there was no chance for growth or no possibility of growth. That is absolutely not true, because it's going to be a very fast growing area. It is pretty densely populated as it is right now.

I have a lot of other questions. I'm wondering if anybody can define or anybody answer these questions concerning the operation? Is there someone here who can answer my questions?

MS. SMITH: Mrs. Daniels, just for your information, based on the document in our calendar, there was a letter dated May the 13th, 1977, from the City of Sacramento, indicating that they would still require Standard Oil to obtain a special permit from the Planning Commission before they start operations. So that is where you should go.

MS. DANIELS: That is where we are going to go. But I understood also that this was the place to come to
request an EIR before -- the thing is, what I understand is that this subject has been kind of quickly gone over by the Lands Commission. They have sort of rushed quite a bit by not doing an EIR. And I want to know why.

CHAIRMAN CORY: Well, the problem is that the basic jurisdiction -- our question is the same as the landowners'. The same position that you have. We are not licensing or granting the people to do this. If they were wanting to put a drill site on our property, then I think we would say, "We want an EIR," and we would do that. In this particular case they are giving us a real Hobson's choice -- sign up or we are going to go ahead and put the hole in the ground and take your gas and pay you nothing. So our leverage and control over it is relatively small.

MS. DANIELS: Even if the City Planning Commission --

CHAIRMAN CORY: They have control. They have their options.

MS. DANIELS: But I was under the impression that this hearing was very important for us because at this hearing was the last time, the last chance we had to request an EIR be done. That's why I am here.

MR. HIGHT: You can request that at the city and county level.

MS. DANIELS: It still can be requested?

MR. HIGHT: Yes.
MS. DANIELS: At that level.

AIRMAN CORY: The problem I think that you are going to have is the EIR is probably Yolo County.

EXECUTIVE OFFICER NORTHROP: Yes, Yolo is the lead-out.

CHAIRMAN CORY: If they are the lead agency -- I don't know what their views are likely to be, but since the development seems to be primarily in Sacramento County on the other side, they may have less concern if they take totally a provincial --

MS. DANIELS: In Yolo County?

CHAIRMAN CORY: Yes.

MS. SMITH: That they have already agreed with them that they could do a declaration.

MS. DANIELS: Yes, they have. I understood they were going all over Yolo County. The problem is this is really the first time it would come into Sacramento County, the first time into an urban area. We are an urban area. We are in the city limits. We are not in the county. We are in the city. This would be the first time that they would be coming under an urban area in Sacramento County. I think this is kind of a precedent, and I think it is kind of important.

MS. SMITH: Perhaps Mr. Everitts can clear this up, but I understand there won't be that much subsidence in
the area and that for the amount of subsidence that there will be -- there have already been measures taken to correct it. Is that right?

MR. EVERITTS: That's right. There is a network setup as part of the lease. There is a further network setup. Once production is started, measurements will have to be made and regular measurements will have to be kept, and if there is any subsidence exceeding the natural subsidence out there, which is not very much, they will have to stop. It's not a matter of trying to keep producing or repairing it. If there is any indication of any subsidence, they have to quit operations.

MS. DANIELS: Concerning that risk of getting the water in time in place of, you know, when you do drill and there is subsidence, the matter of getting the water in time. How risky -- isn't that the main risk that the report says? Isn't that the major risk that the whole operation has of not being able to get the water in case the water doesn't fill naturally?

MR. EVERITTS: Well, these sands are basically thin sands and low porosity. All you are producing is gas. And mechanically, it's almost impossible for subsidence to occur due to this. You would have more subsidence out there right now due to withdrawal of fresh water. You have subsidence fluctuations due to the tidal action.
MS. DANIELS: It would seem to me it would compound the subsidence. You have one problem. You begin with subsidence, and then you have more chance with the drilling. It would seem to me it would be a compound thing, rather than making it simpler.

CHAIRMAN CORY: Well, Mrs. Daniels, I don't think we can at this point in this meeting write an EIR for you.

MS. DANIELS: Okay.

CHAIRMAN CORY: The real question in my mind, there appears to be a question of perspective which maybe we could address ourselves to, and the reason I asked the question when the aerial was taken. It seems to me there is likely to be a current aerial that might show substantially more development on the Sacramento side and virtually no change on the Yolo side. So if an EIR is written by somebody standing on the well side, it will come to a certain conclusion as to the type of environment they are affecting and whether or not it should or should not appropriately include the entire area of the field is another question.

One of the real parties of interest I think has a representative here, and perhaps they have some knowledge as to the EIR question.

Mr. Taaffe, are you -- you are with Chevron. Can you comment on this dilemma?
MR. TAAFFE: Well, I have not personally participated in the negotiations or the preparation of a Negative Declaration. I do have two comments I think. Number one is as to your question about perspective and surface development of the area. All I can say is, even acknowledging that this may be the first operation, the first subsurface operation in the city of Sacramento, our company and other companies in the Los Angeles Basin have conducted extensive operations from centrally located drill sites and densely populated urban communities without mishap. And as mentioned by Mr. Everitts, we have also established these precise level measuring grids to determine whether subsidence may be occurring from the withdrawal of oil or gas, in that case.

I think there is little chance of a blowout pursuant to the regulations that are promulgated by the Division of Oil and Gas and which must be followed under the provisions of the lease with the State Lands Commission before any drilling is accomplished.

I think it is quite correct that the City of Sacramento must grant a subsurface easement for the purpose of our wells, under the City of Sacramento, the surface of which is not currently zoned for surface operations. And that hearing will be coming up. As I understand, the purpose of this meeting, this Commission authorized the
negotiations for a lease. The lease has been negotiated, and it's now the Commission's question as to whether they wish to grant the lease or not grant the lease. That's about all I have to say.

MS. DANIELS: Okay. Where do we get information on these risks involved? I mean, I'm hearing words like "minimum" -- "good chance." I want some definitions. Is the City Planning Commission the only place I can get this?

MS. SMITH: When was the Negative Declaration prepared?

MR. TAAFFE: What's the date on it? It just has a work order number on it. It's 11 pages long.

MS. SMITH: I know it has a work order number on it. I was curious how long ago it was written.

CHAIRMAN CORY: Bill, is this a product of our staff work, or is this a boiler plate from something that was submitted to Yolo as the lead agency?

MR. EVERITTS: We worked it over. I can't say that every word in there is an original word, but we did --

CHAIRMAN CORY: The question in my mind --

Ms. Daniels, I sympathize with your concern. As wearing my state hat, I'm prepared to go ahead with the lease because I figure we don't have any choice much the way the landowners had. The one thing that does bother me is the question of the Negative Declaration, whether that is appropriate or
whether an EIR should or shouldn't be done. I don't think that question is really before us at this point. I would not want to mislead. I've got some problems with page 3 or 129 -- calendar page 129 -- on the statement of the present environment. If that were made explicitly clear that the area around the drill site -- I would think the individual properties have an average size range of ten to forty acres, with a few larger up to 300 acres -- smaller, four or five acres. I think that is relevant to the drill site area across the river. I don't think it is relevant to the area on the other side of the river, and that's what I --

   MR. HIGHT: The next paragraph goes on to describe the area across the river.

   CHAIRMAN CORY: What I'm saying is I do not want this language to be taken out of context to prejudice Mrs. Daniels' ability to make her claim vis-a-vis the environmental impact on her area. I think it's appropriate, but I would think that Chevron is interested in expediting its possibilities and it would look rather carefully. A lot of environmental suits have been lost. I think people have learned enough that it doesn't save time to try to cut those corners at this point. I would think from my dealings with Mr. Taaffe in the past, he tends to be relatively straightforward on that and wants to do things
right the first time at this point. So I don't know where that stands, but I don't want anybody to misconstrue what this is finding. As I read this, it is really saying that the present environment around the drill site in this rural agricultural setting is not referring to the entire area of the field.

Now, the question of the field is one that I would guess that your best shot is probably Sacramento when that easement comes before them.

MR. TAAFFE: That's right.

CHAIRMAN CORY: And the corporation that Mr. Taaffe works for and I sometimes have some differences. He has always treated me honorably, and we have had clear understandings. When you ask him a hard question, he either tells you he doesn't know or gives you a factual answer. So that's why I am saying right here, the woman will have a chance to make her pitch there, and we are not foreclosing her. This is not the place to fight the battle she wishes to fight.

Is that your understanding?

MR. TAAFFE: That's my understanding.

CHAIRMAN CORY: And Standard Oil is not going to be saying, "No, you had your chance at State Lands. You should have spoken up there."

MR. TAAFFE: We are not going to preclude any
legitimate comment.

CHAIRMAN CORY: I am just trying to put it in perspective as to what we are doing, because I realize government is very frustrating.

MS. DANIELS: It's very scary to come before any commission, believe me. But I had a lot of questions. I really want these answered, and I hope I can get them answered at the Planning Commission.

MS. SMITH: Correct me if I am wrong, but my understanding is that the issuance of this lease is contingent upon Standard obtaining all of the permits that are necessary, which includes the permit from Sacramento County, and also upon the receipt of an oil spill contingency plan, above all things, according to the Negative Declaration. So I still think you have some time to fight your battle.

MS. DANIELS: I hope so. Thank you.

CHAIRMAN CORY: Anybody else in the audience on this item?

What is the wish of the Commission?

MR. McCAUSLAND: Move to adopt.

CHAIRMAN CORY: Approval?

MS. SMITH: I'm just curious when the Negative Dec was prepared and how long it's good for, so I'll just abstain. I just wondered when the Negative Declaration was prepared, because they decided not to do an EIR.
EXECUTIVE OFFICER NORTHROP: Don, could you give us a time frame of when the Negative Declaration was prepared?

MR. EVERITTS: April, 1977.

MS. SMITH: Oh. Second it then.

CHAIRMAN CORY: Motion and second that the lease as the staff presented be approved. That is a unanimous vote the lease be approved.

Okay. The next item on the agenda is Item 25, deferment of drilling requirements, State Oil and Gas Lease, PRC 3095.1, Belmont Offshore Field, Orange County. They are having some difficulties of drawing water and what else? Some time to not comply with the 120-day drilling requirement. My question is if we don't do this, then Chevron is forced to either drill or abandon that portion which they haven't drilled on; is that correct?

MR. HIGHT: Yes. Chevron would be in breach of the lease in the event that they did not drill and we would give them notice, and they would have the option then of terminating that portion which is undeveloped or drilling.

CHAIRMAN CORY: They want an entire year?

MR. HIGHT: Nine months.

CHAIRMAN CORY: Propose deferment from May 20, '78, to May 20 of '79. That's nine months?

EXECUTIVE OFFICER NORTHROP: Well, there is a
period in which they are allowed -- they have a lag time
period anyway of 120 days.

CHAIRMAN CORY: The question in my mind is whether
or not that language gives that plus their 120 days, which
gives them 16 months.

MR. HIGHT: No. It gives them May 20, '79, and
they are either in a position of drilling or --

MR. EVERITTS: The intent is 12 months, and we
have got a clause in there that says if they are not working
diligently on the geological study that we want that we could
terminate on 30-days' notice.

MR. HIGHT: 60-days' notice.

MR. EVERITTS: 60-days' notice. The problem is
that the last four wells they have drilled have been bombs.
They have spent a whole bunch of money and no oil. So we
have got to find out what is wrong. We are working with
them. The deal is we are going to review their project on
a bi-monthly basis.

CHAIRMAN CORY: Okay. Without objection then,
Item 25 will be approved as presented.

Item 26, Thomsen/Tidewater Company, renewal and
modification of Mineral Extraction, and this is a minimum
30,000 cubic yards, a dollar an acre, plus a volumetric;
is that correct?

EXECUTIVE OFFICER NORTHRUP: That is correct,
CHAIRMAN CORY: Anybody in the audience on 26?

Any questions from members?

MR. McCausland: No.

CHAIRMAN CORY: Without objection, Item 26 will be approved as presented.

Moe Sand Company, which is a similar pricing format.

EXECUTIVE OFFICER NORTHROP: Yes, sir.

CHAIRMAN CORY: Anybody in the audience on 27?

Any questions from members?

MS. SMITH: No.

CHAIRMAN CORY: Without objection, Item 27 will be approved as presented.

Item 28, a prospecting permit, extension of a prospecting permit for our goldminers in San Diego. This is heavy minerals, that is the ones that sink as opposed to the ones that float.

EXECUTIVE OFFICER NORTHROP: Right.

CHAIRMAN CORY: Anybody in the audience on 28?

Any questions from commissioners?

MS. SMITH: No.

MR. McCausland: I am curious as to where you got that definition. Do I have to vote for that?

CHAIRMAN CORY: No, you don't have to vote for that. I was just chiding the staff. It was a beetle
question.

(Laughter.)

CHAIRMAN CORY: Item 29, approval of Eighth Modification. What are we doing here? We are spending more money to get less?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it looks like the economic projections of the Long Beach Unit will be up about five and a half million dollars additional of what we planned; is that correct, Mr. Thompson?

CHAIRMAN CORY: He wasn't listening. That's what that look means.

MR. THOMPSON: I thought I heard what he said, and I thought he was probably optimistic.

EXECUTIVE OFFICER NORTHROP: I think the number was 5.4 million?

CHAIRMAN CORY: He's an engineer. It's not five and a half; it's 5.4

MR. THOMPSON: Actually, I think for the end of the year, we will be up slightly because of the fact we had to spend as much. Only for that reason.

EXECUTIVE OFFICER NORTHROP: Okay.

CHAIRMAN CORY: Any questions from members on 29?

MR. McCAUSSLAND: No.

MS. SMITH: No.

CHAIRMAN CORY: Okay. Without objection, approval
of Eighth Modification is granted.

Item 30, Abandonment of Injection Well, water injection 1A pursuant to cooperative agreement. Any details we should know about that before it's abandoned?

Without objection --

MS. SMITH: No objection.

CHAIRMAN CORY: Sid?

MR. McCAUSLAND: No objection.

CHAIRMAN CORY: Without objection, Item 30 is approved as presented.

Item 31, a review of the Pilot Scale Demonstration of caustic waterflooding for Enhanced Recovery. You are going to tell us that unless we get a better price for our oil we can't afford to do this project even if it is scientifically successful; is that correct?

MR. THOMPSON: Well, again this is a project we had to start engineering on in 1975, and it's a long-term project. It doesn't look too attractive right now. The project is costing more than we estimated because of the extra well work. But the stake is so great, because again if we could increase our production by even one or two or three percent of the amount in oil in place, this is many, many million barrels of oil. But again the project will never get off the ground as far as a full-scale expansion unless the oil price --
CHAIRMAN CORY: What price do you need? If you had world price, would it be attractive?

MR. THOMPSON: Probably. On this particular one, we could probably do it at upper tier price. Micellar, we definitely would have to go to world price. But this was caustic. If the mechanics prove out effective in the field tests, the material we are putting in the ground and the treating of water costs would be such that we would do it at upper tier price.

CHAIRMAN CORY: Okay. So that is a real expectation, at some point, if you read the fine print of the whole program that they are going to phase all of this garbage out at some point.

MR. THOMPSON: Well, as you said, this insanity -- if we had thought this insanity was going to be present today, we probably would not have even wasted our time on this in 1975.

CHAIRMAN CORY: But if upper tier prices were available, caustic might be --

MR. THOMPSON: Assuming that our expansion, when we get in the pilot test, if we really get additional oil recovery, yes, because of the cost of material putting in. That's why we looked at this particular material, because the micellar is very shaky. To begin with we have to use an oil to make micellar injection projects, so there we are
using a high-priced project to go back in for a low price oil. But here we are using caustic material which is a reasonable cost material.

CHAIRMAN CORY: Okay. Questions from members?

MS. SMITH: No.

CHAIRMAN CORY: Okay. You are going to inform us about third quarter.

MR. THOMPSON: Parcel A is just another situation in which we are in a bind because of oil pricing. We have cut back some expenditures so in fact we are just staying even. We are spending a little less, but again we are going to get less oil recovery.

CHAIRMAN CORY: How much less per day? Per year?

MR. THOMPSON: Well, again we are in a decline now, and we are down about three percent over our original estimates this year. This is three percent, and this will compound next year and goes on forever.

CHAIRMAN CORY: Okay. Any questions.

MR. McCausland: No.

CHAIRMAN CORY: Okay. Thank you.

Item 33, litigation, authorization to file disclaimers on behalf of the State Lands and six Federal condemnation actions -- Trinity, Butte, Colusa, and El Dorado Counties.

Anybody in the audience on that? Any questions
from members?

   MS. SMITH: No.

   CHAIRMAN CORY: Okay. Without objection, authorization is granted on Item 33.

   Item 34, authorize State Lands Commission staff to accept payment of $500 from Bel Marin Keys Community Services District.

   Mr. Northrop.

   EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a negotiated settlement between the Service District and the staff. They are asking for your approval. The Bel Marin County’s Community Service District removed a quantity of dredge material and spoiled it on Upland ownership in an area of diking, I am told, improving the original diking.

   The amount of -- I suppose first if it had been spoiled in a public service area, we probably would not have charged them if they just spoiled it in a public area, but they didn't. So by count, we feel the amount was approximately $2,000 worth of filter that was taken. However, Bel Marin Keys Community Service, which is a taxing district, has indicated that they do not have any funds for which to pay the $2,000. They feel they can come up with $500, and even that's a considerable hardship to them. But they pleaded hardship on the
additional money, so the staff is recommending we take the
$500 in lieu of the 2,000 because of the hardship, the
Community Services District hardship case.

(Brief discussion off the record.)

CHAIRMAN CORY: Without objection, authorize the
staff. We will share the guilt with you.

EXECUTIVE OFFICER NORTHROP: Thank you.

CHAIRMAN CORY: Okay. Item 35, authorization
for staff counsel and/or A.G. to file a disclaimer of
interest in lands described in the case of City of Union
City versus M. C. Griffa, et al., Alameda. What's that all
about?

MR. HICHT: This is a suit by the City of Union
City, and they named the Lands Commission as a party, and
we don't have any lands within this area but some lands
around it. And we are dismissing, stipulating that we
don't own anything within this area but possibly outside.

CHAIRMAN CORY: Okay. For academic reasons and
educating myself, what would happen if we made a mistake
on that? I mean, Everitts couldn't find the date of the
map. We don't have Sid go over each of these maps before
they are approved. And what happens if we blow one?

MR. HICHT: We are probably bound by it, unless
we can prove by some kind of thought or something we were
misled.
CHAIRMAN CORY: All right. These are checked and
double-checked before --

MR. HIGHT: Checked and double-checked and triple-
checked.

CHAIRMAN CORY: By different people?

MR. HIGHT: Yes.

CHAIRMAN CORY: Get those braille maps.

(Laughter.)

MR. McCASLAND: We have Don look at it in the
morning, and Everitts takes a look at it, and then D. F.
looks at it.

(Laughter.)

CHAIRMAN CORY: With that research, I am prepared
to authorize.

MR. McCASLAND: He only wears the glasses the
first time he looks at it. I apologize.

Have you been with us for 25 years? Have you got
your 25-year pin yet?

MR. EVERITTS: 45?

CHAIRMAN CORY: 25.

MR. EVERITTS: No. 13.

CHAIRMAN CORY: And wondering why.

FROM THE AUDIENCE: His seeing-eye dog has, though.

(Laughter.)

CHAIRMAN CORY: Without objection, item 35 is
valid notwithstanding the passage of the Act. They were 
arguing that the Submerged Lands Act of 1953 in essence 
did not affect any of their pending claims. The court 
rejected that claim.

In California versus Nevada, I think the Chairman 
and other members are well aware of what occurred, that is 
that the court ordered that all of the pending motions be 
referred to the Special Master for his recommendation. He 
has now written a letter to California and Nevada Attorney 
Generals' offices asking whether we think any more pleadings 
should be filed. He apparently is prepared to make a 
representation very shortly to the court.

In this one and the next case, California versus 
Arizona, which was our sovereign land dispute with Arizona, 
it is important to note that the court will recess probably 
on the 26th of June. So the Special Master in California 
versus Nevada and the court itself in California versus 
Arizona will have to rule by the 26th of June, or we go 
over to the next term. We would not get a ruling until 
October.

In California versus Arizona, the matter that is 
pending is our motion for leave to file the complaint. 
Arizona has objected to that motion, and the United States 
has responded by saying that the Supreme Court is the only 
place in which California can sue Arizona, but that
California can sue the United States only in District Court, which presents a rather novel situation for the Supreme Court to decide. We will have to wait until the 26th of June or next fall to find out.

CHAIRMAN CORY: I hate to comment in absentia, (sic) but my recollection was that it was Jan Stevens who came in with this whole program of California versus Nevada. Where is Jan?

MR. GOODMAN: Jan just returned --

CHAIRMAN CORY: From where?

MR. GOODMAN: -- from vacation. Various European countries.

CHAIRMAN CORY: He talked us into this suit, and we filed it. And I turn around asking for Jan trying to get him on the phone and he is in Europe.

MR. GOODMAN: It was either that or lose six weeks of vacation.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it should be noted that Allan Goodman --

CHAIRMAN CORY: Welcome him back.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it should be noted that Allan Goodman who is representing the Attorney General here this morning, is transferring out of the Sacramento area -- he has worked for Jan Stevens -- to work in the Los Angeles office, as well has become a member
of the -- can we discuss this in public? -- a member of
the Board of Regents.

MR. GOODMAN: Not for another year, Bill.

EXECUTIVE OFFICER NORTHROP: Another year.

Anyway, he has worked very well for us. We appreciate it, the staff.

MS. SMITH: You are leaving the Attorney General's office?

MR. GOODMAN: No, I won't be in Los Angeles. I'm taking Russ Iungerich's office. And some of his cases.

CHAIRMAN CORY: Okay. Any other items to come before us?

MR. McCausland: I think we should make him stay until he gets his 25-year pin.

(Laughter.)

(Thereupon the meeting was adjourned at 11:25 a.m.)

--000--
CERTIFICATE OF SHORTHAND REPORTER

I, DELORES I. DALTON, a Shorthand Reporter of the State of California, 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, 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 this 27th day of June, 1975.

DELORES I. DALTON
Shorthand Reporter