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MEETING  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 2170  
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, DECEMBER 20, 1978  
10:00 A.M.

Wendy E. Stewart

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MEMBERS PRESENT

Hon. Kenneth Cory, Chairman  
Ms. Betty Jo Smith, for Lt. Gov. Mervyn M. Dymally  
Mr. Roy Bell, for Richard Silberman, Director of Finance

STAFF PRESENT

William Northrop, Executive Officer  
R. S. Golden, Assistant Executive Officer  
James Trout  
Robert Hight  
W. M. Thompson  
Dianne Jones

ALSO PRESENT

Jan Stevens, Attorney General's Office

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P R O C E E D I N G S

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3 CHAIRPERSON CORY: Call the meeting to order.  
4 Confirmation of the minutes of the previous  
5 meeting. Any corrections or additions?

6 COMMISSIONER BELL: No, none.

7 CHAIRPERSON CORY: Without objection, approved  
8 as presented.

9 Report of the Executive Officer, and may I say  
10 to the staff as we get close to the holidays we probably  
11 all have items we need to go to clean off our desk so  
12 we can get our Christmas shopping done. So, move with  
13 alacrity.

14 EXECUTIVE OFFICER NORTHROP: This Calendar Item 34  
15 is being pulled and negotiations are continuing.

16 The Commission on October 11, 1978, approved  
17 the assignment by Atlantic Richfield of its contractors'  
18 interest in Tracts 1 and 2 to Producing Properties Company  
19 of Denver, Colorado. As part of that assignment, Century  
20 Resources Development, Inc. in the October 11 meeting  
21 agreed to provide guarantees in the amount of \$625,000 for  
22 Tract 1 and \$375,000 for Tract 2 to secure the City of  
23 Long Beach and the State of California against failure  
24 by Producing Properties Company or Century Resources  
25 Development to fulfill all obligations under the contracts.

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1 Three alternative ways of providing these guarantees  
2 are satisfactory to the State. These are letters of credit,  
3 blocked cash accounts or trust accounts utilizing certificates  
4 of deposit. This third method, certificates of deposits  
5 in the same principal amounts held in a trust account, will  
6 be used by CRD with the trust agency being Security Pacific  
7 Bank. The final documents for the Consent and Assumption  
8 Agreements, Consent and Release Agreement and Trust Agree-  
9 ments are being executed at the present time. Pursuant  
10 to the delegation by the Commission in your approval of  
11 this assignment, and conditioned on finalization of  
12 the Trust Agreement, I will probably execute prior to  
13 December 28.

14 Mr. Chairman, before I conclude my report, we  
15 understand that this is perhaps the last day the Miss Betty  
16 Jo Smith will be sitting on the Commission, and at this  
17 the staff would like to say thanks and on the record for  
18 the help and guidance and sometimes tough questions that  
19 you proposed. We appreciate it. Thank you very kindly.

20 That concludes my report with the thanks to  
21 Miss Smith.

22 COMMISSIONER SMITH: I'd like to respond.

23 CHAIRPERSON CORY: Okay. Point of personal  
24 privilege.

25 COMMISSIONER SMITH: I'd like to thank the entire

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1 staff for all the assistance they've given me, taking time  
2 to take me on tours and giving me the extra things that  
3 I needed since I was new to the Commission, and thank you  
4 for understanding when I had to be a little bit tough  
5 or ask tough questions. Thank you very much.

6 CHAIRPERSON CORY: We also would like the record  
7 to reflect that a proclamation of the State Lands Commission  
8 and staff proclaiming their appreciation to Lieutenant  
9 Governor Mervyn Dymally for service rendered as a member  
10 of the State Lands Commission in the discharge of his  
11 duties for the people of the State of California. We ask  
12 that it be further known that the State Lands Commission  
13 staff extend their warmest appreciation for unselfish  
14 personal contributions, and if this could be adopted I  
15 guess on a two to one vote --

16 (Laughter.)

17 CHAIRPERSON CORY: We'll let the record reflect  
18 that it was unanimous, and we'll have the appropriate --

19 COMMISSIONER BELL: The appropriate question is  
20 moved.

21 CHAIRPERSON CORY: Move the unanimous vote,  
22 and the record will so reflect. We wish both you two  
23 well in the future.

24 COMMISSIONER SMITH: Thank you.

25 CHAIRPERSON CORY: We have the report of the

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1 Assistant Executive Officer, Mr. Golden.

2 MR. GOLDEN: Thank you, Mr. Chairman, members.

3 There are two items of interest for your informa-  
4 tion. Pickleweed Associates is the first one.

5 At last month's meeting, I reported that we  
6 expected to bring the proposed residential project of  
7 Pickleweed Associates in Mill Valley, Marin County, before  
8 you this month for consideration. This project has been  
9 stalled at the local level for several years before coming  
10 to our attention through an application to the San Francisco  
11 Bay Conservation and Development Commission. Title problems  
12 were presented by the application. This is to report that  
13 this item was not calendared for today's meeting because  
14 the city failed to file the required Notice of Determination  
15 with the Resources Secretary in a timely matter. The  
16 Notice was filed last week and the project should be on  
17 this Commission's agenda for the January meeting.

18 Second item; item is City of Berkeley live-  
19 aboards policy. Recently, the City of Berkeley initiated  
20 a proposal to allow live-aboard's in 40 out of nearly 1,000  
21 berths at the Berkeley City Marine located on granted lands.  
22 To implement this proposal, the city has adopted a new  
23 local ordinance. Staff has reveiwed the ordinance for  
24 its regulatory provisions and for consistency with the  
25 public trust.

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1           The purpose in permitting live-aboards is to  
2 provide needed security-surveillance services. Furthermore,  
3 cruising-type vessels are designated in the ordinance as  
4 opposed to houseboats or arks.

5           CHAIRPERSON CORY: Wait a minute. We're opposed  
6 to arks?

7           MR. GOLDEN: Yes. We have a number of these in  
8 Corte Madera Creek.

9           COMMISSIONER BELL: Those that are on our trust  
10 territory that we won't let them rebuild?

11          MR. GOLDEN: That's right.

12          CHAIRPERSON CORY: What's the definition of  
13 an ark?

14          MR. GOLDEN: It's not a bellweather of things  
15 to come, I don't think, necessarily. It's just a rundown  
16 sort of houseboat.

17          CHAIRPERSON CORY: When does it become an ark?

18          COMMISSIONER BELL: When does a houseboat become  
19 an ark?

20          CHAIRPERSON CORY: When they've got animals on  
21 it or what.

22                 (Laughter.)

23          MR. GOLDEN: It would pretty well fit under the  
24 term "houseboat". One is kind of a degenerate-type  
25 houseboat.

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1           CHAIRPERSON CORY: That's what bothers me. If  
2 somebody doesn't like the marine architect that happened  
3 to put this one together, then that's an ark?

4           MR. GOLDEN: Just that they've been there for  
5 quite a long time and they probably are not seaworthy  
6 any longer, whereas a houseboat is generally seaworthy,  
7 I think, and can move about.

8           CHAIRPERSON CORY: What I'm trying to get at is  
9 if a man has a boat and it's a standard 100-foot destroyer  
10 parked there and it's there for a long time, does it become  
11 an ark because it's been there a long time?

12           MR. GOLDEN: I doubt it.

13           CHAIRPERSON CORY: Unless you don't like him.  
14 Nobody is worried about this?

15           Okay.

16           COMMISSIONER BELL: If this is not a word of art,  
17 perhaps it should not be used. I have seen it used quite  
18 often.

19           MR. GOLDEN: It has been adopted as kind of a term  
20 of use specifically in the Carle Madera area and Sausalito,  
21 down in that part of the Bay Area.

22           CHAIRPERSON CORY: Okay. Keep proceeding and  
23 hopefully we'll get to the New Testament where we don't  
24 have to worry about this.

25           (Laughter.)

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1 MR. GOLDEN: These vessels must be kept  
2 seaworthy and must in fact be moved out of the marina every  
3 90 days for at least six hours to assure their seaworthiness.  
4 Those granted live-aboard privileges are taken on a  
5 first come-first served basis, specific conditions being  
6 inserted to assure non-discriminatory treatment. Based on  
7 a careful review of the proposal by both our staff and the  
8 Attorney General's staff, it has been determined that this  
9 ordinance would not be in violation of the public trust  
10 and the general policy of prohibiting residences on  
11 public trust lands.

12 That concludes my report, Mr. Chairman.

13 CHAIRPERSON CORY: Questions from Commissioners?

14 COMMISSIONER SMITH: No.

15 CHAIRPERSON CORY: We'll leave it at that. The  
16 next items are the Consent Calendar. They're on the  
17 public agenda preceded by the letter "C", and they are  
18 items C1 through 17. Unless there's objection from anyone  
19 of the audience, we will take all of these items up  
20 together and approve the staff recommendation.

21 Is there anybody in the audience who has any  
22 problems with the proposed staff recommendations?

23 Without objection, Consent Calendar Items C1  
24 through 17 inclusive will be approved as presented.

25 Item 18. This is Mr. Seiglitz.

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1 EXECUTIVE OFFICER NORTHROP. Mr. Chairman, this  
2 is a recommendation by staff of denial of a general use  
3 permit for the recreational lease for Mr. Robert Sieglitz.  
4 The staff is unable to find places where Mr. Sieglitz can  
5 get insurance, and because of the deep pocket liability  
6 concept, counsel informs us that we have some serious  
7 problems in allowing the lease.

8 Mr. Sieglitz is here. I have a request from  
9 him to address the Commission at this time.

10 CHAIRPERSON CORY: Okay.

11 MR. SIEGLITZ: I'm Robert Sieglitz. I'm not  
12 sure if it's an ark or a boat, but it's a 136-foot converted  
13 mine sweeper. As stated during last month's meeting, owing  
14 to the financial and emotional costs involved, I am willing  
15 to sign the lease as proposed by the Commission as is  
16 with the exception of the requirement for the liability  
17 and the right of agents to go upon lands owned by me for  
18 the purposes of inspection.

19 I have attempted to obtain the insurance required  
20 at a reasonable cost and have been unable to do so, and  
21 I cannot arbitrarily sign over my constitutional rights  
22 against unwarranted searches. Public Resources Code  
23 Section 6 does not in any way that I can see in reading  
24 it authorize the Commission to control or provide permits  
25 to boats when not used for navigational purposes as letters

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1 from the State Lands staff counsel provides. It does  
2 specifically limit jurisdiction to the beds of the water  
3 courses and not the water itself, which is in the domain  
4 of the federal government.

5 As of January 1978 revisions, no citation of  
6 any decision has given this jurisdiction to the State Lands  
7 Commission. It appears that the staff counsel is using  
8 the deep pocket of the state to intimidate and harass one  
9 single citizen for the purposes of setting a precedent  
10 for the control of waterways.

11 There are hundreds of boats along the Sacramento  
12 River being used for other purposes than navigation. Here  
13 are some photographs of two boats which are identical size  
14 to mine. The one on the left and the one on the bottom  
15 as not mine. These are identical size to mine and fastened  
16 to the shoreland in an identical manner to mine within the  
17 Sacramento region. Neither of these property owners or  
18 these boat owners have been contacted by the State Lands  
19 counsel for requiring a lease permit.

20 I respectfully request that if elected officials  
21 wish to control all boaters on the waterways when not  
22 navigating, that the Public Resources Code be amended,  
23 and further request that the request for lease and the  
24 multitudinous suits filed against me by the counsel be  
25 dropped until this Public Resources Code is amended. I'm

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1 not occupying the bed of the river and have not kept anyone  
2 from the use of that bed as stated in the suit.

3 CHAIRPERSON CORY: If that's where we are, I'm  
4 prepared to approve the recommendation of the staff. I  
5 thought we were trying to work out a problem last month.  
6 We seem to have a change in attitude of Mr. Sieglitz. I  
7 think he cited his position. I understand his position.  
8 I appreciate it, but I'm prepared to move.

9 MR. SIEGLITZ: May I state that at the first  
10 of my position I stated I'm still willing to sign the  
11 agreement with the exception of those two documents.

12 CHAIRPERSON CORY: I understand that.

13 COMMISSIONER SMITH: I move that we approve  
14 the staff recommendation.

15 COMMISSIONER BELL: Second.

16 CHAIRPERSON CORY: Moved and seconded. All those  
17 in favor signify by saying aye.

18 (Ayes.)

19 CHAIRPERSON CORY: The motion is carried.

20 Item 19.

21 MR. SIEGLITZ: I'd like to say one thing. Even  
22 though I've been turned down, I think your meeting has  
23 been conducted very well the last two times I have been  
24 here. I appreciate what you've done on other things,  
25 not particularly on mine.

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1 CHAIRPERSON CORY: I understand that. There's  
2 a way for that difficulty to be resolved, and I guess  
3 we should proceed in those directions. Thank you.

4 Item 19.

5 CHAIRPERSON CORY: Mr. Chairman, 19 is Bolinas  
6 Lagoon Plan, Marin County is substantially complying with  
7 the grant requirements.

8 CHAIRPERSON CORY: Is there anybody in the  
9 audience on Item 19?

10 Need authorization?

11 COMMISSIONER SMITH: Move.

12 CHAIRPERSON CORY: Without objection, such will  
13 be the order.

14 Item 20.

15 CHAIRPERSON CORY: Mr. Chairman, Mr. Trout,  
16 Chief of the Land Management Section, has done some  
17 investigation on the compliance with the tideland grant  
18 to the City of Avalon.

19 MR. TROUT: I think the Commission found that  
20 the City of Avalon had substantially complied with the  
21 terms of the grant, but one of the provisions was that  
22 any unused areas would revert to State ownership. We've  
23 asked the city and we've reviewed aerial photographs  
24 of the area used during the busiest holiday seasons, such  
25 as Fourth of July and Labor Day, and have determined that

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1 approximately 1,000 feet from the present shoreline and  
2 enclosing along across the mouth of the bay would give  
3 them all they needed.

4 I understand the City of Avalon feels that they  
5 can live with that, although we have not received formal  
6 agreement to it; but as I understand it -- they are not  
7 here -- we just recommend approval of the calendar item  
8 which would reduce the grant to the Bay of Avalon and  
9 to a strip 1,000 feet out from the shoreline.

10 CHAIRPERSON CORY: Is there anybody in the  
11 audience on this item?

12 COMMISSIONER BELL: Mr. Chairman, I just wanted  
13 to check again. The 1,000 feet does give them adequate  
14 control of the harbor itself.

15 MR. TROUT: Yes. Actually, of course, the city  
16 limits extend out three miles. So, they don't need the  
17 actual ownership and jurisdiction to enforce their  
18 ordinances.

19 COMMISSIONER BELL: I see.

20 MR. TROUT: This 1,000 feet would take in all  
21 of the area that we could see as being used by boaters  
22 who are anchoring on weekends and things like that.

23 COMMISSIONER SMITH: Move approval of the  
24 staff recommendation.

25 CHAIRPERSON CORY: Without objection, Item 20 is

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1 approved as presented.

2 Item 21.

3 CHAIRPERSON CORY: Mr. Chairman, Item 21 is  
4 rescission of prior lease authority given to the Nature  
5 Conservancy and assignment of that lease to the United  
6 States Fish and Wildlife Service for the development of  
7 San Pablo Bay Wildlife Refuge.

8 CHAIRPERSON CORY: Is there anybody in the  
9 audience on this item?

10 COMMISSIONER BELL: Just a question. You are  
11 reading the statement from the back to the front.

12 EXECUTIVE OFFICER NORTHROP: Back to front.

13 CHAIRPERSON CORY: Without objection.

14 Item 22.

15 CHAIRPERSON CORY: Mr. Chairman, Item 22 does  
16 the same thing, giving lands to transfer of control to  
17 the same wildlife refuge.

18 CHAIRPERSON CORY: Without objection, such will  
19 be the order.

20 23, quitclaim deed from the City of Vallejo.

21 EXECUTIVE OFFICER NORTHROP: To add to the  
22 wildlife refuge.

23 CHAIRPERSON CORY: Anybody in the audience on  
24 this item?

25 Without objection, 23 will be approved.

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1 Item 24. We're going to have a hearing.

2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
3 lawyer is going to handle this one.

4 CHAIRPERSON CORY: Anyone in the audience on 24?  
5 Without objection, Item 24 will be approved  
6 as presented.

7 Item 25.

8 MR. HIGHT: 25, Mr. Chairman, is the lease to  
9 Atchison, Topeka and Santa Fe for a dock that they have  
10 in San Francisco Bay. The Commission is obtaining \$60,000  
11 in back rent and an annual rental of \$4,000.

12 CHAIRPERSON CORY: Anybody in the audience on  
13 this item?

14 COMMISSIONER BELL: This in no way affects  
15 the dock?

16 MR. HIGHT: It brings the dock under lease.

17 CHAIRPERSON CORY: Okay. Item 25 will be  
18 approved as presented.

19 Disclaimer in Item 26 on .65 acres, more or less,  
20 in Calaveras County. Anybody in the audience on this?

21 We have no interest. Without objection,  
22 it will be approved.

23 Item 27, disclaimer on 261.43 acres in Ventura  
24 County. Anybody in the audience on this one?

25 Without objection.

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1 COMMISSIONER SMITH: No objection.

2 CHAIRPERSON CORY: 27 will be approved as  
3 presented.

4 Item 28, 9.68 acres, more or less, in Ventura  
5 again. Anybody in the audience on this one?

6 Without objection, it will be approved as  
7 presented.

8 Item 29.

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 29  
10 is an award of a bid for sell-off oil, and there were  
11 seven bidders. A company by the name of Basin Petroleum  
12 Company won the lottery. It's been indicated by Aminoil  
13 that they don't want the oil, so we're going to proceed  
14 with the sale.

15 COMMISSIONER SMITH: No objection.

16 CHAIRPERSON CORY: Anybody in the audience?  
17 Without objection, it will be approved as drawn by lot.

18 Item 30.

19 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item  
20 30 is a settlement of a dispute on some crude oil pricing  
21 involving DOE regulations.

22 CHAIRPERSON CORY: Anybody in the audience  
23 on this item?

24 COMMISSIONER BELL: Everybody happy on this one?

25 CHAIRPERSON CORY: Okay. Without objection, the

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1 agreement is approved as presented.

2 Item 31. Mineral extractions, San Diego County  
3 on the filling basin. Is that what that one says?

4 EXECUTIVE OFFICER NORTHROP: It's going to  
5 dredge out the intake basin.

6 CHAIRPERSON CORY: Anybody in the audience on  
7 this item?

8 Without objection.

9 COMMISSIONER SMITH: No objection.

10 CHAIRPERSON CORY: Item 31 will be approved as  
11 presented.

12 Item 32, we're going to go after molybdenum.

13 EXECUTIVE OFFICER NORTHROP: I'm glad you  
14 said it.

15 (Laughter.)

16 CHAIRPERSON CORY: Anybody in the audience on  
17 this item?

18 Without objection, Item 32 is approved.

19 Item 33, caustic waterflooding.

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
21 we are moving on that. It's running a little more expensive,  
22 but the feds are in it 40/60. We've got five more  
23 decision points we're watching very closely.

24 COMMISSIONER BELL: What's the timing on this,  
25 roughly?

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1 EXECUTIVE OFFICER NORTHROP: Mr. Thompson,  
2 what is the timing on this?

3 MR. THOMPSON: Overall project for this flood  
4 should be about five years. One of the things that is  
5 holding it up now is getting the computer runs to find  
6 what would be the rate we would estimate it to happen  
7 without the caustic.

8 COMMISSIONER BELL: I guess my question is,  
9 when are we going to reach the point of our cost-effective  
10 study where we make a decision whether we proceed or not?

11 MR. THOMPSON: There are three more checkpoints  
12 along the way, and one of course would be to get this  
13 computer run made and establish on a property definition  
14 what the federal government would approve so we would have  
15 a base to go from before we start the cost.

16 CHAIRPERSON CORY: I understand that, but when?

17 COMMISSIONER BELL: Will this be a year from  
18 now, five years from now?

19 MR. THOMPSON: We want to start caustic injection  
20 January 1st. If the feds will agree to the particular  
21 extrapolation and everything like that, we will start  
22 then. We won't inject caustic before we get the approval  
23 because then there has been a case or two in which they  
24 have said you have started a tertiary recovery project  
25 before you have got it approved by us as a tertiary recovery

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1 project.

2 COMMISSIONER BELL: Thank you. Forty percent?

3 MR. THOMPSON: It still goes on the same spending  
4 level. It's strictly a classification of whether it's  
5 a tertiary project and a declining rate above which you  
6 would then get new or tertiary oil.

7 CHAIRPERSON CORY: The point that we are  
8 wondering about is there are these checkpoints. When do  
9 those checkpoints occur? There's a calendar, a time line.  
10 When on those will we be making a hard decision whether or  
11 not we are going to continue?

12 MR. THOMPSON: In the first quarter of next year  
13 because that's the time we will start injecting caustic.  
14 After that then it's a question of if you have early  
15 breakthrough, then you would maybe stop the project.

16 COMMISSIONER BELL: Thank you.

17 COMMISSIONER SMITH: No objection.

18 CHAIRPERSON CORY: Thank you. Item 34.

19 EXECUTIVE OFFICER NORTHROP: 34 is off calendar,  
20 Mr. Chairman.

21 CHAIRPERSON CORY: 35. Amendments to cooperative  
22 agreements for water injection operations. This is  
23 Chevron.

24 EXECUTIVE OFFICER NORTHROP: Mr. Thompson would  
25 care to address that. If you have a question I could not

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1 answer it this morning.

2 CHAIRPERSON CORY: What I was wondering, on the  
3 costs that we're charging them, are we using governmental  
4 cost or private industry cost?

5 MR. THOMPSON: Actual cost. In other words,  
6 we take the water that's injected in the existing wells,  
7 that amount of water that goes into quad intervals in the  
8 vertical section. Then the cost of that is split 50-50  
9 between the unit and Chevron and Parcel A and Chevron.

10 CHAIRPERSON CORY: Does that cost include  
11 depreciation, replacement, wear and tear on the pumps?

12 MR. THOMPSON: No. It would be on an accrual  
13 cash basis. If we had to do any replacement of facilities,  
14 redrill a well or anything like that, they would share in  
15 those particular costs.

16 CHAIRPERSON CORY: What I'm wondering about is  
17 that if you use that approach, if they decide they don't  
18 want any more done and they're going to go back to using  
19 their own two days before your pump breaks, then we're  
20 sucking air.

21 MR. THOMPSON: As far as the standard Long Beach  
22 Unit deal, this is not the case because they're going to  
23 physically abandon their wells and their facilities. So,  
24 these wells will be the only wells to be continued in the  
25 future. Therefore, they will share the cost of all injection

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1 that goes into that, the maintenance of the service  
2 facilities on that. They repair the wells.

3 CHAIRPERSON CORY: Are we recovering our sunk  
4 costs that are already there?

5 MR. THOMPSON: No, in the same way that they are  
6 not recovering the sunk costs in their wells on their  
7 side of the line that they had to abandon. Both of us  
8 went in with the same thing. We each furnished two wells  
9 on each side of the line. We put our money into those  
10 wells. Their wells are damaged, cannot go on; therefore,  
11 we're going to put the injection load over on the two  
12 existing wells, and the maintenance of those existing  
13 wells in the future will be split between both parties  
14 just as if there had been four wells before. We took  
15 care of our two wells, and they took care of their two  
16 wells. Now we're going to depend on those two wells and  
17 share the cost.

18 Neither one of us is going to recover our past  
19 costs of the two wells we put in. We're both going to  
20 start even and proceed in keel.

21 On the Parcel A co-op deal now, they will share  
22 the cost until they get two other wells converted on their  
23 side of the line.

24 CHAIRPERSON CORY: All right. Item 35 is  
25 approved as presented.

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1           Item 36. Second modification.

2           EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
3 is Mr. Thompson's method of changing every quarter so no  
4 one knows what he's projected at the beginning of the year  
5 at the end of the year. So, you may want to discuss it.

6           (Laughter.)

7           EXECUTIVE OFFICER NORTHROP: It was raised by  
8 your predecessor, Mr. McCausland, as to how we kept track  
9 of that.

10          MR. THOMPSON: At least we do our shuffling out  
11 in the open.

12          (Laughter.)

13          CHAIRPERSON CORY: What you're telling us is  
14 that we're getting less oil but more money.

15          MR. THOMPSON: No. Our problem here is that we  
16 have to make these estimates in April. At that time we  
17 don't know the amount of carryout of one year's budget in  
18 the next year's budget. We're merely reporting back now  
19 what that carryout amount was. In other words, we actually  
20 carried almost \$8 million out of last year's budget into  
21 this year's budget.

22          To give you a feel for what the cash basis  
23 may be this year, we have to talk about the carryout. The  
24 other remark was strictly facetious. Plus the fact  
25 we didn't know the taxes at the time. Because of Proposition

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1 13, we didn't know the tax liability. Now, again, we've  
 2 had to hold the oil price constant for three quarters  
 3 because we didn't know what was going to happen. OPEC  
 4 price increases now will add about a \$1.84 to crude oil  
 5 by October 1st. If you take away what possibly the domestic  
 6 prices will go up in the meantime, the entitlement's value  
 7 burden on lower tier crude in California will probably  
 8 increase a dollar and a half by October 1st, which means  
 9 that possibly, since we're about 20 cents below ceiling  
 10 right now, if they played the game straight against no  
 11 increase in stripper price, we could be faced with a dollar  
 12 and a half cut in crude oil prices in California.

13 We hope this won't happen, but again this is  
 14 going to require action by the DOE to go in again and  
 15 review the entitlements adjustment. I know you're sick  
 16 and tired of hearing this, but we're back in the same game.

17 CHAIRPERSON CORY: We have got to go back and  
 18 start lobbying again.

19 MR. THOMPSON: We had six months' relief from  
 20 it. Now, because OPEC prices increase, the entitlement  
 21 value increases again. So, we have to go back and get  
 22 additional adjustments to get it back.

23 EXECUTIVE OFFICER NORTHROP: Whenever they make  
 24 a move to move it up, they give more money to those people  
 25 who refine foreign crude and less money --

1 COMMISSIONER BELL: And take it away from us.

2 EXECUTIVE OFFICER NORTHROP: It comes back.

3 MR. THOMPSON: We have an increase in entitlements  
4 value to again subsidize imported oil. I realize you're  
5 getting sick and tired of this after three or four years.

6 EXECUTIVE OFFICER NORTHROP: Every time OPEC  
7 raises they take it away from us.

8 CHAIRPERSON CORY: Anybody got any good news?  
9 Thank you for Item 36.

10 Moving right along, City of Long Beach on a  
11 subsidence account. We have a \$350 dispute.

12 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, you  
13 have in front of you a letter from Long Beach dated  
14 December 4th describing an opinion of settlement of the  
15 subsidence cost. The city has requested that this be  
16 included in your consideration this morning. We are out  
17 of synch by \$352. Is that correct, Mr. Thompson?

18 MR. THOMPSON: And 93 cents. I would also like  
19 to have you read another letter, December 19th, 1978,  
20 which you have a copy of in front of you. You have that.  
21 It might kind of catch you.

22 If you look at the last page on that, I might  
23 point out one thing. If you look underneath the signature  
24 you'll see the capital letter CTJ, EP, LAW, and in small  
25 letters gjp. For each one of those individuals in there

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1 we're paying between \$25 and \$60 an hour. This letter  
2 probably cost the State of California a good part of the  
3 \$352 we're talking about here.

4 If I had been smart on staff level, I would agree  
5 to their particular concern so they wouldn't write this  
6 letter so we wouldn't have to pay this amount of money.  
7 It gets to be a principal after a while.

8 What happened is that all these particular  
9 things they do in subsidence gets charged directly against  
10 the State. We pay 100 percent. For \$352.93 let's make  
11 a decision on it so we can stop charging the State more  
12 and more money.

13 COMMISSIONER BELL: If you put the two letters  
14 together, you're almost there.

15 MR. THOMPSON: Right. As I say, it's kind of  
16 a miscalculation of staff efforts because maybe we shouldn't  
17 disagree with these things.

18 CHAIRPERSON CORY: I would think you should go  
19 ahead and do that. What I'm sort of inclined to do is  
20 say we approve paying Long Beach and send them a letter  
21 that in view of the amount of money we're paying them  
22 to fight us, we acknowledge that we won't get mad. We'll  
23 get even.

24 MR. THOMPSON: And even and even.

25 CHAIRPERSON CORY: Approve the 350, stop the letters;

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1 but either in the letter or verbally somebody should tell  
2 them it seems like our mutual good will should not be  
3 jeopardized by 350 bucks. Is that agreeable?

4 COMMISSIONER BELL: Very agreeable.

5 COMMISSIONER SMITH: Agreeable.

6 CHAIRPERSON CORY: Go ahead and pay the 350 and  
7 make sure they know they owe us one.

8 MR. THOMPSON: You'll approve the staff recommenda-  
9 tion as presented.

10 CHAIRPERSON CORY: We'll buy the 350. We want  
11 you to continue what you're doing. We want the city to be  
12 informed we did it when we looked at what we were paying  
13 to fight it.

14 38. Authorize the Attorney General to take whatever  
15 steps necessary in the matter of San Luis Rey River in  
16 Oceanside where they want to build a housing tract in  
17 the middle of a river bed. Have they seen film clips of  
18 Phoenix, Arizona before they build that?

19 COMMISSIONER BELL: I was going to say, don't  
20 they have zoning ordinances?

21 CHAIRPERSON CORY: They filled the river bed or  
22 what?

23 MR. TROUT: Rob Collins from the Attorney General's  
24 Office is here and he has some photographs. What has  
25 happened is they have filled a portion of the river bed.

1 Last January there was a significant amount of water going  
2 through; and if you look at the filled area and you look  
3 at the amount of water, it looks a lot like Phoenix. The  
4 Attorney General has been carrying on an implied dedication  
5 action. There are evidences that the land in fact may  
6 have been titled and that the State has an interest in it.  
7 It seems that it's appropriate for the State to get  
8 involved.

9 CHAIRPERSON CORY: Okay. Without objection,  
10 Item 38 is approved as presented.

11 Any other items to come before us?

12 EXECUTIVE OFFICER NORTHROP: Do you have anything  
13 to say about the litigation?

14 MR. STEVENS: Just that the matter of the high  
15 water boundary was submitted before the Court of Appeals  
16 here in Sacramento yesterday. It was argued at that time,  
17 and the Court showed some interest in reaching the merits,  
18 although the counsel for the opponents in this measure  
19 urged that it be sent back on procedural grounds.

20 CHAIRPERSON CORY: Any other items?

21 If not, we are prepared to adjourn the meeting  
22 and wish the staff a happy holiday.

23 (Thereupon the meeting of the State Lands  
24 Commission was adjourned at 10:35 a.m.)

25 --oOo--

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CERTIFICATE OF SHORTHAND REPORTER

I, WENDY E. STEWART, 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, Wendy E. Stewart, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 6<sup>th</sup> day of January, 1979.

Wendy E. Stewart  
WENDY E. STEWART