MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAl

THURSDAY, FEBRUARY 22, 1979
10:00 A.M.

Delores I. Dalton
MEMBERS PRESENT

Hon. Kenneth Cory, Chairman
Hon. Mike Curb, Lieutenant Governor
Mr. Roy Bell, for Richard T. Silberman, Director of Finance

STAFF PRESENT

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

ALSO PRESENT

Jan Stevens, Attorney General's Office

PETERS SHORTHAND REPORTING CORPORATION
7700 COLLEGE TOWN DRIVE, SUITE 213
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 363-3801
INDEX

Page

Proceedings 1
Approval of Minutes 1
Executive Officer's Report 1
Calendar Item C4 6
Assistant Executive Officer's Report 6
Approval of Consent Calendar Items C1 through C3 and C5 through C16 10
Calendar Item 17 10
Calendar Item 18 10
Calendar Item 19 11
James Trout 11
Calendar Item 20 17
Calendar Item 21 18
James Trout 19
Calendar Item 22 21
Calendar Item 23 21
Calendar Item 24 24
Calendar Item 25 25
Calendar Item 26 25
Calendar Item 27 26
Calendar Item 28 26
Calendar Item 29 26
Calendar Item 30 26

PETERS SHORTHAND REPORTING CORPORATION
7700 COLLEGE TOWN DRIVE, SUITE 213
SACRAMENTO, CALIFORNIA 95820
TELEPHONE (916) 383-3601
<table>
<thead>
<tr>
<th>Calendar Item</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>27</td>
</tr>
<tr>
<td>W. M. Thompson</td>
<td>27</td>
</tr>
<tr>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td>W. M. Thompson</td>
<td>27</td>
</tr>
<tr>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>Robert Hight</td>
<td>29</td>
</tr>
<tr>
<td>34</td>
<td>30</td>
</tr>
<tr>
<td>Robert Hight</td>
<td>30</td>
</tr>
<tr>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>36</td>
<td>31</td>
</tr>
<tr>
<td>37</td>
<td>33</td>
</tr>
<tr>
<td>Adjournment</td>
<td>33</td>
</tr>
<tr>
<td>Certificate of Reporter</td>
<td>34</td>
</tr>
</tbody>
</table>
CHAIRPERSON CORY: Call the meeting to order.

The first item of business is confirmation of the minutes of January 25th. Are there any corrections or additions to those minutes?

If there is no objection, the minutes will be confirmed as presented.

The first item is the report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Since 1973, the State Coastal Commission and its Regional Commissions have required the dedication of numerous public beach access and open-space easements as conditions to coastal development permits. However, many of the access easements are not now open to the public because they are not under the administrative authority of an appropriate operating entity, such as a city, county or State agency.

The State Lands Commission, as well as the Departments of Parks and Recreation, Fish and Game and others have been asked by the Coastal Commission to accept such easements. Several legal questions regarding the Commission's exposure to public liability and maintenance responsibility still remain to be resolved before we present specific criteria and processes for accepting these easements.
for your consideration.

Acceptance of coastal easements by the State Lands Commission will assist not only in the implementation of the Coastal Act, but in the administration of the Commission's mandate to protect and enhance public access to the shoreline.

We propose, Mr. Chairman and Members, with your concurrence, to continue this effort with the staffs of the Coastal Commission, the Coastal Conservancy and other State agencies, but we are really concerned about the liability when we accept these easements for maintenance and other liability problems. It's something we would like to lay before you. We are working on it. It's a problem.

CHAIRPERSON CORY: Mr. Northrop, the thing I don't understand is when I voted in support of the Coastal Act and when the whole project started we were to keep in the dark all of the potential costs of this because it wasn't going to cost the taxpayers any money. We were just supposed to make it happen without it costing money. Can't you figure out a way to avoid all of these serious legal problems you're coming up with?

(Laughter.)

EXECUTIVE OFFICER NORTHROP: The Coastal Commission has been quite enthusiastic and energetic in getting dedications so that these developments can go on.
CHAIRPERSON CORY: What happens to the State’s position vis-a-vis liability if the easements exist? If the guy has got the permit and has dedicated them, who is on the hook for those unattended easements at this point? Anyone?

EXECUTIVE OFFICER NORTHRUP: There are offers to dedicate, but at the time they are accepted, we have a serious problem.

CHAIRPERSON CORY: Just perpetuity?

MR. GOLDEN: Twenty-five years for acceptance.

CHAIRPERSON CORY: Any comments from the Commissioners? It seems like a delightful problem.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman and Members, the State Oil and Gas Lease PRC 1631.1, governing approximately 640 acres of tide and submerged lands in the Huntington Beach Field, Orange County, was issued on November 15, 1944, and is currently operated by Aminoil U.S.A., Inc. The lease has produced continuously since 1945 and produced in excess of five million barrels of primary oil. Sixteen primary producers were originally drilled on the lease between ’45 and ’57. At present, all but three wells have been shut-in due to poor production and the current daily average production per well from these wells is less than ten barrels per day.

The lessee is studying the feasibility of an Upper
Main Zone waterflood program for the lease. A part of this study will include a pilot waterflood project in the Upper Main Zone. No new wells will be drilled. We are trying to use the existing idle wells.

Upon conclusion of the study, the lease may require modification to an existing sliding scale royalty. We are monitoring this project, and we think it may be a way that we can increase oil production. But we would require modification in the lease procedure if it works.

CHAIRPERSON CORY: Didn't we have a minor --

EXECUTIVE OFFICER NORTHROP: We did a similar adjustment in sliding scale royalty on another lease in a similar situation.

CHAIRPERSON CORY: Aminoil's?

EXECUTIVE OFFICER NORTHROP: I believe it was.

CHAIRPERSON CORY: I thought we had a thing where we kept suggesting renegotiations to Aminoil and they kept refusing.

EXECUTIVE OFFICER NORTHROP: That was on another lease, Mr. Cory, on the primary schedule.

Is Mr. Willard here or Mr. Everitts?

CHAIRPERSON CORY: That's okay. If it's not this one --

EXECUTIVE OFFICER NORTHROP: It's not this one.
Mr. Everitts: This is not it.

Executive Officer Northrop: Mr. Chairman and Members, before I conclude my report, there is a matter of personnel that I would like to discuss at this public meeting, and that is that Bud Uzes of our staff has completed 25 years of State service, and I wondered if the Chairman would like to --

Chairperson Cory: If Mr. Uzes would come forward, we would like to present him, in full compliance with the Bureau of Limits market that we are in -- the full token of our esteem is measured by the enormous size --

(Laughter.)

Chairperson Cory: -- but congratulations to you, and we appreciate it, even though you have cost us untold thousands of dollars.

(Laughter.)

Lieutenant Governor Curb: Congratulations.

Chairperson Cory: Do you have any comments in terms of how the lawsuit is going, other than the lawyers on each side are getting rich?

Mr. Uzes: I don't know about that. It's my understanding it's making progress. It's going to take some time.

Executive Officer Northrop: And money.

(Laughter.)
CHAIRPERSON CORY: Thank you very much.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, with the notation of the Consent Calendar, Item C4, there is a change from a credit amount to Dow Chemical -- as the Calendar item states, it's $1,102.80. Mr. Trout's staff has refigured it, and that amount should read on pages 32 and 33 $1,005.44.

That concludes my report, Mr. Chairman.

Mr. Golden.

MR. GOLDEN: Yes, Mr. Chairman and Members of the Commission. The subject this morning is Federal Consistency Determinations for OCS Activities.

Section 307(c)(3) of the Federal Coastal Zone Management Act provides a mechanism whereby a coastal state which has a Coastal Management Program approved by the Secretary of Commerce can require a certification of consistency from any applicant who submits a plan to the Secretary of the Interior for the exploration, development, or protection of the Outer Continental Shelf, if the activities involved affect any land or water use in the State's coastal zone.

CHAIRPERSON CORY: What does that mean?

MR. GOLDEN: In essence, it means we have some control which as yet is undefined over the activities which the lessees from the Federal Government -- their activities...
in the off-shore OCS.

CHAIRPERSON CORY: What is consistency?

MR. GOLDEN: That means that we have to review their application as to what they plan to do and determine if that is consistent with our Coastal Zone Management Act.

CHAIRPERSON CORY: The consistency is what they propose to do with our program and not what they had proposed to do when they made the bid with what they are currently doing?

MR. GOLDEN: That's right.

Since the certification of the State's Coastal Management Program by the Federal Government went into effect several months ago, the Coastal Commission has been reviewing an increasing number of applications for OCS-related activities on Federal lands off the California coast. Our staff in both Sacramento and Long Beach has been reviewing and will continue to review the requests for consistency certification by the Coastal Commission and has from time to time commented on them.

Two such applications were considered by the State Coastal Commission this last Tuesday evening. These requests for certification involved the drilling of six exploratory wells in the Santa Barbara Channel proposed by Exxon Corporation, and the drilling of one well in the San Pedro Bay Area south of Huntington Beach by the SOHIO Petroleum
Company. The Commission concurred in both of these certifications.

And we did review, incidentally, the applications in both instances and commented to the Coastal Commission on them.

In related action yesterday, the Coastal Commission had a hearing on proposed regulations for consistency determinations. Our concerns were expressed relative to receiving needed technical data to evaluate possible drainage and other impacts of oil development on OCS lands. Confidentiality provisions of Federal regulations and laws pose some potential problems. Commission staff will be exploring ways of obtaining this data for our review. The matter will be subject to further public hearing in March.

CHAIRPERSON CORY: The problem is that if they are doing an OCS drill inside the three-mile limit, they could be draining our property --

MR. GOLDEN: If they are on the outside of the three mile --

MR. BELL: Even on the outside.

MR. GOLDEN: That's right.

CHAIRPERSON CORY: And the confidentiality statute makes it difficult for us to look at the geology to determine whether or not that is true?
MR. GOLDEN: In the Federal Act, there is only one State individual or agency which the Governor can certify as the one to receive the technical data, and that's the problem. If the Coastal Commission is the one to comment on this, we may be shut out unless we have some sort of working relationship in which they allow us --

CHAIRPERSON CORY: The Coastal Commission has the data, and you can't look at it?

MR. GOLDEN: The lawyers tend to think this is not possible, and this is what we are trying to work out.

CHAIRPERSON CORY: Jan, Mr. Hight, I want you to know that within 15 years, the entire western civilization will come to a grinding halt because the blessed lawyers have figured out that nobody can do anything.

(Laughter.)

CHAIRPERSON CORY: I don't know how you guys are going to get us out of this, but, hopefully, we will get our 25 year pins before --

(Laughter.)

CHAIRPERSON CORY: Any questions from the Commissioners?

For the people in the audience, the next items we have are the Consent Calendar items. They are on the printed calendar designated by the letter C prior to the number. C4 is the one that has been amended to the tune of
some $97, roughly, pursuant to the Executive Officer's request on a recalculation.

There are Items Cl through 16. We are going to take them up—unless there are objections from the audience—with the proposed staff recommendation. We will take them up in one motion. If there is anybody in the audience who is concerned about what the staff proposes to do with those items, we would like to know now so we can pull them from the Consent Calendar.

Without objection then—

MR. BELL: No objection.

LIEUTENANT GOVERNOR CURB: No objection.

CHAIRPERSON CORY: Without objection, the Consent Calendar, Items Cl through 16, will be approved as presented with the exception of the amendment to C4.

Item 17 is off calendar.

Item 18.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a use permit to the United States Department of the Interior for a lease, General Agency Permit, for an area in Shelter Cove -- north and south of Shelter Cove.

CHAIRPERSON CORY: In Humboldt-Mendocino Counties?

EXECUTIVE OFFICER NORTHROP: Right.

CHAIRPERSON CORY: Anybody in the audience on this item?
Without objection, Item 18 is approved as presented.

Item 19, Alternatives for Management of timber resources on State school lands.

Is this Mr. Trout?

EXECUTIVE OFFICER NORTHROP: Mr. Trout's.

MR. TROUT: Mr. Chairman, I think we just wanted to point out that the State has something like 100 million board feet of merchantable timber. I think the big impact that we want to consider is that there is a possibility that Federal wilderness reviews and closures of the wilderness areas will limit the available timber to the small timber operators -- not the big guys that are in tree farming, but the small timber operators.

At the present time, we are just doing our timber work on an as-available or as-needed basis. If there is a fire, we probably salvage the timber. If there is buggy timber, we try to get it before the infection spreads to some other area.

I believe our point is we would like to continue the program, attempt to augment our timber resources. It doesn't look like we are going to get further funds from the Federal Government for the reforestation project, but I think if we wanted to expand the timber harvesting program at least pick up some of the slack from the Federal...
reduction we anticipate -- we can produce a sustained yield of about half a million dollars a year. It's going to take about a half a million dollars.

Without giving something else within the program, it's going to take about three positions. We are looking at perhaps $100,000 a year in costs and long-term sustained yield average at today's timber prices of about half a million.

CHAIRPERSON CORY: Are you suggesting that we would then become active merchandisers of the timber as opposed to --

MR. TROUT: Yes, sir.

CHAIRPERSON CORY: -- just laying back and just waiting for an agency to call.

MR. TROUT: We would actively solicit the timber harvest under a long-term management program.

One of our problems is that many of our trees in the forested areas, they are past the time when they should have been cut. They are closing out the regrowth of new trees. We are losing more timber to decay than we are getting in growth.

But it's something to consider. I think what we are trying to say is, one, we would like -- there are two aspects of the calendar item. We have asked your endorsement of an aggressive timber management program as
a focus of the staff work, and, second, we do believe that the Commission could fill in some of the gap and could produce over a period of time a half a million dollars a year of sustained revenue. Because there are some areas that are now overripe. We could go in and produce probably several million dollars in the first year or two. Then there would be a slack period while we went in and identified further areas, obtained road rights-of-way, filed timber harvest plans, and then the production would commence again.

CHAIRPERSON CORY: Do you think this could be done consistently with the desires of people who are environmentally-oriented as opposed to dollar oriented?

MR. TROUT: Yes. We think that this would be a sustained program in appropriate areas.

Now, one of the things that the Commission was involved in early in the last Administration was a land consolidation program. Mr. Northrop has been working with the Assistant Secretary of the Interior and the Director of the BLM in trying to get some cooperation on land consolidation, the goal being to get the environmentally-sensitive areas within the Federal wilderness and under Federal programs and stay in the environmentally less sensitive and more commercially-oriented properties.

The program will be coming out of that. Mr.
Northrop has another meeting with some other western states scheduled for late March. So it is possible during the late summertime that we should have something further to report.

EXECUTIVE OFFICER NORTHROP: I think it is aggravated by the fact that the Federal Government has plans to take out of Federal production considerable numbers of board feet of timber that will be covered under the new Rare II and other programs that have locked it in.

So we are really going to come in with the position that we are going to have a great deal of pressure put on everyone for the available timber.

CHAIRPERSON CORY: I'm hesitant to take a formal vote on this today until there has been some notice to the public of what we are doing, for those people who might think this is a bad idea. It sounds, at this point, like a plausible thing and that we should be proceeding in that direction, but --

MR. BELL: Mr. Chairman, is this something that should go before the Legislature for their policy review? Normally when you embark on a commercial program by the State, which is basically what this is, they may want to review it.

CHAIRPERSON CORY: In essence, we have the existing statutory authority to do it --
MR. TROUT: Yes, we do.

CHAIRPERSON CORY: -- but it would be a change in policy.

MR. TROUT: One alternative that the Commission might wish to take rather than acting on this calendar item would be to direct the staff to prepare some legislation to cover such a program. We thought perhaps a portion of the revenue should come back to sustain a reforestation effort. We could, in lieu of this calendar item, simply respond to the Commission's wishes and try to draft some legislation and come back with that as one approach, which if the Commission wanted to support, we could find an author.

MR. BELL: The part that I think is very good on this is the fact if the Federal Government pulls out too much of this acreage from production, leases or whatever you call that where they put it out to bid, it's going to close a lot of the little independents out. The big companies won't suffer, but an awful lot of the smaller loggers will. It's possible the State could offer its resources to these types of people and keep the economies of that section of the State going.

But since the Federal Government hasn't done that yet, I don't know whether we would want to act on it this fast or take Mr. Trout's alternate suggestion.
CHAIRPERSON CORY: Is the Sierra Club or that element of our society aware of this problem?

MR. TROUT: They are aware of the problem. We haven't discussed it with anybody in particular other than we are a little bit responding to inquiries, as Mr. Bell said, from some of the small operators who do not have tree farms. They are relying on Federal timber to cut.

CHAIRPERSON CORY: Do they get as a regular course of events that calendar item?

MR. TROUT: Yes, they do. The Sierra Club gets our calendars every month.

EXECUTIVE OFFICER NORTHROP: Friends of the Earth. Not a full working calendar.

CHAIRPERSON CORY: But I mean do they get a piece of paper that says 19, Report on Alternatives for Management of timber resources on State school lands?

EXECUTIVE OFFICER NORTHROP: I don't think they have the depth.

CHAIRPERSON CORY: I realize it's probably a valid thing, but I'm saying for us to at this point adopt it, I think we may be asking for trouble if they haven't had a chance to come in and at least take their turn at bat. We may decide against them, but I'm just wondering if from that calendar item would they have perceived --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, perhaps
we could reschedule this calendar item in some detail at a subsequent meeting, and at the time we will make sure we have notified all of the agencies.

CHAIRPERSON CORY: I think we probably should proceed with it this way, because not only do the contract timber operators have the problem, but the State is going to need nontax revenues.

MR. BELL: Not only that, if we have a bunch of stuff that has gone past its prime time as far as harvesting goes, we really ought to get it out.

CHAIRPERSON CORY: But it may not be past its prime time for looking at.

(Laughter.)

EXECUTIVE OFFICER NORTHROP: On our previous harvests, we have not had any problem, so I don't think it presents a problem.

CHAIRPERSON CORY: I think we would be better off if we go over and explain it so they understand rather than them thinking we did something behind them.

EXECUTIVE OFFICER NORTHROP: Okay. We will reschedule it for a subsequent meeting.

CHAIRPERSON CORY: I am sympathetic with the program.

Item 20, Auburn Investors. They want to put in a 20-year lease for 1.32 acre parcel of submerged land at Verona, Sutter County. Verona is where the Sacramento.
River and the Feather come in?

All right. Anybody in the audience on this item?

Questions from the Commissioners?

It's a standard lease?

EXECUTIVE OFFICER NORTHROP: Yes, Mr. Chairman.

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

Item 21, Vegetation Management.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the 1978 Legislative Chapter 881 asked all agencies that had a vegetation program to submit a report to the State Senate. This is that report.

CHAIRPERSON CORY: Any questions?

LIEUTENANT GOVERNOR CURB: No.

CHAIRPERSON CORY: What are we doing here?

EXECUTIVE OFFICER NORTHROP: We have a very, very limited vegetation management program. I think jojoba beans are about the biggest number we have got going.

(Laughter.)

EXECUTIVE OFFICER NORTHROP: The Chairman will remember that the Executive Officer has learned how to pronounce it even though it took awhile.

CHAIRPERSON CORY: You are doing something with jojoba beans; right?

EXECUTIVE OFFICER NORTHROP: And we are doing
something with -- what else are we doing?

MR. TROUT: Well, we have done a number of things.

CHAIRPERSON CORY: I plead ignorance, right here in public. What is vegetation management? Is it cutting the grass?

(Laughter.)

MR. TROUT: Apparently, there was some concern on the part of Senator Vuich or constituents of hers regarding what the State is doing to maintain and manipulate the various vegetative growths on various State lands -- the forests, the grazing lands, the wildlife habitats, and various kinds of things -- and apparently, there was only one place that information was available. So she got a bill through that required all State agencies basically having land to report what they were doing in this field. The major contributors, of course, would be Parks and Recreation and Forestry and Fish and Game. The Commission's role, rather than having an ongoing program, has been to report the things we have done -- the jojoba beans, the cooperation of the Governor's alternate energy program which includes growing eucalyptus trees for something called biomass conversion -- and I'm not sure what that is. Also, the reforestation project. We have listed the various things that the Commission has done --

CHAIRPERSON CORY: I can see why you kept the
presentation originally simple.

(Laughter.)

CHAIRPERSON CORY: But back up on the item we didn't take up, does that somehow relate to our vegetation management? Are we changing our vegetation management and we should report this to the Legislature that we are going ahead with an aggressive marketing of timber?

MR. BELL: I asked the staff, and they felt that timber was not a vegetative --

CHAIRPERSON CORY: I thought you said just a moment ago -- you talked to a different staff.

EXECUTIVE OFFICER NORTHROP: As a matter of fact, it was the same staff person.

(Laughter.)

MR. TROUT: We do mention in the report to the Legislature that there is the possibility that this could be done. Not that the Commission has adopted a timber harvest or a sustained yield program, but that it is a possibility.

CHAIRPERSON CORY: I just wanted enough information so that after I got up there to pass out the bean checks or something, and these guys ask me, "Have we received this report," they might have some real tough questions as to what our vegetation management intentions really are. I mean a lot of questions can come up.
(laughter.)

CHAIRPERSON CORY: Is there anybody in the audience on vegetation management?

Without objection, we will transmit your report and wait for their comments.

Moose. Item 22. Do you have anything --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is an approval of an oil and gas lease for the Beverly Hills Unified School District. Statutorily, all leases come before the Commission for full approval, and our staff has reviewed it and found it consistent with current oil leasing policies.

CHAIRPERSON CORY: Any questions from anybody in the audience?

Anybody on the Commission?

Without objection, Item 22 is approved as presented.

Item 23.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 23 is an award of a royalty sales contract to USA Petroleum Corporation. At the time the calendar item was prepared, this was as a result of a bid of some 10 or 11 companies that bid for approximately 300 barrels of oil that we had issued in a sell-off that you had authorized previously.

Since that time, we have been negotiating with USA Petroleum over $1.4 million on back payment of previous
royalty oil that USA had purchased and the payment was in some doubt. They held that we did not have the right to accept the money. The court ruled that if in fact we didn't have that right, that that was one thing, but Judge Gray asked us to go to DOE and ask the question of whether we had the right to accept it or not. DOE said we did. I think maybe Mr. Trout and Mr. Hight might want to get into the legal ramifications of the suit.

But while we are recommending in the calendar item that this be approved, we have since had a change of heart. I talked to the President of USA Petroleum yesterday on the phone and indicated that we felt before we awarded any more bids, we should at least find out what he was going to do with what he owed us for the previous monies.

CHAIRPERSON CORY: Let me make sure I understand this. It's awarding of bid, but everybody is in essence bidding ceiling and they are determined by lot. It is not as if we really have a monetary interest in the higher bid. We have several choices of people we can take, and the State will receive the same rate?

MR. HIGHT: That's correct.

EXECUTIVE OFFICER NORTHROP: There were 12 bidders on that, all exactly the same price. So we drew lots.

CHAIRPERSON CORY: And it's a question of whether we are going to allow somebody to participate when we have got some other beef going --
EXECUTIVE OFFICER NORTHROP: On almost the same issue.

CHAIRPERSON CORY: Jan?

MR. STEVENS: That is basically it, Mr. Chairman. We feel that in light of our outstanding litigation on this, that by entering into this particular lease at this time, it may complicate the problems we are having now.

CHAIRPERSON CORY: This other lawsuit?

MR. STEVENS: Yes. We do have a lawsuit, and this may add to our problems in resolving that rather than subtracting from them. Our recommendation would be that you reject the bids and call for an additional set of bids. The cost would be minimal to the State by a delay of one or two months involved.

MR. BELL: I think if we do object, we should object to the whole thing and go out and have everybody come in again and bid.

MR. STEVENS: That's our recommendation.

CHAIRPERSON CORY: Do you have any questions?

LIEUTENANT GOVERNOR CURB: I don't have any at this time. I will abstain.

CHAIRPERSON CORY: I will vote to do so, and it will be a two to one vote to reject and go out to bid. Two to nothing. Mike Curb abstained.

MR. BELL: I will go with that.
CHAIRPERSON CORY: Without objection, Mr. Bell and Mr. Cory are voting to rebid it, and I would guess the Attorney General should look at whether or not we should in requesting the bids deal with the issue or we might end up with them bidding again and being drawn again. I think you ought to face that mechanically as to how to deal with that problem.

MR. STEVENS: This will make it easier for us to get in touch with them and try to resolve this thing.

CHAIRPERSON CORY: In the spirit of disclosure, I know a couple of the employees at USA Petroleum who are acquaintances and friends, and I am willing to vote against them in spite of that friendship.

Item 24. This is Proposed Sale of Royalty Oil, Santa Barbara County and Ventura County. This is just authorization for sale?

EXECUTIVE OFFICER NORTHROP: Authorization for sale.

CHAIRPERSON CORY: Anybody in the audience on these items?

Without objection, Item 24 will be approved as presented.

I think the staff, as they structure that, ought to deal with the same problem as we had in the last calendar item.
Item 25, Proposed Selection of Lands for Geothermal Resources Lease of reserved mineral interest, Sonoma County.

What are we doing here?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a result of the legislation that was carried last year in which the Commission now has the ability to declare an area a known geothermal resource area and put it out for bid based on the fact that the minerals are there rather than the previous prospecting permit. This is one of the first selection of geothermal lands under the bill that was passed last year.

CHAIRPERSON CORY: Commissioners?

Anybody in the audience?

MR. BELL: This is basically for the encouragement of geothermal?

EXECUTIVE OFFICER NORTHROP: Right. Yes, Mr. Bell, in answer to your question.

CHAIRPERSON CORY: You need approval of this?

EXECUTIVE OFFICER NORTHROP: Yes.

CHAIRPERSON CORY: Without objection, the selection will be approved as presented.

Item 26, Certification of Negative Declaration for permit to prospect for geothermal resources, Inyo County.

Anybody in the audience on this item?
No impact?

EXECUTIVE OFFICER NORTHROP: This is Certification of Negative Declaration in which we find no impact. It does not have any bearing on the actual lease that would come back at another time.

CHAIRPERSON CORY: Without objection, Item 26 is approved as presented.

Item 27, Certification of Negative Declaration, Borrow Permit to remove aggregate for highway maintenance, Lassen County.

Anybody in the audience on this one?

Without objection, this item is approved as presented.

Item 28, Negative Declaration for Prospecting Permit by Vinnell Mining and Mineral Corporation, San Bernardino County.

Anybody in the audience on this item?

Any questions from Commissioners?

Without objection, the Negative Dec is certified.

Item 29, Negative Declaration for Kaiser Steel in Riverside County.

Anyone in the audience on this one?

Without objection, Item 29 is approved as presented.

Item 30.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is
a fiscal review that you have attached to it. It's on the revenue and production of Parcel A in Long Beach.

CHAIRPERSON CORY: In essence --

EXECUTIVE OFFICER NORTHROP: Mr. Thompson may wish to carry on with some more information on this.

MR. THOMPSON: This is strictly information that really affects revenue primarily because of the reduced taxes under Proposition 13. There is an assessment interest in which the contractor has to pay taxes, so with Prop 13 the State can --

CHAIRPERSON CORY: This is the upside of 13 for us. Mr. Jarvis. Mr. Gann.

Anybody in the audience on this item?

Okay. Item 31, Fourth Modification of the '78-79 Plan of Development.

MR. THOMPSON: What we would like to have you do here is ratify the Exec Officer's action in adding a well to the 230 zone and redrilling some water injection wells and transferring funds. No augmentation of the budget involved.

CHAIRPERSON CORY: Any questions from Commissioners?

Without objection, the item is approved.

Item 32, Fifth Modification.

MR. THOMPSON: What we are doing here is merely reporting back a little progress on what has happened. When
We initially made these estimates, we were in a quandary as to what was going to happen on pricing and what was going to happen on taxes. This reflects that we are at the upper range of our revenue estimates on the growth side, primarily because we have gotten small monthly increases on our crude oil prices. We are running about 15 cents below ceiling now. That particular difference is made up by an extra amount we got back from Prop 13, and the impact here to the State is about $11 million.

Chairperson Cory: Eleven million up?

Mr. Bell: For '78?

Mr. Thompson: Yes. And should continue in the future, although they will probably go into another method of doing it similar to the addition-to-a-house concept. If we repair wells or drill new wells, in effect, we are adding to the asset. So we do this on the basis of ultimate recovery of reserves. If you added to your ultimate recovery, they will tax those. We are back in the same situation of the pricing thing, if they try to determine if that oil would be at world price, whereas under price control, which is the same issue we are appealing from last year's deal. That hearing will come up in April.

Mr. Bell: Is the price still $24 today or has that gone up?

Mr. Thompson: Well, this is spot price. Occi...
Petroleum was notified by Libya, I guess today, that they are adding five percent. Qatar and Obu Dhabai have already gone seven percent. This is in addition to the five percent that went into effect January 1st. Also the OPEC countries are supposed to meet in March sometime, and the rumors are ten percent. They will probably use a pinch technique and just keep adding until something gives.

I believe I have already talked to several of you and told you that our revenue for Long Beach will go up for this year and next year from $63 million this year to 71, and from 56 to 70. This primarily is the Prop 13 and the crude oil pricing.

CHAIRPERSON CORY: You need approval of the Fifth Modification?

EXECUTIVE OFFICER NORTHROP: Yes, we do, Mr. Chairman.

CHAIRPERSON CORY: Without objection, it will be approved as presented.

Item 33, Change in Boundary Line Agreement between the State and Parkwood 101. I am very suspicious of anybody who has a name like that.

MR. HIGHT: Mr. Chairman, the Commission, about three months ago, approved this exchange agreement. At the time, the title company had issued us a preliminary
title policy. Upon issuance of the final policy, it was
determined that a small acreage existed that the Parkwood
people did not own fee title to in the minerals, and this
is asking to accept the value with the reservation that
the State does not own a small portion of the mineral
that was in the area.

CHAIRPERSON CORY: Any questions from Commissioners?
Without objection, 33 will be approved as
presented.

Item 34, Authorization for Staff Counsel and/or
the Attorney General to Take Whatever Steps are Necessary,
Including Litigation, to Recover for Past and Prospective
Damage to the Waterfront Park Levee due to wave erosion
caused by ferry boats of the Golden Gate Bridge Highway
and Transportation District, San Francisco County.

MR. HIGHT: This is Larkspur, yes.
The staff has approached the Ferry District and
filed a claim which has been rejected, and that leaves our
only alternative as litigation. It is hopeful that litigation
will persuade the insurance company to pay off.

CHAIRPERSON CORY: Anybody in the audience on
this item?
Without objection, full approval is granted.

Item 35, City of Stockton, request for approval
of the map and legal description of proposed annexation to
the Stockton City limits, San Joaquin County.

Anybody in the audience on this item?

Without objection, 35 will be approved as presented.

Item 36. The Executive Officer wants a delegation of authority to refund up to a thousand dollars in mistakenly collected funds to his Aunt Matilda.

(Laughter.)

CHAIRPERSON CORY: That was a joke.

This is to allow for people who filed fees incorrectly or you want to unwind a deal?

EXECUTIVE OFFICER NORTHROP: We want to unwind a deal or we collect fees — and it usually runs 100, 200, $300, somewhere in that area. They may want to file and just change their mind, or we may have over-collected. At the present time, it's a very, very complicated bureaucratic procedure that they must go through, including the Board of Control, exhausting their administrative remedy. Some of these things should be handled very easily, it shouldn't be something that we have to go through all this.

CHAIRPERSON CORY: Jan, Bob, are we okay in terms of the law on this?

MR. HIGHT: Yes. The Commission has a statute authorizing this, and this is in furtherance of this statute.
MR. BELL: Mr. Northrop, if you authorize claims of up to $1,000, does anyone review it from that point on?

EXECUTIVE OFFICER NORTHROP: It goes through the Board of Control, but it is my understanding of the Board of Control that we enact this, action is almost pro forma. It well may be, Mr. Bell, that you would like to have these things as a calendar item — just as an advisory calendar item.

MR. BELL: Well, the purpose of this is to save time for the small guy that just has 20 bucks to 200 bucks at stake, and I hate to have him have to wait a month until they come up.

CHAIRPERSON CORY: What about going ahead and allowing it, and having it reported after you have done it. Let the folks have their money, but you put it on the Consent Calendar of who you give the money to, and if we find your Aunt Matilda's name —

(Laughter.)

EXECUTIVE OFFICER NORTHROP: I think that is reasonable.

CHAIRPERSON CORY: Okay. It will be approved with that amendment. The delegation is granted, but will be reported at the subsequent meeting and put on the Consent Calendar. That way the public and everybody can keep track of it.
Item 37, Disclaimer of Interest in Merrill versus Kasich, Amador Superior Court do - et.

MR. HIGHT: Yes, Mr. Chairman. This is a quiet title action between two private parties in which the State has no interest.

CHAIRPERSON CORY: Anybody in the audience on this item?

Without objection, authorization is granted.

The next Commission meeting is to take place March 28th.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, that should -- that is correct. March 28th.

CHAIRPERSON CORY: I've learned how to read since the last meeting, Bill.

(Laughter.)

EXECUTIVE OFFICER NORTHRUP: Mine says 29.

(Laughter.)

CHAIRPERSON CORY: March 28th in Sacramento at 10:00 a.m.

Any other items to come before us?

Without objection, we stand adjourned. Thank you.

(Thereupon the State Lands Commission Meeting was adjourned at 10:45 a.m.)
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 hearing, nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of March, 1979.

DELORES I. DALTON
SHORTHAND REPORTER

PETERS SHORTHAND REPORTING CORPORATION
7100 COLLEGE TOWN DRIVE, SUITE 213
SACRAMENTO, CALIFORNIA 95820
TELEPHONE (916) 383-3501