MEMBERS PRESENT

Mr. Carl D'Agostino, representing Kenneth Cory, State Controller, Chairperson
Mr. Roy M. Bell, representing Mr. Richard P. Silberman, Director of Finance
Mr. David Ackerman, representing Mr. Mike Curb, Lieutenant Governor

MEMBERS ABSENT

None

STAFF PRESENT

Mr. William Northrop, Executive Officer
Mr. R. S. Golden
Mr. Robert C. Hight
Mr. James Trout
Mr. W. M. Thompson
Mr. Donald J. Everitts
Ms. Diane Jones

ALSO PRESENT

Mr. Jan Stevens, Assistant Attorney General
Mr. Lester Grimes
ACTING CHAIRPERSON D'AGOSTINO: Item 16.

MR. NORTHROP: Mr. Chairman, item 16 is the result -- and I would like at this time, if it please the commission, to commend Les Grimes and Lew Allen and Peter Graber from the Attorney General's office for putting together the settlement that you see on the wall to your right in response to litigation that has gone on since 1970 -- or is it 1968?

The settlement you see there has been proposed and accepted not only by the individual property owners concerned, but by the City Council of Eureka, and has received generally very favorable response in Eureka to solving a Gordian-knot-type problem in that area.

MR. STEVENS: Mr. Chairman, I'd like to join in that for the Attorney General, if I may. I believe the commission's position and that of the Legislature in supporting it and in providing the adequate support for this litigation is what led to its successful completion, with the invaluable work that particularly Mr. Grimes and Mr. Allen have given. We would still be enmeshed in this litigation if this support had not been forthcoming. We appreciate it, and we see the daylight ahead of us, and we are delighted with the progress of the litigation.

MR. BELL: Mr. Chairman.

Mr. Northrop, does this in effect, hopefully,
clear up approximately one-half of the litigation on this?

MR. NORTHROP: I think it really sets up maybe
even a little more than one-half because of the fact that
we now have a precedent established that we can move on this
thing. So this does clear up half of it, Mr. Bell.

MR. BELL: In the meantime do you think that
litigation will continue to proceed, or will this hopefully
postpone litigation while we attempt to solve the rest of
the matter?

MR. GRIMES: May I respond to that?

MR. NORTHROP: Yes.

MR. GRIMES: I just got word last night that all
parties -- we have been working along with this settlement,
We have been working with other private parties and the
affected title companies in the area. I just received word
last night that everybody involved in the remaining
litigation is going to ask the judge to delay his ruling on
this second phase of the trial, which would probably just
mean that it would go to another phase. So it looks like we
do have, hopefully, a settlement that would clear the whole
thing up that we could bring back to the commission within
a fairly short time.

MR. BELL: That's very good news.

MR. GRIMES: There is another small late
development in the thing. I just got the final map off of
the airplane this morning from Eureka. The city engineers, for reasons of convenience, have elected to divide parcel 14 into two parcels, making it parcel 14 and parcel 16. It is the green parcel here (indicating). It has no bearing on the transaction or settlement, but every place that "parcel 14" appears in the calendar item, the minute item, and the agreement, it should be changed to read "parcels 14 and 16".

MR. ACKERMAN: Bill does the hopeful end of litigation then on the other parcels pave the way for other state agencies who may be awaiting final resolution of the waterfront question to go ahead with purchases, such as the Department of Parks and Fish and Game? Will they be able to speed up some of their projects?

MR. GRIMES: Yes. If you noticed Daby Island up there, we've had a call from Fish and Game already inquiring as to the possibility of using that land for some kind of Fish and Game purpose. I've advised them they have to first work it out with the city, because it is granted lands.

The big thing that this settlement will do, particularly if we settle the whole thing, is it will speed up the City of Eureka's waterfront master plan, which has been approved by the city and various regional and local agencies but has been virtually stymied because of all the property involved in this litigation.
MR. NORTHROP: It's obvious the clear benefactor on this is the City of Eureka.

MR. ACKERMAN: There is no other state agency involved in any independent litigation?

MR. GRIMES: No, not in this immediate area. The remainder of the area up there is granted to the Humboldt Bay Harbor and Recreation Commission, and they of course have a number of suits going on.

ACTING CHAIRPERSON D'AGOSTINO: I think the Lands Commission staff and particularly Mr. Grimes and Mr. Allen are to be commended for putting together a settlement which appears to be equitable to all parties. Without this settlement I think the litigation costs could have amounted to more than the total cost of the land involved.

We need a motion on item 16.

MR. BELL: I would like to move approval of item 16.

ACTING CHAIRPERSON D'AGOSTINO: Without objection, item 16 will stand approved.

Item 17.

MR. NORTHROP: Mr. Chairman, this is a settlement lifting the public trust for a fee on a parcel also in the City of Eureka.

MR. BELL: This is primarily to clear title, is it not?
MR. NORTHROP: Yes. An old slough went through a corner of the parcel, and in order to get title insurance that was meaningful the parties are paying to the state the value the staff estimates we have in that property.

ACTING CHAIRPERSON D'AGOSTINO: This will give them clear title?

MR. NORTHROP: It will not give them exactly clear title, but the encumbrance on the title will be such that the title company will insure it.

ACTING CHAIRPERSON D'AGOSTINO: Without objection, it is approved.

(Thereupon the commission went on to the consideration of other agenda items.)

--000--
CERTIFICATE OF SHORTHAND REPORTER

I, PAUL D. RAMSHAW, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing meeting of the State Lands Commission was reported in shorthand by me, Paul D. Ramshaw, 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 2nd day of April, 1979.

PAUL D. RAMSHAW
Certified Shorthand Reporter
C.S.R. License No. 3434

PETERS SHORTHAND REPORTING CORPORATION
7200 COLLEGE TOWN DRIVE, SUITE 213
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-2001
MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, MARCH 28, 1979
10:20 A.M.

Paul D. Ramshaw
C.S.R. License No. 3434
MEMBERS PRESENT

Mr. Carl D’Agostino, Representing Kenneth Cory, State Controller, Chairperson

Mr. Roy M. Bell, Representing Mr. Richard T. Silberman, Director of Finance

Mr. David Ackerman, Representing Mr. Mike Curb, Lieutenant Governor

STAFF PRESENT

Mr. William Northrop, Executive Officer

Mr. R. S. Golden

Mr. Robert C. Hight

Mr. James Trout

Mr. W. M. Thompson

Mr. Donald J. Everitts

Mr. Leslie Grimes

Ms. Diane Jones

ALSO PRESENT

Mr. Jan Stevens, Assistant Attorney General
## INDEX

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceedings</td>
</tr>
<tr>
<td>Minutes of February 22nd Meeting</td>
</tr>
<tr>
<td>Executive Officer's Report</td>
</tr>
<tr>
<td>Bids on sell-off portion of oil offered for lease</td>
</tr>
<tr>
<td>Study on oil seeps in Santa Barbara area</td>
</tr>
<tr>
<td>Comments by Mr. Everitts</td>
</tr>
<tr>
<td>California and Hawaiian Sugar Problem</td>
</tr>
<tr>
<td>Comments by Mr. Golden</td>
</tr>
<tr>
<td>Consent Calendar</td>
</tr>
<tr>
<td>Agenda Item 18 - Shell Oil Company, Shell Beta Project, general lease</td>
</tr>
<tr>
<td>Agenda Item 19 - Union Oil Company, renewal of general lease</td>
</tr>
<tr>
<td>Agenda Item 20 - Getty Oil Company, amendment and second ten-year renewal of general lease</td>
</tr>
<tr>
<td>Agenda Item 21 - Off calendar</td>
</tr>
<tr>
<td>Agenda Item 22 - Authorize addition to application lists and criteria to include permit regulation form for homeowners associations and nonprofit organizations regarding rent-free recreational piers</td>
</tr>
<tr>
<td>Agenda Item 23 - Authorize Execution of a supplementary letter of understanding with Chevron USA</td>
</tr>
<tr>
<td>Agenda Item 24 - Granted lands, City of Oakland</td>
</tr>
</tbody>
</table>

PETERS SHORTHAND REPORTING CORPORATION
7150 COLLEGE TOWN DRIVE, SUITE 213
SACRAMENTO, CALIFORNIA 95828
TELEPHONE (916) 383-3801
Agenda Item 25 - Eugene and Ada Maffucci, 
Reduction in bond 17

Agenda Item 26 - Department of Fish and Game, 
Temporary Use Permit 18

Agenda Item 27 - Authorize the Executive Officer 
to enter into a Memorandum of Understanding 19

Agenda Item 28 - Authorization to File Disclaimer 19

Agenda Item 29 - Authorization to File Disclaimer 20

Agenda Item 30 - Informative Review of Pilot 
Scale Demonstration 20

Agenda Item 31 - Approval of the sixth modification 
of the 1978-1979 plan of development and 
operations and budget, Long Beach Unit 24

Agenda Item 32 - Authorize the issuance of a borrow 
permit to the Department of Transportation 26

Agenda Item 33 - Application for a prospecting 
permit by Denby Jackson 26

Agenda Item 34 - Authorization to offer a lease 
in South San Francisco Bay for competitive bid 27

Agenda Item 35 - Proposed regulations with regard 
to geothermal development on state lands 28

Agenda Item 36 - Request for a dredging permit by 
the Orange County Environmental Management 
Agency 29

Status of Major Litigation 30

Mr. Jan Stevens

Certificate of Reporter 32
PROCEEDINGS

ACTING CHAIRPERSON D'AGOSTINO: I call the
meeting of the State Lands Commission to order. The first
item is confirmation of the minutes of the February 22nd
meeting.

MR. BELL: No objection.

ACTING CHAIRPERSON D'AGOSTINO: Without objection
the minutes will stand approved.

The second item is the report of the executive
officer.

Mr. Northrop.

MR. NORTHPROP: Mr. Chairman, before we get into
that item, counsel for the commission has a statement he'd
like to read into the record.

MR. HIGHT: Mr. Chairman, Dave Ackerman is
representing the Lieutenant Governor today and is acting in
a nonvoting capacity and will participate in the discussions
but not vote.

MR. NORTHPROP: Thank you.

Mr. Chairman and members, the report this morning
is divided into several sections, all of which are
informative.

On March 21st, we had 19 bidders to buy a sell-off
portion of oil that was offered to lease. We have
notified the lessees of their 15 days to either match the bid -- should they not match the bid and the commission approve, Lunday-Thagard appears to be the successful bidder. We are still studying his bid package, but at this time it looks favorable.

Mr. Chairman and members, your commission has an ad hoc committee to study oil seeps in the Santa Barbara area, and the chairman of that committee for the commission is Don Everitts. The ad hoc committee has had several meetings, and I would like Mr. Everitts at this time, if it please the commission, to report on the progress of those ad hoc committee meetings.

MR. EVERITTS: The group was approved by the commission at their November 1978 meeting, and originally was going to consist of representatives from the state and Santa Barbara County and the industry. As the nominal chairman of the group and because a lot of the seep problems are on the OCS, I have also added one member from the USGS to the group.

We were directed by the commission to update existing seep data and explore the possibility of remedial actions that are technically and economically feasible and which could be recommended to the commission for implementation. In addition, the primary purpose or charge was to locate sources of funds to do this sort of work.
On first consideration the seep problem would probably appear to be more of a nuisance value. Oil on the beach bothers folks. But it is really a matter of serious concern as far as air quality.

For example, one major seep east of Platform Holly, which is the one I inspected by mini-sub several years ago, has been estimated to produce about 80 barrels per day of oil and about 800 mcf per day of gas. Another estimate on that same seep expresses it in terms of emissions of six tons per day. When you consider that the total emissions for Santa Barbara County are 47 tons per day, if we can control that six tons it's really a significant contribution to the air quality problem in the area.

There are other seeps probably almost as large, so as a first step the group proposes to survey and record on video tape the major seeps, particularly as they relate to abandoned core holes. Our first order-of-magnitude cost estimate for that phase is around $300,000.

In the real short term, in the next week or two, Arco Oil and Gas Company has agreed, as an adjunct to their annual pipeline and platform survey, to survey a large seep off Coal Oil Point and the seep near Holly. Exact measurements will be made of that seep in order to facilitate phase two of the program.

That step or that phase will be to design a
collection device for the seep. A concept has been
developed and preliminary design work has begun.
Construction of that phase will cost somewhere between
$400,000 and $500,000.

Various funding sources are being considered, and
applications will be submitted soon for money. Those
possible sources are the EPA, who is quite interested in
air quality; the Department of Commerce; the California Air
Resources Board, which is quite interested in this -- we
discussed it with them; and there's a possibility of coastal
grants. The Department of Interior suggested they might
have some money, which is one reason we brought them in.
Maybe we can get some Sea Grant money. One final
possibility would be special legislation. County of Santa
Barbara staff has indicated they would probably support
that concept and might take this to the board of supervisors.

ACTING CHAIRPERSON D'AGOSTINO: Are these all the
result of old holes, or are some of them natural?

MR. EVERITTS: I personally think they're mostly
natural. We are aware of at least one well that's leaking
-- two wells that are leaking. When I inspected the seep,
there were a number of core holes in that area, and we
looked at each one of them, and each one of them was not
leaking -- at least at that point.

We have determined that there are probably as many
as 48 core holes within a 200-foot radius of some active
seeps that have been mapped -- that is, on the surface
mapping. So this is one of the things we are going to do,
is go out and actually survey those 48 core holes that might
be leaking. Of course if they are, we may have some recourse
back to those who drilled them.

MR. NORTHRUP: Mr. Chairman, I believe that
completes Mr. Everitt's report. At this time Mr. Trout
would like to share with the commission the California and
Hawaiian Sugar Company problem.

MR. TROUT: Mr. Chairman, we just want to briefly
tell you what happened. The California and Hawaiian Sugar
Company has been given advance approval by the staff to
allow the Crockett-Valona Sanitary District to discharge its
domestic flows into the sugar company's waste treatment
plant at Crockett.

The plant is on commission property, and C&H has
a lease from the commission for this facility. Connection
by the sanitary district was contemplated from the start of
the project.

At present, the sanitary district discharges
unacceptable wastes into Carquinez Strait. This can be
avoided by a prompt connection (early next week) by the
district to the C&H facilities. Staff granted this letter
-- I did -- last week so that this connection could be made
and avoid the continual discharge of these other wastes.

Pending approval of the sublease, which will be presented at a future commission meeting, C&H remains liable for all provisions of the lease, including full payment of rent. We may adjust the rental at the time of the sublease, but at the present time C&H remains liable.

MR. BELL: Mr, Chairman.

Does the problem get solved by the April 2nd connection with the district?

MR. TROUT: Yes, that will solve the problem. The waste treatment plant is in full operation by C&H. That will solve the problem.

Technically, the lease to C&H prohibits a sublease without commission approval. However, from the staff's standpoint it just didn't seem wise to delay until April 26th.

MR. BELL: Right.

MR. NORTHROP: Mr. Chairman, the next report will be given by Mr. Golden concerning BCDC and Coastal Commission.

MR. GOLDEN: Mr. Chairman and members of the commission, two items are submitted for your information relating to State Lands Commission interface with the State Coastal Commission and the San Francisco Bay Conservation and Development Commission.
The first has to do with marine sanctuaries. On March 6, 1979, the State Coastal Commission held a hearing on three proposed marine sanctuary sites and alternates presented in the National Oceanic and Atmospheric Administration's December 1978 "Issue Paper on Possible California Marine Sanctuary Sites".

The hearing addressed the merits of advising NOAA to proceed with a designation process for the proposed marine sanctuaries off shore at Point Reyes-Farallon, Monterey Bay, and the Santa Barbara Channel Islands.

The commission heard extensive testimony from environmental groups supporting the designations and from representatives of the commercial fishing, kelp-harvesting, and petroleum industries generally opposing designation. Those supporting the designations see the marine sanctuary designations as a vehicle to stop OCS development.

At the close of its March 6th hearing, the Coastal Commission voted to advise NOAA to proceed with the designation process for the proposed Santa Barbara Channel Islands marine sanctuary by preparing a draft environmental impact statement. Immediate action by the commission was urged by staff prior to the Secretary of the Interior's decision on OCS Lease Sale 48.

At the same meeting, the Coastal Commission also voted to consider advising NOAA to proceed with the
designation of the proposed Point Reyes-Farallon Islands and Monterey Bay marine sanctuaries at their April 3rd and 4th meeting. The coastal staff's preliminary recommendation is to advise NOAA to proceed with these two additional marine sanctuaries, while further advising NOAA to avoid interference with the authority of the State of California in management and regulation of the living marine resources within the state's territorial waters unless such action is requested by the Resources Agency, and to avoid duplication of the jurisdiction of the Pacific Fishery Management Council within the proposed boundaries of the sanctuaries.

The second item has to do with the Anza-Pacific development on San Francisco Bay. In 1972 the State Lands Commission executed a boundary line agreement with Anza-Pacific Corporation. The boundary line agreement involved 13 parcels in Burlingame. All but one of these front on San Francisco Bay. The boundary line agreement involved tide lands filled by Anza-Pacific prior to the creation of BCDC.

Since this boundary line agreement, the ownership of the Anza-Pacific Corporation has changed. In part, the company was transformed from a development company to the Anza-Shareholders' Liquidating Trust. In addition, Anza's current development plans are substantially different from the Anza-Pacific plan approved as a part of the 1972
boundary line agreement.

Therefore, the BCDC has asserted jurisdiction over its 100-foot shoreline band owned by the Anza Trust and has requested the company to submit a master development plan for its parcels, with particular emphasis on the provisions for maximum feasible public access within the 100-foot shoreline band. At this point we are inserting language in our sublease approvals which has been suggested to us by BCDC and are looking toward resolution of the remaining problems.

That completes my report.

MR. NORTHROP: Mr. Chairman, that completes the report of the executive officer. Thank you.

MR. BELL: Mr. Golden, on the Anza-Pacific plan, had they not gone into the liquidating trust and had they proceeded with their development as originally planned, they could have probably had a much more heavy development and adverse position on the bay. Isn't that right?

MR. GOLDEN: That's very possible. That would have predated --

MR. BELL: Yes.

MR. NORTHROP: Mr. Chairman, as we approach the calendar, I would like to request the commission, as a courtesy to the executive officer, to take item C-15 and put it on the regular calendar. Also, item 21 is off
calendar.

ACTING CHAIRPERSON D'AGOSTINO: Those are the changes on the consent calendar?

MR. NORTHROP: Yes, sir.

ACTING CHAIRPERSON D'AGOSTINO: Are there any objections or comments on the consent calendar from anyone in the audience?

Hearing none, could we have a motion on the consent calendar, with item 15 removed to the regular calendar.

MR. BELL: I move that items C-1 through C-14 on the consent calendar be approved.

ACTING CHAIRPERSON D'AGOSTINO: Hearing no objection, it stands approved.

Moving on then to the regular calendar, shall we take 15 as the first item?

MR. NORTHROP: That's fine, Mr. Chairman. Item 15 is an item that was on the consent calendar, but I believe that because of the fact that it authorizes the executive officer to enter into a contract it should be handled singularly. It concerns a contract with David Rosen to prepare an EIR for a marine petroleum facility in Contra Costa County. The costs of the EIR, including Mr. Rosen's fees, have been included in the price to Wickland Oil, who is the lessee, and staff finds it a reasonable request.
ACTING CHAIRPERSON D'AGOSTINO: I don't see any problem. Without objection, we will authorize the executive officer to enter into that contract.

(Thereupon the commission considered agenda items 16 and 17, and that portion of the meeting has been previously transcribed and is bound separately. Following those items, the commission meeting proceeded as follows:)

ACTING CHAIRPERSON D'AGOSTINO: Item 18.

MR. NORTHROP: Mr. Chairman and members, item 18 is also -- we have two really outstanding items on the agenda today: the one that was just handled with Mr. Grimes, and this is the Shell Beta project. This project involves an environmental document and a lease for Shell Oil Company for a right of way coming in from an OCS lease, an outer-continental shelf lease.

The documents were put together by the federal, state, and local, and the operation of this is well within the time mandated by the Legislature in last year's AB 884. It is a credit to some of the people on our environmental staff, and particularly Mr. Sanders, who heads that unit, and cooperation from the City of Long Beach and from federal government in preparing this document.

Many of the critics of environmental document
preparation in these kinds of leases have held—
particularly we have read in the press in recent times where
there have been companies that have accused state
agencies and other governmental agencies of footdragging.
I think this has been an example to all companies on this
kind of operation.

If you have any questions on it, there are
representatives from Shell Oil Company and from the
environmental unit who will be happy to respond to them.

MR. BELL: Mr. Chairman,

Mr. Northrop, it's my understanding that if
conflicting legislation dealing with volumetric measurement
might go against us, this would be subject to renegotiation
with Shell Oil.

MR. NORTHROP: That's my understanding.

MR. BELL: They run no great risk of us saying
no. It would just be a different type of --

MR. NORTHROP: That's right. However, for the
information of the commission perhaps the Attorney General
would like to report on the results of that litigation.

MR. STEVENS: "So far so good" is the nutshell
report on that litigation, Mr. Bell and members. We have
succeeded in a motion for summary judgment, which raised the
legal issue very squarely, and we expect a concerted effort
to get appellate review of that subject within the next few
weeks.

ACTING CHAIRPERSON D'AGOSTINO: Are there any comments from Shell or anyone else in the audience?

MR. BELL: Mr. Chairman, I think it's significant enough to move the item.

ACTING CHAIRPERSON D'AGOSTINO: The item is moved. Without objection, it will stand approved.

Item 19.

MR. NORTHROP: Mr. Chairman, item 19 is a lease by Union Oil Company of a parcel of property for submerged land in Huntington Beach.

MR. BELL: This is just a renewal?

MR. NORTHROP: Yes, sir.

ACTING CHAIRPERSON D'AGOSTINO: Without objection, item 19 will stand approved.

Item 20.

MR. NORTHROP: Item 20, like 19, is an amendment and a renewal of a new lease for a pipeline in Santa Barbara County.

ACTING CHAIRPERSON D'AGOSTINO: Without objection --

Item 21 is off calendar.

Item 22.

MR. NORTHROP: Mr. Chairman, last year or the year before last, I believe, Senator Nejedly carried a bill which
mandated a change in our leasing policy and rentals. That bill also requested that consideration be given to homeowners and other nonprofit organizations for rent-free recreational piers.

This authorizes the addition of those categories to our rent-free recreational piers.

MR. BELL: This basically adds condos and co-ops?

MR. NORTHROP: Right.

MR. ACKERMAN: Does that add just the association, or can individuals who own units in co-ops get approved?

MR. NORTHROP: As I understand it, it is for the co-op organization only, and not for individual owners. They have to go through the co-op.

ACTING CHAIRPERSON D'AGOSTINO: Can an individual form a nonprofit organization?

MR. NORTHROP: I'd refer that to our attorney.

MR. HIGHT: I would assume so, Mr. Chairman. I don't know the exact answer, but my opinion right now is yes.

ACTING CHAIRPERSON D'AGOSTINO: This would seem to be a fairly significant loophole, then, in the state's ability to get equitable rent for its water frontage.

MR. HIGHT: Yes, Mr. Chairman. The bill gutted the state's rental rates significantly.

MR. ACKERMAN: All approvals of piers and things
still have to come before the commission, whether it's an individual or a co-op or an association.

MR. NORTHROP: Right. The approval was not denied the commission. What the commission was questioned about was the rental charges.

I think that's a legal question, so I'll let Bob answer it.

MR. HIGHT: The commission would have the authority to either approve or deny the lease depending upon the particular circumstances and the environmental considerations involved in the particular lease. They would not have the ability in certain cases to charge different rental rates.

ACTING CHAIRPERSON D'AGOSTINO: But if the individual came in and got a pier permit and then after that formed a nonprofit organization -- once we've granted the pier permit, if he then forms a nonprofit organization can't he then come in and ask that his rental be waived?

MR. HIGHT: The problem with that, Mr. Chairman, is that in the first place he may have met the specifications for a rent-free permit, and in the second the commission would have to authorize the assignment.

ACTING CHAIRPERSON D'AGOSTINO: Any comments on item 22?

Hearing no objection, item 22 will stand approved.
Item 23.

MR. NORTHROP: Mr. Chairman, item 23 is a bookkeeping procedure. When we negotiated the lease with Chevron USA, we negotiated at mid-month. What we're asking here is to allow us to have a four-and-a-half-month quarter, so we can get everything back on an even quarter basis.

ACTING CHAIRPERSON D'AGOSTINO: This is just bookkeeping?

MR. BELL: This is preferred by Chevron USA, too, right?

MR. NORTHROP: Right. It also makes our bookkeeping a little more tidy.

MR. BELL: So it's okay for both sides.

ACTING CHAIRPERSON D'AGOSTINO: Hearing no objection, we will accept a four-and-a-half-month quarter.

Item 24.

MR. NORTHROP: Mr. Chairman, item 24 is a substantial compliance with the City of Oakland for their grant. The staff has looked at what Oakland has done to their harbor and feels that yea, verily, they have had substantial compliance to their grant.

ACTING CHAIRPERSON D'AGOSTINO: Without objection --

Item 25.

MR. NORTHROP: Mr. Chairman and members, item 25
is a reduction in bond. When the applicants applied for the commercial marina lease permit, they felt at that time that they would be handling substantially more valuable vessels and we required them to have a $300,000 liability bond in favor of the state. However, it now is obvious that that is not going to be the case, so they’ve asked to have their bond limitation reduced from $300,000 to $100,000. Staff has reviewed it and feels that that bond would amply cover the state.

ACTING CHAIRPERSON D'AGOSTINO: Any comment?

MR. BELL: Mr. Northrop, is the facility itself of such a nature that it cannot be expanded to handle a number of commercial fishing boats, or is this something where the guy just says, "Well, I'm only going to have one boat"?

MR. NORTHROP: Mr. Trout is familiar with that issue, so I will defer to him.

MR. TROUT: The facility could handle a number of commercial vessels. The situation is kind of in limbo in Tomales Bay right now pending the local coastal plan. The state, the county, and the Coastal Commission have been working on that, and it just turned out that, at least for a reasonable period of time, the guy that now has the pier will just be using it himself. This is just to accommodate that.
If the use expands, we may be back to the commission with a change. The rent would go up and the insurance and bond requirements would go up.

MR. BELL: Okay. That's really why I asked the question.

ACTING CHAIRPERSON D'AGOSTINO: How do we monitor that?

MR. TROUT: There are several ways. An expanded use would require the consent of the Corps of Engineers and possibly other local governmental agencies. Also, we have assigned our leasing agents on a geographic basis, and they are responsible for keeping track and getting out in the field and finding out what's going on in their area. So we think there are numbers of ways. Occasionally we miss something, but through contact with other governmental agencies and our field agents, we usually pick them up.

ACTING CHAIRPERSON D'AGOSTINO: Without objection --

Item 26.

MR. NORTHROP: Mr. Chairman, item 26 is a temporary use permit for the Department of Fish and Game to do away with a land bridge which allows predators to get to a seagull nesting area. As the water level lowers, the ability of nonswimming predators to get to the island increases, so Fish and Game has asked to take necessary
steps to do away with the land bridge. The level of water
in that lake keeps dropping.

**ACTING CHAIRPERSON D'AGOSTINO:** So we are going
to tamper with the natural environment?

**MR. NORTHROP:** Right.

**ACTING CHAIRPERSON D'AGOSTINO:** Without

objection --

**Item 27.**

**MR. NORTHROP:** Mr. Chairman, item 27 is a
memorandum of understanding with the San Francisco Bay Water
Quality Board asking us to help them, using our expertise
in oil spill prevention, to assist them in a practices
program.

**ACTING CHAIRPERSON D'AGOSTINO:** Without

objection --

**MR. ACKERMAN:** When a memorandum of understanding
like this is entered into with another agency, is that a
state-funded budget position that does that or is it
reimbursed from the agency that undertakes the agreement?

**MR. HIGHT:** It's normally reimbursed from the
agency that undertakes the agreement.

**ACTING CHAIRPERSON D'AGOSTINO:** Item 28.

**MR. HIGHT:** Item 28, Mr. Chairman, is a federal
condemnation action in which this commission has no interest.

It is for an access road to some land in the Department of
Interior's realm.

MR. BELL: This just says that we don't have any interest?

MR. HIGHT: Correct.

ACTING CHAIRPERSON D'AGOSTINO: Item 29 is in essence the same?

MR. HIGHT: It's the same thing, Mr. Chairman.

It is a federal condemnation for the Tehama Colusa Canal, and the commission has no interest in the area being condemned.

ACTING CHAIRPERSON D'AGOSTINO: Without objection, items 28 and 29 will stand approved.

Item 30.

MR. NORTHROP: Mr. Chairman, item 30 is a micellar demonstration, and Mr. Thompson is the engineer-in-chief in charge of that demonstration, and I'd like to have him review with the commission what's happening on that.

MR. THOMPSON: I don't know about being chief in charge of the operation, but I will report on it anyway.

This is a small ten-acre pilot deal. While small in size, it could possibly have a large impact.

What we're trying to do is find a tertiary recovery method where we can get more of the oil in place there. Although it is only ten acres, it involves a potential of many billions of barrels that we can possibly
The project is going along. The federal government is sharing in it.

I would like to correct a couple of typos on the second page. At the end of the first paragraph, we do not produce "tractors" from our producing wells; we meant to say "tracer" there. Also, in the second paragraph the word "early" was to be removed before the word "1980".

Unfortunately, the way things are developing now, I'm not too sure but what "1980" might not have to be removed also.

(Laughter.)

MR. THOMPSON: This is a catch-22 situation I will describe to you. This particular process involves using a refined hydrocarbon product. So here we're trying to recover a low-value product at the present time with a high-value product. To make this particular mix in this slug we need about 150 barrels a day of diesel oil for a period of about 100 days. At the present time we cannot get diesel fuel. Diesel fuel is very short on the west coast. Because we had a very, very cold winter, some commercial outfits when they were cut off from gas could not get residual fuel oil, so pretty soon they started burning distillate, and they also even burned diesel in some cases. So the trucking industry is having a problem.

Also, we are faced with allocation. We are even
being allocated diesel fuel just for our normal lease operations.

So right now this particular project, although it is important and we need the lease, is more or less in limbo because we cannot get this amount of diesel fuel. So this is why I must hedge on even the 1980 date. This is the catch-22 situation we find ourselves in in this energy business.

ACTING CHAIRPERSON D'AGOSTINO: You need 150 barrels a day?

MR. THOMPSON: For about 100 days, or about 15,000 barrels of diesel. We're trying to find it, but right now everything is kind of scrambled around because no one knows how the allocation system is going to work. The trucking industry is under tremendous pressure on this, just as anyone else who uses fuel, and even the public is facing the allocation problem.

MR. BELL: Mr. Chairman.

As I recall, this experiment is paid 50 percent state and 50 percent federal.

MR. THOMPSON: Yes.

MR. BELL: We are using, in effect, a higher-cost product in order to try and get tertiary recovery of what, at least at this time, is a lower-priced oil.

MR. THOMPSON: Yes, although in this particular
project we were able to get exception from the federal
government and get uncontrolled price for this, which is
about $11 for this oil.

MR. BELL: This is one of those fault blocks?

MR. THOMPSON: We actually went in and asked for
special exemption on this project, and got one.

MR. BELL: About how much more of an increase
would it take to make it profitable?

MR. THOMPSON: At the present rate of production
we're looking at, maybe, a 20-year payout with the
government paying half of it. Again, if we can get this
material in and get a satisfactory response, then maybe we
could cut it down to a 7-, 8-, 9-, 10-year payback.

But again, as we go along, the diesel we use on
this, although we're trying to use lease crude, as the price
of diesel goes up and the price of electricity goes up, this
is an endless, endless thing you get yourself into here. We
need energy to produce energy. It's kind of an endless
cycle.

But again, when you look at what the OPEC
countries are looking at, with the price increase and the
surcharge, Saudi Arabia right now is looking at about $17
oil delivered to the United States. Libya, Nigeria, and the
others announced about a $4 surcharge, which means about
$21 oil delivered here. So it all depends on where you want
to put your money and what you want to do.

We're trying here to see whether the project is feasible from a reservoir recovery deal and also the economics. We will try to find this amount of diesel. The situation, of course, is not unique only to us, but everywhere. Mr. Carter could not find the solution to give in a talk today and had to cancel his television address. Whenever he gets his act together, maybe we'll find something on it.

This is merely an informational item to you. It's not very good information, but we are always hopeful.

The next item is a little better. The commission has had a policy of plowing back or returning a reasonable amount of any crude oil price increases we've gotten to accelerated production. As part of that last year, you approved an expenditure of about three and a half million dollars for a drilling rig. This calendar item we're asking for approval here is to transfer $170,000 to finish that particular purchase. It's coming from drilling funds we weren't able to use because we weren't able to get a drilling rig in time last year to use all the funds, and this is why we're buying this rig.

This rig is a little unique. We have it on rubber-tired dollies, so we can move it from location to location without having to dismantle the rig. We plan on
having an open house on this rig the same day as the
commission meeting in Long Beach, and we certainly hope all
of you commissioners who are there will take time out, and
we'd certainly like to show you what you have approved in
purchasing.

MR. BELL: Mr. Chairman.

Would it be fair, Moose, to categorize this
additional rig as possibly enhancing whatever our production
is -- whether it's declining or holding steady or whatever
-- as about an eight-percent increase over what otherwise
would happen if we didn't have it?

MR. THOMPSON: This is a very good way of putting
it. In other words, the commission has a policy of
returning a reasonable portion of that particular crude oil
pricing that we get to accelerate production. That's
exactly what we're doing: accelerating production.

Our rate now, as a result of this and other
expenditures you've approved, is approximately 9,000 barrels
a day higher than it would have been if we followed the
previous decline, because the commission has approved
millions and millions of dollars in plowing back into this.
I think you've approved about 20 or 30 additional million
dollars as a result of the federal government's increase in
crude oil prices.

MR. BELL: Thank you.
ACTING CHAIRPERSON D'AGOSTINO: Any further comment?

Without objection, item 31 will stand approved.

Item 32,

MR. NORTHROP: Mr. Chairman, item 32 is a request for a borrow permit from the Department of Transportation. They intend to use the material for highway construction.

MR. BELL: There is no local objection to this?

MR. NORTHROP: We have not received any, Mr. Bell. Staff informs me that this area has been used in the past for a borrow pit, so it would not be as though we were going into an area which had not already been used for that purpose.

ACTING CHAIRPERSON D'AGOSTINO: Without objection —

Item 33.

MR. NORTHROP: Mr. Chairman, item 33 is a prospecting permit for a Denby Jackson to prospect for tungsten and other materials of that nature in San Diego County.

MR. BELL: Subject to all of the usual prospecting permit restrictions and conditions which we have on all of them?

MR. NORTHROP: Right. If he makes any kind of find, then he has to come back and do whatever has to be
done in the way of environmental and other planning to make
the venture fly commercially.

MR. BELL: But he does get first option.

MR. NORTHROP: Right. He gets first right of
refusing.

ACTING CHAIRPERSON D'AGOSTINO: Is there any
tungsten being mined in San Diego County?

MR. NORTHROP: I don't know. I'd have to refer that
to Mr. Everitts.

MR. EVERITTS: There isn't currently. There has
been nearby, though, in the past.

ACTING CHAIRPERSON D'AGOSTINO: Nearby where?

MR. EVERITTS: I think approximately five miles
east of the area.

ACTING CHAIRPERSON D'AGOSTINO: Within the county?

MR. EVERITTS: In the county, yes.

ACTING CHAIRPERSON D'AGOSTINO: So there is
tungsten being mined in San Diego County, not presently,
but there has been?

MR. EVERITTS: Right, in that general area.

ACTING CHAIRPERSON D'AGOSTINO: Without comment
or objection --

Item 34.

MR. NORTHROP: Mr. Chair. Item 34 is a
competitive lease sale. It is the authorization to offer
for competitive bid on over a thousand acres of land in South San Francisco Bay for the extraction of oyster shell deposits.

MR. EVERITTS: The commission may recall that a few months ago we offered an area for lease in generally the same area, and there was some controversy between the two bidders. One of them thought that perhaps he'd been had.

We were instructed by the commission to expedite our leasing schedule, and we moved it up ahead quite a bit, four or five months at least. We have been in contact with the unsuccessful bidder on the first sale. At the time he felt he'd spent money that he should be refunded, and we agreed that he would be refunded any money he spent. We've had three telephone conversations and two letters, and he has never replied with any costs, so I think we've satisfied that requirement.

ACTING CHAIRPERSON D'AGOSTINO: Without objection.

Item 35.

MR. NORTHROP: Mr. Chairman, item 35 is the result of legislation carried last year which would call for a change in our regulation. This calendar item instructs the staff to receive comments on the proposal, hold public hearings, and bring the results of those hearings and
comments back to you in the form of a finished regulation.

MR. BELL: Basically, Mr. Northrop, this will provide regulations which will correspond with the legislation passed?

MR. NORTHROP: That's correct.

ACTING CHAIRPERSON D'AGOSTINO: Where will the hearings be held?

MR. NORTHROP: We haven't scheduled them yet. Normally hearings of this nature would be held in Sacramento and other areas affected by the regulation.

MR. EVERITTS: Probably Santa Rosa and possibly in the Imperial Valley.

MR. NORTHROP: So we probably would have enough to cover both areas that have concerns about this.

ACTING CHAIRPERSON D'AGOSTINO: There will be hearings in the areas affected?

MR. NORTHROP: Right.

ACTING CHAIRPERSON D'AGOSTINO: Without objection --

Item 36.

MR. NORTHROP: Mr. Chairman, item 36 is a request by the Orange County Environmental Management Agency for a dredging permit to restore the Orange County flood control channel to its design. It's silting up quite badly, and they need to remove the sand and the silting.
To my understanding, the spoils will be spoiled somewhere in the area so the Doheny State Beach can get the advantage of it.

MR. EVERITTS: The good material they will use for beach replenishment. The poor material, with too much organic material in it, for example, they will spoil somewhere else. If there's any benefit derived from it, we receive twenty-five cents per cubic yard for the stuff spoiled on private lands.

ACTING CHAIRPERSON D'AGOSTINO: Without objection, item 36 will stand approved.

What is the status of major litigation?

MR. NORTHRUP: Mr. Chairman, the Attorney General's representative, Mr. Jan Stevens, will give us a report.

MR. STEVENS: Mr. Chairman and members, the Court of Appeals has upheld the validity of the statute which gives the surface owner the right of first refusal on geothermal leases in the case of Post v. Prati, so that program will remained unhampered.

We have petitioned the California Supreme Court to review the highwater boundary issue in connection with Lake County in Lyon v. State, and the court has yet to tell us whether they will hear this matter.

Otherwise, I think major litigation has already
been covered in the previous discussions.

ACTING CHAIRPERSON D'AGOSTINO: Thank you.

Are there any other items or any further comments from anyone in the audience?

Mr. Northrop, anything further?

MR. NORTHROP: Mr. Chairman, that completes the report the staff has submitted.

ACTING CHAIRPERSON D'AGOSTINO: Thank you. The meeting stands adjourned.

(Thereupon this meeting of the State Lands Commission was adjourned at 11:15 a.m.)

--000--
CERTIFICATE OF SHORTHAND REPORTER

I, PAUL D. RAMSHAW, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing meeting of the State Lands Commission was reported in shorthand by me, Paul D. Ramshaw, 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 16th of April, 1979.

PAUL D. RAMSHAW
Certified Shorthand Reporter
C.S.R. License No. 3434

PETERS SHORTHAND REPORTING CORPORATION
7700 COLLEGE TOWN DRIVE, SUITE 213
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3501