MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

STATE CAPITOL
ROOM 6031
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, JUNE 27, 1979
10:00 A.M.

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SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3501
MEMBERS PRESENT

Mr. Kenneth Cory, State Controller, Chairperson
Mr. Sheldon H. Lytton, representing Mr. Mike Curb, Lieutenant Governor
Mr. Roy M. Bell, representing Mr. Richard T. Silberman, Director of Finance

MEMBERS ABSENT

None

STAFF PRESENT

Mr. William Northrop, Executive Officer
Mr. Robert C. Night
Mr. James Trout
Mr. Donald J. Everitts
Mr. Jim De La Cruz
Mr. Dave Hadly
Ms. Diane Jones

ALSO PRESENT

Mr. Jan Stevens, Assistant Attorney General
Proceedings

Minutes of June 5, 1979

Executive Officer's Report

Three (3) recreational pier permits

Comments on the Santa Barbara Channel tar seep, Mr. Everitts

Consent Calendar

Agenda Item 13 - Union Oil Company of California; authorize issuance of a non-exclusive geological exploration permit

Agenda Item 19 - Authorization of a prospecting permit to Vinnell Mining and Minerals Corporation

Agenda Item 20 - Rescission of geothermal prospecting permit to Management Engineering, Inc. and issuance of geothermal prospecting permit to Getty Oil Company

Agenda Item 21 - Adopt Article 4.1 of the Commission's regulations with regard to geothermal exploration and development on State lands

Agenda Item 22 - Request permission to circulate a request for proposals for preparation of an EIR to assess the environmental impacts which may result should the State modify its rights of surface entry; California City

Agenda Item 23 - Extension of Royalty Oil sales contract PRC 5618.1 for a period of six months
Agenda Item 24 - Maintenance dredging permit of less than 10,000 cubic yard on State-owned tide and submerged lands in Corte Madera Creek

Agenda Item 25 - Authorization to file an amicus brief on behalf of the State of California in Utah v. Andrus

Comments by Jan Stevens, Assistant Attorney General

Agenda Item 26 - City and County of San Francisco; general permit -- public agency use; submerged land Pacific Ocean

Mr. Alan Kenck

Mr. George Murphy

Mr. Wallace Wortman

Agenda Item 27 - Approve proposed expenditures for subsidence maintenance and repairs and subsidence studies by the City of Long Beach for 1979-1980

Agenda Item 28 - Review of the third quarter 1978-1979 Fiscal Year production and revenue, Parcel A, City of Long Beach, Wilmington Oil Field.

Agenda Item 29 - Monitoring of possible subsidence and seismic hazards, Long Beach Unit, Wilmington Oil Field

Agenda Item 30 - Adoption of standard lease provisions, covenants and restrictions for marine petroleum transfer facilities

Agenda Item 31 - Authorize acceptance as State sovereign lands of deed to undivided 0.646% interest in Brown's Island, Contra Costa County.
Agenda Item 32 - Approval of continuation of watershed and forest rehabilitation project during Fiscal Year 1979-1980.

Agenda Item 33 - Authorize the implementation of a standard policy concerning charges to public agencies for permits and leases.

Agenda Item 34 - Silverking Oceanic Farms, Inc.; amendment of industrial lease PRC 5092.1.

Agenda Item 35 - Authorize settlement on potential claim for levee damage adjacent to Bouldin Island.

Agenda Item 36 - Authorize staff to conduct two public hearings on the draft EIR for the proposed Wickland Oil Marine Terminal and development, Solby.

Agenda Item 37 - UCO Oil Company; amendment of industrial lease PRC 4769.1.

Agenda Item 38 - Authorize the executive officer to solicit and execute a consulting contract with the law firm of Lobel, Novins and Lamont to provide legal consulting services in Washington, D.C.

Agenda Item 39 - Approval of service agreement with City of Capitola for survey, map and description of trust grant to the County of Santa Cruz.

Agenda Item 40 - Authorization for staff to proceed with appraisal and negotiations leading to the possible acquisition of surplus federal land near Camarillo and near Dixon.

Agenda Item 41 - Mario J. Machi, assignee and Humboldt Bay Harbor Recreation and Conservation District, assignor; approval of assignment and amendment of permit PRC 1956.9.

Mr. Trout
Agenda Item 42 - Authorization to modify the land exchange with the National Park Service involving school lands within Joshua Tree National Monument

Adjournment

Certificate of Reporter
CHAIRPERSON CORY: I called the meeting to order. First we have the minutes.

COMMISSIONER BELL: I move it.

CHAIRPERSON CORY: Mr. Bell moves the confirmation of the minutes of June 5th. Without objection, subject to the order.

Mr. Northrop.

MR. NORTHOPT: Mr. Chairman and members, the Executive Officer's Report today is in fragments. I have a part, and Don Everitts is going to give a part.

The State Department of Parks and Recreation proposes to construct several recreational facilities along the San Francisco Bay shoreline at the Candlestick Point State Recreation Area. In response to a request for a permit application, Director Cahill has pledged his department's cooperation in applying for a permit, but requests during the interim State Lands Commission permission to proceed with pier repair work for the following reasons:

(1) The project is an "Immediate Public Use Facility" and is scheduled for completion by August 1979.

(2) Delay in project completion could result in the loss of available on-site community labor forces.

(3) The existing pier facility (outside State...
Lands jurisdiction requires immediate repair, but is part of the overall development and construction plan.

Due to the urgency of the request, with your consent, Mr. Chairman and members, I will advise Director Cahill that he may proceed with the pier repair work. A formal public agency permit covering the facilities will be processed by staff as soon as possible.

COMMISSIONER BELL: Did we clear this with BCDC at our last meeting for that one year?

MR. NORTHROP: I can't answer that, Mr. Bell.

COMMISSIONER BELL: I thought we did.

MR. NORTHROP: I had a memo from Mr. Cahill requesting this emergency movement, so I put it down at the time. If you think we should clear it with BCDC, we will do that.

COMMISSIONER BELL: No, don't.

CHAIRPERSON CORY: Without objection, that is approved. Proceed.

MR. NORTHROP: Mr. Chairman and Mr. Bell, we had a unique opportunity to work with the Air Resources Board and with some private entrepreneurs in the Santa Barbara Channel on tar seep. Mr. Everitts would like to discuss that program with you.

MR. EVERITTS: The Commission approved the formation of a study group about eight months ago. I have been acting as chairperson of that group. Originally, it
consisted of representatives from Santa Barbara County, industry, OPR, and myself. Since one of our problems was funding, I've also added the USGS and the regional coastal commission to the group to help us with some funding, we hope, down the line.

We were directed by you to explore the possibility of remedial action on any seeps and whether that would be technically and economically feasible. We picked one large seep that's about one mile east of Platform Holly, about a mile off shore in 225 foot of water. It was first documented by the Commission's inspectors in 1970, and has been under constant surveillance since 1973, at which time I personally inspected it and nearby abandoned core holes in a two-man sub.

Using funds provided by Atlantic Richfield Company, we determined that the seep is emitting 4.9 tons per day of nonmethane hydrocarbons. Previous estimates have indicated it is also producing somewhere between 40 and 80 barrels per day of oil.

We attempted to use a tethered video scanner, also funded by ARCO, to map the extent of the seep on the ocean floor. It did not work properly, but we were able to map it with a sonar ray which was part of the same system. Future survey will have to be done with a manned submersible.

The group is now proposing to collect the oil and
gas from this seep and produce it to shore. We determined
the seep occupies a maximum area on the ocean floor of
about 135 feet by 95 feet. We evaluated several proposals
and have determined that a tent similar to the one Union
is using at Platform A on their seep, and also used by ARCO
in the past, is the best approach. The tent would be
approximately 175 feet in diameter and would rise 25 feet
from the ocean floor.

The mixture of gas, oil, and seawater that we're
going to produce would go to an ocean-floor completed well
of Atlantic Richfield, and then from there through an
existing flow line, where it will be treated on shore.

The best estimate of the cost at this time is
about a million dollars. We've submitted a pre-application
to the Coastal Commission for money to survey the precise
extent of the thing and also to do some engineering design.
Since production will not be sufficient to pay out the
construction and operation of this system, other possibilities
are being examined. Atlantic Richfield has indicated some
interest in funding the program for purposes of emission
tradeoffs, and more recently Western LNG has indicated
considerable interest. Both companies now have all the data
necessary to review the proposal, and they are actively
looking at it.

Staff of both the local APCD and the Air Resources
Board are aware of the program and have indicated that if the 
seep were to be controlled, the 4.9 tons could be considered 
for emission tradeoffs and perhaps even banked for future 
needs. The banking concept is new, and the seep group 
believes that the Air Resources Board should be encouraged 
to continue to develop that particular plan.

MR. NORTHO brutal: Mr. Chairman, that completes my 
report. However, staff would like to have a very brief 
executive session on litigation at the end of the meeting 
if it pleases the Commission.

CHAIRPERSON CORY: How about the Coastal 
Commission?

MR. NORTHO brutal: No Coastal Commission report today, 
sir.

CHAIRPERSON CORY: Okay, the consent calendar. 
For the people in the audience, these are the items that 
have the prefix "C" in front of the agenda item numbers. 
They are C1 through C17. The agenda item indicates what 
the staff recommends that we do with them. The staff is 
of the opinion that these are noncontroversial items. If 
there is anybody that has any objection to any of these 
items as to the staff's recommendation for how we should 
dispose of them, if they would please speak up, we would 
delete those items from the consent calendar. If not, these 
will all be approved in one motion. That is items C1 through
Okay. Without objection, the consent calendar will be approved as presented. That's C1 through C17.

Item 18.

MR. NORTHRP: Mr. Chairman, this is a non-exclusive geological exploration permit for temperature gradient holes to be drilled in Lake County by Union Oil Company.

CHAIRPERSON CORY: Anybody in the audience on Item 18? Questions from the Commissioners?

COMMISSIONER BELL: None.

COMMISSIONER LYTTON: None.

CHAIRPERSON CORY: Without objection, authorization as the staff suggests.

Item 19, a prospecting permit to Vinnell Mining and Minerals 90 miles east of Barstow in San Bernardino County.

MR. NORTHROP: They're looking for fluor spar, Mr. Chairman.

CHAIRPERSON CORY: Are you going to tell us what fluor spar is?

MR. NORTHROP: I was afraid you'd ask that, Mr. Chairman.

MR. TROUT: Mr. Everitts said it was calcium fluoride.

CHAIRPERSON CORY: Calcium fluoride. What are they
going to do with calcium fluoride if they find it?

MR. EVERITTS: They use it in metallurgical processes.

CHAIRPERSON CORY: Wonderful. We learn something every day.

(Laughter.)

CHAIRPERSON CORY: Is there anybody who wants to save the calcium fluoride salamander?

Without objection, then, the prospecting permit will be authorized.

Item 20, rescission of geothermal prospecting permit to Management Engineering, Inc., and issuance of a prospecting permit to Getty Oil. Anybody in the audience on Item 20?

This is the item on which we heard an appeal from the man at the last meeting. We said that if he completed the items forthwith -- we gave him a time period, and he did not complete.

MR. NORTHROP: That's correct, Mr. Chairman.

MR. HIGHT: Correct, Mr. Chairman.

CHAIRPERSON CORY: I don't know what else to do.

We tried for him.

COMMISSIONER BELL: I'd say there's no alternative.

COMMISSIONER LYTON: As long as he had ample notice and ample time:

CHAIRPERSON CORY: He had ample time between last
COMMISSIONER LYTTON: There's no one appealing on this? He received the notice of this hearing?

CHAIRPERSON CORY: He was here personally. The staff wanted to do it last month, and I said, "No. If he's here and willing to go, sign now and finish up and go on your way." He assured us he was going to sign.

MR. NORTHROP: We have received a signature page only, Mr. Chairman, from the contract. As of this morning we have not received the necessary bond, and we did not receive the balance of the contract. All we got was the final signature page, which he had signed and submitted.

COMMISSIONER LYTTON: He has been served notice of this meeting?

MR. NORTHROP: Yes.

CHAIRPERSON CORY: Without objection the rescission and new issuance are approved as presented.

Item 21, adopt Article 4.1 of the Commission's regulations on geothermal exploration and development.

Anybody in the audience on Item 21? Anything the staff wants to tell us before we act? Are there any questions from Commissioners?

COMMISSIONER BELL: This conforms to our latest laws?

MR. NORTHROP: Yes.
CHAIRPERSON CORY: Without objection, then, the regulation will be adopted as presented.

Item 22, a request for proposals on an EIR in the California City area. Is there anybody in the audience on this? Any questions from Commissioners?

COMMISSIONER LYTTON: No questions.

CHAIRPERSON CORY: (Addressing Commissioner Bell):

If I am reading your question correctly, we need to ascertain whether or not our action, which relates to mineral leases, gives rise to further actions which could affect the environment.

MR. HIGHT: Correct, Mr. Chairman.

COMMISSIONER BELL: Which is why the EIR.

CHAIRPERSON CORY: Right. We're not doing anything, and by not doing anything we might have done something. Is that what you're telling us?

MR. HIGHT: That's close.

COMMISSIONER BELL: It's going to affect the surface rights, and what they do with the surface rights will affect the EIR because they might build on it.

CHAIRPERSON CORY: It would seem to me that it should be the problem of the guy who wants to build to do the EIR rather than us.

Without objection, then, permission is granted to circulate the request for proposals for the EIR as
described in Item 22.

Item 23, extension of Royalty Oil sales contract for a period of six months.

MR. NORTHROP: This is Basin Petroleum on the selloff at Huntington Beach, Mr. Chairman. We originally set the contract -- we set the contract for two years, but because at the time we did not know what DOE was going to do on crude oil pricing and what would happen, we allowed each party to skate in six months.

CHAIRPERSON CORY: It's still our best deal?

MR. NORTHROP: It's still the best deal we can get.

CHAIRPERSON CORY: And they're happy with it?

MR. NORTHROP: They apparently are, because they want to extend.

COMMISSIONER BELL: And the future extensions are also for six months?

MR. NORTHROP: Yes. We will be back every six months on this contract. We left a very short use, because we didn't know what was going to happen.

CHAIRPERSON CORY: Without objection, the extension requested in Item 23 is granted.

Item 24 is a maintenance dredging permit for 10,000 cubic yards on State-owned tidelands in Corte Madera Creek, Marin County, for Donald H. Gabrielsen. Anybody in the audience on this item? Any questions from Commissioners?
COMMISSIONER LYTTON: No questions.

CHAIRPERSON CORY: Without objection, the dredging permit will be granted as presented.

Item 25, authorization to file an amicus brief on behalf of the State in Utah v. Andrus. This relates to access over adjacent federal property, which was denied in the Utah case by the feds, and we want to get in and argue that we need access so we can get to our lands.

COMMISSIONER BELL: Mr. Chairman, as I understand it, the suit at the -- what was it? The circuit court or -- anyway, the Tenth District only covered Utah and does not cover California. So if it goes to the Supreme Court, if the Supreme Court finds in Utah's favor it will in effect become the law of the land and will also cover us. So we don't have to take any actions through a different circuit court. Is that why we want an amicus curiae in this case?

MR. STEVENS: Actually, there were two issues presented in the Utah litigation with respect to the Department of the Interior, the one being the lieu lands problem, in which California, like many other Western states, asserts the right to select lieu lands for school land parcels regardless of their value. That is the issue that is presently before the U.S. Supreme Court.

The second issue, the trailing issue, is this one of access, which we expect to be up there eventually.
as well. That's why we're asking permission to represent California in this litigation, so that both these issues can be resolved on a national basis. We think this could be an appropriate vehicle for the access problem.

COMMISSIONER BELL: Okay.

COMMISSIONER LYTTON: The amicus brief you file will address both issues, or simply the issue of access?

MR. STEVENS: Simply the issue of access in this case. We intend to address the issue of lieu lands and equal value in the case which the U.S. Supreme Court has already taken and granted cert.

CHAIRPERSON CORY: Without objection, then, the authorization requested in 25 is granted.

Item 26, City and County of San Francisco, 60-year general permit for a sewer outfall.

MR. NORTHROP: Yes, Mr. Chairman.

CHAIRPERSON CORY: And the no-rent thing.

We have Alan Kenck.

MR. KENCK: Yes, sir.

CHAIRPERSON CORY: Do you wish to speak on this, or are you happy with the staff's proposed disposal of this item?

MR. KENCK: Yes, sir. I am happy with the staff's proposal.

CHAIRPERSON CORY: Mr. George Murphy.
MR. MURPHY: Yes, sir.

CHAIRPERSON CORY: Do you have any --

MR. MURPHY: I have none.

CHAIRPERSON CORY: Is there anybody in the audience on Item 26?

MR. WORTMAN: Mr. Wallace Wortman, Director of Property for the City and County of San Francisco, just to stand by if you have any questions, and Dr. Louise Stoll of the city and county waste water program also.

CHAIRPERSON CORY: Is there anybody in the audience who has any problem with this proposed lease? Any questions from the Commissioners?

COMMISSIONER BELL: No.

COMMISSIONER LYTTON: No.

CHAIRPERSON CORY: Okay. Without objection, the permit is approved as presented by the staff.

Item 27, expenditures for subsidence maintenance and repairs, the City of Long Beach.

MR. NORTHROP: Mr. Chairman, in the past we have brought to the Commission after the fact figures in the subsidence and discussed it at that time. We are now using a different format. In this format we see the subsidence maintenance, being approved, is for $10,000, and the subsidence study is for $360,000.

CHAIRPERSON CORY: Anybody in the audience on this
item? Questions from Commissioners?

COMMISSIONER BELL: No. It seems practical.

CHAIRPERSON CORY: Without objection, the approval is granted.

Item 28, review of the third quarter production and revenue, Parcel A, City of Long Beach, Wilmington Field.

MR. NORTHROP: Mr. Chairman, our estimate will be approximately $310,000 less, due to one redrill that we're working on and did not project into this quarter, but we think it's prudent to do it now.

CHAIRPERSON CORY: You're doing the redrill, and it's the added cost of the redrill --

MR. NORTHROP: -- that's reducing the revenue that we projected.

CHAIRPERSON CORY: Is it the loss of production from the closed well?

MR. NORTHROP: No, the cost of the redrill itself.

CHAIRPERSON CORY: Anybody in the audience on that item?

All right. We have taken notice of your review.

Item 29, monitoring of possible subsidence and seismic hazards.

MR. NORTHROP: Mr. Chairman, I am informed by staff that any subsidence is within the normal range. There is nothing outstanding to report to the Commission at this
CHAIRPERSON CORY: And in the normal range, Long Beach will disappear by when?

MR. NORTHROP: No. Long Beach is going to be there. It's going to bound back up and do well.

Mr. Chairman, we should have the record show that the city attorney heard that so they will not come later and say they are sinking into the sea and want a whole lot of money.

(Laughter.)

CHAIRPERSON CORY: For the record, that was a facetious comment.

Item 30, adoption of standard lease provisions, covenants, and restrictions. These are the --

MR. NORTHROP: The tanker terminal regulations are now incorporated into leases.

CHAIRPERSON CORY: And the lessees have agreed?

MR. NORTHROP: The lessees have agreed in a meeting as of Thursday. The lessees and/or associations representing the lessees have agreed to it.

CHAIRPERSON CORY: Any question from anybody in the audience? Questions by Commissioners?

Without objection, Item 30 is approved as presented.

Item 31, boundary settlement, Brown's Island.

This is an undivided interest to another small portion of
Brown's Island, which is our land bank.

MR. NORTHROP: Yes, for the East Bay Regional Park District.

CHAIRPERSON CORY: The staff informed me that we are getting fairly close to exhausting --

MR. NORTHROP: Mr. Trout said that we have something under two percent left in that undivided interest, so we've got to go find another piece of property and start working on it.

CHAIRPERSON CORY: That ought to have a fairly high priority, because that enables us to expedite --

MR. NORTHROP: That's the problem, Mr. Chairman. This is one of the problems we're having.

CHAIRPERSON CORY: We want solutions, Mr. Executive Officer, not problems. We understand your problems. Just bring us the solutions.

MR. NORTHROP: The problem is this: If SB664 goes through, we may be limited from doing these things. I think it's very important to note for the record that our ability to make these kinds of exchanges and free up tidelands and allow people to develop areas that are developable, and by the same token allow us to get lands that are in marshy condition and suitable for restoration may well be jeopardized by that bill.

CHAIRPERSON CORY: That's your problem. It's in
the record. We expect a solution next week.

MR. NORTHRUP: The staff appreciates the support of the Commission in opposition to that bill.

CHAIRPERSON CORY: Anybody in the audience on Item 31? Questions from Commissioners?

Without objection, then, we will authorize acceptance of that additional portion.

Item 32. You want us to approve the continuation of the forest rehab program.

MR. NORTHRUP: Yes, sir.

CHAIRPERSON CORY: What have we done so far?

MR. NORTHRUP: We have planted, in the last year, over 118,000 trees on about nine sites. We are in the process now, if you approve of this, of selecting some other sites and going area by area.

CHAIRPERSON CORY: Is this an appropriate time to ask if the trees that we've planted are living?

MR. NORTHRUP: Our chief forester isn't here today, but the fellow he used to work for is.

MR. TROUT: At the suggestion of the Department of Forestry, most of the plantings were done under one of two bases: One a completely cleared area, and another in area left with brush. We've had moderate success in the brushy areas and good success in the cleared areas, and we will continue with cleared lands only.
COMMISSIONER LYTTON: What is "moderate success"?

MR. TROUT: Something between 25 and 50 percent.

That's as good as the industry does other than tree farms.

COMMISSIONER LYTTON: Between 25 and 50 percent survive?

MR. TROUT: Survive. In the other areas up to 75-80 percent have survived.

CHAIRPERSON CORY: It's the competition for water?

MR. TROUT: That seems to be the major thing.

There was some argument that the brush would protect the small trees and keep the cows from stepping on them and dirt bikers from rolling over them. But the competition for moisture in most of these areas where we have remaining land seems to be the controlling factor.

CHAIRPERSON CORY: And we are putting priority on the open land?

MR. TROUT: Yes. We were able to clear a number of sites during this fiscal year that would be planted under this program for the next fiscal year. Around 400 acres.

CHAIRPERSON CORY: Anybody in the audience on this item? Any questions from Commissioners?

Okay. You have the approval.

Item 33, authorize the implementation of a standard policy concerning charges to public agencies for permits and leases.
MR. NORTHROP: Mr. Trout will address that subject.

MR. TROUT: This is just related to a number of public agencies that have requested waiver of the normal processing fees. Staff feels that, in effect, the Commission's budget is subsidizing these agencies, and this standard policy would require all public agencies to pay the filing fees and the processing costs except in the condition where the Commission itself sought out someone to manage land for it, as we do on occasion with Fish and Game. Otherwise, we would expect all agencies to pay their costs.

CHAIRPERSON CORY: Anybody in the audience on this item? Everybody is happy with this?

MR. TROUT: I'm not sure we can arrive at that conclusion.

COMMISSIONER LYTTON: Nobody wants to object to paying their fair share.

COMMISSIONER BELL: The question is: Will they pay?

This does not require legislation?

MR. TROUT: No. There is already legislation that authorizes the assessment of these fees.

COMMISSIONER BELL: Thank you.

CHAIRPERSON CORY: Without objection, then, Item 33 is approved as presented.
Item 34, Silverking Oceanic Farms, Inc., amendment of a ten-year industrial lease for an exposed fishway as opposed to the covered tunnel that's already there. It seems the fish prefer the scenic route rather than the tunnel.

MR. NORTHROP: Yes. They just will not go into a dark tunnel.

CHAIRPERSON CORY: It shows good sense on their part.

(Laughter.)

CHAIRPERSON CORY: Is there anybody in the audience on Item 34? Any questions from Commissioners?

COMMISSIONER BELL: No.

CHAIRPERSON CORY: Without objection, it is approved.

Item 35, authorized settlement for some over-exuberance on the part of our cleaning project. Is there anybody in the audience on this item? Any questions from Commissioners?

COMMISSIONER BELL: No. I think it's a fair settlement.

CHAIRPERSON CORY: Without objection, that authorization is granted.

Item 36, authorizing the staff to conduct two public hearings on the draft EIR for the Wickland Oil Marine
Terminal in Selby, Contra Costa County. Any question from Commissioners?

Without objection, authorization is granted as requested in Item 36.

Item 37, UCO Oil Company wants a small amendment to their existing lease.

MR. NORTHROP: Mr. Chairman, there is some language change Mr. Trout would like to give you now on that.

MR. TROUT: Mr. Chairman, in the resolution on page 159, item 5(C)(2), a phrase was left out. Between the phrase about 3 mils per barrel and the phrase about 9 mils per barrel, we should insert the phrase:

"and thereafter $0.006 (6 mils) per barrel for the next 20,000,000 barrels;"

That's the intent, and that would make it consistent with the discussion in the calendar item on page 156, where it is subsection (d).

COMMISSIONER BELL: Where is the insert? The sentence reads that "the rental shall be $0.001 (1 mil) per barrel . . . ."

MR. TROUT: Then 3 mils per barrel, then there should be a 6-mil-per-barrel 20,000,000 barrel increment, and then the 9 mils per barrel.

CHAIRPERSON CORY: They just left out a step.
COMMISSIONER BELL: So it's 1 mil, 3 mils, 6 mils, and 9 mils, and the 6 mils was left out.

CHAIRPERSON CORY: If you didn't add that in, it would increase the rate because you'd go to the 9-mil rate quicker.

COMMISSIONER BELL: Or they might be discouraged from going quite that fast.

CHAIRPERSON CORY: Is there anybody in the audience on this item? Any questions from Commissioners?

Without objection, then, the UCO amendment is approved as amended to reflect the 6-mils increment.

Item 38, authorize the executive officer to solicit and execute a continuation of the Lobal-Novins contract. Is there anybody in the audience on this item?

Questions from Commissioners?

COMMISSIONER LYTTON: This is strictly to handle our work in relation to energy matters and the DOE pricing matters?

MR. NORTHROP: Right.

COMMISSIONER BELL: Is this similar to the amount for the current year?

MR. NORTHROP: We had this contract for the current year, but then because we were really doing a lot of work we raised it $10,000. So compared to the current-year expenditure, this is $10,000 less than we have at the present
time. But it's the same contract that we approved last
year in amount.

COMMISSIONER BELL: When we started it was $50,000,
and this year again it's $50,000?

MR. NORTHROP: That's right.

COMMISSIONER BELL: Okay.

CHAIRPERSON CORY: We've in essence said we want
to go back to our basic floor.

MR. NORTHROP: Hopefully, we can stay there. If
not, we'll have to come back.

CHAIRPERSON CORY: Soon there won't be a DOE, right?

Without objection, then, authorization is granted
as requested in Item 38.

Item 39 is approval of service agreement with
the City of Capitola for a survey of a trust grant to
Santa Cruz County. Anybody in the audience on Item 39?

COMMISSIONER BELL: They pay us for doing this,
don't they?

MR. TROUT: That's correct, Mr. Bell.

CHAIRPERSON CORY: Without objection, approval
is granted as requested in Item 39.

Item 40, land exchange. Can you tell us about this?

MR. NORTHROP: Mr. Chairman, Mr. Trout has been
working on this land exchange to try to get us some decent
property and get us out of some bad areas.
MR. TROUT: We have 40,000 to 50,000 acres of school land within military reservations. The Department of the Army through the Department of General Services Administration has offered an exchange of holdings at Fort Irwin for property at Camarillo, which was formerly a portion of the Camarillo state hospital site, which was sold to the United States and has now been excess to their needs.

Also, there is a small piece of surplus property at Dixon, which we may need to balance the dollar value. So we ask authority to work on both of these.

CHAIRPERSON CORY: Okay. Any questions?

COMMISSIONER BELL: Does this come back for final settlement?

MR. TROUT: Yes, it would.

CHAIRPERSON CORY: Without objection --

COMMISSIONER LYTTON: No objection.

CHAIRPERSON CORY: -- authorization is granted.

Item 41.

MR. NORTHROP: Mr. Chairman, this was on the calendar last month, and it was put over, as you recall.

CHAIRPERSON CORY: The Corps of Engineers was having a hearing?

MR. NORTHROP: That's right.

CHAIRPERSON CORY: Can somebody on the staff tell
us what happened at that hearing?

MR. THOFT: Mr. De La Cruz, our land agent, and Dave Hadly, one of the staff counsel, attended the meeting. If there are particular questions, they are here to answer them.

There were about 200 people attending the hearing. Approximately 15 people were supportive of the surfers and asked for additional studies to be made before the rocks were taken as proposed. The balance of the people, we understand, wanted to move ahead with the project, which was of particular benefit to the people in the community in launching their boats.

The site was studied by Dr. Richard Seymour, who is a consultant to the California Boating and Waterways Department, who felt that a portion of the rocks could be removed. Subsequently, Dr. James Kimo Walker from Hawaii, apparently a nationally known surfing expert, has looked at the site and does not necessarily agree with Dr. Seymour. The Corps of Engineers is going to take about 45 days -- probably about 30 days now -- to review it and make their decision.

The opinion of staff is that it would be very difficult -- if the State Lands Commission lease were to be modified, it would require the staff to basically go out and police the district's contractor to make sure that rocks
of one kind or another, either as proposed by the surfers or as modified by the Corps permit, were actually taken. The proposed permits to the district would require them to comply with all other permits issued, so they would be limited to the most restrictive permit they obtain.

They have a Coastal Commission permit. If they obtain the State Lands Commission permit, they would then have the Corps permit to get. If the Corps study should determine that rocks should come from some other location, that would be the most limiting factor, and the district would have to comply.

Therefore, from the standpoint of the staff, we recommend approval of the item as submitted, which would be the assignment of a current lease from Mario Machi to the district, and then an amendment of the permit to allow the district to take rocks and add to the breakwater that's up there.

CHAIRPERSON CORY: Subject to approval to the Corps?

MR. TROUT: The lease document does in its terms require that they comply with the terms of the Corps of Engineers permit.

CHAIRPERSON CORY: Okay. We have a lot of people who'd like to talk to us on this subject. Jack Alderson is the executive officer for the district.
MR. SCOTT: Mr. Chairman, my name is Jeremiah Scott, and I am counsel for the district. We have several residents and citizens of the Garberville/Shelter Cove area here. Not all of them desire to speak, but we would request your pleasure in listening to three of them, and perhaps a fourth.

CHAIRPERSON CORY: Okay.

MR. SCOTT: I'd like to call on Mr. Mario Machi.

MR. M. MACHI: Mr. Chairman and members of the Commission, I am the property owner in Shelter Cove who is involved in this issue. I've owned the property for 32 years. During that time, I have been trying to improve conditions in Shelter Cove. I worked with the Harbor Commission, with the supervisors of Humboldt County.

May I pass this out? Have you seen this? This is 1959, the first attempt at trying to get a breakwater in Shelter Cove. That's a newspaper clipping that we had. (Thereupon copies of the clipping were distributed to the Commissioners and staff.)

MR. M. MACHI: As I stated before, we have tried several times to work with the county, because we never did have the funds to do the job. In fact, Shelter Cove, as you know, is part of the "Lost Coast". Being part of the "Lost Coast", when we first got there, there was nobody there,
no one at all, an abandoned place, a little dirt road coming into the place.

Since that time, by word of mouth, little by little we have increased the people using the cove. I built this little breakwater that's there now. I made many efforts with the county to have the county help us, which never did succeed. Something always happened. Money wasn't available or something.

I feel a great responsibility in the development of Shelter Cove. It's not a monetary responsibility, because I've been there for 32 years, and for the first 20 years I couldn't make a living at Shelter Cove. But I loved the place, and I'm sure that it will develop and people will develop.

Since that 32 years that I have been there, I think this is a first step to making this place available to the public, is public access to the beach. I am willing to give this public access to the beach providing that other improvements are made that will benefit the public, like this breakwater, for instance, as one item, because of the danger involved and the safety things that are involved in this breakwater.

Let me put in order what I think after 32 years of watching what goes on in Shelter Cove, what I think are the important things in Shelter Cove.
The first one at the present time is commercial fishing. The next thing is recreational fishing. (This is according to use.) The next one is abalone fishing. The next is beachcombing. The next is swimming and playing on the beach for children. We have the finest beach in the whole northern part of California. It is the only beach that is safe for little children to play. No undertow at all. It's absolutely flat.

And the last thing I have on the list is surfing -- according to use.

Let me say something about the future of surfing. Rather, let's start with today. Today you see one day two people surfing, maybe three. One day you might see five. There will be three or four days a week where nobody shows up, and then there's two people, and then there's three. This is the way surfing goes in Shelter Cove.

As far as the future is concerned for surfing, there is no future. Forty years from now it's going to be the same as it is today for the simple reason that there is only a small area that the surfers can surf, very small. In fact, one member of the surfing group stated that one man at a time can ride towards the beach because of the danger of the rocks and because of the way the waves come in. There's just a little, small place that is not very important.

So surfing in my list comes last as far as
recreational activities in Shelter Cove and commercial activities. It comes last.

Now let's see what else I can tell you.

When we're going to take the rocks out, and a lot of the rocks are involved in Dead Man's Gulch. I think the permit says 25 percent. Now the surfers surf on the south side of the jetty -- of the rocks, excuse me, the south side of the rocks. We would like to take the 25 percent of the north side of the rocks. I'm sure we could do this without affecting the surfing at all.

I think that's about all I can cover. If there are any questions that anyone would like to ask me, I'd be very happy to answer.

COMMISSIONER BELL: Mr. Machi, under Governor Pat Brown the State became interested in this because of the entire north coast this was the only opportunity that boaters had for a harbor of refuge under adverse conditions.

MR. M. MACHI: That's correct.

COMMISSIONER BELL: Your classification, which included about six items -- would the harbor-of-refuge principle fall under the recreational classification you had?

MR. M. MACHI: It would fall under both commercial and recreational.

COMMISSIONER LYTTON: I'm just curious about a couple of facts. How many launches are we talking about at
present?

MR. M. MACHI: We had last year, the year before, a hundred commercial dories, fishing boats, in Shelter Cove permanent. As far as I can come, we've got close to 18,000 launchings and 18,000 landings, which makes 36,000 times that people come in behind this breakwater, because the landing and the launching are two different operations, and you've got to consider them separately. You can't just take 18,000 launchings. It's 18,000 launchings and 18,000 landings.

COMMISSIONER LYTTON: And how many will be involved if the breakwater is improved?

MR. M. MACHI: There will be many more coming if we have safety. A breakwater is a great safety factor. You see, the way the breakwater is constructed now at high tide the water goes over the top of the breakwater and comes in with a side wash, and when a boat is trying to reach the beach it's pretty dangerous. He gets knocked over. We have not lost any lives there in Shelter Cove, but the only reason is there's always someone there on the beach that runs out and picks them up so they don't get hurt. But otherwise, if there was no one on the beach, we'd have some serious problems there.

COMMISSIONER LYTTON: Is the addition of the additional boat capacity going to affect the ability to use
the beach or to swim?

MR. M. MACHI: No. We are a little different
than most places. Most places they're launching one boat
at a time like on a launching ramp. In Shelter Cove, that
area behind the breakwater, you can launch 15 boats at one
time. Fifteen boats will go out and land at one time.
There's plenty of room behind that jetty to do that.

COMMISSIONER LYTON: And adding the additional
boats won't impact on the people who are using the beach
for other purposes like swimming and --

MR. M. MACHI: No, actually not. The jetty we
have there now is about 300 feet out to one point and 250 feet
long, and in fact it enhances the swimming, because we have
had some sand fill in there, which we expected, about three
feet of sand, and it's hard-packed sand that you can drive
on and launch from, very fine sand. Many children swim on --
it has caused the sand to fill in on down the beach a little
ways, and it has made a beautiful swimming beach for children
to play in.

COMMISSIONER LYTON: I have no other questions
of this witness.

CHAIRPERSON CORY: Thank you very much.

MR. A. MACHI: My name is Tony Machi. I am also
a 32-year resident of Shelter Cove.

In the past few weeks I have written letters to the
Corps of Engineers, a couple of letters to the Eureka daily newspaper, a letter to the editor, just coming up with every argument in favor of the project that I could think of. What I would like to do at this time is a condensation as much as I can. It would take me a few minutes, if permissible, to come out with every important point that I could possibly think of. Would that be agreeable with you?

CHAIRPERSON CORY: Sure.

MR. A. MACHI: All right. Some of this will be a little bit repetitious, but I will go through it fast.

We have four major problems. When we have low and medium tides, we have a beautiful beach. There's lots of room. Like my brother said, many cars can launch and maneuver on the beach. No problem.

But as the high tide approaches a five-foot level or higher, then there is absolutely no beach there. No vehicles can get on that beach, which really creates problems. If this happens in the middle of the day -- and in the summertime it happens very frequently.

So what you're faced with if you go fishing is you have to decide whether you're going to come in to the beach two hours before the high tide or two hours after. Well, as a result, many boats have to come in at one time, and this is what creates the problem. There is severe congestion. Everybody is in a frenzy to try to get their
boats off the beach safely.

The other one, in conjunction with this, is that we have a one-lane unpaved road. When we have congestion on the beach, we have the same congestion on the road, because everybody's trying to get up and down this road with their boats and to pick up their boats.

We get at least one light rain in the summertime. Being that the road is unpaved, it gets so slick that the only vehicles that can use it are four-wheel drive, so that causes tremendous problems.

CHAIRPERSON CORY: Pardon me if I interrupt you. We are looking at a picture here. The road you're talking about is the road from the top of the bluff down to the beach?

MR. A. MACHI: Right.

Now another big problem is the vehicles being stuck in sand and saltwater. This happens all the time. What's bad there -- and a lot of people probably don't even realize it -- is that they suffer tremendous damage to their vehicles, because the sand and saltwater get in their brakes. Just as an example, a neighbor of mine got stuck just one time. A few days later he had problems with his brakes. It cost him $160 to repair the damage due to the sand and saltwater. We don't know how many cars and trucks are involved in that same situation.
As my brother mentioned, one of our biggest problems is boats being swamped and overturned. Again, we've had no drownings, luckily for that. He already mentioned that. But these boats today, even small boats, 14-footers, are equipped with CB radios, depth finders. It's amazing the equipment they have.

If you get a boat swamped, nine times out of ten you're going to lose your commercial gear because once it goes under water in saltwater, it's most likely finished. The commercials -- we have had this happen. A man goes out there and fishes all day long, long hours, and comes to the beach with his catch in a small boat from his big boat. It gets swamped in the surf. We have had men lose their entire catch, a lot of salmon.

Twenty years ago, as my brother mentioned, we decided to build this jetty to alleviate this swamping problem. We did this with the full approval and all permits necessary from the Small Craft Harbor Commission, the U.S. Army Corps of Engineers. We took rocks from the two nearby reefs, and a few from the Dead Man's Reef. This cost us a little bit of money, several thousand dollars.

I'd like to mention that the jetty is there today for you to see and see how it operates. This was put together by one D.C. tractor loader and one Army dumptruck. Two men were able to do that complete job -- not complete, but as far
as we could get with it.

The jetty has worked -- and it is working -- perfectly on medium and low tides only. But high tides, again, for the reason I stated -- no beach, completely useless. Plus the fact the water comes over the top of it and creates an additional hazard.

Again, this is what our project is all about. We have to raise the height of this jetty, complete the length of it, to make it effective at the high tides.

Now this will be effective providing the rest of the project goes through, goes ahead, and that is a turn-around area at the base of the road that will eliminate the hazard at the high tide, and we could use an extra-wide boat ramp so more than one or two boats can launch and receive the boats at the same time.

Again, to cure the boat problem, to pave and widen the road to two lanes. This has already been agreed upon.

Now the congestion we're talking about is not due to overuse or crowding, but from a lack of the proper facilities. My brother stated that we can accommodate many more boats. If you have a smooth operation, there will be no problem. We have been there 32 years. We started from scratch. I think we can speak with authority. We've been there. We've done it.

This project -- no need to say it -- is so very
badly needed. It's a golden opportunity for us, and it will benefit literally thousands of people, because they come from all over the state. Actually, we have records to prove it from people who camp there, from people who launch boats, from rental boats.

In the beginning when we approached the Humboldt Harbor Recreation Commission, they wanted to know what the public input was, how much interest. We got together a petition with over 5,000 signatures, which was quite a surprise to them, and this, I have to state firmly, was not blind support. This comes from people that we know, actual users of the cove.

As you know, it has already been approved by the Harbor Commission. It has been funded and surveyed. It's approved by both the Regional and the State Coastal Commission. If it were not for the surfers, we just know that there'd be no problem in getting a permit from the U.S. Army Corps of Engineers.

This entire project hinges on the rocks at Dead Man's Reef because of their proximity to the site and the ease of transportation, which we have proven can be done. This also makes the project feasible costwise.

The surfers want to haul rocks from somewhere else. This would be great if we could find somebody to pay for it. We also have another problem. The state has stated
definitely that they don't know whether they will allow heavy loads of rocks to go over our secondary roads. This was stated by a supervisor. So that's what makes rocks from other areas absolutely prohibitive, and it would also kill this project if we are forced to do that.

We have had very qualified men from Humboldt State University oceanography department and from the Scripps Institute of Oceanography and others who have examined the site personally, and all state that rock removal will not adversely affect the surfing. In fact, it might very well improve it.

The surfers -- I have to state that we are not against surfing. We like to see them surf. That's great. That's fine. They're having their fun. But because of what they're doing, we have to kind of specify against them a little bit.

Surfers will absolutely not listen to anyone. No matter what the qualifications of these people, it means nothing to them. We wonder what qualifications they have other than just being surfers. If surfing were to be destroyed by a large breakwater, we could understand their apprehension and objections. But we are positive this will not happen. I will give you just the proof of this.

Surfing, for one thing, knows no season. It doesn't depend on any tides or time of day or anything.
Whenever the surf is right, they surf. It makes no difference. At low tide the rocks that we are talking about, every single rock that we are able to take and will only take -- because the piece of equipment will not operate in deep water; it will only operate in a couple of feet of water at the most; they're not about to go into deep water with it. So every rock we are speaking of is high and dry. Yet -- and believe me; I've been there -- these surfers are able to enjoy long rides right to the beach completely away from these rocks as if they did not even exist.

Now at high tides it has been mentioned that the surfing will be enhanced by removing some of these rocks. The reason for that is that at high tide these rocks are just under the surface, not very far. If you surf right over these rocks, with the spills that these boys have to take, it could be very dangerous. What I like about the surfing, what I get a thrill out of, is watching the spills that they take. They go over frontwards, backwards, upside down, and they take some spectacular spills. Some of them have gotten hurt. They come in with broken noses and black eyes and so forth. So that's something to consider.

We think their fears are completely unfounded. We think they're just so stubborn they won't listen to anybody. The surfers have gotten great support. That is proved by the letters. We're outnumbered by letters and cards.
I don't know, one hundred to one, two hundred to one. However, this support comes mainly from Southern California and as far away as the Hawaiian Islands. Now most of this is blind support. I will give you a little example here. If they're are any surfers here, I wish they'd listen closely. I already read this at another meeting, but I wish they'd pay attention. Now this letter is from Mr. Steve Pezman, he's a publisher and editor of Surfer magazine. This is written to Dr. John Ball. Dr. John Ball -- he's retired now -- is a very expert surfer. He has lived at Garberville for over 18 years. He is the first surfer at the cove. He is responsible for the promotion of surfing in the north coast. He wrote a letter to this Mr. Pezman, letting him know exactly what's going on there, what the issues are, and this is the return he got. It's dated April 23rd.

"I think what's happened here is that some Northern California surfers who didn't agree that the removal of rock at Shelter Cove wouldn't harm the surf turned for help to the surfers of the south" (referring to the Western Surfing Association; and I'd like to stress this:) "who don't have sufficient local knowledge to do anything but blindly
support the northern surfers."

Now when you consider the source, the editor of one of their own surfing magazines, I think should really tell all of us something, especially the surfers. So they don't necessarily have the backing of every surfer. It's blind support.

The support that we have is not blind. We've been talking about people who have been there.

In fact, I just want to make the quote that Dr. Ball said. He was at the Coastal Commission hearing in Eureka. He said:

"In a sense I am being a traitor to my own kind, but in all honesty I think the surfers are absolutely wrong and that removal of the rocks will, if anything, improve their ride."

Now this is pretty tough for him to do as a surfer. He knows some of these boys personally. He's talked to them, tried to get them to back down. No way. They will just not listen to anybody.

You speak about the economics involved here. When we talk about fishing, you're talking boats, motors, electronic gear, fishing gear, licenses, daily operating costs, and so forth. There's thousands of dollars invested, without exaggeration. We have inboard-outboard boats. Quite a few of them come in. Now when it comes to surfing, if you
have a board and a wet suit, and some of the brave ones
don't even have a wet suit, that's all that is involved.
It's an individual, strictly an individual thrill-seeking
pursuit. That's what I call it. That's all it is. I
admire them. I'd like to have them have some fun. But not
when they try to stop a program that we want to get going.

The surfers, they exaggerate. They make it sound
like our place is some of the best surfing on the north coast.
But as my brother emphasized, it's a small area that
Mr. Galati, who represents the surfers, he himself said
publicly at a coastal advisory committee meeting -- we asked
him, "How many surfers can ride a wave at one time there at
the cove?" He said, "One." Now that's a big deal. One surfer
at a time.

Why? Because it's so small. These boys don't just
get on a surfboard and ride straight to the beach. They've
got to show, you know, their ability. They zig-zag all over
the place and so forth, so it would be dangerous to have
too many surfers in there at one time. This will never
change, because that reef will never change.

Someone mentioned at that meeting that they had
two competitions there with 150 people. They made it sound
like a big deal. But he didn't mention that both of them
were complete fizzes because that surf there is not as
consistent as they try to say it is, because you can't rely
on it. They don't tell you how many times they come, and
all you have to do is look over the bank, see the condition
of the water, and they take off. They go home, because
there's no way you can surf. That's what happened on two
competitions. You just can't rely on the surf that we
have there.

Surfers are a very small group. Not one of them
lives at the cove. Not one of them owns property there
or has any commitments whatsoever.

I think we should get our priorities straight.
We've got something here that involves a lot of people, a
lot of people. Why should a handful of kids, you might say,
who -- I'm going to say this -- are playing in the water
(that's what it amounts to: they're playing in the water)
-- why should they be permitted or given this kind of power
where they can throw a monkey wrench and stop a project like
this? I can't see it. I think there's something wrong,
something wrong.

So we hope we get the necessary permits from both
the U.S. Army Corps of Engineers and from this Commission
so that we can get going.

One last thought here: This battle, you might call
it, is not between surfers and individuals. It's not between
surfers and property owners. It is between surfers and
state agencies: the Coastal Commission, the harbor
commission. It's already passed and approved. Please bear that in mind.

Thank you very much.

CHAIRPERSON CORY: Thank you. Is there anyone else who wishes to speak in favor?

MR. HAMMER: Mr. Chairman, I am Carl Hammer. I have a residence at Shelter Cove. I am a senior citizen, a retired naval officer. I am speaking as an individual, but I believe I represent the thinking of many of our senior citizens.

Shelter Cove is a developing community. There are approximately 50 residents there at the present time. We estimate that over three-fourths of the residents in Shelter Cove are senior citizens. One reason so many senior citizens decide to live at Shelter Cove is the availability of the abundant good fishing off the cove itself.

Not only do we have many senior citizens who are residents at Shelter Cove, but in looking over the hundreds of fishermen who come there for sport fishing, we believe that as many as 20 or 30 percent of this group are senior citizens. In addition to that, we know that of the commercial fishermen that Mr. Machi mentioned, at least 20 to 30 percent of that group now are in the senior citizen age.

One of the greatest fears of a senior citizen is that of accident. Mr. Machi has mentioned that over the many years many accidents have occurred on the beach in...
launching and in retrieving boats. Many of our senior citizens are experienced boatmen, and many of them are not. In over 25 years of fishing at Shelter Cove, I have personally seen many boats capsize in the surf and have helped a number of times in dragging people and their equipment out of the surf. The beach can be gentle or it can be treacherous. The launching or landing conditions, as Mr. Machi mentioned, can change very rapidly. With the increase in use through the harbor district acquisition, this increases the need for a better-protected beach.

A breakwater at Shelter Cove has been under active study and consideration for over two decades. Governor Edmund Brown in 1959 signed a $460,000 bill for the construction of a breakwater at Shelter Cove. It never happened. We seniors hope that a process of delay will not make us wait for another 20 years. Most of us will not be around by then.

Thank you for listening. Are there any questions?

CHAIRPERSON CORY: No. Thank you.

Is there anybody else who wishes to speak in favor of this project?

MR. GRADER: Yes. Mr. Chairman and members of the Commission, my name is Zeke Grader, and I am the general manager for the Pacific Coast Federation of Fishermen's Associations. We represent 15 California commercial
fishermen's organizations from Crescent City in the North to San Diego in the South. We represent all the organized commercial salmon fishermen in the State of California, as well as all the organized commercial Dungeness crab fishermen.

Both of these types of fishermen use Shelter Cove, and they have for a period of years. Salmon fishermen have probably used Shelter Cove as an anchorage and as excellent adjacent fishing grounds to that area for approximately 50 years or more.

We have had a number of concerns with what's been happening in Shelter Cove for the last few years. One of our biggest concerns has been the destruction, we feel, of that anchorage by the placing of engine blocks for moorings for small boats there. What's happened is these engine blocks have been placed down as anchors for moorings. In the winter storms they wash away. The engine blocks, however, are left on the bottom. They've had a tendency to foul the anchor gear of most of our vessels, vessels coming out of Fort Bragg or Eureka, transient vessels going up and down the coast.

What it's done is it's forced these larger boats further and further out in the anchorage into some very dangerous conditions now. We do think that the creation here of an enlarged breakwater will help the situation here. However, we don't think that's the only thing that's
necessary. We do believe there's going to have to be some action to stop the dumping of these engine blocks for moorings there. Certainly the improved conditions for the launching of small boats will make it unnecessary to have moorings for these vessels, since they can be removed from the water each day.

One other concern here is that whatever type of development does go on -- and this is a big concern of our fishermen -- is that no one individual have a monopoly at Shelter Cove for any of the activities going on there. I think this is a big concern of our people. I think that and the engine blocks are two immediate concerns, but we do support the creation of an improved breakwater. I do not wish to get into the issues surrounding surfing or what kind of development takes place on shore. I don't think those things concern our people.

Thank you.

COMMISSIONER LYTTON: I'm not sure I understand your concern about the engine blocks. Is that something you're asking the Lands Commission to address?

MR. GRADER: Yes, I would. We addressed a letter some time ago to the Humboldt Harbor District, the Corps of Engineers, and the State Lands Commission about this problem, wanting to know who is responsible for placing these engine blocks on the bottom. It's been going on for
the last few years now. As I say, it's destroying this anchorage. We got no reply whatsoever. As I say, a letter was addressed to the State Lands Commission approximately three or four months ago or more.

COMMISSIONER LYTTON: May I ask counsel if that's an item that is appropriately within our purview?

MR. TROUT: Mr. Lytton and Mr. Chairman, if I may, the harbor district had asked for a considerably larger area in their initial request to the Commission. Staff's concern at that time was that the harbor district did not know exactly how they wanted to use the area.

By agreement with the harbor district we reduced the initial phase of this project down to what's before you today, which is the breakwater, the boat-launching ramp, and the removal of the rocks. The district would submit to the Corps of Engineers and to the Commission within a year a mooring plan for a larger area in Shelter Cove. That mooring plan will solve the commercial fishermen's problem, and it will solve a long-standing problem of concern to the Corps of Engineers, and I think it will make the area more useable as a harbor of refuge which is a very important aspect.

So it is a part of what the district intends to do. However, it is not directly a matter of this calendar item.

COMMISSIONER LYTTON: Similarly, I don't understand
CHAIRPERSON CORY: The staff proposal is transferring it to Getty. Getty wants it? Is that correct?

MR. EVERITTTS: Yes. Essentially what we are saying is that the Commission authorized a prospecting permit in April of last year to Management Engineering. Copies of the permit were sent to Management Engineering on the 30th of March. Or the Commission authorized it in March and copies of the permit were sent in April. We did not hear until September of last year.

We wrote them again and told them that we wanted the thing signed or we were going to do something. Go back to the Commission.

Now, we believe that they have had over a year now. We don't have any problem if they want a permit and if they want to operate on it.

EXECUTIVE OFFICER NORTHROP: I think it is fair to point out -- and I am sure that you recall -- the policy of the Commission and the staff has been to promote geothermal. What we have attempted to do in this calendar item is to bring particularly that area of Imperial Valley into a --

MR. RODDA: Just to correct the record, it's Cuttyback Lake. And as the surface owners of the property, we do not object. That's why we arranged for the Getty Oil Company. We do object having somebody who is in a position of authority telling us what is going to happen
where to our particular properties.

We are not surfers, although as you know, I live in Newport Beach. But still, in this particular instance, we are concerned as surface owners.

CHAIRPERSON CORY: Why didn't you sign the lease and send it in?

MR. RODDA: Because we had struck a bargain with the Getty Oil people which allowed us to work with them as a joint venture type of arrangement. We did everything. We got the EIR. We did all of the things necessary for our permit. They were to carry on from there which would allow us, as the permittee, to control what happens to our property. We are very happy to work with Getty Oil Company under that basis. All we are asking for is give us a few days to get our bond.

CHAIRPERSON CORY: I'm trying to be nice about this, but I want to ask you a very tough question. We approved something. We sent you a lease. You didn't sign it. You didn't return it. And when we wrote you another letter a month ago asking you to get with it, you didn't respond.

MR. RODDA: We talked with Mr. Priddy.

EXECUTIVE OFFICER NORTHRUP: Mr. Priddy had a heart attack about a week and a half or two weeks ago. I haven't had a chance to talk with him.
CHAIRPERSON CORY: Your problems with Getty really don't relate to us.

MR. RODDA: I understand that. So what I am asking is not that you try to resolve our problems with Getty. We are not in an effort to try to resolve. We have tried to resolve that with new personnel who had only meager knowledge of the commitments that were made and upon which we relied. Our only interest is in getting some time.

Now, when we talked with Mr. Prithee, he did not tell us that we had or would have a condition in which we received a letter on May 31st and an action which is decidedly adverse to us which forfeits all of our environmental impact moneys, all of our deposits and everything else, and would be taken five days hence.

CHAIRPERSON CORY: Have you signed the--

MR. RODDA: We have. And all that is remaining is the obtaining of the bond which is an essential condition precedent to the submitting of the permit.

CHAIRPERSON CORY: Do you have a copy of the signed lease?

MR. RODDA: I don't have a copy of anything here.

CHAIRPERSON CORY: Are you authorized where you can sign it today?

MR. RODDA: Yes, I'm authorized to sign, and I
have with Jay and Renfroe applied for the permit.

CHAIRPERSON CORY: If they have gone this far, if the guy is willing to go ahead -- if he is willing to sign today and have the bond within, what, 15 days?

MR. RODDA: However many days it takes to issue it. We will have it by your next meeting.

CHAIRPERSON CORY: I'm willing to -- can we approve this thing subject to it being signed by the representative today and the bond being here within so many days? Give like 21 days. If Jay and Renfroe can't do that, you ought to get a new broker.

MR. BELL: And on the 27th, we will rescind the action if it isn't.

CHAIRPERSON CORY: If it's not in on a given time, then -- can we do that?

MR. HIGHT: Let me read a section of the Public Resources Code. I think the answer is yes, you can.

"Whenever a lease is delivered to an applicant by the Commission, the lessee shall, within 30 days thereafter, execute and return the lease to the Commission."

There is probably, I think, an automatic termination of the lease for failure to comply with the terms. The Commission, however, can waive that. The Commission I think is on very fine legal grounds to terminate that.
CHAIRPERSON CORY: I would think -- the man is here. If you are willing to sign it and we aren't fiddling around with him getting loose on us. If you want it, okay. Sign the thing today before you leave town and within three weeks get the bond here. And if the bond isn't here, the thing is terminated automatically for failure of the bond to be here.

Is that without objection?

MR. RODDA: I'll sign it right now.

CHAIRPERSON CORY: I don't think we have a copy of it here. You will have to stop by the office right after the meeting. We don't have a copy of it here.

MR. RODDA: Would you submit that it be delivered?

My problem is that I have a 4:00 o'clock plane.

CHAIRPERSON CORY: We will be out of here rather quickly.

MR. RODDA: All right, sir.

CHAIRPERSON CORY: And if not, someone from the staff can go with you and get that done.

MR. RODDA: Thank you.

CHAIRPERSON CORY: The next item is Item 38.

EXECUTIVE OFFICER NORTHROP: This is an EIR for offshore drilling, I believe, by Arco.

CHAIRPERSON CORY: That's request for proposals.

Without objection.
Anybody in the audience?

That's the order.

Item 39 - Proposed royalty sales, State Oil, Huntington Beach.

MR. BELL: This is the second time around?

CHAIRPERSON CORY: This is where Union Oil is matching.

MR. BELL: This is Union, yeah. 91 percent.

EXECUTIVE OFFICER NORTHROP: Yes.

CHAIRPERSON CORY: Anybody in the audience on this item?

Without objection, the proposed sale be approved on the matching basis.

Item 40, ratification of amendments to City of Redondo Beach for American Pacific International assignment to Petro-Lewis.

MR. TROUT: Mr. Chairman, the Commission is being asked to make a determination of conditions that existed in 1970 and 1972, and in fact the Commission at that time, knowing the facts available to it at that time, would have consented to a negotiated lease and an amendment to a lease to expand an area without competitive bidding under the various determinations that are possible. And that is that the configuration was such that no one else could handle the operation and that it was subject to drainage.
The engineers on our staff have determined from the facts available that that is the case.

CHAIRPERSON CORY: What do the lawyers on our staff have to say about this bizarre thing that they are asking us to do?

What year was this that this happened?


MR. TROUT: Yes. That's correct.

CHAIRPERSON CORY: I would have done it in '70, but not in '72.

(Laughter.)

CHAIRPERSON CORY: No, legally, what in the hell are we doing?

MR. TROUT: I might point out that the reason this situation came up -- while the attorneys are getting their heads together --

CHAIRPERSON CORY: We don't have that much time.

Go ahead.

(Laughter.)

MR. TROUT: The City entered into a contract for the sale of oil. They have a legislative grant, including the mineral rights. In 1959, after the contract was entered into by the City, the Legislature amended the Public Resources Code to require contracts for production of oil from granted tide and submerged lands to be approved.
by the Lands Commission. The question was whether that
provision of the Code applied to contracts entered into
before its enactment.

In 1962, the City amended its contract and asked
whether the State Lands Commission should approve it or not.
It was uncertain at that time, but the Commission approved
it with the understanding that there was no agreement that
the City was required to seek Commission approval on this
particular contract.

The contractor, the successor in interest to
the original contractor, is in financial difficulty.
Creditors are on the verge of foreclosing on the corporation
and are withholding only with the possibility that the
lease can be assigned from API, the present contractor,
to Petro-Lewis. Petro-Lewis, for safety of its subscribers
and its interests, has asked that the Commission make the
finding that if the amendments of '70 and '72 had been
submitted to the Commission, it would have approved them.
That's the setting.

CHAIRPERSON CORY: Was '70 and '72 amendments
or increases in size?

MR. TROUT: The 1970 amendment was -- first, it
was sold from Signal reserved to API. Then it was amended
to cover site restoration, to permit some other operations.

Then in 1972, I believe the area was expanded to
include an additional 320 acres. It is basically the 1972 expansion that is the more critical of the two issues.

CHAIRPERSON CORY: That is the one that seems to me that clearly requires Commission approval. You have got a lease that covers a finite area, and you are in essence issuing a new permit or a new lease and calling it an amendment to circumvent the law. And that is where I get hung up in the concept of saying, yeah, we are going to approve this retroactively. It seems to me it gives encouragement to others --

MR. TROUT: My understanding of the Code section is that leases can also be issued without competitive bid if one of two circumstances exist. There is only one operator that could --

CHAIRPERSON CORY: That's true, but that should have come before this commission.

MR. TROUT: That's a legal question.

CHAIRPERSON CORY: I've got no problems with taking care of '70, but I do have trouble with '72. I think it encourages people to go ahead and try games like this, and when they get in trouble they come back and say, "Well, what are you going to do? We are in a jam."

MR. BELL: Come bail us out.

CHAIRPERSON CORY: That's my hesitancy.
MR. BELL: What's the other choice?

CHAIRPERSON CORY: It's not our problem. As soon as we vote yes on it, then it starts becoming our problem. We have to bless the baby. I don't know.

MR. STEVENS: Mr. Chairman, I think Mr. Williams may have some comments on it. I think you have characterized it accurately. The City should have come to the Commission. I think the Commission has the power to weigh or ratify these actions that were taken based on the staff recommendations and the facts before it, but the Commission would have a choice there and I think Mr. Williams identified the problem.

CHAIRPERSON CORY: Mr. Williams, would you identify yourself for the record.

MR. WILLIAMS: Kenneth Williams. I'm a lawyer. I've been working on this particular transaction for Petro-Lewis just for the purpose of straightening out some title problems and providing the title opinions relating to the --

CHAIRPERSON CORY: Wait a minute. Why is that name so familiar to me?

MR. WILLIAMS: City of Long Beach Deputy City Attorney for about 14 years.

CHAIRPERSON CORY: Any relation to a Judge in Orange County?
MR. WILLIAMS: No. I used to get his post cards because he used to be in the L.A. City Attorney's Office, too, as I once was.

CHAIRPERSON CORY: Go ahead.

MR. WILLIAMS: Really, having looked through the files in the City, independently, to find out what went on here, and having had our people review API's corporate files, I don't think you are facing a situation where there was any intent to deceive. I think you are facing a situation in which the law was unclear. Application for a Lands Commission approval had been made for the City for the prior amendment in '65 and substantial question was raised at that time as to whether under that contract such approvals were required. That question was never resolved. The files I have seen indicate that in '72, when the strip alongside this tideland parcel was being organized for town lot drilling, the company went to the City and said, "Look. You are going to wind up with this particular parcel being bracketed by the north tideland parcel on one side and the new town lot drilling on the other. There will be drainage. What about it?" And the oil company at that time relied upon the advice of the City as to what procedures were required. The matter was approved by ordinance. The circumstances have been known for seven years to one and all that we have got about 18
wells that were drilled in that area in '72 and '73. There has obviously been no attempt to conceal. There may have been a lack of understanding, as there still perhaps is, as to whether these particular Public Resources Code sections apply or not.

But our situation is this. Petro wis has come along in very good faith fashion to purchase the interest. And I don't think any oil company would purchase the interest with this question unresolved since the Public Resources Code sections say the lease is void unless you follow the procedures. Nobody wants to buy a void lease. Nobody wants to buy a lease where there is an argument as to whether it might be void or not.

And that is what has brought the subject up.

One amendment has been in effect for nine years and the other seven years with no challenge. But we have to face it or we have no transaction. It is going to place the City of Redondo Beach and others in a bad situation because you have an imminent bankruptcy that will hold up the flow of funds to Redondo Beach that are required to service their bonds and so forth.

So I regret to have brought this problem before you. It is a peculiar setting, but in our review, it seems apparent to us — and we just asked the staff. We gave the staff all of the well data and everything and said,
"If this had been brought before the Commission in '72 and '70, would it have been approved according to the terms of the Public Resources Code"? And apparently it would have been.

CHAIRPERSON CORY: In terms of our future dealings with Long Beach and other trustees, if we approve this, are you as staff going to be able to hold the line when they don't tell us about one and come back in after the fact when they are in a jam and say, "You have got to approve it." We tend to be pretty hard nosed on Long Beach.

EXECUTIVE OFFICER NORTHROP: Our experience with Long Beach is they usually do as you suggested. They do it and then they tell us about it or read it in the newspaper.

MR. WILLIAMS: This particular statute doesn't apply to Long Beach, by the way.

CHAIRPERSON CORY: I'm talking about the bilateral symmetry of decisions.

MR. WILLIAMS: I think actually you have the advantage of this. You establish a precedent that would show one and all the reason why these matters should be brought before the Commission, because if they aren't, it really causes trouble down the street.

CHAIRPERSON CORY: I would not want to be forced
to approve anything to do with Her Majesty, the Queen.

(Laughter.)

MR. WILLIAMS: Fortunately, that is on the other side of the Palos Verdes Peninsula.

CHAIRPERSON CORY: Based upon the precedent I set here -- that is what is going through my mind.

MR. WILLIAMS: I don't know how to help the problem any more than this.

CHAIRPERSON CORY: I guess it is a political thing we have to deal with.

MR. HIGHT: Mr. Chairman, this statute only applies to a limited number of grantees and it doesn't apply to the ones that do the majority of the oil production.

CHAIRPERSON CORY: With only minor objection, we will approve the item as presented.

MR. WILLIAMS: Thank you.

MR. BELL: Without precedent.

CHAIRPERSON CORY: Item 41 - Orange County Harbors, Beaches and Parks District. Jim Trout, are you going to wind this up so we can can you? Go ahead.

MR. TROUT: I don't know that I have anything to say.

(Laughter.)

CHAIRPERSON CORY: This is the project you started to work on when you came to work here.
MR. TROUT: This is going to wrap up a long-standing settlement that's been between the State and Huntington Harbor. There was to have been a third phase of a boundary settlement in exchange; however, after a period of time, Huntington Harbor finally has got the title and said, "We will just give you the land. We get to keep what we have. You get two and a quarter acres."

CHAIRPERSON CORY: Anybody in the audience on this item?

Without objection, the item will be approved as presented with the amendment that we no longer need Mr. Trout.

(Laughter.)

CHAIRPERSON CORY: As presented, without amendment, it is approved.

Item 42, National Helicopter Service is the only bidder that we have?

MR. NORTHROP: We had eight requests for the bid, Mr. Chairman. This is the only response we had.

MR. BELL: $5,000 maximum, and we normally do not spend that much.

EXECUTIVE OFFICER NORTHP: I don't think in the four years. Maybe once. We usually turn back about half of that.

CHAIRPERSON CORY: Anybody in the audience on
this item?

Without objection, the item will be approved as presented.

Any further items?

We stand adjourned.

(Whereupon the State Lands Commission Meeting was adjourned at 2:35 p.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, DELORES I. DALTON, a Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, DELORES I. DALTON, and thereafter transcribed into typewriting.

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

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

DELORES I. DALTON
SHORTHAND REPORTER