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MEETING  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 2170  
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, AUGUST 23, 1979  
10:00 A.M.

DELORES I. DALTON

MEMBERS PRESENT

1  
2 Mr. Roy M. Bell, (Acting Chairperson, for Ms. Mary Ann  
3 Graves, Director of Finance, Commissioner

4 Mr. John Jervis, for Kenneth Cory, Controller,  
Chairman

5 Mr. Sheldon H. Lytton, for Lieutenant Governor  
6 Mike Curb, Commissioner

STAFF PRESENT

8  
9 Mr. William Northrop, Executive Officer

10 Mr. R. S. Golden, Assistant Executive Officer

11 Mr. Robert Hight

12 Mr. W. M. Thompson

13 Mr. Don Everitts

14 Ms. Diane Jones

ALSO PRESENT

15  
16  
17 Mr. Jan Stevens, Attorney General's Office

18

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ACTING CHAIRPERSON BELL: Ladies and gentlemen,  
I would like to get the meeting started.

Mr. Cory got tied up, and so I have the enviable  
job of being Chairman today.

I am Roy Bell, Deputy Director of Finance, and  
taking Mr. Cory's place as Chairman.

We have a call to order and we have a quorum  
present.

The minutes of the meeting of July 17th are  
distributed and are before you. Are there corrections or  
any other changes to the minutes?

If not, they will be deemed confirmed.

We will start now with the report of the Executive  
Officer.

Mr. Northrop.

EXECUTIVE OFFICER NORTHROP: Thank you very kindly,  
Mr. Chairman. I have a report and Mr. Golden has several  
things that he would like to talk about and then Don  
Everitts has got something he would like to share with you.

By the Presidential Executive Order effective  
August 17, crude oil below 16 degrees API was decontrolled.  
In the Long Beach tidelands, about 6,000 barrels per day  
falls under that classification, and most of it in the

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1 lower tier. This will lead initially to increased  
2 expenditures for the redrilling of some existing wells and  
3 increased well pulling activity. The longer range planning  
4 for new wells and initiating tertiary recovery projects  
5 will be dependent upon the excise tax passed by Congress  
6 this fall. This decontrol could add \$20 million to the  
7 State tidelands oil revenue in the '79/80 fiscal year  
8 if no excise tax were imposed.

9 A much larger impact decontrolling four or five  
10 times as much production would have occurred in the tide-  
11 lands if the decontrol gravity had been one degree API  
12 higher. Additionally, one very large property, Ranger VI,  
13 in the Long Beach Unit, missed being decontrolled by three-  
14 tenths of an API degree gravity. This is a very large  
15 property and a logical candidate for extensive redrilling  
16 of additional wells and drilling of additional wells and  
17 the application of alkaline waterflood tertiary recovery  
18 processes. Development has been restricted in the past  
19 as it has been a lower tier property since 1972. We now  
20 have two drilling rigs doing remedial and redrill work as  
21 a result of the start of the lower tier release in June  
22 of '79. Two additional drilling rigs would have been  
23 activated if the decontrol gravity had been one degree  
24 higher.

25 We are really quite disappointed that the DOE

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1 and the President did not take this into consideration  
2 in making their judgment,

3 Mr. Chairman, at this time, I would like to ask  
4 Mr. Golden to share with you two activities he would like  
5 to talk to you about.

6 ACTING CHAIRPERSON BELL: Mr. Golden.

7 MR. GOLDEN: Good morning, Mr. Chairman and  
8 members.

9 Unauthorized salvage of State-owned abandoned  
10 property is the subject of the first item.

11 On July 25th, 1979, Mr. Curtis Carley, a resident  
12 and deep sea diver from the Salt Point area, advised the  
13 staff of the Commission that he had removed an anchor  
14 from the ocean bottom at Fisk Mill Cove located adjacent  
15 to State Parks property.

16 During the process of transporting the anchor  
17 to the uplands, Mr. Carley was confronted by a Park Ranger  
18 who advised him of the State Lands Commission's jurisdic-  
19 tion over the removal and disposal, as well as the ownership,  
20 of abandoned property from State tidelands. The anchor  
21 was subsequently confiscated by the Park Rangers.

22 The Department of Parks and Recreation has  
23 advised the staff of the Commission that they do not want  
24 to retain the anchor permanently. The anchor, therefore,  
25 has been released to Mr. Carley with the understanding

1 that it is State property and cannot be sold until the  
2 Commission has reviewed and approved the sale.

3  
4 There has been considerable public interest in  
5 the locality generated by this situation. Staff is  
6 researching regulatory and statutory means of promptly  
7 resolving the issue.

8 This is brought to your attention primarily  
9 because of the public interest in the area.

10 MR. LYTTON: What is the public interest, Mr.  
11 Golden?

12 MR. GOLDEN: Well, apparently there is quite a  
13 bit of press coverage in the area and a number of people  
14 in that area are aware of it, and it was thought that  
15 perhaps there may be questions raised to the Commission  
16 about it. So that's why we brought it here.

17 ACTING CHAIRPERSON BELL: That's a pretty general  
18 statement. Do the people down there want Mr. Carley to  
19 keep the anchor? Or do they want the State to keep it?

20 MR. GOLDEN: I don't know the exact nature of  
21 the inquiries, but, apparently, there has been quite a bit  
22 of discussion and interest.

23 ACTING CHAIRPERSON BELL: May we expect to have  
24 this before us in very short order?

25 MR. GOLDEN: Yes, very short order. Probably by  
the next meeting, Mr. Chairman.

1 Do you want me to continue with the staff  
2 report on State Coastal Commission here?

3 ACTING CHAIRPERSON BELL: Any questions of Mr.  
4 Golden otherwise?

5 If not, the Staff Report on State Coastal  
6 Commission Activities.

7 MR. GOLDEN: Two items are submitted for your  
8 information relating to State Lands Commission interface  
9 with the State Coastal Commission. The first has to do  
10 with Tomales Bay.

11 For over a year, staff has worked with the Coastal  
12 Commission, County of Marin and other State agencies to  
13 develop a land use plan for Tomales Bay. As you will  
14 recall, you earlier decided that until this plan is  
15 completed, no development over the Bay's tidelands should  
16 be permitted. This Tomales Bay plan is also intended to  
17 satisfy the requirements of Marin County's LCP being  
18 prepared pursuant to the California Coastal Act of 1976.

19 A draft plan for Tomales Bay has been prepared.  
20 The first in a series of public workshops on it was held  
21 on July 31st, 1979. A good turnout yielded much constructive  
22 discussion and expression of community concerns. Of primary  
23 interest to the State Lands Commission were questions  
24 regarding the future of existing and proposed private  
25 residential development on State lands. Staff is now

1 considering the legal and policy issues regarding such  
2 development. We expect to bring this issue formally before  
3 you for direction and/or decision in the near future.

4 The second item has to do with Lance Kiley, who  
5 is Supervisor of the Tidelands Inventory Unit, who gave  
6 a short presentation at the State Coastal Commission meeting  
7 on August 1st on the status of our tidelands inventory  
8 project. He explained the nature and extent of our existing  
9 data bank and suggested possible uses of it by the Coastal  
10 Commission and its staff.

11 We also distributed to the Commissioners copies  
12 of our priority-setting mechanisms for boundary determination  
13 and suggested specific areas where boundary determinations  
14 may have a high priority for both Commissions.

15 That completes my report, Mr. Chairman.

16 ACTING CHAIRPERSON BELL: Thank you.

17 Are there any questions of Mr. Golden?

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
19 final presentation is a presentation by Don Everitts on  
20 a seep study program. We have done some research, and we  
21 find that some of the seeps in the Santa Barbara area --  
22 one seep in particular -- releases nearly five tons a day  
23 of hydrocarbon pollutants into the atmosphere in the Santa  
24 Barbara area. So with that in mind, we have put together a  
25 seep study program at the request of the Commission to study

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1 these, as you recall. So today, Don Everitts would like  
2 to give us a report -- or I would like to have Don Everitts  
3 give us a report on that.

4 Would you please, Don --

5 MR. EVERITTS: Thank you.

6 As reported previously, we have identified this  
7 particularly large seep one mile offshore Coal Oil Point in  
8 the Santa Barbara Channel. That five tons that Mr. Northrop  
9 mentioned is equivalent, for example, to the emissions of  
10 a ballasting two 70,000 deadweight ton tankers a day. The  
11 SOHIO project, when they had the six storage tanks, they  
12 were talking about at Pier J less than a ton a day total.  
13 So it's quite a significant seep.

14 The seep was first documented by State Lands  
15 inspectors in 1970, and it has been under constant  
16 surveillance since 1973. Several corporations have  
17 indicated strong interest in collecting emissions for  
18 purposes of offsetting emission increases from new or  
19 modified sources. At least one company is doing preliminary  
20 design and costing on a collection device.

21 The State Lands Commission staff additionally  
22 has submitted a grant free application to the California  
23 Coastal Commission for \$200,000 plus.

24 That preapplication has been approved by the  
25 Coastal Commission, and they have asked for a formal

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1 application.

2 One of the more interesting developments involves  
3 Western LNG Terminal Associates, a subsidiary of Pacific  
4 Gas and Electric and Southern California Gas Company.  
5 On August 13th, Administrative Law Judge Gordon of the  
6 Federal Energy Regulatory Commission approved Western LNG's  
7 proposed terminal at Point Conception. I have been advised  
8 by Western that a 20-day period must now elapse for  
9 exceptions to be filed and noted, and the decision must  
10 finally be ratified by the Secretary of Energy. Although  
11 the site has been opposed by environmental groups as well  
12 as Indian groups and certain landholders in the area,  
13 Western is hoping for final approval in October or November.  
14 Such approval would mean that Western would finally have  
15 all of the necessary permits, including State permits, to  
16 commence construction.

17 Of particular interest is Permit Condition 19  
18 issued by the California Air Resources Board, which  
19 conditions are to, quote, "assure the estimated emissions  
20 profile is not exceeded," unquote. Specifically, Condition  
21 19 states that, "Western shall reduce emissions from  
22 existing stationary sources adequately to demonstrate  
23 a net air quality benefit in the area affected by the  
24 project's emissions." In order to satisfy this condition,  
25 Western shall fund the installation of equipment to the

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1 State Lands Commission's program to capture up to 40 barrels  
2 of oil daily from the natural oil seep located off Coal  
3 Oil Point. And then they specifically identify by  
4 coordinates that seep.

5 They say by satisfying the above condition, that  
6 Western shall be judged to have satisfied the net air  
7 quality benefit requirement when this program is reviewed  
8 in conjunction with the fact that the gas would be  
9 substituting for a lot of fuel oil in the area.

10 There is no costing to that condition. It does  
11 not seem to be too unreasonable. Even if the capital cost  
12 exceeded \$1 million or more, that represents a small portion  
13 of the estimated \$3 billion that the total project will cost.  
14 Western has not yet approached us with any specific funding  
15 proposals, but we will continue to monitor the progress of  
16 their application.

17 ACTING CHAIRPERSON BELL: Thank you, Mr. Everitts.

18 Any questions?

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

21 ACTING CHAIRPERSON BELL: Was that five barrels  
22 a day or fifty barrels?

23 EXECUTIVE OFFICER NORTHROP: Tons.

24 ACTING CHAIRPERSON BELL: Oh. Five tons.

25 EXECUTIVE OFFICER NORTHROP: For conversion, there

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1 are approximately seven barrels of oil per ton.

2 That completes all of our report.

3 ACTING CHAIRPERSON BELL: We are now on the  
4 Consent Calendar. Consent Calendar Items C1 through C24  
5 are all considered noncontroversial. To our knowledge,  
6 they have no problems.

7 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we  
8 would like to put over Item Number C10.

9 ACTING CHAIRPERSON BELL: C10. Virgil Fred and  
10 Margie Ramey, ten-year General Permit - Recreational Use.  
11 All right. C10 is off calendar.

12 MR. HIGHT: Mr. Chairman.

13 ACTING CHAIRPERSON BELL: Yes.

14 MR. HIGHT: I would like for the record to state  
15 that Mr. Jervis is sitting in for the Controller and will  
16 be acting in a nonvoting capacity.

17 ACTING CHAIRPERSON BELL: I'm sorry. I forgot  
18 the legal aspects of this.

19 All right. If you are going to be legal, I  
20 would like to submit to the Executive Officer of the Board  
21 a formal delegation of authority of Mr. Bell, the Deputy  
22 Director of Finance, to serve in the place of the new  
23 Director of Finance, Mary Ann Graves.

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

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1           ACTING CHAIRPERSON BELL: I will be distributing  
2 about 30 or 40 of those in the next month or two.

3           All right. C10 is off the list.

4           C1 through C24, without C10, is there anyone in  
5 the audience who wishes to have any of these items taken  
6 off of the Consent list and heard without reference to the  
7 Consent Calendar?

8           MR. MAPES: My name is Bob Mapes. I'm with the  
9 Department of Fish and Game. I haven't had the opportunity  
10 to review this until just now when I came into the room.  
11 Item C4 for the nine Recreational Pier Permits for Lake  
12 Tahoe, while there are actually seven at Lake Tahoe, the  
13 Department has a policy against the development of piers  
14 and buoys within areas determined to be prime fish habitats  
15 around the Lake. I don't know where the locations of these  
16 piers are, but unless the staff can assure me that they  
17 are not in prime fish habitat --

18           EXECUTIVE OFFICER NORTHROP: These are all  
19 existing. There are no new piers here. We have a moratorium  
20 on new piers.

21           MR. MAPES: Okay. Fine. Thank you.

22           ACTING CHAIRPERSON BELL: Does that satisfy you?

23           MR. MAPES: Yes. Thank you.

24           ACTING CHAIRPERSON BELL: Any other objections  
25 to Items C1 through C24, with 10 deferred?

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1 If not, may I have a motion on the Consent  
2 Calendar?

3 MR. LYTTON: I move that the Consent Calendar  
4 be adopted.

5 ACTING CHAIRPERSON BELL: Since Mr. Jervis is  
6 a nonvoting member at this meeting, I will declare that  
7 this is unanimously passed.

8 We now go to the Regular Calendar, and the very  
9 first item on the agenda is Item 25, Malcolm R. Morelli,  
10 Jr. This is a five-year Agricultural Lease of 134 acres  
11 three miles southwest (sic.) of Santa Cruz for row crop  
12 farming currently planted in brussel sprouts. As I under-  
13 stand it, this was a sealed bid procedure?

14 EXECUTIVE OFFICER NORTHROP: Yes, it was, Mr.  
15 Chairman. There were two bids. One by a Malcolm R.  
16 Morelli, Jr. for \$227 per acre at \$30,420 per year. A  
17 second bid was by Sunset Farms, Incorporated, for \$23,584  
18 rental per year. That's \$1.76 per acre. I have in front of  
19 me, Mr. Chairman and members, a letter dated August the 13th  
20 from Malcolm Morelli, Jr., who staff has as the high bidder  
21 on this Consent Calendar. It reads as follows:

22 I hereby withdraw my offer to lease the  
23 134 acres of land on the north coast of Santa  
24 Cruz County. After opening the bids, I discovered  
25 the property uses a substantial quantity of sea

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1 water which is very expensive. In addition,  
2 the bid package implied that the wells and  
3 other improvements on the property would be  
4 part of the lease. I now understand that  
5 all of the improvements were made by the  
6 current tenants, and under custom in the area,  
7 those tenants could remove the improvements.

8 "In view of these unknown facts, I  
9 believe my bid deposit should be returned as  
10 well.

11 "Very sincerely yours, Malcolm Morelli,  
12 Jr."

13 ACTING CHAIRPERSON BELL: Thank you.

14 EXECUTIVE OFFICER NORTHROP: Staff has spent  
15 considerable time after receiving this letter reviewing  
16 this program. I would like now for our counsel, Mr. Hight,  
17 to discuss where the legal position is on this.

18 ACTING CHAIRPERSON BELL: All right, Mr. Hight.

19 MR. HIGHT: Yes, Mr. Chairman. Staff is of the  
20 opinion that Mr. Morelli has, in effect, offered an  
21 anticipatory breach of the contract. I spoke with him  
22 yesterday and offered him the opportunity to come today  
23 and speak to the Commission. I don't know if he is in  
24 the audience.

25 ACTING CHAIRPERSON BELL: May I ask if Mr. Morelli

1 or anyone representing him is here today to speak to the  
2 Commission?

3 Having no response, I assume that he is not here.

4 MR. HIGHT: I informed him of the staff's  
5 recommendation that the Commission approve the bid to  
6 Sunset Farms and that Mr. Morelli forfeit his bond of  
7 \$3,042 as liquidated damages.

8 The bid package provided that if the successful  
9 bidder refused to execute a lease, then he would forfeit  
10 his bond as liquidated damages, and I believe that that  
11 would be consistent with the current state of the law.  
12 So it is the staff's recommendation that the Commission go  
13 ahead and authorize a lease to the next bidder, Sunset  
14 Farms.

15 ACTING CHAIRPERSON BELL: Is Sunset Farms the  
16 present --

17 MR. HIGHT: Yes, they are the present lessee.

18 We would also request that the Commission instruct  
19 the staff to solve any differences that there may be  
20 between Sunset Farms and the Commission as to the ownership  
21 of improvements to the realty.

22 ACTING CHAIRPERSON BELL: So we really have  
23 before us an application to withdraw the high bid, and we  
24 also have before us a problem of -- I believe it's a  
25 \$3,000 --

1 EXECUTIVE OFFICER NORTHROP: Yes. It's a ten  
2 percent deposit.

3 ACTING CHAIRPERSON BELL: A ten percent deposit  
4 representing \$3,000 in this particular case which the  
5 high bidder, Malcolm Morelli, Jr., has requested be  
6 returned to him. That's before us.

7 Do you have anything?

8 MR. LYTTON: Well, I am just curious. Did you  
9 invite Mr. Morelli to appear today?

10 MR. HIGHT: Yes, I invited him to appear if he  
11 had anything that could be of light to the Commission, and  
12 I informed him that the meeting would be today and he was  
13 certainly welcome to come and I invited him.

14 MR. LYTTON: Did you indicate to him that it  
15 might be useful or important to him to appear in order to  
16 get his bond back?

17 MR. HIGHT: Yes, I told him it would be the staff's  
18 recommendation that his bond be waived, and that if he had  
19 any difference in opinion, that he should certainly be here.

20 MR. LYTTON: Did he give you any reason why he  
21 would not attend? Did he say he was ill or there was some  
22 reason why he could not be here or could not send a  
23 representative?

24 MR. HIGHT: He said that for personal reasons,  
25 he would seek to withdraw his bid and hoped that the Commission

1 would see fit to return his deposit.

2 ACTING CHAIRPERSON BELL: Well, we have certainly  
3 given the bidder all the opportunity to appear before us  
4 that we could. There is no evidence before us that would  
5 cause us to see any undue hardship by keeping the \$3,000.  
6 That's why we have these ten percent earnest money bids  
7 so that we do not get frivolous bids.

8 I guess I should ask you, do you have any  
9 objection to the staff recommendation?

10 MR. LYTTON: No, I think it's appropriate and  
11 certainly is the practice that would be followed if it  
12 was a transaction between private parties. I would certainly  
13 be willing to reconsider that policy if Mr. Morelli or  
14 a representative had appeared. But since he did not appear  
15 or did not send anyone to speak for him, after being invited  
16 and given due notice, I would move that we adopt the  
17 staff recommendation to the following extent that, number  
18 one, we authorize execution of the lease with Sunset  
19 Farms; and number two, that we authorize staff to negotiate  
20 with Sunset Farms any matters pertaining to the improvements  
21 on the properties; and, third, that we adopt the staff  
22 recommendation that the bond be forfeited pursuant to law  
23 and the statements contained in the bid package.

24 EXECUTIVE OFFICER NORTHROP: Thank you.

25 ACTING CHAIRPERSON BELL: All right. I will

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1 second that. And since there are just two of us, we will  
2 declare that that is a unanimous vote on Item 25.

3 (Thereupon a brief discussion was held  
4 off the record.)

5 ACTING CHAIRPERSON BELL: All right. Well, I'm  
6 going back to Item 25, and instead of just declaring that  
7 we have a unanimous vote, I'm going to ask that the vote  
8 be recorded. So I'm going to ask Mr. Northrop to call  
9 the roll on this one.

10 EXECUTIVE OFFICER NORTHROP: Mr. Bell.

11 ACTING CHAIRPERSON BELL: Yes.

12 EXECUTIVE OFFICER NORTHROP: Mr. Lytton.

13 MR. LYTTON: Yes.

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it's  
15 2 - 0.

16 ACTING CHAIRPERSON BELL: The item is passed.  
17 The next item on the agenda is an additional  
18 five-year Agricultural Lease for I believe 82 acres.

19 EXECUTIVE OFFICER NORTHROP: This is in the same  
20 general area of Santa Cruz, Mr. Bell.

21 ACTING CHAIRPERSON BELL: Is it also planted in  
22 brussel sprouts at the present time?

23 EXECUTIVE OFFICER NORTHROP: I believe this is  
24 also in row crop brussel sprouts, row crop farming.

25 ACTING CHAIRPERSON BELL: This applicant is Don

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1 Bargiacchi.

2 EXECUTIVE OFFICER NORTHROP: Only a single bid  
3 on this, Mr. Chairman.

4 ACTING CHAIRPERSON BELL: The bid exceeds the  
5 minimum acceptable bid?

6 EXECUTIVE OFFICER NORTHROP: That's correct.  
7 The minimum acceptable is 8,200; the bid was \$8,610.

8 ACTING CHAIRPERSON BELL: All right. Any  
9 questions?

10 MR. LYTTON: No questions.

11 ACTING CHAIRPERSON BELL: Do you think we should  
12 have a vote on every item?

13 MR. LYTTON: As a matter of procedure, I think  
14 it would be appropriate, just hearing no objection, the  
15 staff recommendations will be adopted.

16 ACTING CHAIRPERSON BELL: I would like to do  
17 that if I could. I notice Mr. Cory does that quite often,  
18 I'd like to follow the normal Chairman's policy.

19 Hearing no objection, the item will be adopted  
20 as recommended before us.

21 Item 27, Fred Pfyffer.

22 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
23 is a Grazing Lease generally in that same area north of  
24 the highway. It was a \$4,453 bid, above the 4,400 minimum  
25 that the staff felt was a minimum acceptable bid. We are

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1 recommending approval.

2 ACTING CHAIRPERSON BELL: Recommending approval?

3 EXECUTIVE OFFICER NORTHROP: Yes, sir.

4 ACTING CHAIRPERSON BELL: Are there any objections  
5 to the staff recommendation?  
6

7 MR. LYTTON: No.

8 ACTING CHAIRPERSON BELL: No objection?

9 Without objection then, the item will be approved.  
10 Item 28, Tosco Corporation.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
12 is an amended renewal of an Industrial Lease with a  
13 minimum annual of \$30,000. After negotiating with the  
14 Tosco people, this is a recommendation we are bringing to  
15 the Commission.

16 ACTING CHAIRPERSON BELL: All right. This is  
17 satisfactory to the Tosco Corporation?

18 EXECUTIVE OFFICER NORTHROP: Yes. It's satisfactory  
19 after negotiating, Mr. Chairman.

20 ACTING CHAIRPERSON BELL: Is there anyone here  
21 on this item that would object to this recommendation?

22 MR. SWANSON: I'm from the Tosco Corporation.  
23 We are in favor of this lease.

24 THE REPORTER: I'm sorry. Could I have your  
25 name, please.

MR. SWANSON: V. R. Swanson.

1           ACTING CHAIRPERSON BELL: All right. Hearing  
2 no objection, the item will be approved.

3           Item 29, City of Arcata.

4           EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
5 is a quitclaim deed, City of Arcata, the issuance of a  
6 49-year General Use Permit for marsh enhancement.

7           ACTING CHAIRPERSON BELL: This is to the City?

8           EXECUTIVE OFFICER NORTHROP: To the City; correct.

9           ACTING CHAIRPERSON BELL: It's a public use?

10          EXECUTIVE OFFICER NORTHROP: Yes, it's a public  
11 use, and there is no money involved.

12          ACTING CHAIRPERSON BELL: All right. Is there  
13 anyone on this item? Against the item?

14          If not, the staff recommendation will be adopted.

15          Item 30, California Department of Fish and Game,  
16 66-year General Permit - Public Agency Use.

17          EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
18 is a 9.112-acre parcel in San Mateo County and an approxi-  
19 mately 58-acre parcel in Redwood City in San Mateo County  
20 to be used for a wildlife habitat. It is for consideration  
21 as a public use and benefit.

22          ACTING CHAIRPERSON BELL: Any objection?

23          Hearing no objection, Item 30 is approved.

24          Item 31, California Department of Fish and Game  
25 again.

1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
2 is a 255-acre, plus or minus, salt marsh near Point Edith  
3 in Contra Costa County. It is going to be used for a  
4 wildlife habitat. The staff feels the public use and  
5 benefit will justify it.

6 ACTING CHAIRPERSON BELL: Again, any objection?  
7 Hearing no objection, Item 31 is approved.  
8 Item 32.

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
10 authorizes us for a bid notice on a contract for hazard  
11 removal in Santa Barbara County, to remove some obstructions  
12 in the near and far surf area of old, abandoned oil well  
13 rigs and equipment and wells that were not properly  
14 abandoned perhaps as far back as the turn of the century.  
15 So this is asking for a bid on the contract.

16 ACTING CHAIRPERSON BELL: This is merely to  
17 authorize the bid notice and invitation to bid?

18 EXECUTIVE OFFICER NORTHROP: All this does is  
19 authorize notice for bid. We will come back to the  
20 Commission with the final bid.

21 ACTING CHAIRPERSON BELL: All right. Without  
22 objection, Item 32 is approved.

23 Item 33.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
25 is a reconsideration of interim policy for new construction

1 at Lake Tahoe, Placer County. As you know, we have had  
2 a moratorium on construction of piers in the Lake Tahoe  
3 area as shown by our friend from Fish and Game earlier  
4 this morning.

5 ACTING CHAIRPERSON BELL: I was going to say,  
6 we already just told the Fish and Game that we had a  
7 moratorium going.

8 EXECUTIVE OFFICER NORTHROP: We are asking for  
9 a six-month extension on the moratorium.

10 The idea here is that CalTRPA is fully a  
11 California entity. It probably would have to comply with  
12 CEQA, and it seems as though CalTRPA and the State Lands  
13 would like to get together and proceed in some kind of  
14 concert on this program. We think with a six-month moratorium,  
15 we can get it together.

16 ACTING CHAIRPERSON BELL: So it has a definite  
17 date of six months?

18 EXECUTIVE OFFICER NORTHROP: An indefinite  
19 moratorium. I'm sorry. We feel that within six months,  
20 we could probably wrap up a cooperative agreement with  
21 CalTRPA.

22 MR. LYTTON: In other words, you want to extend  
23 the moratorium only for the purpose of finalizing your  
24 agreement with CalTRPA?

25 EXECUTIVE OFFICER NORTHROP: Right. Right.

1 MR. LYTTON: Is there some reason why we don't  
2 have a date certain?

3 EXECUTIVE OFFICER NORTHROP: Well, the changes  
4 between CalTRPA and TTPA have been so recent -- the  
5 moratorium expires in June, as a matter of fact, or at  
6 the end of June, I believe. And we feel that it will take  
7 us probably about six months to -- it will take several  
8 months for them to get their act sorted out so that they  
9 know where they are going. And at that time, we would  
10 really like to discuss with them what their policy is going  
11 to be on that, because if they are going to be an effective  
12 agency, they certainly should be the lead agency on piers  
13 in Lake Tahoe. It shouldn't be us because they are on the  
14 scene and know what the situation is and are responsible  
15 to the local people in the area. And we feel it is  
16 important that if CEQA is to be observed, we think CalTRPA  
17 is the place to have it.

18 MR. LYTTON: Do you think that in line with a  
19 sort of hope that regulatory acts of government ought to  
20 at least come to an end or have some time certain or be  
21 acknowledged as having some time certain, that perhaps we  
22 could set a time limit on it?

23 EXECUTIVE OFFICER NORTHROP: Absolutely.

24 MR. LYTTON: I would like to suggest that.

25 EXECUTIVE OFFICER NORTHROP: I think it is

1 reasonable to bring it back. If we don't have our act  
2 together, then I think that deadlines help all of us to  
3 get our job done. But a six-month deadline or a six-month  
4 time frame is not unreasonable. So if that's what the  
5 Commission wishes, staff certainly thinks it's prudent to  
6 do it that way.

7 ACTING CHAIRPERSON BELL: Thank you. That's  
8 what I wanted to do.

9 EXECUTIVE OFFICER NORTHROP: As a matter of fact,  
10 in my mind, six months was so firmly fixed that I thought  
11 it did have a six-month termination date.

12 ACTING CHAIRPERSON BELL: All right. It has  
13 been recommended then, and the staff feels there is no  
14 problem connected with it, that instead of an indefinite  
15 moratorium, that we make this a six-month moratorium, to  
16 be brought back to the Board if it is not yet resolved at  
17 that time.

18 EXECUTIVE OFFICER NORTHROP: Fine. Thank you.  
19 We certainly hope we will have something before that.

20 ACTING CHAIRPERSON BELL: Is there any objection  
21 to the amendment to this item?

22 Yes.

23 MR. BAILEY: Mr. Chairman, I'm Walt Bailey. I'm  
24 President of the Tahoe Resource Conservation District.

25 ACTING CHAIRPERSON BELL: Could you come up to

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1 the mike, and give us your name and title?

2 MR. BAILEY: Yes. I am Walter C. Bailey. I'm  
3 President of the Tahoe Resource Conservation District  
4 and a permanent resident of the Lake and quite involved  
5 in its local problems, between CTRPA and TRPA and so forth.

6 I might point out not as an objection, but as  
7 a point of information, that the building season at Tahoe  
8 ceases on October 15th, under rule, and starts again on  
9 May 1st. Much planning has to become a matter of record  
10 in order to meet that May 1st deadline. It would be  
11 most helpful to those who are trying to either put in piers  
12 -- and I'm not going to state that I am for or against  
13 further piers. I would almost have to, off the record,  
14 say that I wish there were no more.

15 ACTING CHAIRPERSON BELL: Do you have one already?

16 MR. BAILEY: No.

17 (Laughter.)

18 MR. BAILEY: No, I am a member of the only  
19 community pier at the Lake, but we have had a lease with  
20 this Commission for I think about 25 years. It started  
21 out, it was five dollars a year. That would give you an  
22 idea of how far back it was.

23 ACTING CHAIRPERSON BELL: Yes.

24 MR. BAILEY: Much of the shore zone is in litigation  
25 one way or another. There is much of it that is, very

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1 honestly, under County use because of dedicated roads  
2 that have never been built. In fact, one goes right  
3 straight by in front of the Regional Air Quality Board's  
4 home. So there are many, many problems.

5 But I would hope that you would make rulings  
6 that would anticipate that May 1st date to give the  
7 people the right of getting their contractors lined up.  
8 We only have about one or two left.

9 The other thing is CalTRPA has just recently  
10 adopted, I think in a panic method, the shore zone  
11 ordinances that have been on the books for some time, of  
12 the Tahoe Regional Planning Agency. So up until now,  
13 they have had no control whatsoever over shore control  
14 problems. This again is sort of in limbo due to the war  
15 between the states over TRPA which I think eventually will  
16 be resolved. I do not think TRPA will disappear.

17 But I would ask that it be made a matter of your  
18 Board's knowledge to keep very closely allied to the local  
19 government's concerns, both sides of the Lake. I think  
20 if we do this, we will eliminate a lot of problems that  
21 have been generated in the last few months over the TRPA  
22 redo.

23 Thank you. That's all I have.

24 ACTING CHAIRPERSON BELL: I thank you. I don't  
25 believe we have to modify our particular action, but I

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1 "think the information you have given us is valuable.

2 MR. BAILEY: Yes. I just wanted you to recognize  
3 the cutoff dates. Thank you.

4 EXECUTIVE OFFICER NORTHROP: We appreciate that,  
5 Mr. Bailey.

6 ACTING CHAIRPERSON BELL: Thank you.

7 That was Item 33. Having heard that, and with  
8 no real objection to the change in the date of the  
9 moratorium, Item 33 will be approved as amended.

10 Item 34.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item  
12 34 is a lease by the City of Long Beach to the Ancient  
13 Mariner - Rusty Pelican, Incorporated. As a grantee --  
14 the State Lands approves these for the State. The staff  
15 has reviewed it and after some research, recommends its  
16 approval.

17 ACTING CHAIRPERSON BELL: All right. Approval  
18 is necessary, is it not?

19 EXECUTIVE OFFICER NORTHROP: Yes.

20 ACTING CHAIRPERSON BELL: All right. Is there  
21 any objection to the approval of the lease for the Ancient  
22 Mariner - Rusty Pelican, Inc., lessee?

23 Hearing none --

24 MR. LYTTON: Just so the record is clear, in  
25 the staff recommendations, the terms and conditions of

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the lease, including the percentages of gross and dollar amounts are all standard within the industry?

EXECUTIVE OFFICER NORTHROP: That is an area in which we don't review heavily as to what the return is because that's the grantee's program. What we make sure of is that the use is consistent with the trust and with the grant, the way things are handled, and there is a compensation, but we don't get into the minutia of doing that. We have 58 grants and a staff of two, so we really don't get into that that deeply other than to see that the things are handled in the proper fashion and there is a consideration and it falls within the grant thing on the program. We don't get into what the rental is per se or whether it is the highest and best use for that piece of property. That's the grantee's --

ACTING CHAIRPERSON BELL: You leave that to the City of Long Beach?

EXECUTIVE OFFICER NORTHROP: Yes. But we do review to make sure that they are getting an equitable return for the property.

ACTING CHAIRPERSON BELL: You probably want that as well as the State's interests --

EXECUTIVE OFFICER NORTHROP: Yes.  
Has that answered your question or have I walked all around it?

1 MR. LYTTON: No, I think it does. Although you  
2 can't come up with the details, the staff does assure us  
3 that it was done in an appropriate manner.

4 EXECUTIVE OFFICER NORTHROP: Yes. It was done  
5 in an arm's length -- it was an arm's length program.  
6 That's really what we're checking to see, that it was  
7 an arm's length program, and from that point of view, it  
8 was clean.

9 On this particular one, there was some problem  
10 on the use of the property with other competing uses  
11 which we usually don't get into, but in this case, we  
12 happened to get into it. But we find that there may have  
13 been -- there was some information delivered to the staff  
14 just for your information. Perhaps there was an oil well  
15 or something on the property which would have made a  
16 difference, but we find out now that it is cleaned up,  
17 so we are all right.

18 ACTING CHAIRPERSON BELL: All right. Without  
19 any further objection then, Item 34 is approved.

20 Item 35, Moss Landing Harbor District.

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
22 you recall at a meeting in Monterey, we were rather  
23 critical of the Moss Landing Harbor District for the  
24 administration of a trust. This goes back to your previous  
25 question, Mr. Lytton, as to remuneration. We found they

1 were a private yacht club operating with a closed member-  
2 ship of State lands. So we discussed that. And the  
3 condition for getting a yacht slip was a membership in  
4 the yacht club. So we brought that to the Commission's  
5 attention. We talked to Moss Landing Harbor District  
6 about it. They received well our criticism and have taken  
7 steps to alleviate that problem and some additional  
8 problems there. We find now they are progressing and are  
9 reporting back. While before we didn't think they were  
10 doing as well as they should, they are now doing quite well.

11 ACTING CHAIRPERSON BELL: I sense that there was  
12 a question with regard to public use.

13 EXECUTIVE OFFICER NORTHROP: In the Monterey  
14 meeting last year, the public use was -- I don't want to  
15 say it was being abused, but it may very well have --

16 ACTING CHAIRPERSON BELL: Neither of us were at  
17 the Monterey meeting.

18 EXECUTIVE OFFICER NORTHROP: Weren't you at the  
19 Monterey meeting?

20 ACTING CHAIRPERSON BELL: No.

21 EXECUTIVE OFFICER NORTHROP: Staff felt that there  
22 may have been a potential abuse of the trust property. So  
23 we pointed that out to them and they have taken the steps  
24 now to change it.

25 MR. LYTTON: Again, in reading the more detailed

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1 write-up that accompanies the report, I am just curious  
2 when you say "making progress," what does that mean? Has  
3 the problem been solved?  
4

5 EXECUTIVE OFFICER NORTHROP: The problem has been  
6 solved. The problem has been solved; right.

7 MR. LYTTON: They are now administering it to  
8 your satisfaction and in conformity with the law and public  
9 policy of this Commission, et cetera?

10 EXECUTIVE OFFICER NORTHROP: With this calendar  
11 item, we are just acknowledging the fact that staff and  
12 the Commission appreciates the changes that they have made  
13 and the way that they are handling it.

14 ACTING CHAIRPERSON BELL: All we are doing here  
15 is to find that they have made satisfactory progress, in  
16 the staff's opinion, and have now met our criteria?

17 EXECUTIVE OFFICER NORTHROP: Right.

18 ACTING CHAIRPERSON BELL: Anyone objecting to  
19 Item 35's finding?

20 If not, then Item 35 will be approved.

21 Item 36.

22 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
23 again is in the area of the Lands Commission's role as  
24 an administrator of the grants. The City Council of Albany  
25 adopted a Waterfront Plan and submitted it to us, and we  
are reporting that this plan conforms with the Albany

1 Waterfront's granting statute.

2 ACTING CHAIRPERSON BELL: That's all we are doing?

3 EXECUTIVE OFFICER NORTHROP: That's all we are  
4 doing.

5 MR. LYTTON: I have no objection.

6 ACTING CHAIRPERSON BELL: Is there any objection  
7 to Item 36, on approving the ordinance adopted by the City  
8 Council of Albany on their Waterfront Plan?

9 Hearing none, Item 36 is approved.

10 Item 37.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
12 several months ago the grant to the City of Avalon was  
13 reduced substantially. The Commission approved. We are  
14 now approving the map on which the current boundary of  
15 the City of Avalon was outlined. Staff reviewed it and  
16 finds that the language and the map are congruent.

17 ACTING CHAIRPERSON BELL: Do you want to try that  
18 one again?

19 (Laughter.)

20 EXECUTIVE OFFICER NORTHROP: The language and  
21 the grant are the same.

22 ACTING CHAIRPERSON BELL: Yes. I recall our  
23 action, and in effect, we now have 1,000 feet --

24 EXECUTIVE OFFICER NORTHROP: 1,000 feet rather  
25 than, I believe, it was a mile. And the City of Avalon

1 didn't need it, so --

2 ACTING CHAIRPERSON BELL: So they are not  
3 objecting to this?

4 EXECUTIVE OFFICER NORTHROP: No.

5 ACTING CHAIRPERSON BELL: Is there anyone who  
6 would object to the final finding that the current boundary  
7 grant, City of Avalon, is on our amended map correctly  
8 shown?

9 Without objection then, Item 37, the Commission  
10 will approve the amended map.

11 Item 38, authorizing approval of -- this is  
12 another map?

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
14 is similar to Item 37, except the City of Needles  
15 authorizes the approval of the map on the survey of the  
16 grant.

17 ACTING CHAIRPERSON BELL: This is not the Colorado  
18 River one? This is a different one?

19 EXECUTIVE OFFICER NORTHROP: That's right.

20 ACTING CHAIRPERSON BELL: All right.

21 Any objection to Item 38 on Needles?

22 Hearing none, Item 38 is approved.

23 Item 39.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item  
25 39 authorizing the reporting to the State Controller of

1 the subventions for all activities pursuant to PRC  
2 Section 6817 which grants subvention funds to the Cities  
3 of Carpinteria, Huntington Beach, Long Beach, Port Hueneere,  
4 Seal Beach in the Counties of Santa Barbara and Ventura.

5 ACTING CHAIRPERSON BELL: This is practically  
6 a ministerial act, is it not?

7 EXECUTIVE OFFICER NORTHROP: That is correct.

8 ACTING CHAIRPERSON BELL: Any objection to Item  
9 39?

10 Hearing none, Item 39 will be approved to  
11 authorize the reporting to the State Controller of  
12 subventions required by Public Resources Code Section 6817.

13 Is that a fixed amount now? It used to be.

14 EXECUTIVE OFFICER NORTHROP: It's a percentage  
15 in relation to the production.

16 ACTING CHAIRPERSON BELL: Okay. Good enough.

17 EXECUTIVE OFFICER NORTHROP: That's why we  
18 submit it because the production figures are on it.

19 ACTING CHAIRPERSON BELL: That's it.

20 Item 40.

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
22 is an approval, in principal, of 42 new wells and 15 sites  
23 following several EIR's by Union Oil Company to approve  
24 in principal the drilling of a geothermal area. While we  
25 are asking the Commission to approve this in concept or in

1 principal, the individual well approvals will still come to  
2 the Commission for approval should there be any problems  
3 as we go down the road in the development of the geothermal  
4 field.

5 ACTING CHAIRPERSON BELL: Is it customary that  
6 we approve in concept this development before we get to  
7 the individual leasing? I'm not sure I recall.

8 EXECUTIVE OFFICER NORTHROP: Normally -- Don  
9 Everitts could better address that.

10 Don, do you want to --

11 MR. EVERITTS: Well, in the past, the construction  
12 of plants was pretty much kept in pace or was ahead of  
13 drilling wells. The proposal here is to approve in  
14 concept 42 wells which in effect will supply steam to a  
15 plant which will not be completed until 1982. But they  
16 have to start reviewing drill sites. They have to know  
17 that they are going to probably get approval as soon as  
18 engineering is correct, whether two years from now or  
19 six months from now.

20 But it's part of their advance planning to go  
21 out to specific sites. What we are hoping is that if the  
22 Commission will approve this in principal, that we may  
23 later on let the Executive Officer approve the actual  
24 engineering design of the wells as they come in.

25 ACTING CHAIRPERSON BELL: Mr. Hight.

1 MR. HIGHT: Yes, Mr. Chairman. The EIR has  
2 considered the specific sites, and in the event that when  
3 construction is started at that site, if for some reason  
4 it is not appropriate, then the Executive Officer will have  
5 the authority to move that site slightly to an appropriate  
6 position.

7 ACTING CHAIRPERSON BELL: I see. So we are  
8 giving sort of a little broader authority by this action  
9 and the specific approval will be to each.

10 Any objections to Item 40, approving in principal  
11 the proposed drilling of geothermal wells?

12 Those are all on the Geyser Steam Field up in  
13 Sonoma and Lake Counties?

14 EXECUTIVE OFFICER NORTHROP: That's correct.

15 ACTING CHAIRPERSON BELL: Hearing no objection,  
16 Item 40 will be approved.

17 Item 41.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item  
19 41, 42 and 43 are all Compensatory Gas Agreements under  
20 the Sacramento and Taylor Slough and several other -- the  
21 Peripheral Canal in San Joaquin County. These three  
22 Calendar items are a Compensatory Gas Agreement of 25  
23 percent of the gas recovered.

24 The situation is this -- and Don may want to  
25 elaborate on it a little bit -- is that we have no drill

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1 sites from which we could drill for the gas. So for those  
2 formations that cross under the River, as well as up it,  
3 to which the upland owner has already leased to an oil  
4 company, we feel we have, frankly, no choice. The law  
5 of capture being what it is, these Compensatory Agreements  
6 which are 25 percent, which is a fairly good return, are  
7 probably better than many upland owners get. While we  
8 feel that these three items we would like to perhaps do  
9 them ourselves, we really don't have the option to do that.  
10 So for that reason, staff is recommending entering into  
11 these Compensatory Agreements.

12 ACTING CHAIRPERSON BELL: Mr. Lytton, any  
13 questions?

14 MR. LYTTON: No questions.

15 ACTING CHAIRPERSON BELL: Anyone with any problems  
16 on Items 41, 42 and 43, all of which are Compensatory  
17 Gas Agreements, which means we don't drill our own wells,  
18 but we just say 25 percent of whatever you are producing  
19 is under our land and we get 25 percent?

20 EXECUTIVE OFFICER NORTHCOP: We hope Don's staff  
21 can figure out what the sand count is or what the locations  
22 are.

23 MR. EVERITTS: There are various ways. We will  
24 get the data and we can make engineering estimates. Some-  
25 times we do it on an acreage basis. Whatever is easiest  
and best.

1 EXECUTIVE OFFICER NORTHROP: Whatever is the  
2 best practice for that particular --

3 ACTING CHAIRPERSON BELL: As opposed to flow  
4 through.

5 Hearing no objection, Items 41, 42 and 43 will  
6 each be approved.

7 Item 44.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item  
9 44 is the response to supplemental budget language by the  
10 Legislature to the State Lands budget in which they asked  
11 us to do a study on the potential overlap of services  
12 with the idea of reducing the cost of these, if possible.

13 Further, they have asked the Commission to submit  
14 a quarterly report on the results of these studies. So  
15 to accomplish this, the staff is recommending a study group  
16 made up to look into these overlaps.

17 I have had one preliminary discussion with the  
18 City Manager of the City of Long Beach on this budget  
19 language as it was given to me in the Legislative Committee,  
20 and I have indicated that we could set up this study group  
21 and the City Manager has indicated that he would be willing  
22 to appoint some members of the study group to at least  
23 make reports to the Legislature.

24 For that reason, I am recommending the authority  
25 be given to the Executive Officer to appoint a study team.

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1 In my mind, I see the study team as perhaps comprising  
2 two people from the State Lands and two people from Long  
3 Beach. And if there should be an area where a decision  
4 should really be needed, in other words, an area of  
5 conflict, that the four appoint a fifth if the situation  
6 requires. And we are looking at a broad scope of areas.  
7 We are looking at the concept of subsidence. We are  
8 looking at the concept of well spacing. We are looking  
9 at the concept of review of budget items submitted by  
10 our contractors. We are looking at the review of other  
11 budget items and other budget expenditures. We are looking  
12 at the duplication in audits of various tax -- not to be  
13 confused with the Auditor General -- but various tax  
14 audits and other things that perhaps both of us are spending  
15 money on that we are really not aware of. That we have  
16 duplication.

17 So what we are attempting to do with this study  
18 group is to look at that duplication and report to the  
19 Legislature our findings.

20 ACTING CHAIRPERSON BELL: Any questions?

21 MR. LYTTON: We are going to use existing staff  
22 for that?

23 EXECUTIVE OFFICER NORTHROP: Yes. I plan on  
24 appointing -- my plans right now, subject to change, are  
25 that I plan on appointing Mr. Thompson who is the Chief  
of the Long Beach operations, and Mr. Mel Rico who is

1 Chief of our Audit Section -- that particular area in  
2 Long Beach -- who did a lot of good work in trying to sort  
3 out the problems on the Queen Mary. He did a good job.

4 So those two people I will look to probably from  
5 my staff, and the City Manager will appoint two people who  
6 he thinks are equally competent.

7 ACTING CHAIRPERSON BELL: Any objections to  
8 authorizing the Executive Officer to set up the study group?  
9 I would hope not, since the Legislature wants this solved.

10 Without objection, Item 44 will authorize the  
11 Executive Officer to do so.

12 Item 45.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in  
14 light of the discussion we had earlier this morning on  
15 the release of the lower tier crude, I think it is prudent  
16 that we discuss that micellar-polymer waterflood in Long  
17 Beach and the economics and what we can expect from it,  
18 so I have asked Mr. Thompson to make a brief presentation.

19 ACTING CHAIRPERSON BELL: All right.

20 Mr. Thompson.

21 MR. THOMPSON: I'm sure you all recall the  
22 gasoline shortage we had over the year. This project also  
23 got caught up in the gas lines.

24 ACTING CHAIRPERSON BELL: I thought it got caught  
25 up in the diesel lines.

1 MR. THOMPSON: Well, it's the same thing. The  
2 regulatory-caused shortage at that time, anyway, why, we  
3 couldn't get diesel fuel. We need this diesel fuel to  
4 make this micellar material that we inject into the ground.

5 Micellar recovery is a process where we inject  
6 the material and it acts in a general way like a detergent.  
7 It creates emulsion with the reservoir oil, and then because  
8 it is an emulsion which is largely water, then we can  
9 displace this emulsion with water more efficiently than  
10 we can replace just regular oil. So this is where we get  
11 our increased recovery.

12 The micellar material is composed of a refined  
13 hydrocarbon which is then reacted with acid to form what  
14 they call a sulfonate. This material which is about 15  
15 percent of the slug costs about \$85 a barrel.

16 Another 20 percent is the hydrocarbon gas oil  
17 which is again a part of the final cut and diesel mixture,  
18 and we add that together with alcohol. This particular  
19 combination which brought about 20 percent, costs about  
20 \$40 a barrel. And the balance of this slug material is  
21 water.

22 So the net of all this is that the cost of this  
23 slug material is about \$21 a barrel. So we have started  
24 to put this under the ground now, and within about the  
25 next three months, we are going to put 100,000 barrels in.

1 So, in effect, we will have put over \$2 million in the  
2 ground.

3 This is the front end loading. This is the  
4 problem with the tertiary recovery project is that you  
5 put a lot of money in the ground and you have to wait for  
6 the results. So this is where the risk comes in.

7 Then we follow this with a polymer water solution  
8 that you might think about as a thickening agent or a  
9 buffer agent because you have an expensive material in  
10 the ground and you have to put something in there to  
11 protect this so it doesn't get dispersed when you follow  
12 this with water. This costs about another half a million  
13 dollars for this amount of material that will be injected  
14 in about the next 18 months.

15 So, in effect, we should have this micellar slug  
16 finished up by about September, and then we will go 18  
17 months on this polymer. But actually we hope we will see  
18 results from an oil recovery production increase by the  
19 middle of next year to see how this project is going.

20 It does seem a little ironic at this time, as  
21 Mr. Northrop alluded to here, that this project, because  
22 it's about oil gravity of about 17 degrees API, along with  
23 our other project in the Long Beach unit where we have a  
24 caustic alkaline waterflood tertiary recovery project going  
25 in which the gravity is about 16 or 17 degrees. And the

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1 Federal Government is actually partners in both of these  
2 projects, yet we have a heavy oil decontrol which decontrols  
3 below 15.9. So here they are in partners with us, and  
4 we are about to get the results of tertiary projects to  
5 see if we can apply them -- and even though they are  
6 partners in the deal, they can't see to decontrol the oil  
7 at a high enough gravity so that we can apply the processes.  
8 So again we are in kind of a strange process here.

9 The reason this comes up is that Mr. Northrop  
10 asked me to come in on the economics of this project. Of  
11 course, pilot projects are tough to evaluate economically.  
12 But if we were to take our most optimistic recovery here,  
13 we would have to get about \$25 a barrel for the oil to  
14 pay off the cost. If it's got a lower recovery, in the  
15 lower range, it could cost almost \$75. So again, it is  
16 necessary to have decontrol of heavy oil up to these ranges  
17 to even think about taking the risk of putting this stuff  
18 in. Because you do have a front end loading that is just  
19 horrendous as far as economic cost.

20 EXECUTIVE OFFICER NORTHROP: That completes it.

21 ACTING CHAIRPERSON BELL: Is this the most  
22 expensive of the pilots that we have?

23 MR. THOMPSON: It probably is, because of the  
24 fact you are using a high percent of hydrocarbons for the  
25 mix, so you are in a chain reaction. As the cost of oil

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1 goes up, the cost of micellar material goes up. For example  
2 the material we are putting in now costs \$21 a barrel,  
3 but if you were to buy that material today, I imagine that  
4 material would cost us 25, 26, 27, \$28 a barrel. And this  
5 thing will go on and on and on. This is why we are also  
6 investigating the alkaline approach in the Long Beach unit.

7 ACTING CHAIRPERSON BELL: Which is less expensive?

8 MR. THOMPSON: Yes.

9 But, again, if you get a high enough recovery  
10 then you can afford to send 20 plus dollar material after  
11 less valuable material, assuming that you can get high  
12 enough recovery.

13 ACTING CHAIRPERSON BELL: What we have before us  
14 here is merely a review of the pilot demonstration?

15 EXECUTIVE OFFICER NORTHROP: Right. Just a review  
16 to give you some concept of where we are spending our money.

17 ACTING CHAIRPERSON BELL: We don't have to take  
18 action by the

19 EXECUTIVE OFFICER NORTHROP: It requires no  
20 action, but as a member of the Finance Department, it  
21 requires some understanding, Mr. Chairman.

22 ACTING CHAIRPERSON BELL: Yes, a great deal.

23 Item 46.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
25 balance of the items on the Calendar are either litigation

1 or settlement. Mr. Hight will handle those.

2 ACTING CHAIRPERSON BELL: Thank you.

3 Mr. Hight.

4 MR. HIGHT: Thank you, Mr. Chairman.

5 Item 46 is authorization for a lawsuit against  
6 Golden Sierra Corporation. They have refused to execute  
7 a lease with the Lands Commission after much negotiation  
8 and conversation, and we see no other means other than  
9 litigation.

10 ACTING CHAIRPERSON BELL: All right. Is there  
11 anyone in the audience objecting to the Commission  
12 authorizing the staff from the AG to take all steps  
13 necessary, including litigation, to terminate the  
14 continuing trespass?

15 Hearing none --

16 Mr. Lytton, any objections?

17 MR. LYTTON: No objection.

18 ACTING CHAIRPERSON BELL: Without objection,  
19 then Item 46 will be approved authorizing the staff to  
20 proceed.

21 Item 47.

22 MR. HIGHT: Item 47, Mr. Chairman, is off calendar.  
23 Mr. Obexer desires to speak to the Commission on this  
24 subject, and he will be in next month.

25 ACTING CHAIRPERSON BELL: Okay. We will defer it

1 to next month.

2 MR. HIGHT: Item 48, Mr. Chairman, is a Federal  
3 condemnation action in which the State seeks to file  
4 a disclaimer as to compensation.

5 ACTING CHAIRPERSON BELL: All right. Any  
6 objections?

7 Without objection then, Item 48 will be approved,  
8 authorizing filing of the disclaimer.

9 Item 49.

10 MR. HIGHT: Item 49 is similar to 46, Mr. Chairman.  
11 We have had extensive discussions with the party, and  
12 they again refuse to enter into a lease with the Commission,  
13 and at this point we see no other alternative other than  
14 litigation.

15 ACTING CHAIRPERSON BELL: All right. Is there  
16 anyone here to object to the authorization of this?

17 Without objection?

18 Hearing no objection, Item 49 will be approved  
19 for authorization of the suit.

20 Item 50, Peter Kiewit Sons, a Nebraska Corporation.

21 MR. HIGHT: Yes, Mr. Chairman. This is a  
22 Boundary Settlement Agreement for a parcel of land.

23 Yes. This is just to straighten out the boundary.

24 ACTING CHAIRPERSON BELL: All right. Is there  
25 any objection to the settlement of the boundary?

1 If not, Item 50 is approved.

2 Item 51, John and Barbara Kearns.

3 MR. HIGHT: Yes, Mr. Chairman. This is a  
4 rescission of a prior authorization for a suit for  
5 ejectment and collection of rentals. Mr. and Mrs. Kearns  
6 previously indicated a desire for a lease and the Commission  
7 approved the lease. Now they have indicated that they do  
8 not desire a lease. So we are faced with this situation.

9 ACTING CHAIRPERSON BELL: This is a case where  
10 probably the Lands Commission acted under the belief that  
11 the lease would be signed.

12 MR. HIGHT: Correct, Mr. Chairman.

13 ACTING CHAIRPERSON BELL: Then they backed out  
14 of the lease as soon as they got the Lands Commission  
15 approval. That's a good way of doing it.

16 Is there any objection to the rescission of the  
17 prior authorization to issue the lease and suit on  
18 John and Barbara Kearns? Item 51 on the agenda.

19 Hearing none, Item 51 will be approved.

20 Item 52.

21 MR. HIGHT: 52, Mr. Chairman, is the settlement  
22 agreement between Bliss and the State Lands Commission  
23 regarding sovereign lands at Lake Earl and Lake Talawa  
24 in Del Norte County. The Department of Parks and  
25 Recreation is buying the uplands around the area, and  
in return, the Blisses will convey the lake bed to the

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1 State.

2 ACTING CHAIRPERSON BELL: This is the last of  
3 the three actions required to complete this, as I recall.

4 MR. FLUSHMAN: Mr. Chairman, I am Chris Flushman  
5 from the Attorney General's office, the sponsor of this  
6 Calendar item. This is the last of the formal approvals  
7 required. The Director of Finance will have to approve  
8 the donation. I want that to be reflected on the record.

9 ACTING CHAIRPERSON BELL: I would also like to  
10 indicate the Director of Finance's representative has  
11 also approved each of the three formal --

12 (Laughter.)

13 MR. HIGHT: Mr. Flushman has worked very hard  
14 on this.

15 ACTING CHAIRPERSON BELL: It's a very interesting  
16 -- yes, I think Mr. Bliss has also been very cooperative.

17 MR. FLUSHMAN: Yes, he has.

18 ACTING CHAIRPERSON BELL: Is there anyone here  
19 to object to approving the proposed settlement agreement?  
20 And basically, this is ceding the lands under Lake Earl  
21 and Lake Talawa?

22 MR. HIGHT: Talawa.

23 ACTING CHAIRPERSON BELL: All right. Hearing no  
24 objection, Item 52 is approved.

25 That completes the regular agenda of the meeting.

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1 I believe that the staff is still requesting that we have  
2 a short Executive Session?

3 EXECUTIVE OFFICER NORTHROP: Yes. A short  
4 Executive Session at the end of this meeting, if we could.  
5 Mr. Stevens has got it -- or did you want to do it here?

6 MR. STEVENS: Could we retreat? We have some  
7 exhibits back in Mr. Cory's office.

8 EXECUTIVE OFFICER NORTHROP: Could we adjourn to  
9 your office, Mr. Bell?

10 ACTING CHAIRPERSON BELL: Or Mr. Cory's or  
11 whoever.

12 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
13 next meeting is scheduled for Wednesday, September 26,  
14 in Sacramento.

15 ACTING CHAIRPERSON BELL: Wednesday, September  
16 26th in Sacramento.

17 All right. The meeting is adjourned.

18 (Thereupon the State Lands Commission  
19 Meeting was adjourned at 11:05 a.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 hearing, nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 18<sup>th</sup> day of September, 1979.

*Delores I. Dalton*

DELORES I. DALTON  
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