MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 2170
STATE CAPITOL
SACRAMENTO, CALIFORNIA

ORIGINAL

MONDAY, OCTOBER 29, 1979
10:00 A.M.

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

Mr. Kenneth Cory, State Controller, Chairperson

Mr. Roy M. Bell, Representing Ms. Mary Ann Graves, Director of Finance

Mr. Rex Hime, Representing Mr. Mike Curb, Lieutenant Governor

STAFF PRESENT

Mr. William F. Northrop, Executive Officer

Mr. Robert C. Hight, Chief Counsel

Mr. James F. Trout

Mr. Richard S. Golden

Mr. Wilbur M. Thompson

Mr. Donald J. Everitts

Ms. Diane Jones, Secretary

OTHERS PRESENT

Mr. N. Gregory Taylor, Assistant Attorney General
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Adjournment

Certificate of Shorthand Reporter
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P R O C E E D I N G S

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CHAIRPERSON CORY: We will call the meeting to order. The first item on the agenda is confirmation of the minutes of the meeting of September 26, 1979. Any corrections or additions to those minutes? Any problems?

Without objection, they will be approved as presented.

The report of the executive officer, Mr. Northrop.

MR. NORTHCROP: Mr. Chairman and members, the
United States Department of the Interior, Geological Survey--Water Resources Division, has requested permission to place a temporary double-armored cable slightly over one-half inch in diameter across the bottom of Suisun Bay from Chipps Island to West Pittsburg as part of an "acoustic velocity flow" measuring system used to measure the net outflow of water from the Sacramento--San Joaquin Delta. The period required for study will take 90 days or less, and the cable will then be removed.

This proposed project is within the primary management area of Suisun Marsh and Suisun Bay and is provided for in the multi-agency management agreement signed by the U.S. Bureau of Reclamation, the U.S. Fish and Wildlife Service, the State Department of Water Resources, and the State Department of Fish and Game in 1970.
The Department of the Interior must record the current low flow prior to the winter precipitation. In line with this commission's ongoing policy of protecting the state's wetlands, I have issued a letter permit authorizing the immediate placement of the temporary cable. Staff will present a full report in calendar-item form to the commission on next month's agenda.

Gentlemen, the request came at such a time that we would not have had time to get it on the calendar, so I gave a letter, and we will put a calendar item on it next time.

With the opening of the Elk Hills Naval Petroleum Reserve to active commercial development, increasing sales and development activities in the Santa Barbara Channel outer continental shelf, and the recent federal decontrol of heavy crude oil production, we are once again faced with questions concerning the transportation and distribution of additional crude oil to existing refineries.

In general, state policy has stressed the use of pipelines rather than tankers to transport Elk Hills and Santa Barbara OCS production to the L.A. Basin. The anticipated production of heavy crude from Kern County reinforces this position.

In light of this position and the commission's interest and experience in such matters, we have been asked by the Governor's office to
"undertake studies to determine what transportation pipelines are required and to identify the state's role in construction and operation of them."

It is our intent to provide a report to the Governor within 60 days of the receipt of additional funding necessary to initiate the studies. To date we need about $45,000, and the money has not been forthcoming. However, as soon as it does, we will move with haste on this study.

CHAIRPERSON CORY: Questions?

MR. NORTHROP: That completes our report, Mr. Chairman.

CHAIRPERSON CORY: Mr. Golden.

MR. GOLDEN: Mr. Chairman and members of the commission, this is a staff report on state coastal zone matters. The first item has to do with William L. Smith and Delta Associates.

The Solano County Planning Commission issued a permit to William L. Smith and Delta Associates for the extraction of sand, gravel, and other materials from two areas within a 160-acre parcel of land in the Potrero Hills within the secondary management area of Suisun Marsh. This action was appealed by two BCDC commissioners on the grounds that the issuance of this local permit as a marsh development permit may not have been consistent with the provisions
of the Suisun Marsh Preservation Act and the policies of the Suisun Marsh Protection Plan.

Hearings began on July 19, 1979, and continued through August and September, with a vote being taken on October 4, 1979. The staff recommendation of the commission, which was approved, provided for expanded excavation in the area already developed, with provisions for erosion control and an overall reclamation plan.

The second item has to do with an update of the local coastal program effort. Certification of local coastal programs (LCP's) along the coast statewide is proceeding slowly. These LCP's when certified will consist of local plans, zoning ordinances, and other implementing actions, and must be certified by June 30, 1981.

The Chula Vista Bayfront LCP was recently certified, with conditions relating to uses of Gunpowder Point, construction of Tidelands Avenue, and proposed filling of a remnant marsh area, among others.

The Coastal Commission has commented that the pilot programs, such as the Chula Vista LCP, have provided valuable lessons in the preparation of these documents which will facilitate the review of future documents. State commission staff is now closely monitoring staff work at the local level to assure early identification of conflicts so that resolution will not be left until the end of the
process.

State Lands Commission staff have worked with the Coastal Commission on the Tijuana River Valley segment of the City of San Diego's LCP, which is currently being considered by the city for certification.

The Unit I Marin County LCP covers the southern part of Marin County, including Bolinas Lagoon and Seadrift. There has been concern from both this commission and the Coastal Commission regarding piecemeal development at Tomales Bay, and this issue is being addressed in the Tomales Bay plan. Proposed policies for residential development at Tomales Bay are presently being formulated, and we hope to have these ready for your consideration at your November meeting.

CHAIRPERSON CORY: Questions, commissioners?

Thank you, Dick.

For those in the audience, the next items are the consent calendar, items C1 through C15, with the exception of -- C6 and C11?

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

CHAIRPERSON CORY: If there is anybody in the audience who disagrees with the proposed action on these items, please speak up now, because these items will all be taken up and approved in one motion unless somebody objects at this point.
Without objection, then, the consent calendar will be approved as presented, excluding items C6 and C11. They have been taken off calendar.

Item 16 is an industrial lease for volumetric rent for Shell Oil Company. Is there anybody in the audience on this item? Any questions from commissioners?

Without objection, item 16 is approved as presented.

Item 17, industrial lease for Chevron USA and Standard Pipe Line Company. This is a volumetric rental up from $29,000?

MR. NORTHROP: Up from $29,108 to $87,000, Mr. Chairman.

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

Without objection, item 17 is approved as presented.

Item 18, Paul and Marilyn Toch and Wells Fargo Bank, encumbering a lease. Is there anybody in the audience on this item? Any questions from commissioners?

Without objection, item 18 is approved as presented.

Item 19, Alvin Stults, Cliff's Marina.

MR. NORTHROP: Continued operation of the marina.

CHAIRPERSON CORY: Just a continuation of the
lease. Anybody in the audience on this one? Any questions from commissioners?

Without objection, item 19 will be approved as presented.

Item 20, the Huntington Partnership, 3.25 acres of tide and submerged land in Sunset Bay, Orange County: to change lease term to 43 years, revise construction limiting dates, add 40 more boat slips, and some dredging royalty payments. Anybody in the audience on this item? Questions from commissioners?

Without objection, item 20 is approved as presented.

Item 21, Huntington Harbour. We're doing what? an assignment?

MR. NORTHROP: And an amendment.

CHAIRPERSON CORY: The amendment is increasing rent after construction is completed?

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

CHAIRPERSON CORY: Anybody in the audience on item 21? Questions from commissioners?

Without objection, item 21 will be approved as presented.

Item 22, terminate a sublease from Anza to Flowers for 5.3 acres of state land at Burlingame. The sublessee had some financing difficulties or something. Is there
anybody in the audience on this item? Any questions from commissioners?

Without objection, item 22 is approved as presented.

Item 23, terminate right-of-way easement and replace with a 25-year grant permit (public agency use) from July 1, 1979, covering a 0.82-acre parcel of tide and submerged land in the Pacific Ocean at Goleta.

Anybody in the audience on this item?

Without objection, item 23 is approved as presented.

Item 24 --

MR. NORTHROP: Off calendar.

CHAIRPERSON CORY: Off calendar. Okay. Item 25, Gibson-Pierson. This is a salvage permit that you want to --

MR. NORTHROP: This rescinds the prior authorization. It was in 1974. It's really a bookkeeping matter.

CHAIRPERSON CORY: Anybody in the audience on 25? Questions from commissioners?

Without objection.

Item 26, Phelps Slough mitigation agreement. We're going to get mitigation from --

MR. NORTHROP: Mobil Oil Estates, about two acres
in Phelps Slough and about 217 acres in Bair Island. Fish and Game likes it, don't you?

He indicated in the affirmative.

CHAIRPERSON CORY: Is there anybody in the audience on this item? Questions from commissioners?

Without objection, the item is approved as presented.

Item 27, granted lands, City of Antioch: find that the City of Antioch has substantially complied with the terms of its grants pursuant to Chapter 1039, Statutes of 1955.

Anybody in the audience on this item?

Without objection, the item is approved as presented.

Item 28, San Luis Rey River boundary settlement and exchange.

MR. TAYLOR: Mr. Chairman, their counsel is supposed to be here for that. I don't know if they wanted to say anything on it. There's an agreement on it, but there are extreme headwinds this morning, and I don't know whether the plane has been slowed down.

MR. BELL: Why don't you put this last?

CHAIRPERSON CORY: Okay. We will hold item 28 until the last item on the agenda.

Item 29. I will give the gavel to Mr. Bell. At
one time I talked about a business proposition with somebody named Sam Kalman. I don't know whether it's the same Sam Kalman or not, and I don't know anything about it, and I want you people to deal with it.

MR. BELL: Item 29 is a settlement with Sam Kalman, authorization to accept $2,592 from Mr. Kalman, dba Sam Kalman and Company or Kalman Companies, as full compensation for prior unauthorized use of an approximately half-acre parcel of tide and submerged land in the Sacramento River, Yolo County.

Any dispute from Mr. Kalman?

MR. NORTHROP: I think that handles it, Mr. Chairman. Mr. Kalman, we understand, is in the process of selling the property, and this cleans up his title problem.

MR. BELL: All right. Is there objection?

MR. HIME: None.

MR. BELL: Without objection, there are two votes for item 29. Mr. Cory abstains. I return the gavel to Mr. Cory.

CHAIRPERSON CORY: Item 30, cooperative agreement with the U.S. Fish and Wildlife Service, to extend one year from October 1, 1979, through September 20, 1980. That's not quite a year, is it?

MR. TROUT: It's supposed to be a year, I think.
CHAIRPERSON CORY: I hope you aren't doing the bookkeeping on my life.

(Laughter.)

MR. TROUT: The calendar item says September 30th.

CHAIRPERSON CORY: All right. Anybody in the audience on this item? Questions from commissioners?

Without objection, item 30 is approved as presented.

Interagency agreement with the U.S. Bureau of Land Management, item 31, for a five-year period, more or less.

(Laughter.)

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

Without objection, item 31 will be approved as presented.

MR. BELL: I understand we're doing this because this is on their land?

MR. NORTHROP: It's on our land, Mr. Bell. It allows them to build firebreaks on lands that are really contiguous to our lands.

MR. BELL: So it's a protective device.

MR. NORTHROP: Right, until we're allowed to harvest some of that overripe timber.

CHAIRPERSON CORY: Item 32, continue the mineral extraction lease on 1,313 acres of sovereign lands in South
San Francisco Bay to extract oyster shell deposits according to a prescribed schedule. The winning bidder is Morris Tug and Barge, Inc. Is that correct?

MR. NORTHROP: That's correct, Mr. Chairman, with a bid factor of 1.91. We had one other bid at 1.13. That was the same gentleman who was here last time. I'm not sure whether he's here today.

CHAIRPERSON CORY: Anybody in the audience on item 32? Commissioners?

Without objection, item 32 will be approved as presented.

Item 32, Ocean Front Oil Company, renegotiation --

MR. NORTHROP: That's off calendar, Mr. Chairman.

CHAIRPERSON CORY: Okay. Item 34, assignment of a geothermal lease to Aminoil. Is there anybody in the audience on these items? Questions from commissioners?

MR. BELL: Is this Geyser country?

CHAIRPERSON CORY: Yes.

MR. BELL: No problem.

CHAIRPERSON CORY: Without objection, the assignment will be approved as presented in item 34.

Item 35, Chevron USA wishes to quitclaim a subsurface oil and gas lease (PRC 5481.1) effective October 1, 1979. Anybody in the audience on this item? Questions from commissioners?
Without objection, item 35 is approved as presented.

Item 36, Olin Jones Sand Company, certification of negative declaration, sovereign lands in Alcatraz Shoals, San Francisco County, sand dredging at 100,000 cubic yards per year. Anybody in the audience on this item? Questions from commissioners?

MR. BELL: I assume this is the area where we are disposing of spoils, and now these guys are going to come along and dredge this back.

CHAIRPERSON CORY: Right. We're fighting unemployment. Not doing a whole lot for inflation, however.

Without objection, item 36 will be approved as presented.

Item 37, Earl E. Gillham. This is Nevada County, and we are taking grant deed of fee of two parcels and relinquishing some further subsurface --

MR. NORTHROP: Surface entry. These two parcels will give us surface entry for our mineral reservation.

CHAIRPERSON CORY: We have a mineral reservation, and this parcel will allow us to mine all the gold there when it hits $8,000 an ounce, which should be by the end of the week.

Anybody in the audience on this item? Any questions from commissioners?
Without objection, item 37 is approved.

Item 38, authorization to conduct hearings on proposed regulation for drilling and production operations on state tide and submerged lands -- in what particular area?

MR. NORTHRUP: Northern Santa Barbara County. But generally, Mr. Chairman, this would be regulations for semi-submersible drilling rigs, which we need regulations on if we are going to proceed with any leases that would require that.

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

Without objection, authorization is granted.

Item 39, Chevron USA, Inc. This is using the existing pipeline facilities at "Hope and Heidi" --

MR. NORTHRUP: -- to bring oil and gas production from Chevron's Santa Clara Unit ashore.

CHAIRPERSON CORY: Is there anybody in the audience on this item? Questions from commissioners?

Without objection, item 39 will be approved as presented. That should take care of any claims Santa Barbara has for Proposition 13 reductions.

MR. NORTHRUP: It should be able to work away at it.

CHAIRPERSON CORY: Item 40, authorize agreement
for funding of EIR with Arco Oil and Gas Company.

MR. NORTHROP: Mr. Chairman, the last line of the summary says "Santa Clara County". That should read "Santa Barbara County".

CHAIRPERSON CORY: Close enough for state work.

Now that the audience knows that that's Santa Barbara County and not Santa Clara, is there anybody who wishes to comment on that item?

MR. BELL: Is this Platform Holly?

MR. NORTHROP: Yes, I believe it is.

MR. EVERITTS: It's adjoining Platform Holly.

This is one of those subsurface things.

CHAIRPERSON CORY: Without objection, authorization in item 40 is granted.

Item 41, authorize entering into a memorandum of understanding for the preparation of a joint environmental study for the proposed Union Oil Company development of the Hueneme and Santa Clara OCS units offshore the City of Oxnard, Santa Barbara County.

Any questions? Any comment from anybody in the audience? Commissioners?

MR. BELL: I believe it should read "City of Oxnard and Santa Barbara County", since Oxnard is not part of Santa Barbara County.

CHAIRPERSON CORY: Okay. Without objection, item
41 with the amendment will be approved.

Item 4j, first modification of the Plan of Development and Operations and Budget, Long Beach Unit, Wilmington Oil Field.

You want a million and a half moved from one place to another?

MR. THOMPSON: Well, the executive officer has already done it. All we're asking you to do is ratify his action.

CHAIRPERSON CORY: He did what?

(Laughter.)

MR. THOMPSON: We have been trying to activate another drilling rig in the Long Beach Unit. It so happened that we had an opportunity to buy certain pieces of equipment because of cancellations along these items under our previous contract where we bought the last rig. This is a good time to buy, to place those orders, so we asked for a transfer of funds for a million and a half dollars.

Really, this first and second modification should be taken together as a package.

CHAIRPERSON CORY: This is a second new rig?

MR. THOMPSON: Yes. This will bring our unit total to five that we own, and we're moving another contract rig in by the first of November, and then we will hopefully have seven rigs drilling by the first of March.
CHAIRPERSON CORY: Questions from commissioners?
Okay. Item 42 is approved as presented.
The second item is for a little more money.

MR. THOMPSON: Yes. This is $20 million.

Recent actions by the federal government --

CHAIRPERSON CORY: You had a bad day at the tracks?

(Laughter.)

MR. THOMPSON: You win some, you lose some.

Actually, it looks like we may be winning a little of the battle as far as crude oil prices are concerned.
Recent actions have resulted in our crude oil price coming up about $4 a barrel. This comes from a number of things.
It's the release of lower-tier oil to upper-tier oil on a phased deal. It's some heavy oil decontrol. In the future there's a proposed deregulation of upper-tier oil on a phased deal where they would phase out 4.6 percent per month on a cumulative basis, to be completely decontrolled by October of 1981. Of course, the federal government is also considering raising the gravity on heavy oil.

The only unknown now is the impact of the excise tax.

CHAIRPERSON CORY: What are you doing with the $20 million?

MR. THOMPSON: This is to pay back Mr. Northrop's million and a half dollars, part of it. Also, we want to
drill about 16 more new wells. What we're going to try to do is develop part of the Ranger Zone that was not economic before.

CHAIRPERSON CORY: That would be new production?

MR. THOMPSON: Brand new production. These wells would cost probably in the neighborhood of $400,000 or $50,000 each, and they probably will come in for maybe 100 or 150 barrels a day. They were kind of questionable wells before, but now with crude oil prices coming up --

Also, we want to go into the Ranger Zone and start subdividing that.

CHAIRPERSON CORY: Would that be "new and released oil"?

MR. THOMPSON: In that particular block it will be a conglomeration. In other words, some of it may be lower-tier that will have been released to upper-tier, and if upper-tier is decontrolled, some of it actually may come under the heavy oil.

CHAIRPERSON CORY: Even though we're putting in new wells, bringing in a new well and another 150 barrels a day, that doesn't necessarily mean it's "new and released oil".

MR. THOMPSON: It would depend on the property. In this particular property it will be uncontrolled oil.

CHAIRPERSON CORY: Fascinating.
MR. THOMPSON: If you think this is fascinating, you ought to see what will come out some day on the tax. We may have a multiple-tier excise tax. You may be taxed on lower-tier oil that went to upper-tier, upper-tier that went to uncontrolled, on uncontrolled oil, on tertiary oil and incremental tertiary oil, new new oil -- take your pick.

CHAIRPERSON CORY: Okay. Questions from anybody in the audience on item 43?

MR. BELL: Have we ever settled as to whether they're going to give us the gravity on the shipping tickets or the actual production out of the well?

MR. THOMPSON: No, that is still pending. Hopefully, we'll hear something on whether they raise the gravity on the "heavy oil" definition, which again would take care of that problem.

MR. NORTHROP: We are making our projections based on the fact that the oil as it comes from the ground is what we are using.

MR. BELL: So we'd better be careful.

MR. THOMPSON: Again, as I explained last time, we have to take it now because we can't make a retroactive claim for it.

MR. NORTHROP: We're basing all our projections on that.

CHAIRPERSON CORY: It's my understanding that they
hope to have the answer to that for Moose's retirement dinner.

MR. THOMPSON: Is that early retirement you're talking about?

(Laughter.)

CHAIRPERSON CORY: Item 43 will be approved as presented.

Item 44, subsidence costs in the Town Lot Area, Broadway Reconstruction. How much?

MR. THOMPSON: By the time we get through this will be somewhere around $85,000 to $90,000.

CHAIRPERSON CORY: Any questions?

Without objection, item 44 is approved as presented.

Item 45, a legal item, the Roundhouse and Moana Corporation. This is to authorize a suit for ejectment and collection of past rentals on a 3.84-acre parcel at Lake Tahoe. Is there anybody in the audience on this item? This is a commercial marina that has been operating and that refuses to sign a lease?

MR. HIGHT: Correct, Mr. Chairman.

CHAIRPERSON CORY: Any questions?

Without objection, item 45 is approved as presented.

Item 46 is off calendar.
Item 47 is a disclaimer on --

MR. HIGHT: The New Melones Dam.

CHAIRPERSON CORY: Why didn’t you tell me that in the briefing?

(Laughter.)

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

Amazing.

Without objection, item 47 authorization is granted.

Item 48, authorization to file disclaimer in Ventura County.

MR. HIGHT: The Ventura River Project.

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

Without objection, item 48 is approved as presented.

We’re back to item 28.

MR. NORTHROP: Mr. Chairman, I notice the attorneys have arrived. The attorney general is out. In the meantime, Mr. Taylor would like to discuss the Bolsa Chica with you. I will go out and get the other attorneys.

MR. TAYLOR: There are five items that could be reported on in terms of litigation activity in the last month. The first is Amigos de Bolsa Chica vs. Signal...
companies and the State, et al. A rather massive demurrer was filed by the state, which was handled by Kathy Stone, a special counsel from the Ball firm. It was 5,000 pages, in which we disclosed the agreement and all of the pertinent documents and examples of other agreements which might be affected by it.

We made the demurrer to have it dismissed without leave to amend. The court granted the demurrer on all 12 causes of action, and as to causes 2 through 11 granted our motion without leave to amend, and then severed those provisions so they're in a posture to appeal.

The only two remaining counts in the complaint that they can redraft are the ones involving alleged coastal violations, which do not involve the State Lands Commission, and the 12th cause of action, regarding an accounting for oil production from the area.

It is expected that the Amigos will appeal, but if we are successful on the appeal, it will have tremendously reduced the amount of time that would have been involved in this action. It probably would have been a trial that would have taken three years of preparation and probably at least six months to try, plus appeals.

The court held that 6307 authorizing exchanges was constitutional on its face and that a statute of limitations regarding boundary line agreements was
constitutional on its face, and therefore they were too late in bringing their lawsuit. That is, in essence, the holding.

The court was very meticulous about it and ruled from the bench, which was surprising, considering the amount of pleadings that have been filed.

We have to prepare the order, and then their time to appeal will run from that. So I would say within about four months we'll know whether they're going to appeal. I would expect them to appeal.

The other matters -- in U.S. vs. California we are filing objections to the special master's report. This is the last remnant of that lawsuit. The two issues are whether piers (in one category) and jetties and groins (in the other category) -- which of them constitute base points for measuring the three-mile limit. The court ruled for California in connection with jetties and groins, particularly the Zuniga Jetty at San Diego and the closing line on the L.A. Harbor one. That gave us about 200 additional acres, including some off L.A. Harbor which would be significant for mineral potential.

Unfortunately, the court did not agree with our contention with regard to piers. We are filing exceptions to that. That amounted to about 1,600 acres for the federal government. In some senses we won the battle and
are losing the war. However, we hope to correct that situation. We are filing the objections and argument before the Supreme Court, which will take place before June. At least there will be one additional tract for the state to consider leasing in the area off L.A. Harbor.

In California vs. Nevada, you're aware that the master ruled in favor of California's position.

California vs. Arizona and the U.S.: This is the Davis Lake litigation to confirm the first study made by the State Lands Commission of the boundary determination along this former bed of the Colorado River. We had a rather hot hearing before the special master in Phoenix a couple of weeks ago, and we're now waiting for the transcript and will go back to oral argument before the judge, who will then prepare his report and submit it to the Supreme Court. That may be argued this year before the end of this term, which concludes in June.

The final matter is that there are continuing discussions with the County of Los Angeles over the tax appeal. We have not resolved all our record request problems. The county has asked for a continuance of the hearing, and they have alleged that we haven't been cooperating and that that's the reason for it, but we vigorously dissent from that view. That is getting to be a rather complicated matter. I'm sure that's been discussed.
with you privately, but it's very complicated.

MR. NORTHRUP: We released all the public
documents to L.A. County.

MR. TAYLOR: There's about $6 million minimum at
stake to the state in that proceeding.

That concludes the major items of litigation.

One other item: Mr. Williams, who is here today, won a
motion for summary judgment on the last three lawsuits over
the LaJenelle. The LaJenelle was the ship that washed
aground. We still have two lawsuits pending from that
debacle. He was successful in defeating the claim of a
person who participated in the salvage operation. She asked
that we pay her $50,000, and the court sustained our summary
judgment motion on the grounds that we had already obtained
a judgment against her, so we didn't have to. So that's
over.

There are two more actions pending on whether
fishlines happened to foul on the superstructure of the ship,
which was put out in the ocean for a fish habitat for the
Department of Fish and Game. Those actions have been
sitting for several years. They're going to have to prove
to us that that was what they tangled on. They have not yet
brought that.

That brings the total from one derelict ship
running aground to, I think, about five lawsuits and several
million dollars to the state in expense. That was why it was so important to move the Catalina into sheltered waters. That concludes the litigation report.

CHAIRPERSON CORY: Okay. The last item on the agenda today is item 28.

MR. NORTHROP: Mr. Chairman, on item 28 Rob Collins, the deputy A.G., and counsel for North Coast Village would like to appear before the commission to make some technical language changes in the calendar item.

MR. COLLINS: Mr. Chairman, Phil Knierim, representing the private parties, is here, but he has indicated that I can speak for both him and ourselves.

When this calendar item was written, we hadn't had one final meeting, which we had last week with them, and there is just a slight need for clarification on page 3, item 5. Is that page 155?

MR. NORTHROP: Yes.

MR. COLLINS: Item 5 says:

"The Parties agree to and will confirm the existence of a public access and recreational easement over Parcel 2A, as shown on Exhibit "C", by virtue of implied dedication."

In our subsequent meetings we agreed to take out the phrase "by virtue of implied dedication".
Another thing that Mr. Knierim asked me to mention which we've agreed to put into the boundary line agreement which is not presently in the agreement is that it will be noted that the lots established by the boundary line agreement are exempt under the Subdivision Map Act—that's Government Code Section 66412(e) and will be legal lots without the filing of a subdivision act.

CHAIRPERSON CORY: What's the significance of striking "by virtue of implied dedication"?

MR. TAYLOR: We have a compromise agreement. Mr. Chairman. They're agreeing to make the settlement. The basis for our claim for part of the settlement is implied dedication. They're not necessarily agreeing with us on that, but they are agreeing to set aside certain land for the purposes for which we feel the public has acquired a right to use it.

CHAIRPERSON CORY: Okay. So everybody is happy?

MR. TAYLOR: I think so.

MR. COLLINS: Or acquiescing, if not happy.

MR. KNIERIM: "Acquiescing" is the proper word, Mr. Chairman.

CHAIRPERSON CORY: Are you happy in your acquiescence?

MR. KNIERIM: No, sir.

CHAIRPERSON CORY: The thing I'd like to
establish — that seems to imply that you feel you’ve been unfairly treated. We’re willing to listen if you have a complaint.

Mr. Knierim: We have, prior to now —

Chairperson Cory: My name is X. Philip Knierim of Fulop, Bolton, Burns and McKirrick, 9665 Wilshire Boulevard, Beverly Hills, counsel for North Coast Village.

Mr. Knierim: We have, prior to now —
and may not be fruitful, since the agreement is being
reached.

I'm not prepared to say that the agreement is not
being obtained under duress. I cannot say that.

CHAIRPERSON CORY: Mr. Taylor.

MR. TAYLOR: That puts me in a little difficult
position. I would say this: In December of 1978 the
commission authorized a quiet-title action against North
Coast Village, which in part -- there are several tiers of
ownership -- which in part is in bankruptcy. North Coast
Village has title insurance and feels that it has complete
ownership of this property. The commission staff and our
office, based upon other investigation, disagree with them
on that question. They very vigorously feel that they have
full title.

On the other hand, they are in the process of
trying to rehabilitate this project from bankruptcy, and
the staff has tried to work with them consistent with our
arguments in the case. They have been pretty hot
negotiations. I don't know that we've quite risen to the
degree of feeling that Mr. Knierim has for other govern-
mental agencies that he has dealt with, but they were
spirited negotiations.

The commission is going into partnership, in a
sense, with North Coast Village at this point. If they get
their conversion either to stock cooperatives or condominiums, we have an agreement. If not, this agreement does not become effective, and we go back to our beginning squares.

There is some urgency in concluding this as soon as possible, due to the bankruptcy proceedings and the fact that there are an awful lot of liens and lawsuits outstanding.

In defense of the commission, I would say that the commission staff and the representative of the Attorney General's office that worked on this action have appeared before the Coastal Commission and have actively sought to do everything they possibly could to explain the situation to the Coastal Commission, both at the regional and at the state level.

I would say that this boundary agreement is similar to others that we have entered into with parties, and if it is successful will save substantial litigation expense.

If no one is happy with an agreement, maybe it's a good agreement. That's about the most I can say on the matter.

From a practical standpoint, they have a choice whether to turn this over to their insurers and let them fight with us or to go ahead with the project. I think they want to see if they can't rehabilitate this project.
and get it back on its feet. In that sense I would agree with them that they haven't been happy with our presence, but on the other hand they've found a way to work out the problem if everything else works out.

I don't know whether that clarifies the situation. I don't think it would constitute the kind of duress which would invalidate the agreement. Mr. Knierim and his clients are very knowledgeable real estate people and very knowledgeable counsel in this matter and in coastal matters, and we certainly hope we've done the same kind of job from our standpoint.

This agreement has been brought to you in considerable haste in order to try to meet the requirements of negotiations with them and also to make sure this project somehow stays afloat. So I would not say there was any kind of legal duress. It was just where two people have a dispute, and people as a practical matter decide they need to go ahead with the matter and finish it.

Mr. Trout does have a diagram showing the transaction.

(Addressing Mr. Knierim.) Where do we stand? Is that about where you think we stand?

MR. KNIERIM: I think Mr. Taylor's summary is entirely accurate. I reserve the contentions about duress except to say that we are prepared to say that we will not
seek to invalidate the agreement based on that or any similar contentions.

CHAIRPERSON CORY: I'm happy with that, then.

MR. TAYLOR: Before the commission acts, there are three points that should be noted. The first is that, depending upon the results of a title report, North Coast Village may or may not be a party to the agreement. The second is that there is a problem with the legal description on the common boundary between Parcel 1B and Parcels 2B and 3. That boundary is going to require a field inspection to find where it should actually be drawn. It can only be resolved in the field. Representatives of the City of Oceanside, Mr. Knierim's clients, the State Lands Commission, and our office are going to meet in the field and resolve that. That will have to be adjusted. Everyone agrees it's not correct, and the only way we can do it is to get out there and have everyone agree on what we're starting from.

The third item is that there may be other non-substantive changes made in the agreement in the course of final cleanup and review by the city. If there is anything substantial, it will be brought back to the commission. But your approval would be contingent upon these three statements.

CHAIRPERSON CORY: Okay?
MR. KNIEFIM: Yes.

CHAIRPERSON CORY: Questions from commissioners?

Without objection, item 28 as amended is then approved.

MR. NORTHROP: Mr. Chairman, the next meeting is tentatively scheduled for November the 20th. We're attempting to have a meeting about the same time in December as well. We have clearances from all offices except Mr. Curb's, and we're still waiting for an answer back.

CHAIRPERSON CORY: Okay. If there is no further business, we stand adjourned.

(Thereupon this meeting of the State Lands Commission was adjourned at 10:45 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

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

That I am a disinterested person herein; that the foregoing meeting of the State Lands Commission was reported in shorthand by me, Paul D. Ramshaw, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of November, 1979.

[Signature]

PAUL D. RAMSHAW
Certified Shorthand Reporter
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