MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

THURSDAY, FEBRUARY 28, 1980
10:00 A.M.

Delores I. Dalton
C.S.R. License 4691
MEMBERS PRESENT

Roy M. Bell, for Mary Ann Graves, Director of Finance, Acting Chairperson

David Ackerman, for Lieutenant Governor Mike Curb, Commissioner

STAFF PRESENT

William Northrop, Executive Officer

Robert Hight

W. M. Thompson

Don Everitts

Diane Jones

MEMBERS ABSENT

Hon. Kenneth Cory, State Controller, Chairperson

ALSO PRESENT

Jan Stevens, Attorney General's Office
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ACTING CHAIRPERSON BELL: I would like to call the meeting of the State Lands Commission to order.

Mr. Northrop, may I have the roll call, please.

EXECUTIVE OFFICER NORTHROP: Yes, sir.

Mr. Bell.

ACTING CHAIRPERSON BELL: Here.

EXECUTIVE OFFICER NORTHROP: Mr. Ackerman.

MR. ACKERMAN: Here.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we have a quorum.

ACTING CHAIRPERSON BELL: The confirmation of the minutes of the meeting of January 24th, 1980, are before us. May I ask if there are any technical corrections or other changes to the minutes required?

Hearing none, they will be confirmed.

Report of the Executive Officer, the next item.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, last September, I advised the Commission that we had been asked by the Governor's Office to study the feasibility of additional pipelines to transport anticipated heavy crude production throughout California to processing centers. Funding was to come through the Governor's Office, and the study was to be done within 60 days of funding.
Calendar Item No. 33 that we have before us today concerns our role in this matter, and I have asked to have it removed from the agenda.

I also sent a letter to Gray Davis on February 26, responding to his previous letter, suggesting that the study presently under discussion would be best performed by the Joint Industry/Government Pipeline working group.

As now defined, the study would concern itself solely with production from the Santa Barbara Channel and its transport, via pipeline, to the Los Angeles Basin.

Later on the 26th, we received an unofficial request from the Governor's Office of Planning and Research to again consider the study as initially defined. We will continue to investigate and will return to you later with the next installment of these discussions.

The letter that I did write to Mr. Davis in the Governor's Office was in response, Mr. Chairman, to a letter he had written me back in the latter part of last year.

ACTING CHAIRPERSON BELL: Thank you. I assume you are ready to move on it as soon as --

EXECUTIVE OFFICER NORTHROP: Yes, I am ready to move on it as soon as the Office of Planning and Research decides that that is the program they wish to follow.

ACTING CHAIRPERSON BELL: You may have referred to the wrong agenda item.
EXECUTIVE OFFICER NORTHROP: Did I say 38?

ACTING CHAIRPERSON BELL: 33.

EXECUTIVE OFFICER NORTHROP: I'm sorry. 38,

Mr. Chairman, is off calendar.

That completes my report, Mr. Chairman.

ACTING CHAIRPERSON BELL: Thank you.

Mr. Ackerman, a question?

MR. ACKERMAN: Mr. Northrop, what is the estimated cost of the study?

EXECUTIVE OFFICER NORTHROP: We feel that the study will cost somewhere in the area of about $60,000.

What we anticipated to do in the overall study originally was to look at the reserves and the production capabilities and the timing of new and existing crude-oil production in both the Santa Barbara area north to perhaps Point Conception or Point Arguello, where we are looking at some leases, and consider, as well as our own leases in that area, the federal offshore leases.

The Santa Barbara study group has already done considerable work and has a report that has cost a considerable amount of money covering Santa Barbara only and the Santa Barbara offshore, federal largely. They have not considered areas, the northern extremities of the Santa Barbara coastal area.

ACTING CHAIRPERSON BELL: Including the reserves?
EXECUTIVE OFFICER NORTHROP: Right. The
reserves have not been estimated in that report, Mr. Bell.
They have not looked at reserves in the transport or the
production timing.

We intend to look more at the reserves and
production timing there as well as with the decontrol of
heavy crude oil and the, now we understand, exemption,
a special treatment of heavy crude oil in the windfall
profits tax concept, that it well may be that there will
be more heavy crude produced in the San Joaquin Valley which
will require transportation.

So what we are attempting to do is to formulate
at least a scenario as to what oil will be produced, the
volumes, and where the likely bottlenecks will be for getting
that oil in the market so that we don't run into a problem
in California where we have oil produced and the marketing
situation severely -- the ability to get it to a meaningful
refining center severely limited.

Since this proposal -- and I don't mean to ramble
on on your question, but if I may just add one other point.

MR. ACKERMAN: Sure.

EXECUTIVE OFFICER NORTHROP: Since the proposal
was made originally in October, we have had, recently had
enter a new player into the picture, and that is a corpora-
tion known as the Pacific Pipeline Corporation in which
they anticipate, according to their press releases and early information, that they would like to take the Kern County production and move it to the mid-continent.

If that proceeds, it may well make anything we do in the San Joaquin or in this study non sequitur to the real world because if that happens, then that may be the market for the Kern County/Bakersfield -- the new heavy oil. That may well be the marketplace that gets it, and California could lose that production.

Whether or not that is of benefit or not, I think that is something that industry has to do decide. But that is where we are coming from, Mr. Ackerman.

MR. ACKERMAN: Is the State at all considering building and owning pipelines themselves?

EXECUTIVE OFFICER NORTHROP: For my concern, no. What we are attempting to do -- my concern is really quite provincial. We have some leases, as you know, or potential areas that we would like to lease. I would like to have a way to get that oil that the state lands produces to market and to not be set with a situation where, after we produce it, we have to load it on barges and haul it back on the water again somewhere. I think that is my main concern.

But the reason the Kern County study came in initially is that if we are going to do that, we should
also look at the overall picture and not treat that area of the coast separately but as far as I am concerned, my aspect of it, at no time did we indicate that we wanted to build a line or do that kind of thing.

We were just doing a study as to where the oil was and the possible availability of pipelines to get it to market.

MR. ACKERMAN: I think along those lines I would probably want to make sure that the Lands Commission then is the lead agency on any pipeline study, even though it would involve the Office of Planning and Research or the Energy Commission or whoever else.

But as a single agency, I think the Lands Commission should at least have the final say on a study, so that it couldn’t be held up if there was some disagreement down in bureaucracy over the conclusions to the study.

EXECUTIVE OFFICER NORTHRUP: In that case, Mr. Chairman, Mr. Ackerman, I will redirect another letter to Mr. Davis indicating the Commission’s feeling that we should proceed with this, particularly with our coastal area, if at all possible. If that is the feeling of the Commission.

ACTING CHAIRPERSON BELL: Is there a difference between a lead agency and an agency of concern? I don’t quite know how to express that.

EXECUTIVE OFFICER NORTHRUP: I will refer that
to the Attorney General.

MR. STEVENS: Mr. Chairman, lead agency is a word of art when applied to EIR's and EIS's, and that is the manner in which it has customarily been applied.

In this case, I'm not sure that it is. If the intent is that the Lands Commission shall have the lead and be able to guide and determine contours of any project of this sort, I think lead agency is still the proper term.

ACTING CHAIRPERSON BELL: At least in terms of our own interests.

EXECUTIVE OFFICER NORTHROP: That's correct.

ACTING CHAIRPERSON BELL: All right.

Mr. Northrup, I have a question that I probably should know the answer to but don't. I've read in the papers that the Joint Conference Committee of Congress has settled the excess profits bill, but that it would not appear in the Register for about ten days in detail.

Do you have any information out of Washington as to its impact on California oil?

EXECUTIVE OFFICER NORTHROP: I had a conversation with our staff in Washington, our attorneys in Washington, yesterday, and they indicated to me that the language as it went out of Conference and went for concurrence and amendments to both houses -- they may have a different name for it, but that's what we call it here -- contained
the language that the Senate bill carried, which means that
the language would give us the benefit of the public use
of the money.

I have been informed by the Chairman, Mr. Cory,
that he plans to be in Washington next Monday to make sure
that the concurrent language doesn't get changed in the
concurrent setup.

So we will know more probably by this time next
week.

ACTING CHAIRPERSON BELL: Thank you.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in
addition, if I may --

ACTING CHAIRPERSON BELL: Yes.

EXECUTIVE OFFICER NORTHROP: Item C1 is off
calendar and Item 12 is off calendar, and I think we have
handled Item 38.

ACTING CHAIRPERSON BELL: Give me a little time
on that.

EXECUTIVE OFFICER NORTHROP: Right.

ACTING CHAIRPERSON BELL: C1 and C12 are off
calendar?

EXECUTIVE OFFICER NORTHROP: C1 and 12 are off
calendar. 12 is a regular calendar item.

ACTING CHAIRPERSON BELL: And C38 is also
a regular calendar item?
EXECUTIVE OFFICER NORTHROP: Right.

ACTING CHAIRPERSON BELL: All right.

The next item on the agenda is the staff report on the State Coastal Commission.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I am informed that our representative to the Coastal Commission has nothing to report at this time.

ACTING CHAIRPERSON BELL: All right.

We will now go to the Consent Calendar which is Cl through Cll. Cl is off calendar, so it will be C2 through Cll.

Are there any objections to handling these as a Consent Calendar? If there are objections, they will be pulled off and added to the regular calendar. If not, they will be handled as a single item.

Hearing no objection, we have C2 through Cll before us as the Consent Calendar.

MR. ACKERMAN: So move the items.

ACTING CHAIRPERSON BELL: Second.

All in favor say aye.

(Ayes.)

ACTING CHAIRPERSON BELL: Opposed.

They are approved.

We now go to the regular calendar with Cl2 off.

We now go to Cll.
EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

Item 13 on the regular calendar is a settlement with the Richmond Sanitary Service and the City of Richmond and State Lands Commission. Mr. Hight and the Attorney General will address that item.

ACTING CHAIRPERSON BELL: Mr. Hight.

MR. HIGHT: Yes, Mr. Chairman.

This is an action by which the Lands Commission is settling one of its cases. We hold clear title to approximately 293 acres and in return we have received 153 acres plus $100,000 to be used in land banking.

In addition, we will convey another 73 acres but retain the easement over those acres.

The Defendant in this case, Richmond Sanitary Service, has not at this moment executed the agreement. The reason for this hesitation is the recent Supreme Court decision in the Murphy case, which we will discuss in detail later, and they are looking at this settlement in light of that case.

They have indicated to us at the present time that they are still in agreement as to principal. There may be some minor language changes in the agreement, but other than that, it still seems to be on track.

ACTING CHAIRPERSON BELL: Is there someone here who would like to testify on this item?
MR. HIGHT: This is Pat Peterson. She's with the Attorney General's office and handled the case.

ACTING CHAIRPERSON BELL: Does the Attorney General's representative wish to comment?

MS. PETERSON: We think the settlement would be in the best interest of the State at this time. As Mr. Hight has mentioned, there are minor language differences right now between Richmond Sanitary Service and the State. However, we are in substantial agreement, and we will come back before the Commission if there are any significant changes.

If there are any questions, I will be glad to answer them.

MR. ACKERMAN: Does the Richmond Sanitary Service want the Commission to go ahead and act now, even though there are language differences?

MS. PETERSON: Yes.

MR. SANDERS: If I may, Mr. Chairman. My name is Jay Sanders. I'm here for the Richmond Sanitary Service. Yes, we do.

ACTING CHAIRPERSON BELL: I assume if they are nonsubstantive changes that this will not have to be brought back.

MR. SANDERS: I don't contemplate any.

MR. ACKERMAN: I will so move the item.
ACTING CHAIRPERSON BELL: And I will second it.
All in favor say aye.

(Ayes.)

ACTING CHAIRPERSON BELL: Opposed.
Item 13 is approved.

MISS PETERSON: Thank you.

ACTING CHAIRPERSON BELL: Item 14, Humboldt Bay
Harbor Recreation and Conservation District. This is an
old favorite.

EXECUTIVE OFFICER NORTHRUP: Yes, Mr. Chairman.
This is the third time this has been before the Commission.
We believe now that the Humboldt Bay Harbor
District and the private owners in the upland area of the
Coastal Commission and those people who use that area for
recreational purposes have come to an agreement, and the
resulting agreement is this calendar item.
The staff would recommend approval.

ACTING CHAIRPERSON BELL: All right. Is there
anyone here to appear on this item?

Hearing no objection --

MR. ACKERMAN: Is this anticipated to be a final
resolution?

EXECUTIVE OFFICER NORTHRUP: Yes, sir, it is.
So was the last one.

(Laughter.)
MR. ACKERMAN: So moved.

ACTING CHAIRPERSON BELL: All right. I second it.

Without objection, Item 14 then is approved.

Item 15, leases and permits.

EXECUTIVE OFFICER NORTHROP: This is an application for an industrial permit by Ball, Ball and Brosamer for a temporary concrete batch plant site in Imperial County.

ACTING CHAIRPERSON BELL: All right.

EXECUTIVE OFFICER NORTHROP: The staff recommends approval.

ACTING CHAIRPERSON BELL: No objection, Item 15 is approved.

Item 16, an assignment from Anza Shareholder's Liquidating Trust to Zerimar Investment Company.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is, as you indicated, an assignment.

However, I understand the Attorney General has some additional language he would like to add. Mr. Stevens is looking for it now.

MR. STEVENS: Mr. Chairman, we have no problems with the transaction; however, we have proposed that several paragraphs be added to the Commission's resolution to make it crystal clear that the bonded indebtedness on
the leased parcel be retired prior to this assignment -- prior to execution rather -- and that the actual construction projects be reviewed by the Executive Officer for determination of a consistency with the Master Plan the Commission has already adopted.

We have proposed that several paragraphs which would carry out those purposes be added to the resolution of the Commission. It has no effect on the substantive terms of the assignment, but it does safeguard the Commission in those two respects.

ACTING CHAIRPERSON BELL: Is there no objection from the assignee or assignor?

MR. STEVENS: It's my understanding it carries forth what was the understanding of the parties in any event.

ACTING CHAIRPERSON BELL: All right. This will then in effect be added to the resolution on Calendar Item 16?

EXECUTIVE OFFICER NORTHROP: It is my understanding, Mr. Chairman, that the staff dealt with that language there at the time they prepared the calendar item.

ACTING CHAIRPERSON BELL: All right.

MR. ACKERMAN: I will so move with the addition.

ACTING CHAIRPERSON BELL: I will second it.

Without objection, the item will be approved with
the addition handed to us by the Attorney General.

Item 17, Marconi Cove Marina, Inc.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a 20-year renewal of a general lease for commercial use in the Marconi Cove.

ACTING CHAIRPERSON BELL: All right. Without objection?

Hearing no objection, Item 17 is approved.

Item 18.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is for Pacific Gas and Electric, a rental review for the Diablo Canyon area, which is an increase in rent at the review period.

ACTING CHAIRPERSON BELL: All this does is increase the rent?

EXECUTIVE OFFICER NORTHROP: Right. It’s a rental review.

ACTING CHAIRPERSON BELL: All right. Without objection.

MR. ACKERMAN: No problem.

ACTING CHAIRPERSON BELL: Without objection, Item 18 is approved.

On subject of land management of school lands, Item 19, Bureau of Land Management.

EXECUTIVE OFFICER NORTHROP: This is a result
of meetings with the federal government, and they are now asking for a fee rather than perpetual road easement.

    ACTING CHAIRPERSON BELL: So they have come around.

    EXECUTIVE OFFICER NORTHROP: Largely because of Mr. Ackerman's talking to them.

    (Laughter.)

    MR. ACKERMAN: I feel a comment is in order here. Having met with some of the Bureau people, I am pleased at their seemingly changed attitude toward the relationship with the State now on federal lands.

    ACTING CHAIRPERSON BELL: Maybe this is one small step.

    EXECUTIVE OFFICER NORTHROP: Yes.

    MR. ACKERMAN: A very small step.

    EXECUTIVE OFFICER NORTHROP: But in that same conversation, the Commission might be interested to know that we have another meeting set up for the middle of next month in which we would look at some other problems we have had.

    So it may very well be a small step.

    ACTING CHAIRPERSON BELL: Good.

    MR. ACKERMAN: So move the item.

    ACTING CHAIRPERSON BELL: I have a motion and a second. So without objection, Item 19 will be approved.
Item 20, policy modifications with regard to sales moratorium on State-owned school lands.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this item has been brought to our attention that access to private-owned property through State school lands is sometimes difficult because there has not been a policy of the Commission to allow that kind of access.

So what this calendar item attempts to accomplish is to set that policy record straight, or at least correct that policy deficiency if there is one, so that if a party desires access through our land, the staff will be instructed to work up the necessary information and bring it to the Commission so that the Commission may make a decision as to whether it is an access they wish to grant.

ACTING CHAIRPERSON BELL: There was no policy to disallow?

EXECUTIVE OFFICER NORTHROP: No, we have just kept quiet on the subject. We are just putting a positive note on the subject.

ACTING CHAIRPERSON BELL: Mr. Ackerman.

MR. ACKERMAN: Does this policy apply only just to school lands or does it apply to any other landlocked parcels, where the private landowner may be landlocked on State land and require an easement?

MR. HIGHT: Mr. Ackerman, almost by necessity,
the land that would be landlocked would be school lands.

The intent of this calendar item is to go to school lands, and at the present time, I can't think of anybody who would be in a landlocked situation that wouldn't be school lands.

But if there is such a case, we will bring it back to you.

MR. ACKERMAN: Okay.

ACTING CHAIRPERSON BELL: Then without objection --

MR. ACKERMAN: May I understand -- so we have the record clear on this.

The staff will bring any request for this, regardless of property, to the Commission for discussion. We will take that as instruction?

ACTING CHAIRPERSON BELL: Fine. Then without objection, Item 20 will be approved with the understanding that if there are similar problems on other than school lands, they will also be brought back to the Commission.

MR. HIGHT: Correct, Mr. Chairman.

ACTING CHAIRPERSON BELL: Item 21.

EXECUTIVE OFFICER NORTHOROP: Mr. Chairman, assuming this was a 100-year flood we just had, we may not have to use this item for another 100 years, but it well may be down the road to give another Executive Officer --
ACTING CHAIRPERSON BELL: All 100-year floods happen every five to ten years.

EXECUTIVE OFFICER NORTHROP: Oh. Is that right?

What I am asking for here is the authority to approve emergency storm and flood damage work within the areas of the Commission's jurisdiction, understanding that at the earliest possible time we will convene the Commission for their action.

ACTING CHAIRPERSON BELL: This in effect allows you, in case someone needs a permit like on a levee that is breaking, that we could give them authorization by you rather than have a full Commission meeting to authorize it?

EXECUTIVE OFFICER NORTHROP: Right.

ACTING CHAIRPERSON BELL: It does not extend to obligation of any funds?

EXECUTIVE OFFICER NORTHROP: That is correct, Mr. Chairman. I don't have any funds to obligate.

(Laughter.)

MR. ACKERMAN: This will allow the Executive Officer --

EXECUTIVE OFFICER NORTHROP: I could issue permits without coming to the Commission if, in my judgment, it is a part of an emergency program.

MR. HIGHT: They will come back to the Commission
for ratification.

EXECUTIVE OFFICER NORTHROP: As we do on the dredging and other --

ACTING CHAIRPERSON BELL: All right. Then without objection --

MR. ACKERMAN: Without objection.

ACTING CHAIRPERSON BELL: Without objection, Item 21 is approved.

Item 22, leases and permits, Chevron.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

Chevron, USA, has a lease in which it requires them to drill wells at certain time intervals.

They have exceeded the time interval drilling -- the number of wells exceeds the time application.

At the present time, they would like to stop drilling wells because they have got some banked ahead, and go to work and do some remedial work on some of the other wells.

So what this is is a six-month deferment to allow them to do some remedial work and some other preliminary work prior to continuing on with their drilling program. Staff recommends approval.

MR. ACKERMAN: This just gives them credit for wells already drilled?

EXECUTIVE OFFICER NORTHROP: It doesn't really
give them credit. It says they are fulfilling their drilling plan. They have done it and they are well ahead. And because they have been diligent in the exercise of the lease that they should be allowed to do this work because it doesn’t indicate any dilatory action on their part.

ACTING CHAIRPERSON BELL: Without objection, Item 22 is approved.

Item 23, Santa Clara County.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a dredging permit for 1500 cubic yards of area in Steamboat and Alviso Sloughs.

MR. ACKERMAN: No objection.

ACTING CHAIRPERSON BELL: Then without objection, Item 23 is approved.

Long Beach operations, Item 24.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I wonder if Mr. Moose Thompson would give a presentation on the Fifth Modification.

ACTING CHAIRPERSON BELL: Mr. Thompson.

MR. THOMPSON: The Fifth Modification is an updating of some economic projections, and also we would like to change the plan and ask for a drilling rig, another drilling rig in the unit.

I think to summarize this, the important thing probably is the fact that our estimated net revenue for
the full year now, we estimate to be $347 million before consideration of any federal excise tax, because there may be different kinds of excise taxes for individuals within the units.

This is for gross revenue for the whole unit before consideration of any excise taxes.

ACTING CHAIRPERSON BELL: This is a net figure, but it does not include those dollars which Long Beach gets?

MR. THOMPSON: This has nothing to do with any part of the Long Beach unit. This is Long Beach as an entity.

ACTING CHAIRPERSON BELL: This is Tract 1 only?

MR. THOMPSON: No, the whole Long Beach unit.

ACTING CHAIRPERSON BELL: The unit.

MR. THOMPSON: Because the State Lands Commission approves the budget and sets modification for the entire Long Beach unit. That's why we must talk about the Long Beach unit in its entirety.

MR. ACKERMAN: I have one question.

This uses now new moneys that are coming in by virtue of decontrol?

EXECUTIVE OFFICER NORTHROP: Right.

MR. THOMPSON: Yes. This is in essence the result because when we first gave this to you back in April of last year, at that time, we were estimating about
$97 million. This increase in revenue is strictly from decontrol and heavy oil.

Primarily, the heavy oil is the big change.

ACTING CHAIRPERSON BELL: And is the source also being able to obtain the additional well?

MR. THOMPSON: Yes.

ACTING CHAIRPERSON BELL: Or the additional drilling --

MR. THOMPSON: Right. What we want to do here is again, we want to buy another drilling rig, because we need a specialized subbase on the rig so we can move faster between locations, because lots of times just to move six feet from one location to another location might cost five to ten thousand dollars.

So what we want to do is get a specialized subbase so that we can use the same type of bogie wheels that you saw on the rig we purchased about a year ago that allows us to move between locations.

So what we are doing here is we are asking for approval then to transfer this $4.3 million of surplus funds in development drilling to buy this rig, and the reason we have these surplus funds is that we have had to go back and do a lot of repair work on existing wells in a redrill which is covered under expense.

So this will not augment the budget. We will
go from there.

ACTING CHAIRPERSON BELL: That is shown on Calendar Page 147?

MR. THOMPSON: Right.

We think again that this is consistent with the Commission's plan of falling back, this additional revenue. And what we are looking forward to here is almost a redevelopment of the units because of the extra funds now. We are going to actually break the intervals down into shorter intervals.

I would like to also warn you ahead of time that we will be coming and asking for additional augmentation probably next month for additional surface locations -- cellar locations, maybe to the magnitude of $10 million to provide additional cellar locations so that we can go back and redevelop the reservoirs and get additional drills.

ACTING CHAIRPERSON BELL: With the entire purpose of increasing the oil production? Or what is the purpose of that last $10 million?

MR. THOMPSON: The $10 million will actually provide the surface locations so that we can drill more wells. Right now, in some islands, we are fairly well drilled up. We just have no more places to drill wells from.
EXECUTIVE OFFICER NORTHROP: You recall when they went to the trenches, "Well, we are plumb out of trenches." So we have got to build some more of those big cellar trenches so we can drill some more wells.

ACTING CHAIRPERSON BELL: You used the word cellar.

EXECUTIVE OFFICER NORTHROP: I'm sorry. I meant surface locations to drill a well. With that is also the equipment to produce the well and take the fluids out. These cost us about $50,000 for each surface location for a well because of the offshore location.

But again we now have the price incentive to go ahead and do this and get the extra oil and get extra production down the road.

EXECUTIVE OFFICER NORTHROP: In line with the production, we felt that we could get in Long Beach some 14 to 16 thousand barrels a day given the heavy oil decontrol.

MR. THOMPSON: So this is part of the program to arrest our decline in the field.

ACTING CHAIRPERSON BELL: All right, without objection, that will be approved.

We are now on Item 25 on Long Beach operations, capital improvement project.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
Mr. Thompson will also deal with this.

I do direct your attention to a letter -- some communication from Mr. Denevan of the City of Long Beach, Einer Petersen, the Deputy City Attorney, and the Executive Officer, State Lands.

I refer you to Mr. Denevan's letter.

Mr. Thompson.

MR. THOMPSON: What this is is, this project is to develop and reorient a public park, about 31 acres, and facilities adjacent to the downtown marina, which you have already given approval to in the past.

The cost of this is $536,000, which the City wants to expend $430,000 of tideland revenue.

The rest of it will come out of an urban bond act.

This is for the consulting engineering services for site investigation, plans, specifications, construction estimates.

What Mr. Northrup was referring to here was some letters you received on the fact that there is some duplication here. But that is not the issue before the Commission at this time.

The City has asked and given you notice as to whether this comes under Chapter 138, Section 6(a) through (f).
The staff recommends that you approve it because they are specifically authorized to do this by Section 6(c) §(d) and 6(f).

And that's the Commission prerogative here, to either deny this. But you would have to deny it in the fact that it doesn't come under those particular sections, and it's pretty straightforward that it does. So we recommend approval.

MR. ACKERMAN: I just wanted to be real clear on that. Under Chapter 138, the Commission's only role is to determine whether or not the City of Long Beach legally has title to expend those funds?

MR. THOMPSON: The scope is defined under Chapter 138, those sections.

MR. ACKERMAN: And we have no determination as to what those funds are used for in the City of Long Beach, as long as they meet the criteria?

MR. THOMPSON: That's right.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, and Mr. Ackerman, I would like staff counsel to respond to that.

MR. HIGHT: I want to clarify slightly.

Under Chapter 138, the Commission has the authority, and the only authority, to determine if this is a proper trust expenditure.

Now, is that --
MR. ACKERMAN: That was my question.

MR. HIGHT: Okay.

EXECUTIVE OFFICER NORTHROP: And we feel, given this, that it is a proper trust expenditure.

MR. ACKERMAN: That's the limited scope of our decision?

MR. HIGHT: Right.

EXECUTIVE OFFICER NORTHROP: I don't think we have the luxury of saying whether or not in our opinion something should be done or not.

MR. ACKERMAN: Because much of the correspondence we have received on the topic goes not to that question, but to matters that seem more appropriate for the City of Long Beach rather than the State Lands Commission.

EXECUTIVE OFFICER NORTHROP: Right. That's correct. That is why the communications are in front of you. We feel the same way.

ACTING CHAIRPERSON BELL: Is there anyone to appear on this Item 25?

MR. THOMPSON: In connection with this -- it has nothing to do with the approval, but I talked to Einer Petersen who is with the City Attorney's Office in Long Beach, and they have an emergency situation down there that relates somewhat back to Item 21 here, at the mouth of the L.A. River, with regards to the rains down there.
And I asked if he would come up and talk to you at this particular time to discuss and more or less give you some preliminary problems here and somewhat of the emergency nature so that you are kind of given notice here. It is kind of unofficial, but at least if he could tell you some of their problems.

It has nothing to do with this particular item except that it is for the Marina which is adjacent to this.

ACTING CHAIRPERSON BELL: Well, it is connected with the Long Beach operations and capital improvement projects, if necessary, because of the relatively large flow of water, I suppose.

This is the Los Angeles River that empties right next to --

MR. PETERSEN: That is correct, sir.

ACTING CHAIRPERSON BELL: I understand the Santa Ana River has a real disaster potential down there, but the Los Angeles River can get pretty big, too.

What is your problem, sir?

MR. PETERSEN: During the past autumn, early winter, the Army Corps of Engineers dredged this area, the L.A. River mouth, and Queen's Way Bay.

They removed substantial amounts of material which had been deposited and were shoaling in the area, the bottom surface was building up.
As a result of the recent severe storms, we have had a repetition of that shoaling effect. Whereas we had water 20 feet deep, we now have water six feet deep.

The Catalina/Long Beach passenger cruise service has been terminated as a result of this shoaling. The ships can no longer enter the basin where they have a terminal facility.

The bridge which spans the L.A. River Channel at that area, the Queen’s Way Bridge, was designed for a water depth of 20 feet.

As a result of the shoaling, the design integrity of the bridge is in jeopardy. We are concerned that perhaps additional pressures cannot be withstood.

As a result of this, the City Council on this past Tuesday adopted an emergency resolution authorizing the City Manager to enter into a contract without competitive bidding for the purpose of procuring a dredging contractor to remove the material. That contractor has been contacted and agreement has been discussed. It's in the process of being approved by the contractor now.

The contract will require the contractor to remove approximately 300,000 cubic yards of fill material. As in any dredging operation, there is the front end of the pipe and the back end of the pipe.

Because this was designated as a borrow site for
fill material for the 1600-slip marina, we are asking the contractor to deposit the material in the areas of the moors.

Now, substantial additional materials are going to be required before the marina can be constructed and the armor rock placed on top of this fill.

However, because of the emergency need to remove the material deposited in the L.A. River mouth, we are going to accomplish two things at one time -- relieve the stress on the bridge and allow the cruise operator to resume cruise operations and at the same time provide some of the fill material.

Normally, the construction work for the Marina would be an item which would be the subject matter of a Chapter 138 notification to the Commission. As we have indicated to the Commission in the past, however, the entire cost of the Marina itself, including some of the engineering and consulting expenses which the Commission has or will approve today and has approved in the past, these will all be paid from bond sale proceeds, from Marina revenue bonds which the City proposes to sell on March 25th of this year.

So there will be no expense to the Tidelands Oil Revenue Fund for these expenses. This would all be reimbursed out of bond sale proceeds.

But we feel it appropriate to at least advise
the Commission that this action is being taken, and because of the emergency nature, there obviously would not be time to file a formal notice and await the Commission's action.

ACTING CHAIRPERSON BELL: Thank you.

Mr. Ackerman has a question.

MR. ACKERMAN: Since most of the debris washed down the Los Angeles River Channel, wouldn't it be the responsibility of the Flood Control District to remove it prior to the floods?

MR. PETERSEN: The material had been removed prior to the flooding by the Army Corps of Engineers, and they do have a responsibility for maintenance dredging of the area.

However, the federal government does not respond very quickly sometimes and we have a problem which has to be taken care of now.

So as a result, we have also applied both to the L.A. County Flood Control District and to the Army Corps of Engineers for some reimbursement for the cost.

We do not have a response as yet.

MR. THOMPSON: The reason I asked him to come up and talk is so that we can get some kind of a splice here, because of the emergency nature, not necessarily formal approval of this, but at least that you are given
notice of this so that we can splice back into this later on so there will be some continuity.

ACTING CHAIRPERSON BELL: I think that is important.

MR. ACKERMAN: This does not require any action by the Commission?

MR. THOMPSON: No. This is just informational. Since it pertained to this, why I thought it would be convenient to tie it together to give it some continuity.

ACTING CHAIRPERSON BELL: Do you have any objection to Item 25?

MR. ACKERMAN: None. So move the item.

ACTING CHAIRPERSON BELL: All right. I will second it.

Item 25 is approved for the agenda.

Item 26, City of Long Beach, dry stack storage facility.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is an expenditure of the City of Long Beach for dry boat storage.

Mr. Thompson has the report on that.

MR. THOMPSON: This is the same type of approval as before. Mr. Petersen has an issue here. That's why he will stay up here on this one.

This is to provide a facility for dry storage.
of boats in the area of the tidelands. They want to start doing some engineering services for design and everything like that.

This would then go out and they would try to get a developer to handle the project. The developer would be required to purchase these plans.

So there is a potential for a partial reimbursement of these funds.

Again it's a question of making a finding under Section 6(a) through (f) again, and the staff recommends that you approve this under those sections because we believe the scope is spelled out there.

ACTING CHAIRPERSON BELL: The approval before us is to determine the expenditure of the City of Long Beach of $92,700?

EXECUTIVE OFFICER NORTHRUP: That is correct, Mr. Chairman.

ACTING CHAIRPERSON BELL: Mr. Petersen.

MR. STEVENS: Maybe Mr. Petersen can answer my question. I did have a question with respect to the 198 notice requirements, because I understand that part of the money on this project has already been expended.

EXECUTIVE OFFICER NORTHRUP: That's why we are approving 92,700 and not the one twenty-two as the total cost.
MR. STEVENS: But the one twenty-two is the cost of the entire project.

MR. PETERSEN: That is correct. This is the problem that we find.

We find that the action recommended is incomplete. The City is not entirely without fault in having this problem come up in this fashion.

However, before the City could determine whether to go forth with this or not, they had to have the feasibility aspect study. That was the $30,000 which has already been expended.

A copy of that report has been submitted with our application on this matter.

Normally, a strict reading of Chapter 138 would not require us to come forward to the Commission with this type of a notification because Chapter 138 refers to capital improvements in excess of $50,000.

However, as a result of an agreement or understanding between the State and the City, we have always advised the Commission when we intend to employ consultants and we know the amount of the contract to be paid. We have come forward and filed a notification voluntarily.

In this particular case, somehow this particular contract fell through a crack in the floor. It was not picked up and it was not recognized as an expenditure of
tideland oil revenue funds or even tideland operating funds.

In this case, the money has in fact I believe been disbursed from the tideland operating fund of $30,000, and those are not oil revenues per se.

So we have the situation where we have an expenditure where it would have been nice if we could have come in in a timely manner and notified the Commission, but we didn't discover this until this past month -- at least I didn't discover it -- and tried to take corrective action.

So we have a situation where I think it would be appropriate not only for the Commission to make the appropriate determination with reference to the balance of the contract price, but also to ratify or confirm the prior expenditures.

We had a complete package, and all of the moneys having been spent for the same project, a dry stack storage facility. The expenditures are clearly permissible. It's just a matter of inadvertence on the City's part in not filing a timely motion.

MR. STEVENS: I think that answers my question. I was referring to a construction I think of advice that we gave you in '76 to the effect that ordinarily we would consider the cost for a preliminary study to be part of
the project itself, but the planning expenditures could be treated separately.

In effect, the Commission I guess is being asked to approve the proposed project at this time.

MR. PETERSEN: No. Merely the expenditure of this money.

MR. STEVENS: The expenditure of the money for the project.

MR. PETERSEN: For consultant's services, strictly services that have been procured.

MR. THOMPSON: The problem then becomes here this area of preliminary planning, and we have the same problem on subsidence projects.

There we have a State Lands expense fund in which the preliminary planning is done in that particular category. Then when the project is approved, given prior approval, then that money is then taken out of State Lands expense and transferred over to the other account.

We haven't been able to find any comparable setup to do it in this particular relationship. Again, it's a question of the City using their operating fund money or tideland oil revenue money. That's the issue.

MR. ACKERMAN: Really we have two questions involved then. One is whether or not the entire $122,700 is an appropriate expenditure and whether the staff is in
agreement on that; and secondly, one of a more technical nature, that in order to actually apply for reimbursement, advance notification is required before any funds are expended.

MR. THOMPSON: For a capital project.
MR. ACKERMAN: For a capital project.
MR. THOMPSON: Over $50,000.
MR. STEVENS: That's right.
MR. ACKERMAN: Perhaps some comment is in order.

ACTING CHAIRPERSON BELL: Well, Mr. Petersen, I really feel that as long as our attorneys don't feel that this is a complete violation of everything that we do, I am reasonably sympathetic with the $30,000.

But we do not have it on our agenda. My question really that I was consulting on the side about was, even though I might be favorably inclined to approve it today, I feel that it was not on the official agenda.

I was wondering if we could approve what we have here today with the understanding that the $30,000 would go on our next agenda and would be legally considered proper at that time.

Is there any danger to you folks of having to wait an extra month for $30,000?

MR. PETERSEN: No, there's no danger at all, but I believe it is the understanding of both staff and counsel
that there is no question about the propriety of the expenditure.

It is just the incompleteness of the recommended action, is the only thing that I take issue with. I would suggest that the matter is before the Commission today in its entirety. The only question is whether or not the recommended action as set forth in the calendar item completely disposes of the issue, and I suggest that perhaps a simple finding that the $30,000, had it been noticed timely, would have been found to be a proper expenditure under Chapter 138 and go no further than that.

ACTING CHAIRPERSON BELL: I guess I was a little unhappy about the fact that you hadn't come and told us about the 30,000 in advance, but I can see some logic in the fact that it does properly belong.

Mr. Hight, do you have any comment?

MR. HIGHT: Yes, Mr. Chairman.

Legally, I think you have the authority to amend the 92,000 to make it reflect the full value.

ACTING CHAIRPERSON BELL: So we can consider this as a single item.

I'm sorry. We can consider this as perhaps an augmentation or amendment.

MR. THOMPSON: Let me add a little bit here.

Their application was for 122,000. The staff
recommendation is for the 92,000.

ACTING CHAIRPERSON BELL: Oh, I see. So the Commission can approve the original application which would include the 30,000?

MR. PETERSEN: Yes, sir.

ACTING CHAIRPERSON BELL: Is that what you are telling us?

MR. THOMPSON: I think so. It's only the staff's recommendation for the $92,000.

ACTING CHAIRPERSON BELL: Do you have any objection?

MR. ACKERMAN: No. I would so move, with one comment.

Here I think it is unique that there is agreement on the project that all of the money is appropriately expended in accordance with the law, but I think it is also important to note that in the future where that agreement might not be possible or so readily available, that expenditures prior to authorization from the Lands Commission should be avoided.

It's not just the City of Long Beach, but anyone else in similar circumstances could possibly not be reimbursed for those expenditures. I think we have a couple of other cases that are pending as well.

But I would so move the entire $122,700.
ACTING CHAIRPERSON BELL: $122,700? Is that the correct amount?

MR. THOMPSON: Yes.

ACTING CHAIRPERSON BELL: All right. I have a motion to approve the $122,700, and I will second that motion.

And without objection, that item will be approved.

Mr. Petersen, I think it's important that since we have to all work together on this that we would like to keep our relationship with the City of Long Beach working smoothly.

MR. PETERSEN: That is the City's hope also. Thank you very much.

ACTING CHAIRPERSON BELL: Now we go to the informative items on Long Beach operations.

Moose, is this yours also?

MR. THOMPSON: Yes.

EXECUTIVE OFFICER NORTHROP: Yes, that is Mr. Thompson.

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

MR. THOMPSON: Well, we have been reporting back quarterly here for about the last four years. This project started back in 1976 when you first gave approval to go into the cost-sharing on this.
We are now about at the point where we are going
to really see whether the project works or doesn't work,
after all of this time.

So, hopefully, the next several quarterly reports,
we will be able to give you some positive results.

To date now, to bring you up, this is a project
we originally estimated to be $7 million. The federal
government said they would go 50/50 sharing and spend three
and a half million dollars and they would not share in any
incremental oil from this.

To date, we have spent $7.6 million. By the time
we get through with the project, we will have spent in
excess of $8 million.

To show you how this gets tied up in all of the
bureaucracy of the system, when we first got started on
this, we got classified as upper tier oil.

Then we got over into being a tertiary project.
They said, "Okay. You can get tertiary oil prices up to
$20.

So now we are going through and they are going
to finally give us a letter saying that we may now get
uncontrolled prices. So again we have to go through the
chairs on this.

We have now put all of the micellar material
in. That was that $2 million amount of material we put
in. Incidentally, that material cost about $20 a barrel at that time, which was only about six or seven months ago. If we were to start another project in the next few months, that same material would probably cost up to $24 a barrel.

So you can see the process here as far as -- and that is the problem with these type of tertiary recovery projects where we have to actually use oil-based products to enhance our recovery.

ACTING CHAIRPERSON BELL: Well, I think it gives us a good example of the fact that all experimental projects do not always prove cost-beneficial.

THOMPSON: Yes. A pilot project is very tough to pan out because you do have a lot of engineering costs on the front end and you are learning a lot of things along the way.

ACTING CHAIRPERSON BELL: You said in the next quarterly report you would keep us informed of what is happening.

About how long do we go with this before we decide it's not going to be --

MR. THOMPSON: Well, I think the best answer for that is to look at these charts up here. The one on the right, that small shaded area in the upper left corner, is the project area.
Then the next curve of that is some work done on core material from this same sand. This indicates oil recovery against what we call throughout volumes. You can see that vertical arrow that points down. That is where we started putting the micellar slug in.

We then followed that with polymer. So then as we displaced that, you will see that this is where we anticipate getting that additional recovery that goes from approximately 30 some percent, and then on up to 45 percent.

That's related on the next curve then to actually the composition of the fluids we produce. This is defined in water/oil ratio versus recovery.

The water/oil ratio, that is the volume of water divided by the volume of oil. As you can see in that particular one, it peaks up to a value of almost 100 there, or at a hundred, which means would produce 100 barrels of water for every barrel of oil we produce.

Then as the micellar material starts to act, you see then that water/oil ratio drops very drastically down to a water/oil ratio of one. That's the right-hand part of that sharp peaking there.

So in other words, at that particular time, instead of producing 100 barrels of water for every barrel of oil we produce, we would be down to producing one barrel of
oil for every barrel of water we produce.

We have estimated somewhere between 100,000 to 300,000 barrels of oil, incremental recovery here. I have taken the middle case and shown you on that last curve to the left.

In red there you see this water/oil ratio performance. And that is in red, and you can see the actual line is starting there, that solid line.

Then you see the broken red line. That is the same type of performance as indicated by those two curves on the right.

So you can see then that hopefully if it follows our lab data and predictions, then we are going to drop very drastically in the water/oil ratio, and conversely then, if we keep our total fuel production constant, then the result of that will be then to follow the green line.

You can see the green line has dropped down to about 50 or 60 barrels a day. We will then hopefully follow the green line up to where conceivably out of this project we might be making a thousand barrels a day of oil.

We are now at the point of finding out really what is going to happen. It is favorable to relate the fact that we have had tracer breakthrough in the past, but we have had no micellar or polymer material breakthrough.

ACTING CHAIRPERSON BELL: I have just glanced
at the years you have on the bottom of the fourth chart. That gives me a pretty good idea, if you are on target, about when we will know whether it really works or not.

MR. THOMPSON: It's going to happen very soon.

ACTING CHAIRPERSON BELL: Mr. Ackerman, a question?

MR. ACKERMAN: What happens to the results on a pilot project like this? Are they made available nationally to the industry?

MR. THOMPSON: Right. In other words, that's the basis of this thing, and one of the things that's an advantage in the Long Beach situation is that we don't try to conceal any particular information. We are right out in front, and this is part of the sharing agreement with the government.

ACTING CHAIRPERSON BELL: That's why the feds put the --

MR. THOMPSON: Right. Because this is an area where we actually can get it and the information is available.

Of course, any project they go into on a cost-sharing is the same basis. This micellar project is one project that has been hanging fire because this is the hope of going in with these waterflooding, where you are way beyond the economic limit -- and this project is beyond the
economic limit -- to gain additional oil.

But if it does work like in theory, then it's a question of economic evaluation to make it really work and go from there.

ACTING CHAIRPERSON BELL: Okay. Without objection -- well, no. That's just an informative item.

MR. THOMPSON: Yes.

ACTING CHAIRPERSON BELL: Item 28 is also an informative item.

MR. THOMPSON: Informative item there.

This is Parcel A, and again, I think we can sum this up just to say that because of the heavy oil decontrol that we now hope to get $10 million tideland oil revenue from this compared to an earlier estimate of less than I think $1 million -- $3 we estimated before.

ACTING CHAIRPERSON BELL: Was that with our older pricing?

MR. THOMPSON: Yes. And again, this is assuming federal approval of the State exception from the excise tax.

ACTING CHAIRPERSON BELL: Mr. Northrop reported earlier in the session that this is hopefully in Conference.

MR. THOMPSON: I understand the negotiators are going to take ten days to reduce that to writing. Then
it is supposed to go to the House first and then go to the Senate. Plans now, it would be retroactive to March 1st.

ACTING CHAIRPERSON BELL: Thank you.

Any questions?

MR. ACKERMAN: No, no questions.

ACTING CHAIRPERSON BELL: All right. Item 28 is accepted.

Item 29, legal annexations, City of American Canyon.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is Mr. Hight's and the Legal Department's program.

ACTING CHAIRPERSON BELL: Mr. Hight.

MR. HIGHT: Yes, Mr. Chairman. This is the request for an approval of the proposed boundaries of the City of American Canyon. This action will only approve the legal sufficiency of the description as presented to the Commission by the proponents of the incorporation and does not in any way bind the Commission as to approval of whether the Commission would want to become a part of the City.

This only says that the legal description is legally sufficient.

ACTING CHAIRPERSON BELL: This is purely on the sufficiency of the legal description?

MR. HIGHT: Right.
ACTING CHAIRPERSON BELL: This then allows them to go to LAFCO and do whatever else.

MR. HIGHT: Correct, Mr. Chairman.

MR. ACKERMAN: Does every city have to come before the Lands Commission?

MR. HIGHT: Only those annexations and incorporations that contain tide and submerged lands.

ACTING CHAIRPERSON BELL: And the four before us today all have tide and submerged land somewhere?

MR. HIGHT: Correct, Mr. Chairman.

ACTING CHAIRPERSON BELL: Without objection, Item 29 is approved.

I assume we should not take 30, 31 and 32 as a single action? We certainly could.

EXECUTIVE OFFICER NORTHROP: Yes, we could, Mr. Chairman, because there is apparently no objection by any of the parties on this.

ACTING CHAIRPERSON BELL: All right. In the interest of time, what we are dealing with in 30, 31 and 32 are really proposed annexations to the City of Redding, the City of Sacramento, and the City of Manhattan Beach. This is not a new city. Those are just annexations.

And do the same comments apply that applied to American Canyon?

MR. HIGHT: Correct, Mr. Chairman.
MR. ACKERMAN: No objection.

ACTING CHAIRPERSON BELL: No objection to Items 30, 31 and 32. They will all be approved.

Item 33, legal disclaimer. Here again, 33, 34 and 35 --

MR. HIGHT: Yes, are all disclaimers of interest in a lawsuit at Mather Air Force Base for a clear zone. The Commission has no interest in any of these lands.

ACTING CHAIRPERSON BELL: All three of these involve Mather Air Force Base?

MR. HIGHT: Correct, Mr. Chairman.

MR. ACKERMAN: So move.

ACTING CHAIRPERSON BELL: All right. I have a motion and a second.

Without objection, Item 33, 34 and 35 will be approved.

Item 36, a quitclaim, the United States of America, GSA.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr. Hight and the legal staff will take care of that.

ACTING CHAIRPERSON BELL: Mr. Hight.

MR. HIGHT: Yes, Mr. Chairman.

The City of Alameda received a legislative grant from the Lands Commission which they in turn conveyed to the United States. The United States has indicated that
they are going to declare this excess, and this action is asking them to instead quitclaim it to the Lands Commission. It's an extension of the --

EXECUTIVE OFFICER NORTHROP: This is Walter Cook, Mr. Chairman.

ACTING CHAIRPERSON BELL: Is the triangle shown on the map the land in question?

MR. COOK: Yes, that is the land. It has actually been declared surplus by the United States. The United States does dispute the revisionary rights of the State which we believe exist. We believe that by their declaration of surplus, that has caused this to become State land. The thrust of this is to avoid cost, settle this in a very simple manner. We believe it can be done if the United States will cooperate, and we are asking the State Lands Commission to formally make that request.

Primarily, if it can be handled by a quitclaim deed from the United States, there will be no cost of any consequence to the taxpayers.

It's merely requesting the Commission to formally request the United States to convey this land and authorizing the State Lands staff to submit your request, your formal request to any federal officials who may be interested.

ACTING CHAIRPERSON BELL: This does not authorize
any court action or any suit?

MR. COOK: No. At this time, Mr. Chairman, we are hoping to handle this matter as I said without the commitment of large funds, without a big controversy, and, hopefully, the United States officials will act responsibly. And if there is a problem, it certainly can be brought back to the Commission for your action at that time.

ACTING CHAIRPERSON BELL: I see the lawyers were shuddering at my words.

EXECUTIVE OFFICER NORTHROP: No, Mr. Chairman, I think all of us on the staff do not share Mr. Cook's optimism in dealing with the federal government. There are those of us who have dealt with them before and find that, even if you have a large stick, you may lose.

So I think the ability to negotiate with the threat of a lawsuit doesn't scare them a whole lot, but it's better than a poke in the eye with a sharp stick.

ACTING CHAIRPERSON BELL: Well, we are not authorizing an adversary suit against the GSA?

EXECUTIVE OFFICER NORTHROP: As written at the present time, we are not authorizing suit.

ACTING CHAIRPERSON BELL: That's all I wanted.

MR. ACKERMAN: Does the State own all the lands around that parcel?
MR. COOK: Immediately to the outboard, to the west, the State owns the land in its sovereign capacity. There has never been any grant or whatever of that.

This particular parcel is the outer portion of the Naval Air Station, and immediately to the east, it remains part of the Naval Air Station. This is just what they have said they don't need.

And certainly we are not disputing the requirements of the federal government as to what they have as a part of the Naval Air Station.

In effect, the surplus determination was made in January of this year. The surplus notice pointed out that the property was zoned, by the way, as R-1, and that it was available for disposal under the Surplus Property Act.

We didn't think that was quite right. It did in the notice, however, request a response from other agencies. We felt the proper response from the Commission would be that this should be like all of the rest of the Bay that is not needed by the federal government, by their own words, and should be part of the sovereign bay.

The Department of Fish and Game is interested in it. However, if the Department of Fish and Game were to receive it through the federal government, it would be under the federal surplus statutes. They would receive
it in a proprietary capacity.

The checkerboard type of fractioned ownerships doesn't seem to be a viable solution.

We believe that a strong effort can be made to convince the General Services Administration that we have a valid case and that certainly the expenditure of large amounts of money in trying to solve this problem just doesn't seem warranted.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think the situation is analogous -- and I'm really going to try this on Mr. Cook. I'm going to borrow his lawnmower and I'm going to sell it at a garage sale and see if he is as calm with me as he is with the federal government doing almost the same thing.

MR. COOK: There is a background, Mr. Chairman, on sales by the federal government.

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

MR. COOK: But there is a real serious problem that we have been facing for years. The federal government, especially during World War II, received large amounts of sovereign lands of the State, and at that time, there were reasons why things went through fairly fast. There were judgments, for example, where they acquired the State's rights for one dollar. There were deeds.
There were various things that happened.

And after that then these lands were in federal ownership for these military purposes, they were declared surplus.

Some of them were sold to private parties.
After they were sold to private parties, we still had real problems legally, but we are faced with the position of these private parties claiming lands. They certainly feel they are bona fide purchasers when they purchased from the United States.

And we feel it is an ongoing problem. And certainly in this particular instance, there seems to be such a small amount of question, at least in my mind, that something should be done, and certainly hopefully not a protracted litigation. That doesn't seem warranted at all.

ACTING CHAIRPERSON BELL: Well, this does not require that, so --

All right. Without objection --

MR. ACKERMAN: I so move.

ACTING CHAIRPERSON BELL: All right. A motion and a second.

Without objection, Item 36 --

MR. NIGHT: Mr. Chairman, if I could add one thing to this item.

Mr. Cook has indicated in the past the federal
government has taken lands during wartimes and has been less than honorable in returning it.

In the Honey Lake area, the Commission gave the federal government some lands under certain conditions, and now they have determined that the Commission can have the land back.

There is only one problem with the land. It is full of bombs, and they want to give it back to us with a guarantee that we will hold them harmless.

ACTING CHAIRPERSON BELL: And will not pay for the fencing.

MR. HIGHT: So they have an excellent record.

ACTING CHAIRPERSON BELL: We have already approved Item 36.

Item 37, exchange and title settlement, State Lands Commission, City of Eureka.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is part of an ongoing settlement with the City of Eureka. I think the Legal Department wants to talk about it.

MR. HIGHT: Mr. Chairman, this is a parcel that the City desires to develop without the tidelands trust, and as a condition of that, the City will give us, or put into the trust, another parcel and an amount of money of equal value.

MR. ACKERMAN: No objection.
ACTING CHAIRPERSON BELL: No objection.

Item 37 is approved.

Item 38 is off calendar.

Item 39, Santa Barbara County bean cleanup and hazard control.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, several months ago, a contract came before this Commission for the cleanup of some abandoned wells and other works that were left in the surf in Santa Barbara County.

We have completed the portion of the work for which we had received -- the funds have run out. We are still working. The equipment is still on-site in Santa Barbara.

So we have sat down with some of the people who have existing leases on that property and discussed with them the possibility of their continuing this cleanup.

I hasten to mention here we have not done it at this time from any legal obligation. We have appealed to Sun Oil Company and to Arco and to Aminoil, as good corporate citizens, to attempt to make these areas of the beach safe for the use of all of the people of California.

We have had excellent acceptance from Aminoil. Out of their corporate revenues, they immediately put up enough money to hold us in an interim state.

We have had I understand some conversations with Arco and Sun Oil Company that have been very productive,
as recently as last Monday.

Mr. Everitts was in Santa Barbara, meeting with the people in that area, with Sun and Arco.

And they indicate that while we haven't come to a conclusion as to the dollar values or the dollar exposure -- again, not any legal exposure -- the negotiations are proceeding very favorably.

And the staff -- if they conclude, as they have the meeting went last Monday, the staff not only is very pleased, but hands kudos to Arco and Sun for their corporate responsibility.

So this calendar item would allow the Executive Officer to execute reimbursable contracts should we arrive at a reimbursable amount to continue this work, with particular thanks to Aminoil, Arco, and Sun, if we are able to do it.

MR. ACKERMAN: Just one question. Are these on State-leased lands?

EXECUTIVE OFFICER NORTHROP: These are in the surf, which is in State-owned lands. The areas are currently under lease.

Now, the question is the liability question, whether the current lessee had anything to do with it or not.

My attorney is getting nervous.
MR. HIGHT: Yes, Mr. Ackerman, portions of the area are under lease and portions have been under lease by the companies.

The portions that are not now under lease are the areas that there is some disagreement, but we think that at the present time there is no disagreement.

This agreement would authorize the Executive Officer to execute contracts for mobilization and demobilization to keep the equipment in place currently while we work out the details of the larger contract.

MR. ACKERMAN: I just think that when a lease is executed for an oil company that part of that lease would require them to remove or move any dangerous --

MR. HIGHT: It normally does, Mr. Ackerman, and the problem at hand is whether or not there was a removal and the sufficiency of the removal.

But it's hopeful now that that question -- we won't have to fight about that question.

MR. ACKERMAN: This is taking care of a past problem?

MR. HIGHT: And without litigating. We may have to litigate the problem just mentioned if we are unable to do this.

But we feel that the cooperation -- it started a little slowly, but it is accelerating and really has been
very good. If it changes, we will certainly let you know.

ACTING CHAIRPERSON BELL: I have a motion and
a second. Item 39 is approved.

That completes the calendar we have before us
today.

Are there any other items to come before the
Commission?

MR. STEVENS: Just an informational item, if you
will, Mr. Chairman. And if the Commission has a few moments
we would like to advise you of the status of the Mono Lake
case in Executive Session.

The informational item is that the California
Supreme Court has essentially ruled in our favor in the
Berkeley waterfront case. We do not know whether an appeal
will be taken to the U. S. Supreme Court yet.

But basically, they held that the land in question
remains subject to the public trust, except in cases in
which individuals had unjustifiable reliance on prior
decision of the Court, failed and reclaimed their land and
put it beyond public trust uses, and in doing so, had
acted pursuant to all applicable regulations and permits.

So essentially, the Court performed a balancing-
the-equities act which we believe protected the State's
interests and, at the same time, protected the individuals
who would have really been in hardship otherwise.
ACTING CHAIRPERSON BELL: Do you feel it advisable for us to have an Executive Session now on Mono Lake?

MR. STEVENS: We would like to spend a couple of minutes simply advising you of the position we propose to represent the Commission in with respect to water rights there.

It would be desirable.

ACTING CHAIRPERSON BELL: All right. This will not require any action by us?

MR. STEVENS: No.

ACTING CHAIRPERSON BELL: May we adjourn the regular session and declare an Executive Session?

EXECUTIVE OFFICER NORTHROP: Right.

Mr. Chairman, the staff will take the necessary steps to clear the room except for those people involved in the session.

ACTING CHAIRPERSON BELL: All right.

I am going to adjourn the regular session and declare the State Lands Commission now in Executive Session.

(Thereupon the meeting of the State Lands Commission was adjourned at 11:30 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, DELORES I. DALTON, a Certified 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 27th day of March, 1980.

DELORES I. DALTON
Certified Shorthand Reporter
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