MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 2170
STATE CAPITOL
SACRAMENTO, CALIFORNIA

THURSDAY, MAY 29, 1980
10:00 A.M.

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TELEPHONE (916) 393-3901
MEMBERS PRESENT

Mr. Kenneth Cory, State Controller, Chairperson
Mr. Roy M. Bell, representing the Director of Finance
Mr. David G. Ackerman, representing the Lieutenant Governor

STAFF PRESENT

Mr. William F. Northrop, Executive Officer
Mr. Robert C. Hight
Mr. James F. Trout
Mr. Leslie H. Grimes
Mr. Richard S. Golden
Mr. Donald J. Everitts
Mr. Wilbur M. Thompson
Ms. Diane Jones

ALSO PRESENT

Mr. Jan S. Stevens, Attorney General’s Office
Mr. Alan Hager, Attorney General’s Office
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CHAIRPERSON CORY: We will call the meeting to order.

Are there corrections or additions to the prior minutes?

Without objection, they will be confirmed as presented.

Mr. Northrop, can you start giving us a report?

Good morning, Mr. Bell.

(Laughter.)

EXECUTIVE OFFICER NORTHROP: Science Applications has applied for a temporary research buoy in Lake Tahoe as a necessary part of an internal wave research program sponsored by the National Research Foundation. This program is a nonprofit activity conducted for the enhancement of the public benefit.

With the commission's consent, I will issue, free of the commission's fees and rents, a temporary right-of-entry permit. In consideration, the commission will receive from the applicant a copy of all published reports resulting from the proposed research activity, without charge to the commission.

CHAIRPERSON CORY: Why do we want all these wonderful reports?
EXECUTIVE OFFICER NORTHROP: I was afraid you'd ask. I have three pages I boiled this down from.

The buoy will provide a vital component of wind measurements supporting an investigation of the variability of the internal wave field at Lake Tahoe. The principal investigator will be Gordon O. Williams of Science Applications, Inc.

CHAIRPERSON CORY: No. The question was: Why do we want this information? Does it have any relevance to our role?

EXECUTIVE OFFICER NORTHROP: We really need the wave information for us to ascertain, even in the Tahoe --

CHAIRPERSON CORY: You think it's worthwhile?

EXECUTIVE OFFICER NORTHROP: Staff feels it's worthwhile.

CHAIRPERSON CORY: This is not going to end up with Proxmire's golden fleece award?

EXECUTIVE OFFICER NORTHROP: I don't think so. Well, it may well. The end result, maybe, but it won't cost us anything other than we didn't charge them.

CHAIRPERSON CORY: Any questions?

Okay, Mr. Northrop. Moving right along.

EXECUTIVE OFFICER NORTHROP: Re-forestation: In 1977, consistent with the goals of resource enhancement, the commission made application for funds to reforest lands
under its jurisdiction.

After a great deal of staff effort (that's called "self-aggrandizement") and with the help of the Resources Agency and the California Conservation Corps, an authorization for expenditures of approximately $500,000 was approved by the Employment Development Department and the Department of Finance.

The contract authorization was conditioned so that labor would be furnished by the California Conservation Corps under the supervision of the Department of Forestry and the State Lands Commission. Out of this authorization came contracts with CCC and the Department of Forestry, as well as numerous private contracts for work which CCC and Forestry couldn't provide.

Due to the commendable efforts (and I seriously mean this) of Norm Kennedy and Bob Shimer of our staff, and the total cooperation of the Department of Forestry and CCC -- and again, the dedication of the CCC crews and foremen was exemplary -- we have now planted over 300,000 seedlings on several hundred acres of school lands.

Les Grimes has a report and some show-and-tell with more specifics, along with some slides of the Truckee plantation. Before Les's presentation, I understand Mr. B.T. Collins is here -- at least we invited him.

CHAIRPERSON CORY: I didn't see the infamous B.T.
EXECUTIVE OFFICER NORTHROP: Whether he's here or not, we'd like to thank him publicly for the help of his department in what I believe to be a very significant program. If the budget allows it, I hope we can continue to work together in the enhancement of the state's land resources. Also, a thank-you to the Resources Agency.

CHAIRPERSON CORY: Have you contemplated how many trees would have been saved if we could have eliminated in the last year all the self-aggrandizing statements made by government throughout this state?

EXECUTIVE OFFICER NORTHROP: One ton of paper saves 17 trees.

CHAIRPERSON CORY: Les, you're going to give us a slide show. You've got dirty pictures?

MR. GRIMES: Mr. Chairman and commissioners, I'd like to give a little more detail on what Mr. Northrop said there.

Since the inception of the reforestation program in late 1977, we have planted a total of 313,000 trees on 700 acres at 11 separate sites. Of the 700 acres planted, 593 acres required site preparation, including hand or mechanical brush clearance.

We have spent $435,000 resulting in a per-acre cost for both clearing and planting of $623. Our overall survival rate through the 1979 plantings is 73 percent. When
we get data from the better sites planted in 1980, this figure should go up.

For additional comparative information, I'll run through the yearly achievements. In 1978 we planted 108 acres and cleared 278 acres. In 1979 we planted 278 acres and cleared an additional 300. In 1980 we will have planted by June 30 311 acres and will have cleared 15 acres.

As you can see we are just getting into stride on the program. In the first year we planted some small sites that were accessible and required little site preparation, while clearing and preparing sites for the following year was accomplished. We accomplished much more planting the second year and somewhat more the third year. Although the bills are not yet all in, I am sure the per-acre cost for 1980 will be significantly less.

Due to the efforts of Norm Kennedy, we have developed a fine and productive relationship with CCC and the Department of Forestry -- also because those people are nice people. Our inventory and planning process is up to speed.

We have before you later in this meeting a proposal to harvest timber from state lands. This will provide accessible and prepared sites for planting.

If the planting program is continued, I believe we will be able to plant at a cost in line with industry
standards.

CHAIRPERSON CORY: What is that?

MR. RIMES: Anywhere from $300, $400 an acre.

CHAIRPERSON CORY: As I live and breathe, it's B.T. You missed all the nice things that were said about you. Now we can tell the truth.

(Laughter.)

MR. COLLINS: I had to meet with my probation officer anyway.

(Laughter.)

CHAIRPERSON CORY: For those who don't know the glorious fascist pig who runs CCC --

We were just running through this and they were telling us that we're going to get the costs down to industry standards. The staff was almost embarrassing in the nice things they were saying about you, which must have been meant for the people who work for you.

MR. COLLINS: Probably under the influence of some kind of hallucinogenic drug.

CHAIRPERSON CORY: You are in time for the dirty pictures. They're going to show us dirty pictures of your good work.

MR. COLLINS: Mr. Cory, I'd like to introduce one of my corps members who is here. This is Larry Wesson from the Yountville Center, one of my superstars. Then the guy
who is responsible for all the projects throughout the state is John Passerello.

CHAIRPERSON CORY: Thank you people very much, and the people you represent, who did all the hard work planting the trees and clearing the brush and make this possible. We appreciate that, and they are going to show us right here what was accomplished. Then we will hear from you at the end, and you can explain all the beer cans or whatever.

--00o--

MR. GRIMES: The slides concentrate on a 160-acre parcel that the State Lands Commission has up near Truckee. This is the logo of a little booklet that we compiled and put out to a number of people, including the corpsmen on the job.

--00o--

This shows the location of the parcel. It's just north and east of Truckee on the Prosser Creek Reservoir Road. It's quite accessible, and it's also quite pretty up there.

--00o--

These are just some shots of the property. In 1950 the then commission authorized the removal of virtually all the material necessary to build the Prosser Dam, which
resulted in something that looked kind of like a moonscape punctuated with real deep holes, some of them full of water. There is 110 acres, though, of the site available for planting and which now has been planted.

These are just some additional shots.

Back in 1978 we began the project up there with some experimental plantings, because there was some doubt that it was a good site for growing trees. The experimental plantings turned out real well, with survival up above 90 percent.

CHAIRPERSON CORY: Can we go back to that last slide for a minute? There's a comment I must make for the staff's benefit.

You've made the chairman very happy by including that. The other two members, I think, may have some negative thoughts going through their heads at this time.

EXECUTIVE OFFICER NORTHROP: We're going to do new projects every year, so we will update this in other locations.

CHAIRPERSON CORY: That may not make one of the members feel any better.
MR. GRIMES: That sign, by the way, is up there at the site, and it's in remarkably good condition. Nobody has defaced it or anything or that sort.

(Laughter.)

--000--

MR. GRIMES: Here are the poor people lined up along the road receiving instructions on how to plant. This is where Norm Kennedy and his patience came in. There was quite a bit of turnover in the early days, and it required almost constant training.

--000--

Here they are learning how to stay 10 feet apart. There is a rope with a knot every 10 feet. They would grasp the knot and work for a while until they got the system down.

--000--

This is brush clearing.

--000--

This is all hand labor. You can see the size of the piles there. A lot of work went into that.

--000--

That is the west property line there, showing the stuff that we cleared and how it was before.

--000--
The little tree on the extreme left there is one-year-old planting stock. The tree in the middle is a two-year-old planting stock. The tree on the right is a one-year-old planting stock that's been in the ground two years.

Here is a typical newly planted one-year-old seedling.

Here is one that's been in the ground for two years alongside a forester's compass.

There's a good shot of the plantation. This is two years old, and the trees are still alive and well at 10-foot intervals, which is what we hoped for.

CHAIRPERSON CORY: Did you expect them to move?

(Laughter.)

MR. GRIMES: They do go away as a result of a number of things, including deer browse and cattle and motorcycles and that sort of thing.

There's another shot of a one-year-old that's been in the ground two years alongside of a pencil.

That's a one-year-old planted one year.
Just additional shots.

We started something new this year. I found that we had a couple of chain saws that we bought in connection with our Delta cleanup project, and we converted those to augers. We put three men running the augers and the rest of the crew planting, and we increased the plant by 50 percent, plus the holes will be deep enough that there will be no more J roots and crimped roots and that sort of thing.

Those are just some shots of the poor people.

That's Steve Brown, a super guy from the Division of Forestry, who works as foreman of the crew.

This is lunchtime for the CCCs.

It's hard to see, but there's a little tree right in front of the rock. That's what we put in. In the background is what we hope it will amount to.
That's all I have unless you have questions or something.

CHAIRPERSON CORY: Why is it that these trees live, and the ones you put in your own yard didn't?

MR. GRIMES: That question comes up pretty regularly, and I've always avoided saying it before, but 50 percent of those trees were planted by Bob.

(Laughter.)

MR. GRIMES: I don't think he has a real green thumb.

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

CHAIRPERSON CORY: Any questions from commissioners?

MR. ACKERMAN: This is for Les. How long does it take until that becomes the harvest?

MR. GRIMES: About the earliest you could expect would be 50 to 55 years. That's why planting is so difficult to justify economically. Even though the initial cost is rather low, carrying that cost so many years mounts up.

CHAIRPERSON CORY: It's good to see some of the worthwhile things rather than just hearing about the problems. I appreciate the report.

Okay. That's the end of your report. Mr. Golden.
MR. GOLDEN: Mr. Chairman and members of the commission, I have two items this morning relative to coastal matters. The first has to do with coastal access easements.

The Coastal Commission and the State Coastal Conservancy are currently engaged in developing a public coastal access program pursuant to Chapter 840 of the Statutes of 1979. One provision of that bill directs the Coastal Commission to identify those state agencies deemed suitable to control specific accessways so that they may become available for the general public's use.

The staff of the Coastal Commission has requested that we determine the feasibility of the State Lands Commission's accepting "lateral" easements: that is, those running parallel to the mean high tideline. Tentatively, we have indicated that there is a possibility if the easements: (1) consist of unimproved sandy beach area; (2) effectively require no maintenance responsibilities by the commission (while no practical responsibility to maintain the area may be involved, there would still remain the legal responsibility for it); and (3) are adjacent to a beach currently maintained by a local or state agency.

The Coastal Commission staff has informed us that beginning in July of this year, funds may be available to
reimburse us for the processing of these easements.

There are at least 100 offers to dedicate easements currently awaiting acceptance that fall into the categories indicated above. Once this workload has been processed, it is estimated that there will be a continuing workload of about five easements a month.

Unless otherwise directed, we will develop specific proposed guidelines and cost estimates for processing these access documents and return the package to you for formal action.

The second item deals with the Long Beach Local Coastal Program. At the last meeting Mr. Northrop reported that the Long Beach Local Coastal Program was before the South Coast Regional Commission for certification. At that time the staff of that commission was recommending a condition banning night oil drilling which would have severely impacted oil development programs in Long Beach.

Formal action was taken by the regional commission which eliminated this condition from the approved local coastal program, and that action was sustained by the State Coastal Commission on May 22, 1980.

CHAIRPERSON CORY: On that last item, thanks for doing the good work in solving that problem for us.

MR. GOLDEN: Thank you.

CHAIRPERSON CORY: It would have been a real
difficulty. It was a good job.

Any questions from commissioners?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, items 23, 25, 26, and 27 are off calendar.

CHAIRPERSON CORY: Okay.

We have a consent calendar. We will take items C-1 through C-9 and C-11 through C-22. They will be taken up as a group, and we will follow the staff's recommendation unless there is someone in the audience who has an objection to the proposed staff recommendation on those items. Those are C-1 through C-2, excluding C-10.

Without objection, we will approve those consent calendar items.

We now have item 10. I have, I guess, an indirect interest in one of the people there, so I will give Mr. Bell the gavel and let him dispose of that item.

MR. BELL: All right. Item C-10 is before us. Do you have any problems with that, Mr. Ackerman?

MR. ACKERMAN: Is it floating?

CHAIRPERSON CORY: Don't ask. It's not there.

The river is too low to float the dock to get it back. That's the problem.

MR. BELL: Mr. Ackerman, if you have no problem with C-10 --

MR. ACKERMAN: No.
MR. BELL: -- I will move that C-10 is approved and return the gavel to Mr. Cory.

CHAIRPERSON CORY: We now have a pier.

EXECUTIVE OFFICER NORTHROP: A free recreational pier.

CHAIRPERSON CORY: Free? They pass a statute saying it's free and they charge us 70 bucks. Moneygrubbers.

Item 24, the Huntington Partnership, a commercial marina. They're getting $9,000 or six percent of the gross for 25 years. Is there anybody in the audience on that item? Any questions from commissioners?

Without objection, it will be approved as presented.

Items 25, 26, and 27 are off calendar.

Item 28, a quitclaim deed for Lizzie Mae Ingle on mineral rights in the town of Baker to 500 feet; is that correct?

EXECUTIVE OFFICER NORTHROP: That's correct, Mr. Chairman.

CHAIRPERSON CORY: This is to build a Burger King?

EXECUTIVE OFFICER NORTHROP: That's right.

CHAIRPERSON CORY: To bring culture to Baker.

Any questions from commissioners?

Without objection, item 28 will approved as presented.
Item 29, approval for the Executive Officer to execute a memorandum of understanding between State Lands and the BLM concerning land exchanges. Anybody in the audience on this item?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I have a telegram on the item from a Mr. Philip Hennis, in which he assumes, according to the telegram, that we are going to give some land to the BLM. While we will respond to it, it is not germane to the calendar item.

CHAIRPERSON CORY: This is not to give any land to them, but to negotiate some exchanges.

EXECUTIVE OFFICER NORTHROP: That's right. He didn't understand that, so we had to talk to him.

CHAIRPERSON CORY: Anybody in the audience on this item?

MR. BELL: I have only one comment myself. I understand that as we negotiate with BLM -- as we have in the past, we never got any results from them or comments or even replies. As I understand it, once we sign this agreement we can at least get a reply from them, even if it's negative.

EXECUTIVE OFFICER NORTHROP: Yes. They will talk to us on the issue.

MR. BELL: They will at least talk to us.

MR. ACKERMAN: We're making progress.
CHAIRPERSON CORY: In another 200 years we might be able to communicate with our government.

Without objection, approval is granted as requested in 29.

Item 30, proposed sale at Videl Junction, San Bernardino County. This is the old agricultural inspection station. We've got some derelict buildings. Anybody in the audience on this item?

Without objection, item 30 is approved as presented.

Item 31, the question of endorsing the concept of a timber harvest and asking the Executive Officer to solicit bids.

EXECUTIVE OFFICER NORTHPROP: When such bids are timely.

CHAIRPERSON CORY: These are basically areas that need to be harvested for good forest practice; is that correct?

MR. GRIMES: Yes, sir.

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

MR. BELL: I'd just like to point out that it says that this would only include "harvest of mature timber and practices to improve growth and quality of residual trees". I understand this will only be done under marked conditions.
that will provide for optimum revenue consistent with environmental protection. I think it's important that that be noted.

EXECUTIVE OFFICER NORTHPROP: The staff appreciates the emphasis.

CHAIRPERSON CORY: Without objection, then, item 31 is approved as presented.

Item 32. We have a commission policy regarding the establishment of federal marine sanctuaries for the Santa Barbara and Farallon Islands. As I understand, the policy proposed here would be similar to what is done in Florida --

EXECUTIVE OFFICER NORTHPROP: That's correct.

CHAIRPERSON CORY: -- where the State of California would maintain ownership and control, but participate in the sanctuary; is that correct?

EXECUTIVE OFFICER NORTHPROP: That's the program, Mr. Chairman.

CHAIRPERSON CORY: Questions from commissioners?

MR. BELL: It's not a question, but as I understand it, in effect, we're not saying we don't want it. We just don't want to, in effect, give up everything we fought for in U.S. vs. California. But it can work this way, and we therefore are not really opposing, but we are supporting the federal marine sanctuary, but just in terms
of conditioning our response.

EXECUTIVE OFFICER NORTHPROP: That's correct.

CHAIRPERSON CORY: Without objection, in item 32
the policy is adopted as presented.

Item 33, the Executive Officer is given one of
these power grabs, wanting to sign a contract for
helicopter service. I guess we've exhausted the amount --

EXECUTIVE OFFICER NORTHPROP: Yes. We've run up
against the $5,100 we had, and we probably will need an
additional $3,500 to complete the year. We've been doing a
lot of flying this last couple of weeks.

MR. BELL: It is my understanding from
Mr. Northrop that this will not require us to give him
$3,500 more money, but that the budget has enough in it to
pay for it, correct?

EXECUTIVE OFFICER NORTHPROP: Right. We have money
in the budget. It will be internal transfers.

CHAIRPERSON CORY: Anybody in the audience?
Without objection, item 33 is approved as
presented,

Item 34, the Department of Justice (contractor).
The Executive Officer is to solicit and execute an
interagency agreement.

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, for
the record, that should be $250,000 rather than $225,000.
CHAIRPERSON CORY: Close enough for government work.

MR. BELL: And this is for the Attorney General's staff that works on our case?

EXECUTIVE OFFICER NORTHROP: That's right.

MR. BELL: I have no objection.

CHAIRPERSON CORY: Questions?

Without objection, 34 is approved as presented.

Item 35. This is the contract for the Washington lawyers, right?

EXECUTIVE OFFICER NORTHROP: Right, Mr. Chairman, the calendar should reflect $100,000 rather than $50,000.

CHAIRPERSON CORY: Questions from commissioners?

MR. BELL: Yes, Mr. Chairman. I would like Mr. Northrop to explain the urgent problems that now confront us where it's relatively important that we now have our Washington representation.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr. Bell, we will discuss this in executive session today. There has been an interpretation of the windfall profits tax that could prove extremely costly to the State of California. Until we resolve this problem, I would imagine the Chairman and perhaps the Executive Officer and several others may be in Washington before the end of the week on this problem. The Chairman doesn't know about it yet.
It's a serious problem because of the interpretation of the windfall profits tax by the Treasury Department. I think we are going to require considerable work on that issue before this time next year if we're really going to have the windfall profits tax reflect what we understood it to reflect, and that is that the State of California is exempt from the windfall profits tax as far as our own production in the state tidelands is concerned. That is going to be a substantial piece of work.

Because of the potential litigation involved, we will discuss it further in executive session.

MR. BELL: Thank you.

CHAIRPERSON CORY: Anybody in the audience on 35?

Without objection, item 35 is approved as presented --

MR. BELL: As amended to $100,000.

CHAIRPERSON CORY: -- as amended.

Item 36. This is a request for resumption of drilling on gas lease PRC 2879.1.

EXECUTIVE OFFICER NORTHROP: This is approval of certification of the EIR, Mr. Chairman. We have other problems, but we will discuss that in executive session.

CHAIRPERSON CORY: Anybody in the audience on item 36?

MR. ACKERMAN: It's an existing well site?
CHAIRPERSON CORY: An existing platform.

EXECUTIVE OFFICER NORTHRUP: What we're putting here is one exploratory well.

CHAIRPERSON CORY: But the platform exists.

EXECUTIVE OFFICER NORTHRUP: No. These are sea-floor completions. There is no platform involved on that particular lease.

Don, we've got the map up there. You might as well point to it.

MR. BELL: Mr. Northrop, as I read the BIR, the part that's in the report, I see it does not pertain to production but merely, in effect, the --

EXECUTIVE OFFICER NORTHRUP: -- the exploratory well. That's correct. There is no production covered in this EIR. Additional documentation will have to be done to carry out the production.

MR. BELL: Thank you.

MR. EVERITTS: The proposal is to drill one to four exploratory wells from a floating drilling vessel in this lease here (indicating). This (indicating) is the area where we had those very high OCS bids recently: $95 million, for example. This (indicating) is the area where we asked for money in our budget to do geophysical work.

CHAIRPERSON CORY: And the one that the feds left out is the one where that steep canyon is?
MR. EVERITTS: Right.

EXECUTIVE OFFICER NORTHROP: Right, that was the one.

CHAIRPERSON CORY: On our side of that -- the canyon, as I recall, terminates someplace over onto ours, so if there's a reservoir there, we can likely get to it from our side safely.

EXECUTIVE OFFICER NORTHROP: That's right. However, that parcel may be included in the next lease sale. Right now it's in a nomination.

CHAIRPERSON CORY: Any further questions from commissioners?

MR. BELL: No. I understand it.

CHAIRPERSON CORY: Without objection, we will certify EIR number 255.

Item 37. Aminoil wishes to put an additional --

EXECUTIVE OFFICER NORTHROP: -- steam drive outrigger, right.

CHAIRPERSON CORY: It's a platform that extends out onto the side of the existing platform.

EXECUTIVE OFFICER NORTHROP: An EMMY annex.

CHAIRPERSON CORY: Any questions from commissioners or from the audience?

MR. SHELDON: Yes, Mr. Chairman. I'm Spencer Skeldon, the manager of public affairs for Aminoil U.S.A.,
Inc. I'd like to take this opportunity to relate to the commission our satisfaction with the way the CEQA process was applied to this project. I'd like to say that it was the professionalism exhibited by Mr. Don Everitts and, specifically, members of his staff, Mr. Al Willard and Mr. Gene Schaefer, that permitted, in our view, this project to proceed in a reasonable time frame. I'd like to express our appreciation to those gentlemen, and I would urge the commission's approval of this recommended, innovative, and promising enhanced-oil-recovery project.

**EXECUTIVE OFFICER NORTHROP:** The bumbler did it again!

(Laughter.)

**CHAIRPERSON CORY:** Questions from commissioners?

Without objection, item 37 will be approved as presented.

Item 38, approval to adopt a new article for the California Administrative Code concerning ocean-floor --

**EXECUTIVE OFFICER NORTHROP:** Right, semi-submersibles. We will be using these regulations on this new program.

**MR. BELL:** That ties back into item 36?

**EXECUTIVE OFFICER NORTHROP:** Right.

**CHAIRPERSON CORY:** The applicant in 36 is aware of these regs?
EXECUTIVE OFFICER NORTHROP: Mr. Sheldon, you're aware of the new regs, right?

CHAIRPERSON CORY: That would not be Aminoil. That would be Union.

EXECUTIVE OFFICER NORTHROP: Right, Union. I'm sorry. They are aware of it.

CHAIRPERSON CORY: Anybody in the audience on item 38?

Without objection, approval is granted. Item 39. This is a one-year survey permit at Owens Lake to try to figure out how to control the dust in that area.

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

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

Without objection, 39 is approved as presented. Item 40. This requests approval to award sell-offs on the 4.5-percent increment from the Long Beach Harbor tidelands and 12.5 percent from Parcel A.

EXECUTIVE OFFICER NORTHROP: Champlin Petroleum was the high bidder of the six companies that bid. It's approximately 695 barrels a day. It is 65 cents a barrel over posted.
MR. BELL: So instead of losing money, we will actually get a little bit more this time around.

EXECUTIVE OFFICER NORTHROP: This time around we'll get a little.

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

Without objection, the award will be approved as presented.

Item 41, seventh modification to the plan of development for Long Beach. Moose wants some vacuum trucks, right?

MR. THOMPSON: Right.

CHAIRPERSON CORY: Two vacuum trucks?

MR. THOMPSON: Right.

CHAIRPERSON CORY: And we're currently leasing them, and it's cheaper to go ahead and buy them and get them paid for in two years.

MR. THOMPSON: No augmentation required. Transfer of funds.

CHAIRPERSON CORY: Anybody in the audience on this item -- other than the existing lessee?

Without objection, the seventh modification is approved.

The eighth modification is for --

EXECUTIVE OFFICER NORTHROP: -- change of outs and
ins on the program.

MR. THOMPSON: This is the reporting of the production and a couple of additions there in the plan. We're fairly close to our oil estimate. Of course, our revenue is up drastically because of the decontrol of heavy oil.

Again, for the Long Beach Unit we estimate net income for the current year to be $351 million. However, that is before any consideration of windfall profit --

CHAIRPERSON CORY: Are you on item 44 or item 42?

EXECUTIVE OFFICER NORTHROP: Item 42 is the eighth modification.

MR. THOMPSON: All right. This budget as we've augmented and carried in has gone from $80 million to $113 million. We expect to carry out about $21 million, because we have a lot of big projects going, some of which will be carried over into the next year.

Again, we want to point out that these particular numbers for net income are before any consideration of the windfall profits tax, which is really up in the air now.

CHAIRPERSON CORY: Any questions?

MR. ACKERMAN: This is just a revision of the estimates?

MR. THOMPSON: Yes.

CHAIRPERSON CORY: It basically means that some
of the money that was planned to be spent in one period of
time is going to be spent in another. It’s not really a
substantive change in the long stream of things in terms of
the total number of dollars that will be spent.

MR. THOMPSON; Right. This will be carried out,
and those particular dollars will augment next year’s
budget, and we will report that at the end of the year.

CHAIRPERSON CORY: We’ll just spend it later.

MR. THOMPSON: Never save any; just delay spending.

CHAIRPERSON CORY: All right. Approval of item
42 is granted with objection.

Item 43, information on the caustic flood.

MR. THOMPSON: This is a semi-annual report we
bring to you. This covers the last quarter of ’79 and the
first quarter of this year. This is this cost-sharing
project with the Department of Energy for this caustic
demonstration project.

This originally was set up so that it would be a
sharing of the costs at 60 and 40 between the federal
government and the state. Also, the federal government then
would be reimbursed if there were any incremental oil
produced out of this.

The project area is shown on the map on the right
there and includes the areas between the two injection rows
you see there in dashes, plus two rows of wells on either
side, because the material that's injected in those injection wells that are shown along those dashed lines actually will influence the wells both north and south. So actually, there about 20-some wells here.

The way the incremental production was worked out is that a base case of the waterflood prediction was made. You'll see that on the other graph here. That's what they estimate if the waterflood had gone along.

You see now that there is a production difference between that line and the actual production shown in the caustic project rate there.

Of interest is the fact that because of this incremental oil the federal government has gotten back about 12 percent of the money they invested in this. If the project continues to go, they will in effect bail themselves out of their investment.

CHAIRPERSON CORY: They get theirs off the top before we get our share back?

MR. THOMPSON: No. We share the same percentage as for the investment: 60 and 40 above that baseline you see there for the prediction. Right now we're actually producing almost 500 barrels a day above that baseline.

This is not a response, actually, to the caustic material. A lot of this is the repair work we did in there, but that's all part of the project to which they contributed.
CHAIRPERSON CORY: So you can't yet ascertain whether or not the caustic flood is worth doing?

MR. THOMPSON: No, because we've just now started injecting the caustic. We have a lead time to see what happens. As soon as we get some future history, we'll see what happens from the repair work and what decline starts there and how much we can really count on from this project.

CHAIRPERSON CORY: Questions from the commissioners? Anything from the audience?

Okay. Item 44, review of production and revenue, Parcel A.

MR. THOMPSON: Again, we're reporting more revenue than we had before, primarily because of the release of the heavy oil. Approximately 92 percent of the oil from this particular property has a gravity of 20 degrees or less.

Again, when we talk about this particular amount of revenue, we still have some questions on how the windfall profit tax will be handled.

They start in March, and those accounts may be revised in the next couple of months. We've already had one revision from the unit that took up March and April.

CHAIRPERSON CORY: Questions from commissioners?

Thank you.

Item 45, internal control and operations audit of THUMS Long Beach Company.
EXECUTIVE OFFICER NORTHROP: Mr. Trout has been working on that program, Mr. Chairman.

MR. TROUT: Mr. Chairman, in response to the inquiry and discussion before the commission last month, we have developed a scope of audit in conjunction with interested firms. We contacted the eight major firms doing management and financial audits and reduced them by the number of firms which are now under contract to the major participants in the THUMS corporation, leaving three companies. We talked to two of those companies, and with their advice and counsel developed the scope of audit, which is included in the green pages of your calendar, pages 213(b) and following.

What we propose from the staff's standpoint is to get your approval of this scope of audit and to authorize the development of a request for proposal. Those proposals would be evaluated and brought back to the commission, and we expect that this range of audit provided in the scope would cost about $200,000 and would take between 90 and 120 days to complete.

We have two letters from the city auditor of the City of Long Beach, one questioning the need for this at this time but offering his complete cooperation (that letter being dated May 7th, which is part of your package), and yesterday we received a letter dated May 7th [sic], in which...
the city auditor suggests that instead of auditing THUMS we have the city and state audits audited.

CHAIRPERSON CORY: Who are the three nontainted firms?

MR. TROUT: They are Ernst and Whinney; Peat, Marwick, Mitchell and Company; and Touche Ross and Company.

CHAIRPERSON CORY: Questions from commissioners?

MR. ACKERMAN: Do the letters from the auditor in Long Beach require response?

EXECUTIVE OFFICER NORTHROP: We are responding. The letters were addressed to the commissioners, and I am preparing a response to be circulated to the commissioners. Generally, the response is going to indicate the fact that we appreciate his help and will be certainly looking to it, but we feel that the audit must address issues which are primarily of interest to the state. In no way are we implying that his audits were improper or inadequate.

We're just trying to find out whether our interest is being best served given the way the audits are being done now, and secondly, it will set up a pattern we can follow in future audits.

MR. ACKERMAN: Will this also encourage the city to set up their procedures and audits to facilitate any continuing state audit?

EXECUTIVE OFFICER NORTHROP: As we get into the
audits and we see what they are doing versus what our contractor feels should be done, that certainly is going to be a part — that's one of the things we've asked them to look at, yes, sir.

CHAIRPERSON CORY: Thinking about the timing, you would be going out with the scope looking for competitive bids to have this task done; is that correct?

MR. TROUT: That's correct.

CHAIRPERSON CORY: When do you expect that selection to be made?

MR. TROUT: Depending on the response that we get, it will be either at the June or July commission meeting. We're looking for a report possibly in November.

CHAIRPERSON CORY: Given the unique circumstances, I would think that it would be better -- I'm not sure when the November meeting will be held, but I think it's likely to be better off in December, just in terms of the timing. I think it tends to make the whole thing more neutral and lessen the concerns the city auditor or other people might have.

MR. TROUT: I understand.

CHAIRPERSON CORY: Just be cognizant of those time frames.

MR. BELL: Yes, and I think any response that the Executive Officer has to the city should reflect that
EXECUTIVE OFFICER NORTHROP: All right.

MR. BELL: The fact that there is no lack of confidence in him, but the fact that we have different interests.

CHAIRPERSON CORY: Without objection, then, in item 45 approval is granted.

Item 46, authorization to file a disclaimer on 15.58 acres, more or less. Another one of Bob Hight's giveaways.

Anybody in the audience on this item? Questions from commissioners?

Without objection, authorization is granted in 46. Item 47, retrocession of jurisdiction at North Island Naval Air Station, San Diego.

They still want retrocession?

MR. HIGHT: Yes, Mr. Chairman. They would like a retrocession of exclusive jurisdiction so that it would give state and federal government --

CHAIRPERSON CORY: -- concurrent jurisdiction?

MR. HIGHT: -- concurrent jurisdiction. This is just an authorization to hold a hearing.

CHAIRPERSON CORY: Anybody in the audience on this item?

Without objection, authorization for the hearings
is hereby granted.

Item 48, compromise settlement with Jessee Yohanan and Joreita Yohanan. This is a compromise settlement that involves swapping some land in San Mateo County, San Francisco Bay, for a parcel along the south shore of Suisun, right?

EXECUTIVE OFFICER NORTHROP: Right, and kudos, if we're passing them out today, should go to Walter Cook and his staff for the work.

CHAIRPERSON CORY: Is there anybody in the audience on item 48?

MR. BELL: What are the acreages?

EXECUTIVE OFFICER NORTHROP: We're giving up 9.6 acres, as I recall --

CHAIRPERSON CORY: It's 9.36 acres.

EXECUTIVE OFFICER NORTHROP: I stand corrected. It's 9.36 acres, and we're getting a 67.5-percent interest in an approximately 441-acre parcel in Suisun Marsh.

CHAIRPERSON CORY: Who owns the other part of that?

EXECUTIVE OFFICER NORTHROP: That was a piece we had purchased together with -- whom did we buy that with?

MR. TROUT: We entered into a land bank agreement with the Trust for Public Lands.

CHAIRPERSON CORY: So the other 30-some percent is
owned by --

EXECUTIVE OFFICER NORTHRUP: We own part of the
other 30 percent, because we had another settlement and
picked up a small portion of it.

MR. E L: So we're moving towards 30 percent.

EXECUTIVE OFFICER NORTHRUP: Right. I think it's
been a first class program.

MR. ACKERMAN: We might also point out to some
legislators that the commission does actively pursue land
swaps.

CHAIRPERSON CORY: We thank Walter Cook's team at
the same time we approve and authorize the execution of the
agreement as proposed in item 48.

Item 49, Mr. Hight.

MR. HIGHT: Yes, Mr. Chairman. This is the
authorization for the commission to be made a party to the
City of Sausalito vs. Haas suit, in which the city is
seeking ejectment from some land. The Public Resources Code
requires that the commission be made a party to this suit.

CHAIRPERSON CORY: If we become a party to this,
do we have to take an active part in it? Or does the
City of Sausalito carry the ball?

MR. HIGHT: The City of Sausalito, I believe, will
basically carry the ball. One of the conditions of
becoming a party in this is that the record will be cleaned
up relative to our title in the area. Right now the record is questionable.

CHAIRPERSON CORY: Questions from commissioners?
Without objection, item 49 is approved as presented.

Item 50. This is a settlement of accepting hard money, $10,000, for some mineral reserves in Mono County that was patent land. God knows where they are, and we're going to take the money and run, as I understand it.

MR. HIGHT: Yes, Mr. Chairman.

MR. BELL: This is a Kremkow problem, wherever he may be.

CHAIRPERSON CORY: Why are we not throwing that into the land bank? Why are we taking cash?

MR. TROUT: These are state school lands, Mr. Chairman, and we are required to put the money in the general fund.

MR. BELL: No. It goes in the state school fund, unfortunately.

(Thereupon Chairperson Cory and Mr. Bell held a discussion off the record concerning that money.)

CHAIRPERSON CORY: Is there anybody in the audience on the Groves matter? Questions from commissioners?
Without objection, approval of the proposed
settlement is granted.

Item 51, approval of certification of the Capistrano Beach storm drain outfall. The dispute between Fish and Game and the county has been --

EXECUTIVE OFFICER NORTHROP: -- been resolved.

CHAIRPERSON CORY: Anybody in the audience on this item?

Without objection, item 51 is approved as presented.

That concludes our formal agenda. We are going into executive session to discuss litigation, which is one of the purposes that is authorized under the Brown Act. So we would like our guests to please absent themselves from the room so we may deliberate.

(Thereupon this public meeting of the State Lands Commission was adjourned at 10:53 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 public 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 public meeting, nor in any way interested in the outcome of said public meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of June, 1980.

PAUL D. RAMSHAW
Certified Shorthand Reporter
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