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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

State Capitol Building
Room 2170
Sacramento, California

Thursday, October 30, 1980

10:00 a.m.

Sydney Conarro
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

MEMBERS PRESENT

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David Ackerman, Acting Chairman

John Jarvis

Susanne Morgan

EXECUTIVE OFFICER

William F. Northrop

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7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3801

PROCEEDINGS

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3 ACTING CHAIRMAN ACKERMAN: The meeting will come
4 to order. Before we get started, Mr. Hight, do you have
5 a statement to make?

6 MR. HIGHT: Yes. Mr. Jervis will be sitting for
7 the Controller in a nonvoting capacity this morning.

8 ACTING CHAIRMAN ACKERMAN: The first item is
9 approval of the minutes of September 24, 1980, and October
10 8, 1980. Are there any additions or corrections from any
11 of the Commissioners?

12 Seeing none, the minutes will be deemed approved
13 as submitted.

14 Mr. Northrop, will you give the report of the
15 Executive Officer?

16 EXECUTIVE OFFICER NORTHROP: Thank you very kindly,
17 Mr. Chairman. Mr. Chairman and Members, the first item
18 I would like to address is an emergency permit. On October
19 20th, 1980, the staff received a letter from Dana Design
20 Limited, acting as agent for Paulette Kelman, Patricia Burgess,
21 and Sohan Dua. The letter stated that during the winter
22 storms of 1979 severe damage had occurred under the existing
23 residences at 19264, 93000, and 19302 Pacific Coast Highway
24 in Malibu, Los Angeles County. The storms have rendered
25 the sanitary facilities inoperative, and the Los Angeles

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TELEPHONE (916) 383-3631

1 County Health Department has required that these facilities
2 be repaired or replaced and that they be protected from
3 future storm conditions as winter approaches.

4 In response to the applicant's desire to proceed
5 with corrective work as soon as possible, and pursuant to
6 Minutes Item Number 21 approved by the Commission on
7 February 28, 1980, the Executive Officer will issue, with
8 your permission, an emergency permit to Dana Design for
9 construction of a concrete bulkhead at the above addresses.
10 The temporary emergency permit will expire on January 31st,
11 1981, and the permit is subject to conditions as specified
12 by the Coastal Commission as well as other governmental
13 agencies having lawful jurisdiction. The staff will
14 continue processing the application, with your permission,
15 and submit the general permit to the Commission at the
16 December-1980 meeting.

17 ACTING CHAIRMAN ACKERMAN: Is this the first permit
18 like this?

19 EXECUTIVE OFFICER NORTHROP: This is the first
20 one in some time, Mr. Chairman, that asks for emergency
21 permission to deal with it.

22 ACTING CHAIRMAN ACKERMAN: Okay.

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, there
24 has been a lot of conversation and a lot of work by State
25 Lands staff given the California Desert Plan. Jim Trout

1 has been in the forefront working with the federal government
2 on this plan. I would like Jim now to brief the Commission
3 on the BLM Desert Plan, the Bureau of Land Management
4 Desert Plan and its implications to California.

5 MR. TROUT: I think the first thing we want to
6 say is that from the staff's standpoint, we have some
7 serious concerns about the speed with which the Department
8 of Interior and Bureau of Land Management are attempting
9 to get the California Desert Conservation Area Plan signed
10 by the Secretary of the Interior. We have a number of
11 reasons for that.

12 The plan consists of a large number of volumes
13 of material, the latest of which were received on Tuesday
14 of this week. That was Volumes E and G, and there's a number
15 of appendices, and it's 360 pages. We just received that
16 on Tuesday.

17 The initial version of the plan, per se, was
18 received on October 1st. So far, we have over six inches
19 of material in terms of the plan and the various volumes
20 and appendices. This gives us great concern in the fact
21 that the Department of Interior is proposing that the
22 Secretary approve the plan during the first two weeks of
23 December. Public comment period expires November 21st.
24 And this really doesn't give the staff time to look at it
25 and look at the details of it. Let me try and explain why.

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TELEPHONE (916) 803-3601

1 One is the plan that is now in existence is not
2 any of the plans reviewed during the development of the
3 plan. It's a wholly new plan. It has elements of most
4 of the plans, except the status quo. And in particular,
5 the plan does not address the state's remaining school land
6 entitlement of 116,000 acres and how that indemnity selection,
7 if we wanted to make some in the desert, how those would
8 be handled.

9 Second, the value of the state's existing school
10 lands in the desert we feel are going to be significantly
11 diminished by the restriction placed on those lands by
12 being included in these areas in the California desert,
13 especially the limited areas. And with their requirements
14 for closing areas to vehicular access, it is possible that
15 the state would not even be able to, without disrupting
16 things, drive and observe its own property. There's a case
17 coming out of Utah that guarantees right of access, but
18 BLM is concerned because once we start driving, it becomes
19 a road, and there are other problems.

20 Third, the plan does not adequately address the
21 access to the lands -- I just touched on that.

22 Fourth, it has inhibited the development of energy
23 resources. An example of that is a prospecting permit the
24 state has for development of geothermal lands. The federal
25 surrounding lands are necessary to make that economic

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TELEPHONE (916) 383-3601

1 development unit. But the federal government has not allowed
2 the development, the site occupancy and the development
3 of that area. So, in an energy-short situation, we're not
4 getting any development of the energy resources.

5 Then, the plan that is submitted and covered by
6 the Environmental Impact Statement is subject to the
7 wilderness designations. Now, the wilderness is a separate
8 issue. And the wilderness study can go on until 1991, which
9 means that while the plan may be certified by the Secretary
10 of Interior in December, really what they've done is put
11 it into a holding pattern, a very restrictive holding
12 pattern, until the wilderness study dominations are made
13 by the Interior to the President and from the President
14 to the Congress. And the deadline for that is 1991.

15 And last, we have a number of these points that
16 I discussed in an appeal now pending before the Department
17 of Interior, Board of Land Appeals. This case cannot be
18 decided by that Board until after the first of January.
19 Therefore, we are wondering whether or not there shouldn't
20 be some postponement of the Secretary's certification until
21 at least the Board of Land Appeals can look at some of these
22 issues.

23 That's the staff point of view looking at it from
24 our perspective. It does seem, perhaps, a little premature
25 for the Secretary to try and approve a plan that is so

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SACRAMENTO, CALIFORNIA 95820
TELEPHONE (916) 383-3601

1 significant, with so little time to review and so many
2 complex unresolved issues.

3 ACTING CHAIRMAN ACKERMAN: I'm aware that the
4 Assembly Resource Committee has been holding some hearings
5 on this as well. Has that been the general bottom line
6 that they've come to so far -- that same concern?

7 MR. TROUT: Well, I think the concern from the
8 standpoint of property owners, of utility companies, of
9 mining interests, and the energy-oriented interests are
10 all the same. I think there are some of the people
11 concerned with the preservation and protection of the
12 environment who have feelings even that the plan doesn't
13 go far enough. But even there, I think the question is
14 no one has had a chance to adequately look at it. I think
15 that's a pretty consistent point of view. There are those
16 who'd rather have this as an initial step and then modify
17 it through plan amendment -- which may, in fact, be a very
18 difficult thing to do.

19 ACTING CHAIRMAN ACKERMAN: What's the state's
20 involvement so far in interjecting our concerns into the
21 BLM proposal?

22 MR. TROUT: By direction of the Secretary for
23 Resources, a member of his staff is on the California Desert
24 Advisory Committee. They have asked that all comments from
25 resource agencies go through their office and be reviewed

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1 and amalgamated into a single, common reply. Up to this
2 point, we have replied directly, because our concerns are
3 a little at odds with the concerns of the Resources Agency.
4 And our concerns have been presented to the Interior and,
5 in fact, rejected in several cases by the Interior, resulting
6 in the Board of Land Appeals being filed.

7 So, we have had input, but we have had to do it
8 on our own.

9 ACTING CHAIRMAN ACKERMAN: I'd like to entertain
10 the other Commissioners. My feeling is that -- I have a
11 personal interest in this as well -- but my feelings on
12 this would be at least some direction from the Commission
13 to authorize the staff to at least explore the legal
14 alternatives -- whether it be some type of enjoining action
15 or something like that -- to at least forestall or stall
16 the Secretary of the Interior's action on the Desert Plan
17 until these other legal issues are settled, so that premature
18 action isn't taken, and we'd have to go through a very
19 complicated amendment process even to agree upon the school
20 indemnification lands selection process.

21 MR. JERVIS: Has the legal staff examined that
22 possibility already?

23 MR. HIGH: We are currently investigating that,
24 Mr. Jervis, and we have a couple of alternatives. We haven't
25 chosen one, exactly, over another one yet.

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1 MR. JERVIS: We know that this particular Secretary
2 is in a rush to leave office and make his record look good
3 before he leaves office one way or another in January. That
4 has been taken into consideration?

5 MR. HIGHT: Yes.

6 ACTING CHAIRMAN ACKERMAN: I'd like to entertain
7 a motion from the Commission to allow the staff or to
8 encourage the staff to explore the legal remedies, come
9 back and report to us -- with the suggestion that timeliness
10 is important here -- that you proceed with the recommendations
11 of the Commission in the interim prior to the next meeting,
12 if that is appropriate.

13 MR. HIGHT: We can certainly do that. Mr. Northrop
14 has said there's the possibility there will be a special
15 meeting required before the next regularly-scheduled meeting.
16 We'd try to be prepared at that time.

17 ACTING CHAIRMAN ACKERMAN: We'd appreciate that.
18 Mr. Northrop?

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

21 ACTING CHAIRMAN ACKERMAN: Is there a staff report
22 on coastal zone matters?

23 MR. EVERITTS: Thank you, Mr. Chairman. Members
24 of the Commission, several matters which were on this
25 Commission's agenda last month were passed on by the Coastal

1 Zone Agencies during this month. The Oceanside sand
 2 replenishment project was approved by the State Coastal
 3 Commission on October 1st, 1980, and on October 2nd, the
 4 Bay Conservation Development Commission issued a permit
 5 to American Protective Services Incorporated. The granting
 6 of a compromise title settlement by this Commission cleared
 7 the way for the Bay Commission's action.

8 Because of continuing questions raised by State
 9 Coastal Commissioners as to tanker terminal safety issues,
 10 a progress report on our tanker terminal construction program
 11 was presented to them. This update was particularly
 12 appreciated by the Commission since coastal energy impact
 13 funds were granted by the Coastal Commission to assist in
 14 funding this program. Copies of that report, I believe,
 15 have been furnished to you this morning.

16 The State Coastal Commission has certified the
 17 San Diego Port Masterplan with conditions, and one proposed
 18 land use condition was inconsistent with provisions in the
 19 legislative grant to the port. This condition was modified
 20 as the result of our liaison with the Coastal staff. This
 21 is the fourth and final port masterplan to be certified.

22 That's the completion of my report this morning.

23 ACTING CHAIRMAN ACKERMAN: Any questions from
 24 the Commission?

25 (No audible response.)

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1 ACTING CHAIRMAN ACKERMAN: Thank you. Before
2 we get into the agenda items, I am informed that Item Number
3 20 on the agenda is off calendar, as are Items 33 and 34.

4 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we'd
5 like to consider Item 24 with Item 36.

6 ACTING CHAIRMAN ACKERMAN: Okay. Items C1
7 through C19 are normally considered the Consent Calendar
8 and are considered as action on one item. We will take
9 that Consent Calendar up at this time unless there's request
10 from anyone in the audience to remove any item from the
11 Consent Calendar and have it placed on the regular agenda.
12 Are there any requests from anyone in the audience?

13 Seeing none, I will entertain a motion to approve
14 Items C1 through C19 as presented on the calendar today.

15 MS. MORGAN: I will so move.

16 ACTING CHAIRMAN ACKERMAN: So moved without
17 objection. That will be the order.

18 Item 20 being off calendar, we'll go to Item 21.
19 Mr. Northrop?

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item
21 Number 21 is an application by ARCO for a test well and
22 resumption of drilling on facilities on Rincon Island,
23 Ventura County. The staff recommends approval of this item.

24 ACTING CHAIRMAN ACKERMAN: This is from the
25 existing --

1 EXECUTIVE OFFICER NORTHROP: This is from the
2 existing island. It's not a platform.

3 ACTING CHAIRMAN ACKERMAN: Is there anyone in
4 the audience on Item 21 that wishes to address the
5 Commission?

6 MR. BACON: Yes, sir.

7 ACTING CHAIRMAN ACKERMAN: Will you please come
8 forward and identify yourself?

9 MR. BACON: My name is Peter Bacon with ARCO Oil
10 and Gas Company. The only comment I have is that in reading
11 the staff report there seems to be an inconsistency with
12 Item Number 4, which provides that "unless they comply with
13 regulations now or hereafter promulgated..." whereas, in
14 Item 5, it is recommended that the Commission recommend --
15 it says that "The regulations in force on October 30, 1980."
16 We certainly would agree that the regulations should be
17 enforced as of today, but not regulations hereinafter
18 promulgated.

19 EXECUTIVE OFFICER NORTHROP: Don?

20 MR. EVERITTS: Well, it's necessary that we --

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
22 suggest we put this over until the next meeting.

23 ACTING CHAIRMAN ACKERMAN: Is the issue of
24 sufficient concern that it couldn't be resolved by the end
25 of today's meeting? Can't we just pass it on the calendar?

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1 EXECUTIVE OFFICER NORTHROP: We can pass it on
2 the calendar, and see if we can work it out.

3 ACTING CHAIRMAN ACKERMAN: Okay. We'll come back
4 to Item Number 21 at the end of the agenda items.

5 Number 22, the Great Western Cities?

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
7 is an application by Great Western Cities, and Jim has a
8 view of what we're talking about. What we're being asked
9 to do here is allow entry access -- we have the mineral
10 rights on that property -- and disclaim the first 500 feet
11 of mineral interest. Our staff has looked at it and found
12 that there is no appreciable mineral interest or economic
13 mineral interests in the first 500 feet. So, we're asking
14 that you allow Great Western Cities to proceed with
15 development. It's understood that air culture and
16 biological items will be addressed as the potential
17 development is planned.

18 ACTING CHAIRMAN ACKERMAN: I understand there
19 is a representative from the United States Air Force to
20 address the Commission on this. Will you come forward and
21 identify yourself for the record please?

22 MR. BENCH: All right. My name is Walter C. Bench.
23 I'm Air Space Management Specialist at the Air Force Flight
24 Test Center at Edwards Air Force Base.

25 I would like to give the Commission copies of

1 this to look at. I intended to use a view graph, but you're
2 short of those. And I flew up in a small airplane and
3 didn't have room to bring our own.

4 But the Edwards Air Force Base is located within
5 restricted air space R-25-15. And the Second Community
6 of California is located underneath that air space set aside
7 back in World War II for the use of the Department of Defense
8 for testing and evaluation and conduct of hazardous-type
9 flying which cannot be intermixed with normal air traffic
10 controlled air space.

11 On about the eighth page back it gives a low
12 altitude supersonic corridor. The western end of that
13 supersonic corridor is right at the Second Community of
14 the California City. The aircraft go down to that about
15 a thousand feet above the ground and, of course, create
16 sonic booms. Sonic booms are a very sensitive thing and
17 are a general nuisance and psychologically annoying to the
18 public. Any buildup in that area would be exposed to the
19 overpressures and noise associated with low-flying aircraft
20 and sonic booms.

21 Just above that is another corridor -- another
22 two pages over -- that is lying directly above that. And
23 then we have a supersonic corridor that goes from the
24 Colorado River to Tehachapi above that.

25 These are all strategically located for use so

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1 that you can go from one corridor at 50,000 feet all the
2 way down to the surface in a test that requires rapid changes
3 in altitude.

4 In the low-altitude supersonic corridor,
5 supersonic operations are kept 10 miles away from where
6 the Second Community of California City would be located.
7 And we have some typical noise profiles -- the tables that
8 are on pages 11 or 12.

9 ACTING CHAIRMAN ACKERMAN: Are these corridors
10 used for routine testing of experimental aircraft?

11 MR. BENCH: Yes, sir, they are. The frequency
12 is, over a year's period, about 100 a year. There might
13 be three in one day and none for a week. But it averages
14 out over a long period to be one flight every other day.

15 ACTING CHAIRMAN ACKERMAN: Are flights conducted
16 at night as well?

17 MR. BENCH: No flights are conducted at nighttime.
18 We have right now a program in the computer in Florida to
19 come out with noise contours, a chart with noise contours
20 for all types of aircraft, with noise published in contour
21 lines in day/night levels.

22 MR. JERVIS: How about on Saturdays and Sundays
23 when respective buyers would be out looking for a house?

24 MR. BENCH: Very few at the present time. It
25 all hinges on the test activity involved. If we have a

1 new aircraft coming in, such as to replace the B-1, a
2 supersonic penetrator, it would be utilizing those corridors.
3 And most of those test programs are compressed into a very
4 short time. So, it would be seven days a week -- again,
5 not at night. Testing activities are just not conducive
6 to night flying.

7 The columns with the noise levels that you would
8 look for would be the ones labeled 10, which would be 10
9 miles away, and the third from the bottom -- the horizontal
10 column -- which would be 10,000 feet or above. There would
11 be no flights directly over the Second Community of
12 California City at any altitude below 10,000 feet. So,
13 we're talking about changing air pressure of about 1.3 to
14 2 pounds per square foot. That can cause some minor glass
15 breakage. But the center routinely pays \$10,000 a year
16 in damage claims for sonic booms. This is without a
17 community established close to the supersonic corridors.)
18 We're afraid that that will rise dramatically in the future
19 -- something that, of course, we'll just plan for.

20 ACTING CHAIRMAN ACKERMAN: Maybe this is a legal
21 question. What's the responsibility of the Commission
22 versus -- I know when I go out and look at a housing
23 development or something like that, I get a report from
24 the State Department of Real Estate -- I think that's where
25 the report is from -- that lists all the conditions and

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1 concerns that I should have as a buyer.

2 MR. BENCH: That is our primary reason for being
3 here. I will go right into our recommendation -- it would
4 be either not relinquish the surface entry rights or, if
5 the Commission feels that is not feasible, the alternative
6 would be to publish in the subdivision's public report a
7 statement that would advise prospective buyers and applicants
8 for building permits of the noise levels and, possibly,
9 furnishing a contour map that the Air Force Flight Test
10 Center could provide.

11 Then, we also have concerns on visibility. And
12 we would like the Commission to publish in the subdivision's
13 public report that fugitive dust controls be instituted,
14 such as certain traffic counts to be determined later, and
15 that the roads would be oiled.

16 ACTING CHAIRMAN ACKERMAN: Is that a concern for
17 your visibility requirements?

18 MR. BENCH: Yes, sir. We use photo-theodolite
19 tracking cameras quite extensively, and visibility is a
20 very big concern of ours -- to maintain the visibility that
21 we have out in the desert as it is now. We have contracted
22 out with the Naval Weapons Center at China Lake -- the
23 Flight Test Center at NASA has contracted to build an air
24 visibility model for that area. We have that in the works
25 now, but we're running a little bit behind other activities.

1 ACTING CHAIRMAN ACKERMAN: Let me ask Mr. Northrop
2 a question at this point. Is this a proper consideration
3 to be made by the Lands Commission? I don't want to get
4 in a maze here.

5 EXECUTIVE OFFICER NORTHROP: What we have before
6 us, Mr. Chairman, is releasing the mineral rights. And
7 that really is where we are. I think these other problems,
8 while they well may be problems, should be addressed in
9 the environmental document that's prepared in the development
10 of Great Western Cities whenever there is a development
11 there. I think that clearly before us today -- and I've
12 been checking with counsel and he agrees, that what we have
13 before us is the right of access and the mineral release.

14 ACTING CHAIRMAN ACKERMAN: I'm just wondering
15 if Great Western Cities, who is the applicant here, could
16 challenge us to have made erroneous considerations in
17 considering their application if we consider other than
18 minerals.

19 EXECUTIVE OFFICER NORTHROP: I think it's beyond
20 our purview.

21 ACTING CHAIRMAN ACKERMAN: These are very
22 legitimate concerns. If I were a prospective land buyer,
23 I would be very concerned, depending on what I wanted to
24 use the land for, about the potential impact of supersonic
25 aircraft.

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7700 COLLEGE TOWN DRIVE, SUITE 200
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 I know it doesn't have much to do with mineral
2 rights other than to get your concern interjected into
3 the matter before the city is developed.

4 MR. BENCH: Yes, sir. This did spotlight it
5 for us that the community would be built there. Possibly
6 the Commission could direct us to the proper channels to
7 go through in the state government.

8 ACTING CHAIRMAN ACKERMAN: Well, is this kind
9 of a first step before they have to go through the EIR
10 and contact local planning commissions?

11 MR. BENCH: Yes.

12 ACTING CHAIRMAN ACKERMAN: Isn't this Riverside
13 County?

14 EXECUTIVE OFFICER NORTHROP: Yes. It is Riverside
15 County.

16 ACTING CHAIRMAN ACKERMAN: They'll have to go
17 through the planning commission and the county board of
18 supervisors.

19 MR. BENCH: It's Kern County.

20 EXECUTIVE OFFICER NORTHROP: I'm sorry. It is
21 Kern County.

22 ACTING CHAIRMAN ACKERMAN: So, they'll have to
23 go to the Kern County Planning Commission and the Kern
24 County Board of Supervisors, which will require the required
25 reports.

1 EXECUTIVE OFFICER NORTHROP: I think our counsel
2 has some information for us.

3 MR. HIGHT: Mr. Chairman, I believe our records
4 show that 65 percent of the lots in this area have already
5 been sold. It appears to me that this issue is not
6 necessarily one that the Lands Commission need concern
7 itself with. It seems like it's more appropriately an
8 issue between California Cities and the Air Force.

9 ACTING CHAIRMAN ACKERMAN: Are there any questions
10 or comments from the Commissioners?

11 MS. MORGAN: Well, you have not advanced the
12 argument that the air force built in this location because
13 you knew that we had an interest in the property and,
14 therefore, it would always remain open. Is that a potential
15 argument to be made?

16 EXECUTIVE OFFICER NORTHROP: I think historically
17 this property was obtained in previous administrations
18 for development, if my information is correct. So, when
19 we obtained the property, potential development was the
20 reason it was obtained. It wasn't as though it was in
21 a preserve -- that it would be forever open space. At
22 the time this was obtained, I think the position of the
23 Commission was different than it is today.

24 MS. MORGAN: Was that before the air force had
25 a test center there?

1 EXECUTIVE OFFICER NORTHROP: I don't know. How
2 long has the test center been there?

3 MR. BENCH: No. The test center, of course,
4 has been there since 1934.

5 EXECUTIVE OFFICER NORTHROP: There was a test
6 center there, but I don't think sonic booms were a problem
7 at that time.

8 ACTING CHAIRMAN ACKERMAN: You even mentioned
9 in your calendar detail that this project was undertaken
10 in the 1950's. So, the state disposed of ownership of
11 the land early in the fifties or late forties.

12 EXECUTIVE OFFICER NORTHROP: Right. That time
13 would have been the proper time, I think, for the air force

14 ACTING CHAIRMAN ACKERMAN: Really, the only
15 consideration before us right now is the retention we kept
16 of the mineral rights on the first 500 feet.

17 EXECUTIVE OFFICER NORTHROP: That's right.

18 ACTING CHAIRMAN ACKERMAN: My own feeling is
19 that I think we are precluded, from counsel's advice, using
20 your concerns as the reason for acting or not acting on
21 the current applicant's request. But I would encourage
22 you to contact the State Department of Real Estate and
23 the County Board of Supervisors and Planning Commission
24 in Kern County to see if they will attach conditions to
25 their required reports for prospective land buyers or when

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1 a change of ownership occurs in a parcel of property.

2 But I don't think it's proper for us to take
3 your consideration in making our decision on this applicant's
4 request.

5 MR. BENCH: I appreciate the Commission's view
6 on that. We do have the concerns, and we will contact
7 the State Department of Real Estate and Kern County about
8 the reports. We were hoping to get direction from the
9 Commission. Thank you very much for your time.

10 ACTING CHAIRMAN ACKERMAN: Okay. Thank you.

11 Is there any objection, then, to taking approval
12 of the recommendations in Item 22?

13 (No audible response.)

14 ACTING CHAIRMAN ACKERMAN: Without objection
15 then, so moved.

16 Number 23, Mr. Northrop?

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, as
18 you recall, in our last regular meeting, we had an item
19 with ARCO, and it was put over to a special meeting earlier
20 this month on the proposed royalty settlement. I am pleased
21 to report staff and ARCO have come to an agreement on the
22 proposed royalty accounting differences in Ellwood and Santa
23 Barbara County. So, the amount is approximately -- I see
24 the ARCO representative.

25 ACTING CHAIRMAN ACKERMAN: I understand he has

1 a presentation.

2 EXECUTIVE OFFICER NORTHROP: Yes. I think he's
3 got something he wants to talk to us about.

4 MR. HUNTLEY: I'm Jack Huntley, the Offshore
5 Manager for ARCO Oil and Gas. I just wanted to make two
6 very quick comments that this settlement, not only being
7 fair and equitable both to the state and to the company
8 involved, but it also, I believe, is a very successful
9 settlement of honest and straightforward negotiations and
10 talks in reviewing all of the facts and data concerning
11 these three claims. We feel quite pleased, and I'm sure
12 the State Lands Commission people also feel that way. Because
13 it took some agreement between the company and the state
14 in this settlement, we think it's more or less a milestone
15 in the ability to get along and honor each other's thoughts
16 rather than forever butting heads against the circumstances.

17 So, we're pleased with it, and I think it represents
18 a real milestone in the State Lands Commission's efforts
19 with the oil companies. That's all I have to say.

20 EXECUTIVE OFFICER NORTHROP: Thank you.

21 MS. MORGAN: This looks like a good settlement.

22 ACTING CHAIRMAN ACKERMAN: What's the dollar figure?

23 EXECUTIVE OFFICER NORTHROP: \$507,000 is the
24 settlement agreement. I think it was a good job by the
25 staff. Credit largely goes to Al Willard, Don Everitts,

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1 and Chet Eaten -- mainly Chet Eaten.

2 ACTING CHAIRMAN ACKERMAN: Then Item 23, the
3 proposed settlement will be gladly received by the State
4 Lands Commission and the Department of Lands. Did I see
5 a check?

6 EXECUTIVE OFFICER NORTHROP: He claims as soon
7 as the meeting is over.

8 ACTING CHAIRMAN ACKERMAN: Okay. Item 24 --
9 and we'll take this one up with Item 36. Mr. Northrop?
10 I guess Alan Hager is going to explain this to us as well.

11 EXECUTIVE OFFICER NORTHROP: Yes. It's going
12 to be a joint effort -- Hager, Thompson, and Northrop,
13 et al, on Items 24 and 36.

14 MS. MORGAN: Shall we take 25 now, then?

15 ACTING CHAIRMAN ACKERMAN: Do you want to wait
16 until we get to 36?

17 EXECUTIVE OFFICER NORTHROP: Yes.

18 ACTING CHAIRMAN ACKERMAN: All right. Item 25
19 then, Wickland Oil Company.

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Wickland
21 Oil Company has a lease from us, and at the time they leased
22 it, there was a test slag pile. There was a slag pile
23 on the property. The Department of Health has indicated
24 there may be problems with the hazardous wastes on that
25 slag pile. So, we have asked Wickland to give us access

1 and to help us in testing that slag pile for possible
2 adverse effects to the environment. We have asked this
3 calendar item be approved in which we allow a \$10,000 rent
4 credit for that assistance from Wickland.

5 In addition to that, there is a language addition
6 of one paragraph, Mr. Chairman, which I believe you have
7 in front of you there -- or you should have. Okay. We
8 added the language in Item 7, which authorizes the
9 assignment of Lease PRC 5735.1 and 5736.1 to subsidiary
10 or affiliated companies of Wickland Incorporated, provided
11 that such assignment will not relieve Wickland Incorporated
12 of its obligation under said leases.

13 ACTING CHAIRMAN ACKERMAN: And that will cover
14 the organizational changes?

15 EXECUTIVE OFFICER NORTHROP: There may be some
16 organizational changes. They advised us of the change
17 after the calendar came out.

18 ACTING CHAIRMAN ACKERMAN: Will this item come
19 back before us for a report?

20 EXECUTIVE OFFICER NORTHROP: Yes. I think when
21 we finish the tests on the slag pile there may well have
22 to be -- if it's found to be adverse environmentally --
23 we may have to come back to the Commission to do something
24 to cure the problem. But first we want to get some idea
25 of the magnitude of the problem.

1 MS. MORGAN: This is just for the tests?

2 ACTING CHAIRMAN ACKERMAN: And the \$10,000 is
3 just for the tests?

4 EXECUTIVE OFFICER NORTHROP: The \$10,000 is just
5 for the tests and the inconvenience that Wickland will
6 be put to for our entrance on the property and getting
7 in the way of their normal operations, as well as helping
8 us in some of the tests and doing work for us.

9 MS. MORGAN: Where did this slag pile come from?

10 EXECUTIVE OFFICER NORTHROP: This was a previous --

11 MR. TROUT: It was American Smelting, and they
12 had a slag pile.

13 EXECUTIVE OFFICER NORTHROP: American Gold
14 Smelting had a slag pile, and apparently they removed the
15 gold, or whatever it was -- there may have been other metals
16 or other chemicals that were left there that should not
17 have been. That was a former state lease as well.

18 MR. JERVIS: Why didn't we monitor that, or did
19 we?

20 EXECUTIVE OFFICER NORTHROP: I can't answer that.

21 MR. JERVIS: Have they gone out of business?

22 MR. TROUT: The company hasn't gone out of business,
23 but they've abandoned this operation.

24 EXECUTIVE OFFICER NORTHROP: There may be some
25 liability factors, but we're investigating that.

1 ACTING CHAIRMAN ACKERMAN: Will that be part
2 of your investigation as well -- the legal?

3 EXECUTIVE OFFICER NORTHROP: Yes. The legal
4 will be taken care of by both our staff and the Attorney
5 General.

6 MR. TROUT: We're still holding a bond on them,
7 I believe.

8 EXECUTIVE OFFICER NORTHROP: We have a \$700,000
9 bond. The tests will indicate whether that is of adequate
10 size to cover our problem.

11 ACTING CHAIRMAN ACKERMAN: Any questions from
12 the Commission or the audience?

13 (No audible response.)

14 ACTING CHAIRMAN ACKERMAN: Item 25 will be deemed
15 approved.

16 Item 26?

17 EXECUTIVE OFFICER NORTHROP: Item 26, Mr. Chairman,
18 is a request for an agreement and a consenting encumbrance
19 to the Bank of Alex Brown on the Alvin Stults dba Cliff's
20 Marina.

21 ACTING CHAIRMAN ACKERMAN: Any questions as
22 regards this item?

23 (No audible response.)

24 ACTING CHAIRMAN ACKERMAN: Item 26 will be deemed
25 approved.

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1 Item 27, the Shasta Dam Public Utility District.
2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
3 is an exchange, a land exchange with Shasta Dam Public
4 Utility District for some land that they feel is suitable
5 for a park area for other land of equal value with the
6 State Lands Commission.

7 ACTING CHAIRMAN ACKERMAN: Any problems from
8 the Commissioners? Questions from the audience?

9 (No audible response.)

10 ACTING CHAIRMAN ACKERMAN: Item 27 is deemed
11 approved.

12 Item 28, Exchange Agreement with Union City?

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
14 is an exchange agreement in which Union City Investment
15 is seeking to clear their title. But at the present time
16 there is no land available for exchange. So, what we are
17 doing is setting up an escrow for approximately \$15,000
18 until we can find a suitable piece of property.

19 ACTING CHAIRMAN ACKERMAN: This allows them to
20 go ahead?

21 EXECUTIVE OFFICER NORTHROP: Right.

22 ACTING CHAIRMAN ACKERMAN: Are there any questions
23 from the Commissioners?

24 MS. MORGAN: Are there any airplanes around?

25 (Laughter.)

1 ACTING CHAIRMAN ACKERMAN: Anyone in the audience
2 on Item 28?

3 (No audible response.)

4 ACTING CHAIRMAN ACKERMAN: Item 28 will be deemed
5 approved.

6 Item 29, Boundary Line Agreement?

7 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, you
8 see before you here a drawing showing this boundary line
9 agreement. At the time One Pico Enterprises bought this
10 property in yellow here (indicating), a portion of the
11 property description came down into the beach area. We
12 arrived at a boundary line agreement which cleared the
13 title in this area here (indicating) for One Pico Enterprises.
14 It gives the promenade area to Santa Monica, the City of
15 Santa Monica, and gives the beach area to the state, with
16 the boundary line agreement indicated here in red.

17 This line is slightly landward of the line on
18 this side (indicating), so we feel we have obtained an
19 equitable piece of property.

20 ACTING CHAIRMAN ACKERMAN: Is that line in the
21 same location as the rest of the boundary --

22 EXECUTIVE OFFICER NORTHROP: No. It's slightly
23 landward. We have no boundary line agreement on this side
24 of the Santa Monica Pier.

25 ACTING CHAIRMAN ACKERMAN: So, this is the first

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1 boundary line agreement.

2 EXECUTIVE OFFICER NORTHROP: This is the very
3 first boundary line agreement on this side of the pier
4 and will probably take precedent for the rest of them.

5 ACTING CHAIRMAN ACKERMAN: And you're very pleased
6 with that?

7 EXECUTIVE OFFICER NORTHROP: We're pleased with
8 it, yes. We feel it gives them a chance to develop, and
9 it gives us a large portion of the beach with clear title.

10 ACTING CHAIRMAN ACKERMAN: Good. Any questions?

11 MS. MORGAN: Is it a clean beach? Is there
12 anything buried in there?

13 EXECUTIVE OFFICER NORTHROP: No. I don't think
14 so. The County of Los Angeles has taken good care of it.

15 ACTING CHAIRMAN ACKERMAN: Just one question.
16 Does the county have liability for maintenance of the beach,
17 or do we?

18 EXECUTIVE OFFICER NORTHROP: Under the terms
19 of this agreement, the county is given this beach for
20 maintenance and enjoyment.

21 ACTING CHAIRMAN ACKERMAN: Does that also include
22 liability if they don't maintain it?

23 MR. TROUT: Well, there is an interesting history.
24 The beaches in Santa Monica were transferred by the
25 Legislature to the State Department of Parks and Recreation.

1 Then there was a subsequent conveyance, and then Parks
2 turned all of their L.A. County beaches over to the
3 Department of Parks and Recreation. Supervisor Burke has
4 been involved in this beach maintenance problem, and it's
5 something she's been working on. The county is supposed
6 to keep them up. That's about all we can say. It's a
7 state beach operated by L.A. County.

8 ACTING CHAIRMAN ACKERMAN: The ultimate liability
9 still rests with us?

10 MR. TROUT: I suppose it does.

11 ACTING CHAIRMAN ACKERMAN: In other words, we'll
12 take the issue up if it arises, and then we decide. Okay.

13 Item 29, there are no questions from the
14 Commissioners. Are there any questions from the audience?

15 (No audible response.)

16 ACTING CHAIRMAN ACKERMAN: Item 29 is deemed
17 approved.

18 Item 30?

19 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
20 is a boundary line agreement as a result of a suit by a
21 party by the name of Wilcox. However, Mr. Wilcox died
22 before we could execute the settlement. The subsequent
23 owner of the land is the Webers, and we have made a boundary
24 line agreement in line with the previous suit. We ask
25 for your approval.

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1 ACTING CHAIRMAN ACKERMAN: Any questions from
2 the Commissioners?

3 (No audible response.)

4 ACTING CHAIRMAN ACKERMAN: Anyone from the audience?

5 (No audible response.)

6 ACTING CHAIRMAN ACKERMAN: All right. Item 30
7 will be deemed approved.

8 Item 31?

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
10 is approval of a gas sales agreement with Pacific Gas and
11 Electric on Rio Vista, Sherman Island, Isleton, and River
12 Island gas fields. The price on it at the present time
13 would be at 230 for the balance of this calendar year,
14 250 for the first six months of next year, and 270 per
15 thousand cubic feet for the balance of 1981.

16 This is approximately a 30 percent increase over
17 the price that we're receiving at the present time, and
18 I've asked staff what the other producers in the area have
19 taken for a price. Apparently, largely because we went
20 into this in some detail last time it came before the
21 Commission, it appears that no one has taken this price
22 to arbitration this time. And the overwhelming majority
23 of producers are signed with PG&E for the prices mentioned.

24 When you look at the price of gas as it compares
25 to oil, the equivalent price on oil today would be some

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1 higher than this gas price. However, we're at the mercy
2 of them. There is no open market, and we have all the
3 problems involved in a one-buyer market. I don't see how
4 we can do much else than accept this price.

5 ACTING CHAIRMAN ACKERMAN: Just for our information,
6 how does this price compare with what other buyers are
7 paying for natural gas?

8 EXECUTIVE OFFICER NORTHROP: In a recent article
9 in the trade paper, it was indicated that the average price
10 for natural gas to power companies is about \$20 a barrel
11 or the equivalent, which brings that price to \$3.18 to
12 \$3.20 an MCF. But in that mix that the current utilities
13 are paying, according to this trade journal, was some heating
14 gas and some other higher priced gas. So, considering
15 the location of the gas and the alternatives if we didn't
16 want to sell it to PG&E through Chevron, we really don't
17 have a buyer. Secondly, if we wanted to develop it ourselves,
18 we'd have the problem that we do not have a place to place
19 the equipment which would be necessary to extract the gas
20 from our portion of it. So, I think we're in the position
21 where it is not probably the best price but it's --

22 ACTING CHAIRMAN ACKERMAN: It's a 30 percent
23 increase.

24 MR. JERVIS: What would be the domestic price
25 of natural gas without figuring in Canadian?

1 EXECUTIVE OFFICER NORTHROP: Do you have that
2 number? What's Southern California Gas' price?

3 MR. EVERITTS: The ceiling price is 258.

4 EXECUTIVE OFFICER NORTHROP: The federal ceiling,
5 We're right at the federal ceiling. There are transportation
6 costs involved too.

7 ACTING CHAIRMAN ACKERMAN: Any other questions?

8 MS. MORGAN: If you take Canadian out, it compares?

9 EXECUTIVE OFFICER NORTHROP: If you take Canadian
10 out, then it compares.

11 ACTING CHAIRMAN ACKERMAN: Any more questions?

12 MS. MORGAN: No.

13 ACTING CHAIRMAN ACKERMAN: Anyone in the audience
14 on this item?

15 (No audible response.)

16 ACTING CHAIRMAN ACKERMAN: Without objection
17 from the Commission, Item 31 will be approved.

18 Item 32?

19 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
20 is approval of an award of six months oil sales contract
21 to DeMenno and Kerdoon. We had three bids on this parcel
22 of oil. The high bidder was \$1.12-3/4 per barrel over
23 posted price. The second bidder was Marlex Petroleum at
24 .783-3/4 cents, approximately, and the third bidder was
25 Tosco Petroleum at .06-3/10 cents. So, the staff is

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1 recommending that for the six months period that we accept
2 this bid.

3 ACTING CHAIRMAN ACKERMAN: Is this heavy oil?

4 EXECUTIVE OFFICER NORTHROP: This would be under
5 the definition of heavy oil, yes. It would be, because
6 it's under 20 gravity.

7 ACTING CHAIRMAN ACKERMAN: Does this kind of,
8 then, represent a shift?

9 EXECUTIVE OFFICER NORTHROP: In the last three
10 days, the trade papers have indicated that the heavy fuel
11 oil price has jumped as much as \$6 a barrel on the East
12 Coast. And we certainly that to reflect a higher price
13 for heavy residual oil on the West Coast. So, we would
14 expect not only this price to be a fair price, but I would
15 not be surprised in the next quarter to see some kind of
16 an increase in heavy oil --

17 ACTING CHAIRMAN ACKERMAN: The sell-off activity
18 will increase, and then we'll get some bidding action?

19 EXECUTIVE OFFICER NORTHROP: Right. I think
20 we should have a lot more interest in it now.

21 MS. MORGAN: Does this have a potential impact
22 on tidelands?

23 EXECUTIVE OFFICER NORTHROP: Yes. This itself
24 wouldn't have an impact, but it portends the fact that
25 we may have a much larger increase. But we did in our

1 own projections anticipate, the first of next year, a 10
2 percent increase. So we may be right on projection.

3 MS. MORGAN: You're staying with your prior
4 projections?

5 EXECUTIVE OFFICER NORTHROP: Yeah. We think
6 our prior projections were pretty good.

7 MR. JERVIS: You're not going to go back to
8 Projection Number 1.

9 EXECUTIVE OFFICER NORTHROP: The windfall profits
10 may take that all back.

11 ACTING CHAIRMAN ACKERMAN: Is there anyone in
12 the audience on Item 32?

13 (No audible response.)

14 ACTING CHAIRMAN ACKERMAN: With no objection
15 from the Commissioners, Item 32 is deemed approved.

16 Item 33?

17 EXECUTIVE OFFICER NORTHROP: 33 and 34 are off
18 calendar.

19 ACTING CHAIRMAN ACKERMAN: Item 35?

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
21 is a solicitation for an EIR for a geothermal resource
22 lease in Sonoma County. What we're asking here is to assist
23 the contract. We'll come back to you with bids on the
24 contract.

25 ACTING CHAIRMAN ACKERMAN: Any questions from

1 the Commission?

2 (No audible response.)

3 ACTING CHAIRMAN ACKERMAN: Anyone in the audience?

4 (No audible response.)

5 ACTING CHAIRMAN ACKERMAN: Item 35 will be deemed
6 approved.

7 Item 36, and we'll go back and pick up Item 24.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Items
9 36 and 24 -- I'd like to have Mr. Thompson come up, and
10 first we'll deal with Item 36. And then we'll go back
11 and pick up 24.

12 ACTING CHAIRMAN ACKERMAN: Okay.

13 EXECUTIVE OFFICER NORTHROP: What we're asking
14 for here is a third modification in the Long Beach Plan
15 of Development. This modification, the largest amount
16 of the modification is \$7,850,000, it's first installment
17 of \$11,600,000, county taxes.

18 You see a chart on the wall over there indicating a
19 line on the left, the pink line -- do you want to go into
20 what you've got on the chart over there?

21 MR. THOMPSON: This reflects and shows a change
22 in assessment value by the L.A. County Assessor. The yellow
23 one on the right is the one the assessor is doing. The
24 kind of orange-red one on the left is the staff's opinion.
25 You can see there the basic Chapter 133 year -- that is,

1 your '78 year, and this is where that valuation drops to
2 the bottom. Then, the next year they took two percent.

3 But the big increase you see on the right is
4 through this Rule 48 of the Board of Equalization, which
5 allowed revaluation because of economic conditions.

6 The Attorney General has made a ruling that that
7 is improper, and the Board of Equalization has not changed
8 use of that rule, and it is now in court. The final court
9 decision on that, hopefully, will be by the end of 1981.

10 We have about \$25 million involved in litigation
11 for three tax years here, including this year. But we
12 have no choice but to pay the tax bill now. We had hoped
13 to do this later on in the year, but we didn't have enough
14 money to make the first installment.

15 ACTING CHAIRMAN ACKERMAN: When you say "we"
16 you're looking at Long Beach?

17 MR. THOMPSON: The Long Beach Unit.

18 EXECUTIVE OFFICER NORTHROP: The Long Beach Unit
19 paid their taxes, but under the contract we have an obligation
20 to reimburse them.

21 ACTING CHAIRMAN ACKERMAN: And they were all
22 paid under protest?

23 MR. THOMPSON: Yes. They have all been approved
24 pending final appeal of this particular assessment.

25 EXECUTIVE OFFICER NORTHROP: As you can see,

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1 it's very apparent that the assessment, given the mining
2 rights tax, is quite arbitrary and is certainly far from
3 an exact science. And our people feel the pink bar is
4 about where it should be, given Proposition 13 and the
5 value of the property. And that translates at about one
6 percent. So, it looks like -- we feel it should be somewhere
7 under \$4 million, while the county feels it should be \$11.6
8 million. So, that difference is something that's not going
9 away. Every year we're going to have to face this problem.
10 That's why we're taking it in conjunction with 24.

11 Item 24 on the calendar was a request by staff
12 for a Commission at least discussion, maybe a position,
13 on the mining rights tax, which is a tax which says you
14 take a barrel of oil out of the ground, you pay extra amount
15 of money in taxes for that. And that tax would be collected
16 by the state and redistributed to the county.

17 Under the present bill we've looked at, it says
18 "Using the '78-79 base year." Given that base year, it
19 would not make a great deal of difference to us whether
20 we had ad valorem or severance tax. Given what's happened
21 in 1980, and certainly what's going to happen in 1981,
22 I think we need some kind of certainty what that cost is
23 going to be. At the least in Item 24, we would like to
24 have the Commission consider support, perhaps, of the
25 severance tax or yield tax concept. But further, exempting

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1 the state from the payment of that tax. Because what
2 happens, it seems to me, is that -- I imagine this might
3 be a finance matter more than anything else -- the movement
4 of that money from the property fund to the general fund,
5 because that's what really would happen if we continue
6 to be taxed and move it over.

7 What happens here is, in Item 36, we're telling
8 you we'd like to pay under protest. And secondly, Item
9 24, we would like to have the Commission give some serious
10 thought to endorsing the severance tax or a yield tax in
11 lieu of the ad valorem tax.

12 ACTING CHAIRMAN ACKERMAN: What are the other
13 major oil-producing states doing?

14 EXECUTIVE OFFICER NORTHROP: With the exception
15 of Pennsylvania, all the other states have a severance
16 tax. And when the windfall profits tax was written, it
17 was written of course with great input from Louisiana and
18 Texas, which has a severance tax. And under the windfall
19 profits tax the severance tax is a credit on windfall profits
20 tax. But ad valorem is not. So, we find ourselves in
21 a unique position in California being the third largest
22 oil producer in the United States with a severance tax
23 which is not credited to the producers' windfall profits
24 tax.

25 In addition to that, there are special considerations

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1 given for federal income tax on severance tax which are
2 not allowed in a mining rights ad valorem tax. So, by
3 and large, the U.S. assumes, the federal government assumes,
4 that everybody has a severance tax and the tax laws have
5 been based on giving credit to the producers based on this
6 taxation concept.

7 MS. MORGAN: You're going to have to run this
8 one, by me three or four times before I can pick it up.

9 EXECUTIVE OFFICER NORTHROP: I'm not really sure
10 I can explain it well enough to understand it myself.

11 MR. THOMPSON: ~~The severance tax~~ varies in other
12 states from two percent in Nebraska to twelve and a quarter
13 percent in Alaska. But lots of times that's in lieu of
14 other taxes in the state.

15 ACTING CHAIRMAN ACKERMAN: This would basically
16 put to rest once and for all the whole question with the
17 L.A. County Assessor and all of those issues?

18 MR. THOMPSON: It substitutes the state to be
19 the taxing agency for oil and gas properties. And then
20 within the bill is a formula for how the taxing agencies
21 get their money back out of that severance tax.

22 ACTING CHAIRMAN ACKERMAN: Basically, it looks
23 as if L.A. looks at it as a tax on what's in the ground,
24 and we're saying it's not a tax on what's in the ground
25 but once it's out and used.

1 EXECUTIVE OFFICER NORTHROP: That's right. You
2 have to estimate what the recovery is going to be before
3 you can make the tax. And if the recovery is readjusted
4 every year because of new techniques or --

5 MR. THOMPSON: That's on both sides, because
6 as the price of oil goes up then the percentage will give
7 more dollars, instead of arguing over the value of it in
8 future years.

9 ACTING CHAIRMAN ACKERMAN: It's an inaccurate
10 way.

11 EXECUTIVE OFFICER NORTHROP: What it does is
12 encourage oil companies and other people who are subject
13 to tax to understate their reserves, because the minute
14 they state actually what they really believe their reserves
15 are, the county is going to tax them on that. So, it is
16 a game I think everybody plays. Those producers
17 underestimate and the county overestimates, and then you
18 wind up with this appeal situation.

19 ACTING CHAIRMAN ACKERMAN: I think it's a deterrent
20 for exploration as well. If you've got adequate reserves,
21 why look for more if you're going to be taxed on it?

22 MR. JERVIS: Well, I can understand why the Los
23 Angeles Congressional delegation raised objection to the
24 legislation that was written by Louisiana and Texas interests,
25 but where was the rest of the California delegation when

1 it was written?

2 EXECUTIVE OFFICER NORTHROP: Mr. Jervis, the
3 California delegation was not united on the windfall profits
4 tax at all, as usual, to begin with, because there were
5 diverse interests there. We attempted in two trips to
6 Washington, the Chairman and I worked hard in attempting
7 to exempt us from the windfall profits tax when it was
8 first passed. We managed to get exempted for education
9 largely because that's where Texas had their money dedicated.
10 So, that was fine, and that's how we got that exemption.
11 And in the subsequent legislation, Senator Cranston worked
12 to get us exempted totally. And we thought we were until
13 this new IRS ruling on the windfall profits tax.

14 But I do think, if we're to encourage resource
15 development in California, it makes a lot of sense to go
16 to this severance concept.

17 ACTING CHAIRMAN ACKERMAN: What would be the
18 impact on the COFPHE fund? Would the COFPHE fund still
19 be eligible for statutory money off the top, and then the
20 excess is automatically operated --

21 MR. THOMPSON: The COFPHE fund is pretty much
22 insulated right now, because it's one of the first priorities.
23 In other words, it gets its money after the first 30. I
24 think the next 125 is next. So, as long as there's \$150
25 million revenue, the COFPHE fund is protected. In fact,

1 the last part of the money right now spills into, I believe,
2 the general fund --

3 MS. MORGAN: It's not the general fund.

4 EXECUTIVE OFFICER NORTHROP: It's different than
5 the general fund.

6 MR. THOMPSON: Yeah, an account in the general
7 fund.

8 EXECUTIVE OFFICER NORTHROP: And we would like
9 to see legislation exempting, and Alan Hager believes
10 legislation could be written to exempt.

11 So, in 24, what we'd like to ask is your approval
12 to proceed with the severance tax, and the exemption of
13 the state from the severance tax.

14 MR. THOMPSON: There will be a hearing on this
15 on November 25th, and we want to see whether it is your
16 wish that we testify in any particular manner for that
17 hearing or not.

18 MS. MORGAN: Well, what you said sounds okay to
19 me, but I would like Mr. Northrop to sit down and talk
20 to us more.

21 EXECUTIVE OFFICER NORTHROP: Certainly. I'd
22 be glad to do that.

23 ACTING CHAIRMAN ACKERMAN: I'd like to see the
24 dollar amount. The general concept is something I think
25 we could support.

1 MR. HAGER: I think especially with respect to
2 what an exemption would do to state, local government,
3 oil companies, is something we should discuss.

4 ACTING CHAIRMAN ACKERMAN: Maybe we should send
5 a trial balloon over the Legislative Committee and see
6 how they would react to such a proposal. It might be good
7 to talk to both of the staffs on each side.

8 MR. THOMPSON: Because on the surface, it would
9 appear with a three percent tax, there would actually be
10 more tax collected than currently from property tax. But
11 if you look at it from the producers' side, you would
12 actually have a reduced tax because of the windfall profits
13 tax.

14 MR. HAGER: You would be essentially passing
15 that tax to the federal government.

16 ACTING CHAIRMAN ACKERMAN: What happens to the
17 federal government when the state --

18 MR. HAGER: It will go down, so in a sense it's
19 being passed to the federal government in the form of a
20 reduction in the windfall profits tax.

21 EXECUTIVE OFFICER NORTHROP: The state would
22 come out on the better end of the deal, particularly if
23 you stay with '78-79 and do not move into '80. The minute
24 you move into '80 the counties really do well.

25 MR. THOMPSON: The bill proposes you take an

1 average of '78-79 and '79-80 as being the base to lock
2 in how much taxes the local agencies would get.

3 MS. MORGAN: I think I'd like to hear testimony
4 on this.

5 EXECUTIVE OFFICER NORTHROP: We have some direction
6 now. We probably will.

7 MS. MORGAN: Maybe when you get it ready, you
8 can contact us, and we can talk about it.

9 ACTING CHAIRMAN ACKERMAN: I think you're a little
10 hesitant to have a firm proposal.

11 MR. THOMPSON: We're trying to get direction
12 as to whether to even consider it or not. And I would
13 gather you want us to consider it.

14 ACTING CHAIRMAN ACKERMAN: Kind of throw that
15 one out as a trial balloon and see where the flap comes
16 from.

17 EXECUTIVE OFFICER NORTHROP: Okay. If you'll
18 approve 24, then we'll move on.

19 ACTING CHAIRMAN ACKERMAN: Okay. We'll move
20 on. 24 is okay.

21 MR. THOMPSON: I'd like to get 36 approved also.

22 EXECUTIVE OFFICER NORTHROP: Now, the balance
23 of 36 -- in addition to \$7,850,000, there are three other
24 items. \$81,000 for storing and servicing production tools,
25 \$96,000 for two waterways knockout vessels, and \$50,000

1 for the appeal of the mining rights tax.

2 ACTING CHAIRMAN ACKERMAN: Any questions on the
3 balance of Item 36? Anyone in the audience want to be
4 heard on Item 36?

5 (No audible response.)

6 ACTING CHAIRMAN ACKERMAN: Item 36 is deemed
7 approved. Those taxes, I presume, will be paid under
8 protest.

9 MR. THOMPSON: Yes.

10 ACTING CHAIRMAN ACKERMAN: Item 37.

11 EXECUTIVE OFFICER NORTHROP: Item 37 will be
12 addressed by Mr. Thompson.

13 MR. THOMPSON: Items 37 and 38 can really be
14 addressed together. They're two of the same type of things.
15 This is expenditure by the City of Long Beach of their
16 tideland funds and all you have to do is make a finding that
17 it comes under Section 6 of 138. And our information is
18 that yes, they do. We'd like to have you make that finding.

19 ACTING CHAIRMAN ACKERMAN: Any questions on Item
20 37?

21 (No audible response.)

22 ACTING CHAIRMAN ACKERMAN: Anyone from the
23 audience on Item 37?

24 (No audible response.)

25 ACTING CHAIRMAN ACKERMAN: That will be deemed

1 approved.

2 On Item 38, any questions from the Commission?

3 (No audible response.)

4 ACTING CHAIRMAN ACKERMAN: Any questions from
5 anyone in the audience?

6 (No audible response.)

7 ACTING CHAIRMAN ACKERMAN: Item 38 will be deemed
8 approved.

9 Item 39?

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item
11 39 is a credit to Mr. Thompson and the staff for persistence
12 with the City of Long Beach -- and also the Attorney General's
13 Office has worked on this very hard -- on a land fill of
14 a former gas plant site which had been deliberately diked
15 for a gas storage vessel. And at the outset, Long Beach
16 wanted \$643,632 to fill that area. We have since, with
17 the staffs I mentioned, reached what we now feel is a fair
18 settlement -- that is \$180,000. So, the savings of nearly
19 a half a billion dollars is again Mr. Thompson's.

20 ACTING CHAIRMAN ACKERMAN: That's a little bit
21 of negotiating.

22 EXECUTIVE OFFICER NORTHROP: He negotiated very
23 well.

24 ACTING CHAIRMAN ACKERMAN: Does that subsidence
25 just kind of keep rolling along, so to speak?

1 EXECUTIVE OFFICER NORTHROP: Every time they
2 find some place that's low, they want to fill.

3 ACTING CHAIRMAN ACKERMAN: I know they come to
4 us two or three times a year.

5 MR. THOMPSON: This is the whole background of
6 why we have to do that amount of staff work to stay on
7 top of these issues all the time. As you know, we have
8 a pending one on the fill of purchased lands, and you'll
9 have a hearing on that probably the first of next year.

10 ACTING CHAIRMAN ACKERMAN: Okay. Good. Without
11 objection, if there's no one in the audience --

12 (No audible response.)

13 ACTING CHAIRMAN ACKERMAN: -- Item 39 will be
14 deemed approved.

15 EXECUTIVE OFFICER NORTHROP: Mr. Dennis Eagan
16 of the Attorney General's Office is here with us this
17 morning, and he is going to go over California vs. Arizona.

18 ACTING CHAIRMAN ACKERMAN: Item 40.

19 MR. EAGAN: This calendar item, we're seeking
20 authorization from the Commission to enter into a stipulation
21 for entry of judgment in settlement of California vs. Arizona
22 and the United States of America. This is a quiet title
23 action pending in the United States Supreme Court. The
24 original action grew out of the title determination study
25 conducted in the Davis Lake area, approximately 20 miles

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1 downstream from Blythe, California, along the former main
2 channel of the Colorado River.

3 The Davis Lake Study, so-called, was completed
4 by Commission staff, and a claim area in the former main
5 channel on the California side of the Colorado River was
6 identified by staff. There were efforts to informally
7 work out a settlement of our claims with both the United
8 States and the State of Arizona, but these did not prove
9 successful. And as a result, the Commission authorizes,
10 I believe in 1978, litigation in the Supreme Court to resolve
11 the matter.

12 The case was bifurcated, and in June of this
13 year the first phase of the case was completed after trial
14 before a Special Master who was appointed by the United
15 States Supreme Court. And the second phase was to commence
16 before the Special Master on November 17, 1980. This phase
17 would involve the actual determination of the last actual
18 position of both banks of the Colorado River in this 11.3
19 mile stretch.

20 John Briscoe was formerly assigned to this case
21 in our office, and Mr. Briscoe is no longer with the office.
22 But he vigorously pursued the potential of settlement of
23 the case with both the federal government and Arizona while
24 he had the case. Both John and I and representatives of
25 the Commission met in early September with the representatives

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1 of the Federal government and Arizona, and a tentative
2 settlement has been reached.

3 In summary, the areas of the former main channel
4 claimed by California in the original Davis Lake Study,
5 where those areas were adjacent to federal ownership,
6 totaled about 306 acres. California, as a result of this
7 stipulated judgment, if it is authorized by the Commission,
8 will net 302 acres, which is only four acres less than
9 our original claim four, five, or six years ago. We think
10 that's a very good settlement.

11 We have had prepared the parcel description that
12 would go to the State of California by virtue of the
13 stipulated judgment on file in the offices of the Commission,
14 and we recommend that the Commission approve the settlement.

15 MS. MORGAN: What's on the four acres we didn't
16 get?

17 MR. EAGAN: What's there?

18 MS. MORGAN: Gold?

19 MR. EAGAN: I certainly hope not. I have not
20 been out on the ground there. The representatives of the
21 Commission may know that. It's undeveloped. I'll say
22 that much.

23 MS. MORGAN: No leopard lizards or anything like
24 that? This is quite a settlement.

25 EXECUTIVE OFFICER NORTHROP: When you consider

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1 the precedent that's established here, it's one heck of a
2 settlement. Mr. Chairman, you know that we have been
3 working along that Colorado River with some real questionable
4 title on both sides. And there are farmers and other people
5 in that area who have wanted to develop and have not known
6 where their title is. This is really a landmark case in
7 this area.

8 ACTING CHAIRMAN ACKERMAN: Is this kind of the
9 first settlement case for the Colorado River boundary
10 disputes that will extend across the length of the river?
11 Is this the first of a series?

12 MR. EAGAN: It's my understanding that there
13 are a number of other areas, both north and south of this
14 particular reach, that are subject to ownership disputes
15 where the river has been rechannelized or is otherwise
16 now in a different location.

17 ACTING CHAIRMAN ACKERMAN: And this has an impact
18 on those?

19 MR. EAGAN: To a large extent, yes.

20 ACTING CHAIRMAN ACKERMAN: The sooner that all
21 of that disputed title is cleared up, the better it will
22 be for both the state and the private owners.

23 EXECUTIVE OFFICER NORTHROP: Right.

24 MS. MORGAN: What are we giving up besides the
25 four acres in this settlement?

1 ACTING CHAIRMAN ACKERMAN: Who's the happiest
2 with this settlement?

3 MR. EAGAN: Supposedly, if it's a good settlement,
4 both sides are happy, or dissatisfied, I guess. We're
5 certainly happy with it. I don't know what the federal
6 government's reaction is, but we think it's a good settlement.

7 MS. MORGAN: Mr. Northrop, have you read the
8 settlement?

9 EXECUTIVE OFFICER NORTHROP: I have not read
10 the settlement, but I have discussed with counsel the
11 significance of the settlement, and staff has been working
12 with quite a few people along the river. Just yesterday
13 afternoon, with this settlement, I had a discussion with
14 some landowners in that area. And I laid this settlement
15 on them, and they realized our position has not been at
16 all unfair and we've been working fairly with them even
17 at the time they held out that their interests were
18 considerably further riverward than we had told them. They're
19 not at all pleased, but they understand now there's no
20 to work with. We're going to wind up with some clear title.
21 And that, I think, is the big thing. Because before, no
22 one could get -- no title company would issue. Now they
23 can get a title policy issued, which is going to make it
24 a lot easier.

25 MR. JERVIS: You called this a landmark case.

1 Maybe it should be called a high watermark case.

2 (Laughter.)

3 ACTING CHAIRMAN ACKERMAN: Are there any other
4 comments or questions?

5 MS. MORGAN: When you do read the settlement,
6 if there's anything hiding in there, will you bring it back?

7 ACTING CHAIRMAN ACKERMAN: On that four acres?

8 MS. MORGAN: Yes.

9 EXECUTIVE OFFICER NORTHROP: Sometimes we take
10 50-50 and walk away whistling.

11 MS. MORGAN: I hope I'm not offending the Attorney
12 General's Office. I treat everybody this way.

13 MR. EAGAN: This is a stipulation for entry of
14 judgment, which will have to be offered, I presume, in
15 the form of a recommendation by the Special Master -- if
16 he agrees with us that this is a proper settlement -- to
17 the United States Supreme Court. And they have to accept
18 it. Of course, that has not yet occurred. But as far
19 as we're concerned and the staff are concerned, that is
20 a good settlement, and we're prepared to proceed.

21 ACTING CHAIRMAN ACKERMAN: If there are any
22 problems with that you will come back to the Commission?

23 MR. EAGAN: Yes.

24 ACTING CHAIRMAN ACKERMAN: Any other questions?

25 (No audible response.)

1 ACTING CHAIRMAN ACKERMAN: Anyone from the
2 audience?

3 (No audible response.)

4 ACTING CHAIRMAN ACKERMAN: Item 40 will be deemed
5 approved.

6 Item 41, Desmond versus the State of California.

7 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
8 is a day of kudos, particularly for the Attorney General.
9 This case has been hanging around since the very early
10 seventies, and Dennis Eagan has finally brought it to
11 successful conclusion. So, I wonder if the Attorney General
12 will brief us on it.

13 MR. EAGAN: I've been hanging around since the
14 early seventies, too, on this case.

15 (Laughter.)

16 EXECUTIVE OFFICER NORTHROP: Well, let me just
17 say, when you consider the Berkeley Waterfront, Volumetric
18 Rental, and Pariani, Mr. Eagan has made the state a lot
19 of money practicing law.

20 MR. EAGAN: There's \$23,500 involved in this
21 case.

22 (Laughter.)

23 EXECUTIVE OFFICER NORTHROP: When can we spend
24 the Pariani money?

25 MR. EAGAN: The Executive Officer has asked when

1 we can spend the Pariani money. I think yesterday or
2 the day before was, by my calculation, the last day on
3 which the private parties could seek review by the United
4 States Supreme Court. As far as I know, they haven't done
5 that. I'll confirm that by letter next week and let you
6 know if the money can be pulled out. As I understand,
7 it's on special deposit.

8 EXECUTIVE OFFICER NORTHROP: Yes. It's on special
9 deposit.

10 MS. MORGAN: This was, now, \$23,000?

11 MR. HIGHT: It's over \$18 million.

12 EXECUTIVE OFFICER NORTHROP: It's over \$18 million.
13 That's why I had to put that \$22,000 in perspective.

14 MR. EAGAN: Getting back to the Desmond case,
15 this case arose out of a quiet title action which was filed
16 by a right bank owner along a portion of the Feather River
17 near Gridley, California, which is roughly halfway between
18 Marysville and Oroville. This is an area where there are
19 indications that the river has moved over the years, and
20 therefore, the State of California cross-complained to bring
21 in the opposite bank owner to assure the state that whatever
22 the result of the litigation we would have a continuous
23 bed ownership in the area.

24 The dispute between the right bank owner and
25 the state, which is the principal conflict in the case,

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1 involves a question whether a certain area which the state
2 says was covered at high water was, indeed, covered by
3 high water. The assertion by the other side was it was
4 not so covered; therefore, was not below the ordinary high
5 water mark.

6 We have arrived at a proposed agreement and
7 stipulation for entry of judgment that would involve an
8 exchange. And it's similar to an item that was considered
9 earlier today. We do not yet have the exchange parcel,
10 so an escrow -- if the item is approved -- will be opened.
11 And if and when an exchange parcel valued at least at
12 \$23,500 is obtained, then the deed to that parcel will
13 be placed in escrow and the exchange will be effected.

14 The end result will be that the existing high
15 water mark on both banks of the river will become boundary
16 as between state and private ownership.

17 ACTING CHAIRMAN ACKERMAN: Is there current dispute
18 or have both sides agreed?

19 MR. EAGAN: No. There has been agreement in
20 principle between the parties that this is the way we want
21 to settle the lawsuit. We're seeking now the Commission's
22 authorization.

23 ACTING CHAIRMAN ACKERMAN: Any questions from
24 the Commissioners?

25 (No audible response.)

1 ACTING CHAIRMAN ACKERMAN: Anyone in the audience?
2 (No audible response.)

3 ACTING CHAIRMAN ACKERMAN: Item 41 will be deemed
4 approved.

5 Item 42, United States of American versus 97.5
6 acres.

7 MR. HIGHT: Mr. Chairman, Items Number 42 and
8 Number 43 are disclaimers in which the Lands Commission
9 has no interest. They're both for the Sugar Pine Dam area.

10 ACTING CHAIRMAN ACKERMAN: Okay. Any questions
11 from the Commissioners?

12 (No audible response.)

13 ACTING CHAIRMAN ACKERMAN: Anyone from the audience?
14 (No audible response.)

15 ACTING CHAIRMAN ACKERMAN: Items 42 and 43 will
16 be deemed approved.

17 Item 44?

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item
19 44 authorizes the Office of the Attorney General to pay
20 \$5000 in settlement of a claim against the state for injury
21 from a large piece of metal.

22 ACTING CHAIRMAN ACKERMAN: Are there any questions
23 from the Commissioners on this?

24 MS. MORGAN: This is where you've had several
25 problems?

1 EXECUTIVE OFFICER NORTHROP: Yes. We have had
2 several problems in that beach area, and we've asked for
3 monies to continue to clean up that beach, moving a platform
4 in and taking obstructions out of the area. The platform
5 walks in the surf and takes material out. And we have
6 had some grants from CETA money from the Coastal Commission,
7 and we're asking for money now in our budget to finish
8 the job.

9 ACTING CHAIRMAN ACKERMAN: This is important,
10 and I think this item points that out.

11 MS. MORGAN: Is this the place where all the
12 complainants are related or know each other?

13 EXECUTIVE OFFICER NORTHROP: They're acquainted,
14 I believe.

15 MS. MORGAN: But they have settled?

16 EXECUTIVE OFFICER NORTHROP: Yes.

17 MS. MORGAN: Sometimes there's a principle involved
18 even if it's not much money.

19 EXECUTIVE OFFICER NORTHROP: It's a lot of money --
20 \$5000 -- and there is a principle involved.

21 MS. MORGAN: Is it coming out of the tort fund?

22 MR. EAGAN: Yes.

23 ACTING CHAIRMAN ACKERMAN: Any other questions
24 on Item 44?

25 (No audible response.)

1 ACTING CHAIRMAN ACKERMAN: Then the settlement
2 is deemed approved.

3 Item 45?

4 EXECUTIVE OFFICER NORTHROP: Before we go to
5 that, maybe we'd better go back to Item 21.

6 ACTING CHAIRMAN ACKERMAN: Okay. Let's go back
7 to Item 21.

8 MS. MORGAN: Did you figure out why we're
9 inconsistent?

10 MR. EVERITTS: We were inconsistent. I don't
11 know why. The staff agrees with ARCO that to be consistent
12 with previous recommendations to the Commission and to
13 be consistent with the recommendation we're going to make
14 today, we should make some minor changes in the language.
15 What we really wanted to do and the intent of the whole
16 thing was to make sure that they had to comply with the
17 drilling regulations for floating vessels and new
18 regulations that the Commission approved several months
19 ago. And by making it effective so they have to comply
20 with regulations that are effective as of October 30 --
21 today's day -- they would be complying with our latest
22 regulations.

23 ACTING CHAIRMAN ACKERMAN: Does that require
24 a wording change?

25 MR. EVERITTS: Yes.

1 ACTING CHAIRMAN ACKERMAN: Can you point out
2 what the changes are?

3 MR. EVERITTS: In the text, it requires a minor
4 change on page 2, toward the top, Item 4, it says:

5 "Approval of ARCO's application would
6 include..."

7 We would delete,

8 "...now or hereafter promulgated,"

9 and insert,

10 "...in effect on October 30, 1980."

11 ACTING CHAIRMAN ACKERMAN: So ordered without
12 objection.

13 MR. EVERITTS: Then, in the recommendations,
14 page 4, at the bottom of the page, we would delete the

15 "...now or hereafter promulgated,"
16 the last four words, and insert,

17 "...in effect on October 30, 1980,"

18 so that would be consistent with what we said on page 3,
19 Item 5.

20 ACTING CHAIRMAN ACKERMAN: Without objection,
21 we'll make those language changes. And also without
22 objection, Item 21 will be approved as changed.

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on
24 Item 45 the State Lands Commission has been working on
25 some alternate energy methods, and one of them that's being

1 considered now is the 5 megawatt commercial solar pond.
2 And Dan Gorfrain from our office has been working with
3 the Governor's office and other groups for alternate energy.
4 We'd like to present a brief presentation on what we have
5 in mind with solar pond generation.

6 MR. GORFRAIN: As Mr. Northrop just said, this
7 is a presentation on a new and innovative alternative energy
8 technology that was developed in Israel which has potential
9 applications in the United States, particularly in the
10 western states and in California, including a fair potential
11 on what would be State Lands.

12 The technology is solar pond technology, and
13 as I said, it was developed in Israel over the last 25
14 years or so. About two and a half years ago, the State
15 of California took the initiative of working with Southern
16 California Edison Company putting together federal and
17 state money, as well as some private money, to initiate
18 a 5-megawatt demonstration project at the Salton Sea. The
19 idea came from a 1974 report of the Resources Agency of
20 the Department of the Interior, in which the two agencies
21 looked at the increasing salinity problem at the Salton
22 Sea that was threatening the marine life there.

23 The recommendations in the report were that
24 approximately 15 percent of the surface of the sea be ponded
25 off to create evaporation ponds to control the salinity

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1 levels. The Israelies almost accidentally stumbled upon
2 that report and suggested there may be a real potential
3 for generating electrical power.

4 (The feasibility study on the 5-megawatt project
5 is virtually complete, and it appears now that some 5 to
6 600 megawatts of electricity could be generated out of
7 the ponds that are going to be created in any event to control
8 the salinity levels of the sea. 5 to 600 megawatts is
9 about two-thirds the capacity of Rancho Seco, so it's a
10 substantial capacity.

11 Other areas in California where the technology
12 can be used include dry lake beds in the desert, the San
13 Joaquin Valley where desalination of groundwater is a major
14 problem. The Colorado River Basin, and on and on.

15 Very briefly, to describe the system, (the system
16 consists of two components -- the solar pond and the low
17 temperature turbine. Essentially what you have is a pond
18 that has a storage zone on the bottom that is five to six
19 times the salinity of seawater. On top of it is a
20 subgradient layer which is about three and a half to four
21 feet deep, and the salinity increases with depth, and a
22 top layer which is anywhere from freshwater to seawater
23 level salinity. It can utilize brackish water, and that
24 layer has to be replenished as it evaporates.

25 But the interesting thing about the system is

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1 because of the salinity gradient in the middle layer of
2 the pond, since energy penetrates through and cannot convect
3 back out, cannot escape, the heat is stored and can be
4 stored day and night and even from season to the next.

5 In this particular system, what happens is the
6 hot area on the bottom is pumped through a boiling chamber
7 where there is a low boiling temperature organic fluid,
8 such as a Freon, the fluid vaporizes, the vapors run up
9 through a turbine which drives the generator, and then
10 the vapors are condensed to a second heat exchanger at
11 the top. Because of the high temperatures and because
12 of the high level of salinity, there is no oxygen in the
13 system and corrosion problems are very minimal. That's
14 a major problem in typical binary system plants which this
15 is an example of. In Imperial Valley they've run into
16 a lot of problems with corrosion.

17 Just to give you an idea, this plant, which is
18 the only operating plant in the world, is on the Dead Sea
19 in Israel -- the first picture I showed you was also a
20 picture of that plant. It was inaugurated in December
21 of 1979. This is the turbine system -- rather small. This
22 particular plant generates about 150 kilowatts base and
23 about 300 kilowatts peak. And the company that developed
24 this has just signed a contract with the Israeli Power
25 Company or utility company to build the 5-megawatt plant.

1 Eventually, it is planned that something on the order of
2 2000 megawatts will be generated at the Dead Sea or could
3 be generated at the Dead Sea in Israel, which is roughly
4 the current capacity in the whole country -- a little
5 different order of magnitude, considering the two nuclear
6 units at San Onofre, for example.

7 You see a hotel in the background (indicating).
8 This plant in part supplies that hotel with electrical
9 power.

10 This is just a picture of the gauges of the pond,
11 and you can see the top layer is about 22, 23 degrees
12 Centigrade and the bottom temperature of the pond is around
13 the boiling point of water. That's how hot the water gets.

14 As I said, we do have the 5-megawatt project
15 that, at this point, all indications are it's going to
16 be built, and it's going to be built at the Salton Sea.
17 At the same time, we've been working on a small demonstration
18 project which could be installed -- the Salton Sea project
19 will not come on line before 1984. It is a strong feeling
20 that if we can get a project operating about two years
21 ahead of that schedule, or in 1982) sometime, in California,
22 we can have our hands on this technology, and we can have
23 a place where some research and development and testing
24 of this new system can be done. And we'd also like a place
25 that would be very visible in order to stimulate public

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1 and governmental interests in what we believe is a rather
2 promising solar technology.

3 We have been looking at several sites for the
4 project. It would be about a \$2 million project, generating
5 about 300 kilowatts of electricity, to be funded by the
6 state and federal governments. We're in the process of
7 seeking the necessary funds.

8 We've been looking at a number of places, including
9 two coastal sites, the San Joaquin Valley, and Owens Lake.

10 This is an example of the site we have looked
11 at at Owens Lake. I show it only because the lands we
12 would be using for the pond are state lands and are not
13 currently under lease. And the minerals in there are already
14 owned by the state. You see Highway 395 in the background.
15 The land between the lake and the highway is owned by
16 Pittsburgh Plate Glass. It's an abandoned plant, and we've
17 been talking to them about using the effluents for the
18 plant, and so forth.

19 This is the access to the plant from the road --
20 this is Owens Lake you're looking at.

21 This is a shot of the Israeli plant when it was
22 inaugurated last December.

23 Thank you. I'd be glad to answer any questions.

24 ACTING CHAIRMAN ACKERMAN: Owens Lake, huh?

25 EXECUTIVE OFFICER NORTHROP: Yes. It would solve

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1 our dust problem.

2 MS. MORGAN: Will it work? This is incredible.

3 MR. GORFRAIN: We have done some preliminary
4 estimates of the potential of Owens Lake, and it appears
5 to be brackish water. But even with that, we estimate
6 that 25 to 35 megawatts should be no problem and there
7 may be a higher potential. We're still looking into that.

8 ACTING CHAIRMAN ACKERMAN: Doesn't the Department
9 of Water and Power own water in the area?

10 EXECUTIVE OFFICER NORTHROP: Yes. That's part
11 of the problem. That's why they didn't let it dry up.

12 MR. GORFRAIN: We're also looking into pumping
13 water out of the aqueduct.

14 ACTING CHAIRMAN ACKERMAN: There's a lot of legal
15 questions about Owens Lake. Maybe the water accessibility
16 could be resolved in negotiations of those issues.

17 EXECUTIVE OFFICER NORTHROP: We think it's a
18 promising prospect, and we'd like to see it go into a pilot
19 program.

20 ACTING CHAIRMAN ACKERMAN: What kind of
21 authorization is required to go into a pilot program? You're
22 talking about -- what -- a \$200 million program?

23 MR. GORFRAIN: \$2 million for this small plant.

24 EXECUTIVE OFFICER NORTHROP: Has this been submitted
25 to the Governor's Office?

1 MR. GORFRAIN: Not yet. We'll do that soon.

2 EXECUTIVE OFFICER NORTHROP: It's a natural program.
3 It would not only supply some necessary energy, but it
4 would be something to do with the land. But we wanted
5 to present the information to you.

6 MS. MORGAN: Well, maybe we'll make enough money
7 from some of these exchanges and settlements to be able
8 to fund it.

9 MR. TROUT: We did that today.

10 EXECUTIVE OFFICER NORTHROP: Literally.

11 MS. MORGAN: I think it's fascinating, and we
12 ought to move with it.

13 EXECUTIVE OFFICER NORTHROP: We have been moving
14 with it, and Dan has done one report already and is working
15 on another.

16 MS. MORGAN: This is not one of those flakey
17 ideas? This one will work?

18 MR. GORFRAIN: This is something we know will
19 work.

20 EXECUTIVE OFFICER NORTHROP: That concludes the
21 calendar.

22 ACTING CHAIRMAN ACKERMAN: Are there any other
23 items to come before the Commission today?

24 (No audible response.)

25 ACTING CHAIRMAN ACKERMAN: If I can find the

1 gavel, the meeting will be adjourned.

2 (Thereupon the Meeting of the State Lands
3 Commission was adjourned at 11:40 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

1
2
3 I, SYDNEY CONARROE, a shorthand reporter, do
4 hereby certify:

5 That I am a disinterested person herein; that
6 the foregoing Meeting of the California State Lands
7 Commission was reported in shorthand by me, Sydney Conarroe,
8 and thereafter transcribed into typewriting.

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

12 IN WITNESS WHEREOF, I have hereunto set my hand
13 this 21st day of November, 1980.

14
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18 SYDNEY CONARROE
19 Shorthand Reporter
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7700 COLLEGE TOWN DRIVE, SUITE 203
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 393-3601