MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

State Capitol Building
Room 2170
Sacramento, California

Thursday, October 30, 1980
10:00 a.m.

Sydney Conarroe
Shorthand Reporter

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MEMBERS PRESENT

David Ackerman, Acting Chairman
John Jarvis
Susanne Morgan

EXECUTIVE OFFICER

William F. Northrop
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Agenda Item 45 - California demonstration solar pond power plant

Adjournment

Certificate of Reporter

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PROCEEDINGS

--00--

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

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

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

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

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

EXECUTIVE OFFICER NORTHROP: Thank you very kindly, Mr. Chairman. Mr. Chairman and Members, the first item I would like to address is an emergency permit. On October 20th, 1980, the staff received a letter from Dana Design Limited, acting as agent for Paulette Kelman, Patricia Burgess, and Sohan Dua. The letter stated that during the winter storms of 1979 severe damage had occurred under the existing residences at 19264, 93000, and 19302 Pacific Coast Highway in Malibu, Los Angeles County. The storms have rendered the sanitary facilities inoperative, and the Los Angeles
County Health Department has required that these facilities be repaired or replaced and that they be protected from future storm conditions as winter approaches.

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

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

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

ACTING CHAIRMAN ACKERMAN: Okay.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, there has been a lot of conversation and a lot of work by State Lands staff given the California Desert Plan.
has been in the forefront working with the federal government on this plan. I would like Jim now to brief the Commission on the BLM Desert Plan, the Bureau of Land Management Desert Plan and its implications to California.

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

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

The initial version of the plan, per se, was received on October 1st. So far, we have over six inches of material in terms of the plan and the various volumes and appendices. This gives us great concern in the fact that the Department of Interior is proposing that the Secretary approve the plan during the first two weeks of December. Public comment period expires November 21st. And this really doesn't give the staff time to look at it and look at the details of it. Let me try and explain why.
One is the plan that is now in existence is not any of the plans reviewed during the development of the plan. It's a wholly new plan. It has elements of most of the plans, except the status quo. And in particular, the plan does not address the state's remaining school land entitlement of 116,000 acres and how that indemnity selection, if we wanted to make some in the desert, how those would be handled.

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

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

Fourth, it has inhibited the development of energy resources. An example of that is a prospecting permit the state has for development of geothermal lands. The federal surrounding lands are necessary to make that economic
development unit. But the federal government has not allowed
the development, the site occupancy and the development
of that area. So, in an energy-short situation, we're not
getting any development of the energy resources.

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

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

That's the staff point of view looking at it from
our perspective. It does seem, perhaps, a little premature
for the Secretary to try and approve a plan that is so
significant, with so little time to review and so many complex unresolved issues.

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

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

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

MR. TROUT: By direction of the Secretary for Resources, a member of his staff is on the California Desert Advisory Committee. They have asked that all comments from resource agencies go through their office and be reviewed
and amalgamated into a single, common reply. Up to this point, we have replied directly, because our concerns are a little at odds with the concerns of the Resources Agency. And our concerns have been presented to the Interior and, in fact, rejected in several cases by the Interior, resulting in the Board of Land Appeals being filed.

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

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

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

MR. HIGH1: We are currently investigating that, Mr. Jervis, and we have a couple of alternatives. We haven't chosen one, exactly, over another one yet.
MR. JERVIS: We know that this particular Secretary is in a rush to leave office and make his record look good before he leaves office one way or another in January. That has been taken into consideration?

MR. HIGHT: Yes.

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

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

ACTING CHAIRMAN ACKERMAN: We'd appreciate that.

Mr. Northrop?

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

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

MR. EVERITTS: Thank you, Mr. Chairman. Members of the Commission, several matters which were on this Commission's agenda last month were passed on by the Coastal
Zone Agencies during this month. The Oceanside sand replenishment project was approved by the State Coastal Commission on October 1st, 1980, and on October 2nd, the Bay Conservation Development Commission issued a permit to American Protective Services Incorporated. The granting of a compromise title settlement by this Commission cleared the way for the Bay Commission's action.

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

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

That's the completion of my report this morning.

ACTING CHAIRMAN ACKERMAN: Any questions from the Commission?

(No audible response.)
ACTING CHAIRMAN ACKERMANN: Thank you. Before we get into the agenda items, I am informed that Item Number 20 on the agenda is off calendar, as are Items 33 and 34.

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

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

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

MS. MORGAN: I will so move.

ACTING CHAIRMAN ACKERMANN: So moved without objection. That will be the order. Item 20 being off calendar, we'll go to Item 21. Mr. Northrop?

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

ACTING CHAIRMAN ACKERMANN: This is from the existing --
EXECUTIVE OFFICER NORTHRUP: This is from the existing island. It's not a platform.

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

MR. BACON: Yes, sir.

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

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

EXECUTIVE OFFICER NORTHRUP: Don?

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

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

ACTING CHAIRMAN ACKERMAN: Is the issue of sufficient concern that it couldn't be resolved by the end of today's meeting? Can't we just pass it on the calendar?
EXECUTIVE OFFICER NORTHROP: We can pass it on to the calendar, and see if we can work it out.

ACTING CHAIRMAN ACKERMAN: Okay. We'll come back to Item Number 21 at the end of the agenda items. Number 22, the Great Western Cities?

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

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

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

I would like to give the Commission copies of
this to look at. I intended to use a view graph, but you're short of those. And I flew up in a small airplane and didn't have room to bring our own.

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

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

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

These are all strategically located for use so
that you can go from one corridor at 50,000 feet all the way down to the surface in a test that requires rapid changes in altitude.

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

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

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

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

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

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

MR. BENCH: Very few at the present time. It all hinges on the test activity involved. If we have a
new aircraft coming in, such as to replace the B-1, a supersonic penetrator, it would be utilizing those corridors. And most of those test programs are compressed into a very short time. So, it would be seven days a week -- again, not at night. Testing activities are just not conducive to night flying.

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

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

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

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

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

MR. BENCH: Yes, sir. We use photo-theodolite tracking cameras quite extensively, and visibility is a very big concern of ours -- to maintain the visibility that we have out in the desert as it is now. We have contracted out with the Naval Weapons Center at China Lake -- the Flight Test Center at NASA has contracted to build an air visibility model for that area. We have that in the works now, but we're running a little bit behind other activities.
ACTING CHAIRMAN ACKERMAN: Let me ask Mr. Northrop a question at this point. Is this a proper consideration to be made by the Lands Commission? I don't want to get in a maze here.

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

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

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

ACTING CHAIRMAN ACKERMAN: These are very legitimate concerns. If I were a prospective land buyer, I would be very concerned, depending on what I wanted to use the land for, about the potential impact of supersonic aircraft.
I know it doesn't have much to do with mineral rights other than to get your concern interjected into the matter before the city is developed.

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

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

MR. BENCH: Yes.

ACTING CHAIRMAN ACKERMAN: Isn't this Riverside County?

EXECUTIVE OFFICER NORTHROP: Yes. It is Riverside County.

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

MR. BENCH: It's Kern County.

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

ACTING CHAIRMAN ACKERMAN: So, they'll have to go to the Kern County Planning Commission and the Kern County Board of Supervisors, which will require the required reports.
EXECUTIVE OFFICER NORTHROP: I think our counsel has some information for us.

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

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

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

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

MS. MORGAN: Was that before the air force had a test center there?
EXECUTIVE OFFICER NORTHROP: I don't know. How long has the test center been there?

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

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

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

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

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

EXECUTIVE OFFICER NORTHROP: That's right.

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

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

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

ACTING CHAIRMAN ACKERMAN: Okay. Thank you.

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Without objection then, so moved.

Number 23, Mr. Northrop?

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

ACTING CHAIRMAN ACKERMAN: I understand he has
EXECUTIVE OFFICER NORTHROP: Yes. I think he's got something he wants to talk to us about.

MR. HUNTLEY: I'm Jack Huntley, the Offshore Manager for ARCO Oil and Gas. I just wanted to make two very quick comments that this settlement, not only being fair and equitable both to the state and to the company involved, but it also, I believe, is a very successful settlement of honest and straightforward negotiations and talks in reviewing all of the facts and data concerning these three claims. We feel quite pleased, and I'm sure the State Lands Commission people also feel that way. Because it took some agreement between the company and the state in this settlement, we think it's more or less a milestone in the ability to get along and honor each other's thoughts rather than forever butting heads against the circumstances. So, we're pleased with it, and I think it represents a real milestone in the State Lands Commission's efforts with the oil companies. That's all I have to say.

EXECUTIVE OFFICER NORTHROP: Thank you.

MS. MORGAN: This looks like a good settlement.

ACTING CHAIRMAN ACKERMAN: What's the dollar figure?

EXECUTIVE OFFICER NORTHROP: $507,000 is the settlement agreement. I think it was a good job by the staff. Credit largely goes to Al Willard, Don Everitts,
and Chet Eaten -- mainly Chet Eaten.

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

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

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

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

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

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

EXECUTIVE OFFICER NORTHROP: Yes.

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

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Wickland Oil Company has a lease from us, and at the time they leased it, there was a test slag pile. There was a slag pile on the property. The Department of Health has indicated there may be problems with the hazardous wastes on that slag pile. So, we have asked Wickland to give us access
and to help us in testing that slag pile for possible adverse effects to the environment. We have asked this calendar item be approved in which we allow a $10,000 rent credit for that assistance from Wickland.

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

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

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

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

**EXECUTIVE OFFICER NORTHROP:** Yes. I think when we finish the tests on the slag pile there may well have to be -- if it's found to be adverse environmentally -- we may have to come back to the Commission to do something to cure the problem. But first we want to get some idea of the magnitude of the problem.
MS. MORGAN: This is just for the tests?

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

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

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

EXECUTIVE OFFICER NORTHROP: This was a previous --

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

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

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

EXECUTIVE OFFICER NORTHROP: I can't answer that.

MR. JERVIS: Have they gone out of business?

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

EXECUTIVE OFFICER NORTHROP: There may be some liability factors, but we're investigating that.
ACTING CHAIRMAN ACKERMAN: Will that be part of your investigation as well -- the legal?

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

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

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

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Item 25 will be deemed approved.

Item 26?

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

ACTING CHAIRMAN ACKERMAN: Any questions as regards this item?

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Item 26 will be deemed approved.
Item 27, the Shasta Dam Public Utility District.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, this is an exchange, a land exchange with Shasta Dam Public Utility District for some land that they feel is suitable for a park area for other land of equal value with the State Lands Commission.

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Item 27 is deemed approved.

Item 28, Exchange Agreement with Union City?

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

ACTING CHAIRMAN ACKERMAN: This allows them to go ahead?

EXECUTIVE OFFICER NORTHRUP: Right.

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

MS. MORGAN: Are there any airplanes around?

(Laughter.)
ACTING CHAIRMAN ACKERMAN: Anyone in the audience on Item 28?

(No audience response.)

ACTING CHAIRMAN ACKERMAN: Item 28 will be deemed approved.

Item 29, Boundary Line Agreement?

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

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

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

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

ACTING CHAIRMAN ACKERMAN: So, this is the first
boundary line agreement.

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

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

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

ACTING CHAIRMAN ACKERMAN: Good. Any questions?

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

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

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

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

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

MR. TROUT: Well, there is an interesting history. The beaches in Santa Monica were transferred by the Legislature to the State Department of Parks and Recreation.
Then there was a subsequent conveyance, and then Parks
turned all of their L.A. County beaches over to the
Department of Parks and Recreation. Supervisor Burke has
been involved in this beach maintenance problem, and it's
something she's been working on. The county is supposed
to keep them up. That's about all we can say. It's a
state beach operated by L.A. County.

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

MR. TROUT: I suppose it does.

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

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Item 29 is deemed
approved.

Item 30?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
is a boundary line agreement as a result of a suit by a
party by the name of Wilcox. However, Mr. Wilcox died
before we could execute the settlement. The subsequent
owner of the land is the Webers, and we have made a boundary
line agreement in line with the previous suit. We ask
for your approval.
ACTING CHAIRMAN ACKERMAN: Any questions from the Commissioners?

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Anyone from the audience?

(No audible response.)

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

Item 31?

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

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

When you look at the price of gas as it compares to oil, the equivalent price on oil today would be some
higher than this gas price. However, we're at the mercy of them. There is no open market, and we have all the problems involved in a one-buyer market. I don't see how we can do much else than accept this price.

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

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

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

MR. JERVIS: What would be the domestic price of natural gas without figuring in Canadian?
EXECUTIVE OFFICER NORTHROP: Do you have that number? What's Southern California Gas' price?

MR. EVERITTS: The ceiling price is 258.

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

ACTING CHAIRMAN ACKERMAN: Any other questions?

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

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

ACTING CHAIRMAN ACKERMAN: Any more questions?

MS. MORGAN: No.

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

(No audible response.)

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

Item 32?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is approval of an award of six months oil sales contract to DeMenno and Kerdoon. We had three bids on this parcel of oil. The high bidder was $1.12-3/4 per barrel over posted price. The second bidder was Marlex Petroleum at .783-3/4 cents, approximately, and the third bidder was Tosco Petroleum at .06-3/10 cents. So, the staff is
recommending that for the six months period that we accept this bid.

ACTING CHAIRMAN ACKERMAN: Is this heavy oil?

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

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

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

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

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

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

EXECUTIVE OFFICER NORTHROP: Yes. This itself wouldn't have an impact, but it portends the fact that we may have a much larger increase. But we did in our
own projections anticipate, the first of next year, a 10 percent increase. So we may be right on projection.

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

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

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

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

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

(No audible response.)

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

Item 33?

EXECUTIVE OFFICER NORTHROP: 33 and 34 are off calendar.

ACTING CHAIRMAN ACKERMAN: Item 35?

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

ACTING CHAIRMAN ACKERMAN: Any questions from
the Commission?

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Anyone in the audience?

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Item 35 will be deemed approved.

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

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

ACTING CHAIRMAN ACKERMAN: Okay.

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

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

MR. THOMPSON: This reflects and shows a change in assessment value by the L.A. County Assessor. The yellow one on the right is the one the assessor is doing. The kind of orange-red one on the left is the staff's opinion. You can see there the basic Chapter 133 year -- that is,
your '78 year, and this is where that valuation drops to the bottom. Then, the next year they took two percent.

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

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

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

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

MR. THOMPSON: The Long Beach Unit.

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

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

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

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

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

Under the present bill we've looked at, it says
"Using the '78-79 base year." Given that base year, it
would not make a great deal of difference to us whether
we had ad valorem or severance tax. Given what's happened
in 1980, and certainly what's going to happen in 1981,
I think we need some kind of certainty what that cost is
going to be. At the least in Item 24, we would like to
have the Commission consider support, perhaps, of the
severance tax or yield tax concept. But further, exempting
the state from the payment of that tax. Because what happens, it seems to me, is that -- I imagine this might be a finance matter more than anything else -- the movement of that money from the property fund to the general fund, because that's what really would happen if we continue to be taxed and move it over.

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

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

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

In addition to that, there are special considerations...
given for federal income tax on severance tax which are
not allowed in a mining rights ad valorem tax. So, by
and large, the U.S. assumes, the federal government assumes,
that everybody has a severance tax and the tax laws have
been based on giving credit to the producers based on this
taxation concept.

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

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

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

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

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

ACTING CHAIRMAN ACKERMAN: Basically, it looks
as if L.A. looks at it as a tax on what's in the ground,
and we're saying it's not a tax on what's in the ground
but once it's out and used.
EXECUTIVE OFFICER NORTHROP: That's right. You have to estimate what the recovery is going to be before you can make the tax. And if the recovery is readjusted every year because of new techniques or --

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

ACTING CHAIRMAN ACKERMAN: It's an inaccurate way.

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

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

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

EXECUTIVE OFFICER NORTHROP: Mr. Jervis, the California delegation was not united on the windfall profits tax at all, as usual, to begin with, because there were diverse interests there. We attempted in two trips to Washington, the Chairman and I worked hard in attempting to exempt us from the windfall profits tax when it was first passed. We managed to get exempted for education largely because that's where Texas had their money dedicated. So, that was fine, and that's how we got that exemption.

And in the subsequent legislation, Senator Cranston worked to get us exempted totally. And we thought we were until this new IRS ruling on the windfall profits tax.

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

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

MR. THOMPSON: The COFPHE fund is pretty much insulated right now, because it's one of the first priorities. In other words, it gets its money after the first 30. I think the next 125 is next. So, as long as there's $150 million revenue, the COFPHE fund is protected. In fact,
the last part of the money right now spills into, I believe, the general fund --

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

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

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

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

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

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

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

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

ACTING CHAIRMAN ACKERMAN: I'd like to see the dollar amount. The general concept is something I think we could support.
MR. HAGER: I think especially with respect to what an exemption would do to state, local government, oil companies, is something we should discuss.

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

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

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

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

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

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

MR. THOMPSON: The bill proposes you take an
average of '78-79 and '79-80 as being the base to lock
in how much taxes the local agencies would get.

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

EXECUTIVE OFFICER NORTHOUS: We have some direction
now. We probably will.

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

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

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

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

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

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

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

EXECUTIVE OFFICER NORTHOUS: Now, the balance
of 36 -- in addition to $7,850,000, there are three other
items. $81,000 for storing and servicing production tools,

$96,000 for two waterways knockout vessels, and $50,000
for the appeal of the mining rights tax.

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

(No audible response.)

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

MR. THOMPSON: Yes.

ACTING CHAIRMAN ACKERMAN: Item 37.

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

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

ACTING CHAIRMAN ACKERMAN: Any questions on Item 37?

(No audible response.)

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: That will be deemed
approved.

On Item 38, any questions from the Commission?
(No audible response.)

ACTING CHAIRMAN ACKERMAN: Any questions from
anyone in the audience?
(No audible response.)

ACTING CHAIRMAN ACKERMAN: Item 38 will be deemed
approved.

Item 39?

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

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

EXECUTIVE OFFICER NORTHROP: He negotiated very
well.

ACTING CHAIRMAN ACKERMAN: Does that subsidence
just kind of keep rolling along, so to speak?
EXECUTIVE OFFICER NORTHROP: Every time they find some place that's low, they want to fill.

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

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

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

(No audible response.)

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

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

ACTING CHAIRMAN ACKERMAN: Item 40.

MR. EAGAN: This calendar item, we're seeking authorization from the Commission to enter into a stipulation for entry of judgment in settlement of California vs. Arizona and the United States of America. This is a quiet title action pending in the United States Supreme Court. The original action grew out of the title determination study conducted in the Davis Lake area, approximately 20 miles...
downstream from Blythe, California, along the former main channel of the Colorado River.

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

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

John Briscoe was formerly assigned to this case in our office, and Mr. Briscoe is no longer with the office. But he vigorously pursued the potential of settlement of the case with both the federal government and Arizona while he had the case. Both John and I and representatives of the Commission met in early September with the representatives
of the Federal government and Arizona, and a tentative settlement has been reached.

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

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

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

MR. EAGAN: What's there?

MS. MORGAN: Gold?

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

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

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

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

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

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

MR. EAGAN: To a large extent, yes.

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

EXECUTIVE OFFICER NORTHRUP: Right.

MS. MORGAN: What are we giving up besides the four acres in this settlement?
ACTING CHAIRMAN ACKERMAN: Who's the happiest with this settlement?

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

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

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

MR. JERVIS: You called this a landmark case.
Maybe it should be called a high watermark case.

(Laughter.)

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

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

ACTING CHAIRMAN ACKERMAN: On that four acres?

MS. MORGAN: Yes.

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

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

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

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

MR. EAGAN: Yes.

ACTING CHAIRMAN ACKERMAN: Any other questions?

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Item 40 will be deemed approved.

Item 41, Desmond versus the State of California.

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

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

(Laughter.)

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

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

(Laughter.)

EXECUTIVE OFFICER NORTHROP: When can we spend the Paziani money?

MR. EAGAN: The Executive Officer has asked when
we can spend the Pariani money. I think yesterday or
the day before was, by my calculation, the last day on
which the private parties could seek review by the United
States Supreme Court. As far as I know, they haven't done
that. I'll confirm that by letter next week and let you
know if the money can be pulled out. As I understand,
it's on special deposit.

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

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

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

EXECUTIVE OFFICER NORTHROP: It's over $18 million.

That's why I had to put that $22,000 in perspective.

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

The dispute between the right bank owner and
the state, which is the principal conflict in the case,
involves a question whether a certain area which the state says was covered at high water was, indeed, covered by high water. The assertion by the other side was it was not so covered; therefore, was not below the ordinary high water mark.

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

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

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

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

ACTING CHAIRMAN ACKERMAN: Any questions from the Commissioners?

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

ACTING CHAIRMAN ACKERMAN: Item 41 will be deemed approved.

Item 42, United States of American versus 97.5 acres.

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

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: Anyone from the audience?

(No audible response.)

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

Item 44?

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

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

MS. MORGAN: This is where you've had several problems?
EXECUTIVE OFFICER NORTHROP: Yes. We have had several problems in that beach area, and we've asked for monies to continue to clean up that beach, moving a platform in and taking obstructions out of the area. The platform walks in the surf and takes material out. And we have had some grants from CETA money from the Coastal Commission, and we're asking for money now in our budget to finish the job.

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

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

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

MS. MORGAN: But they have settled?

EXECUTIVE OFFICER NORTHROP: Yes.

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

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

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

MR. EAGAN: Yes.

ACTING CHAIRMAN ACKERMAN: Any other questions on Item 44?

(No audible response.)
ACTING CHAIRMAN ACKERMAN: Then the settlement is deemed approved.

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

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

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

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

ACTING CHAIRMAN ACKERMAN: Does that require a wording change?

MR. EVERITTS: Yes.
ACTING CHAIRMAN ACKERMAN: Can you point out what the changes are?

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

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

We would delete

"...now or hereafter promulgated,"

and insert,

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

ACTING CHAIRMAN ACKERMAN: So ordered without objection.

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

"...now or hereafter promulgated,"

the last four words, and insert,

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

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

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

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on Item 45 the State Lands Commission has been working on some alternate energy methods, and one of them that's being
considered now is the 5-megawatt commercial solar pond. And Dan Gorfrain from our office has been working with the Governor's office and other groups for alternate energy. We'd like to present a brief presentation on what we have in mind with solar pond generation.

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

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

The recommendations in the report were that approximately 15 percent of the surface of the sea be ponded off to create evaporation ponds to control the salinity.
levels. The Israelis almost accidentally stumbled upon that report and suggested there may be a real potential for generating electrical power.

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

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

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

But the interesting thing about the system is
because of the salinity gradient in the middle layer of the pond, since energy penetrates through and cannot convect back out, cannot escape, the heat is stored and can be stored day and night and even from season to the next.

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

Just to give you an idea, this plant, which is the only operating plant in the world, is on the Dead Sea in Israel -- the first picture I showed you was also a picture of that plant. It was inaugurated in December of 1979. This is the turbine system -- rather small. This particular plant generates about 150 kilowatts base and about 300 kilowatts peak. And the company that developed this has just signed a contract with the Israeli Power Company or utility company to build the 5-megawatt plant.
Eventually, it is planned that something on the order of
2000 megawatts will be generated at the Dead Sea or could
be generated at the Dead Sea in Israel, which is roughly
the current capacity in the whole country -- a little
different order of magnitude, considering the two nuclear
units at San Onofre, for example.

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

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

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

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

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

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

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

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

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

ACTING CHAIRMAN ACKERMAN: Owens Lake, huh?

EXECUTIVE OFFICER NORTHROP: Yes. It would solve
our dust problem.

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

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

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

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

MR. GORFRAIN: We’re also looking into pumping water out of the aqueduct.

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

EXECUTIVE OFFICER NORTHROP: We thing it’s a promising prospect, and we’d like to see it go into a pilot program.

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

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

EXECUTIVE OFFICER NORTHROP: Has this been submitted to the Governor’s Office?
MR. GORFRAIN: Not yet. We'll do that soon.

EXECUTIVE OFFICER NORTHROP: It's a natural program.

It would not only supply some necessary energy, but it would be something to do with the land. But we wanted to present the information to you.

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

MR. TROUT: We did that today.

EXECUTIVE OFFICER NORTHROP: Literally.

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

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

MS. MORGAN: This is not one of those flaky ideas? This one will work?

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

EXECUTIVE OFFICER NORTHROP: That concludes the calendar.

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

(No audible response.)

ACTING CHAIRMAN ACKERMAN: If I can find the
gavel, the meeting will be adjourned.

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

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CERTIFICATE OF SHORTHAND REPORTER

I, SYDNEY CONARROE, a shorthand reporter, do hereby certify:

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

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

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

[Signature]

SYDNEY CONARROE
Shorthand Reporter