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STATE OF CALIFORNIA

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Shorthand Reporter

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MEMBERS PRESENT

Leo T. McCarthy, Lieutenant Governor, Chairman
Gray Davis, State Controller, Commissioner
Nancy Ordway, representing Jesse R. Huff, Director of Finance, Commissioner

STAFF PRESENT

Claire Dedrick, Executive Officer
J. F. Trout, Assistant Executive Officer
R. C. Hight, Chief Counsel
Jan Stevens, Deputy Attorney General
Lorna Burks, Executive Secretary
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CHAIRMAN MC CARthy: The State Lands Commission meeting will begin. The matter before us is the ARCO application at Coal Oil Point.

Do you have any opening staff comments you want to make before I call on Assemblyman O'Connell?

EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman. As you know, the Commission held three hearings -- two in January on the 13th and the 28th, and one March 10th in Santa Barbara. Staff held a hearing on May 21st in Santa Barbara. And I would like to be sure that the public understands that the records of those hearings are incorporated in the record of the entire case.

Also, we have received from Santa Barbara County a tape of the hearing held on the 18th of May. And we have received a great deal of correspondence. All of those things are included in the record and all of those things have been considered by the Commission.

CHAIRMAN MC CARthy: All right. They're all part of the record.

EXECUTIVE OFFICER DEDRICK: In addition to that, after Assemblyman O'Connell's testimony, perhaps you would like to have Chief Counsel Robert Hight, who conducted the hearing on the 21st, report to you on that hearing, as that
was the genesis for at least one of the amendments to the staff report.

CHAIRMAN MC CARTHY: Mr. Hight.

COMMISSIONER ORDWAY: I would just like to --

CHAIRMAN MC CARTHY: Commissioner Ordway.

COMMISSIONER ORDWAY: -- add: I have received correspondence and I'm not sure if you have. And what I'd like to do is give to staff anything that has not been included in the record already. I would very much like it to be included in the record.

CHAIRMAN MC CARTHY: Thank you.

EXECUTIVE OFFICER DEDRICK: Thank you, Commissioner.

CHAIRMAN MC CARTHY: Mr. Hight?

MR. HIGHT: Mr. Chairman, on the 21st of May, staff held a hearing in Santa Barbara and had 19 speakers. They were basically broken into three components: the University, pro, and against. New evidence that was brought to bear from that hearing is as follows:

The University stated unequivocally that the proposed project could cause damage to the hardbottom area and to their potential marine research.

In addition, they emphasized the point that the Coal Oil Point Reserve had not been mentioned in the past and an oil spill in the vicinity could enter that
reserve.

In addition, they indicated the types of research that they were doing and the benefits that that research had -- specifically, it benefits drug research and other kinds of environmental research. They, in addition, asked for a comprehensive study.

The public testified. And just summarizing a few of the witnesses, Mr. Finney, a member of the Isla Vista Association, thought that -- supported the staff's position, but felt that there wasn't enough concern with gases.

The Sierra Club supported the staff's position. We had several speakers who opposed the staff's position and felt that if hearings had been held in other parts of the State other than Santa Barbara, we would have received different comments.

The full transcript of that hearing will be -- is a part of this record.

CHAIRMAN MC CARTHY: All right. Thank you.

I'd like to call upon Assemblyman Jack O'Connell. You're very welcome, Mr. O'Connell, who represents this area with distinction in the State Assembly. Welcome,

Mr. O'Connell.

ASSEMBLYMAN O'CONNELL: Thank you very much.

Lieutenant Governor. It's a pleasure to be here. Thank
you for accommodating my schedule to be down in the Ways
and Means Committee to work with Miss Ordway's staff today
on our budget.

I want to say just briefly that the State Lands
Commission has undergone a very thorough, a very thoughtful
review process of the ARCO project. I know it's been a
long and tedious task. I know you have conducted three
very extensive, well-attended public hearings in
Santa Barbara. I certainly appreciate it. The community
appreciates your efforts. I know that each of the
Commissioners has attended the meetings, and the
conclusions, which I believe have been presented to you
for your final conclusions today, are -- I believe
very well founded and very well thought out.

I appear before you today to express my sincere
appreciation of the process that you have undergone and
my strong support for that staff recommendation to deny
a permit to ARCO at this time.

As I stated previously in my testimony earlier
this year, approval of the ARCO project as initially
proposed would have significant irreversible impacts on that
area. While the State Lands Commission has jurisdiction
only over the first three miles from shore, it must
certainly acknowledge the reality of the entire oil and
gas development picture in the Santa Barbara Channel and
make its decision, I believe, in that overall context.

As noted in your staff report, this project represents the introduction of a major industrial use adjacent to a densely populated residential area, the Isla Vista area, and a major educational research institution, the University of California at Santa Barbara.

Furthermore, the installation of the platforms will severely impact commercial fishing in the area, a preexisting long term and important use of that area in our community.

An oil spill in such close proximity to shore would have devastating environmental impacts on marine resources and on our coastline, resulting in major economic impacts to UCSB, commercial fishing, and to the important tourist industry in our area.

These impacts, while related to all the platforms, are most pronounced at Platform Heron. I therefore want to expressly reiterate my opposition to the approval of that one particular platform.

I am encouraged by the staff's recommendation for a comprehensive study of the overall effects of oil and gas development off California's coast. To date, government has really only considered oil and gas development on a piecemeal basis. And this new approach, which I fully support, is long overdue. I also want to emphasize the
importance of involving local government and the community in such a study.

The last few months have seen a significant increase in cooperation between the Commission, the County of Santa Barbara, and the University. I'm very pleased that so many individuals from our community have made a long trip this morning to be here today.

In addition to providing valuable information, this study will also create another opportunity to strengthen that working relationship between the Commission and the community.

Thank you for your time and consideration and for accommodating me this morning.

CHAIRMAN MC CARTHY: Thank you, Mr. Assemblyman.

ASSEMBLYMAN O'CONNELL: Thank you, Governor.

CHAIRMAN MC CARTHY: Any questions from Commissioner Ordway, Commissioner Davis?

Thank you.

ASSEMBLYMAN O'CONNELL: Thank you very much.

CHAIRMAN MC CARTHY: I'd like to start off the testimony of the proponents now. Mr. Ranger, would you advise us of what order you would like to proceed?

MR. RANGER: Thank you, Governor McCarthy, Controller Davis, Ms. Ordway. I do not plan on reading this entire book. I have a prepared statement to make on
behalf of ARCO Oil and Gas Company, following which I would like to introduce Mr. Ed Renwick, who will offer additional comments on behalf of ARCO Oil and Gas Company's application.

In addition, should members of the Commission, during the course of my testimony, have particular questions concerning some of the arguments we make — be they technical, environmental, or related to engineering — we do have staff available to respond to some of the specifics of such questions.

ARCO finds itself in an anomalous situation today. We are called upon to present evidence at a hearing where the outcome may have already been decided, if we are to believe various newspaper accounts.

We are nevertheless proceeding on the assumption that the Commissioners will proceed with open minds.

We argue first that you go beyond your Commission's authority if you select the no-project alternative. ARCO legal counsel will later explain our legal position in this regard.

Second, we contend that in fact you should approve ARCO's plan for development of the Coal Oil Point project. It is a plan which will allow the people of the State of California to obtain the substantial benefit of an energy resource they own and have leased to ARCO, and is a
plan which provides for technically safe and environmentally responsible development of that resource in a manner appropriate to the sensitivity of the environment in which that resource is found.

For your Commission to decide otherwise will be poor stewardship of the interests of this State that you are charged to administer.

ARCO has previously testified that the Coal Oil Point project area is an area that has experienced a history of oil and gas development -- onshore, nearshore, and offshore -- for a period of more than 60 years, including more than 20 years' operation of ARCO's Platform Holly on Lease 3242.

Our discussion of history today focuses on the origins of the Coal Oil Point project itself, a history which involves the State Lands Commission as intimately as it involves ARCO.

Through the late sixties and early seventies, while production activities took place on the Coal Oil Point leases, ARCO's evaluation of the additional potential of the Coal Oil Point leases continued in accordance with prudent industry practices and with both encouragement and direction from the State Lands Commission.

Negotiations between ARCO and State Lands

In 1982, ARCO, Mobil, and Aminoil installed the seep containment project on lease 3242, at a cost of $8 million, with the express purpose of providing emission credits for both exploratory drilling and future development in the Coal Oil Point area. This project was approved by the State Lands Commission.

ARCO's well 309-8, drilled in 1982, established substantial oil reserves in the Monterey formation. The record of correspondence and reports from meetings from that time forward involving ARCO, the State Lands Commission, and others establishes a critical fact: From the inception of such discussions, State Lands and ARCO have proceeded on the assumption that the State Lands Commission scope of review of the Coal Oil Point project was to identify the most appropriate plan of development. The scope of review did not include deciding whether the Coal Oil Point Field should be developed.

In our written submittal, we have provided an exhaustive history of our dialogue with your agency concerning the Coal Oil Point project. Time permits only
highlights of this history, but these highlights and
their implications are important for you to consider.

First, the preliminary development plan
originally submitted for the project was the result of
extensive discussion with your staff, and ARCO many times
modified its plan because of such discussions.

Our plan for efficient production of the Coal Oil
Point reserves required consensus among our engineers and
those of your Extractive Division in Long Beach. In
addition, ARCO had to meet the requirements of your staff
that Coal Oil Point project facilities be designed to
allow segregation of crude oil production by lease. In
fact, ARCO funded a study directed by State Lands, which
reviewed the merits of several alternatives to allow
accurate allocation of lease royalty oil.

ARCO even submitted design information for an
offshore crude oil processing alternative -- less desirable
from the point of view of both economics and permitting --
at the express request of your staff, because it was the
alternative seen as most appropriate for segregated crude
oil processing.

When ARCO withdrew this original PDP for the Coal
Oil Point project in March, 1985, we did so because your
staff advised us that your Commission would deny our
application if we did not expand it to include plans for
development of the western portion of the project area.

The Coal Oil Point Field under leases 308 and 309 had been the site of our discoveries and our primary development objective. As the Commission is aware, it remains so still.

Results from drilling our 208-102 Embarcadero well in early 1985 were encouraging, but not definitive. They were sufficient, however, for your staff to require that we revise our project description to include development of the Embarcadero field, where reserves remain potential, but unconfirmed.

In fact, our management was advised at that time that if ARCO did not withdraw its PDP and submit a revised PDP as requested, your staff threatened not only denial of ARCO's Coal Oil Point project application, but denial of ARCO's pending request for drilling deferment on leases 308 and 309.

These were the discovery leases on which ARCO had then spent $2 million in support of predevelopment environmental and technical review required by your agency. Your staff also requested that ARCO commit to resubmitting a revised PDP within 60 to 90 days. We agreed to these requests and withdrew our PDP to revise it for resubmittal. We were led to believe that prompt determination of completeness and expedited supplemental
environmental review would follow.

Our critical look at the development of the Coal Oil Point leases continued even after submittal of the revised ODP in August, 1985, and your staff's determination of its completeness in December of that year.

Rather than indicate that ARCO is unsure of its purpose, as University testimony has suggested -- among its other misrepresentations of fact about our project during the course of these hearings -- our ongoing evaluation of the development plan for these State leases was a product of inquiry from ARCO's engineering, geological and environmental staff, and response to State Lands' staff, staffs of other agencies, the EIR contractor, the University of California at Santa Barbara, and public comment.

The Coal Oil Point project evolved toward its present form much the same way as would a University research program. This evolution has led to a project which, with modifications previously submitted to the State Lands Commission, mitigates the impacts predicted by the EIR to the maximum extent feasible.

The staff report cites a number of alternatives for the Coal Oil Point project. However, with the exception of Alternatives 8 and 13, all are infeasible.

We have given detailed explanations for this
assertion in our written testimony and will not discuss
them at this time. However, I would like to speak about
two of the more popular alternatives and explain why they
are infeasible. The two I speak of are subsea completions
and slant or high-angle conventional drilling.

ARCO has previously studied and considered subsea
completion development of the Coal Oil Point field. For
the following reasons, we believe that subsea completions
are infeasible.

Total development with subsea completions would
significantly increase the risks of leaks due to the
numerous below-water components -- trees, manifolds,
template-valved piping, and pipelines. Air quality impacts
would be greater from the diesel-engine powered mobile
drilling rigs required to drill and complete the wells,
and to install and to maintain the subsea systems.

Subsea drilling and production operations are
inherently more hazardous than surface operations due to
their remote control nature. The risk and statistical
probability of accidents, damage, and failures will be
much greater for the type of multi-well development needed
for the Coal Oil Point project.

Risks to personnel safety, especially
considering the divers required, would be greater than for
a conventional platform development. Well workovers and
subsea equipment and maintenance would require a mobile drill rig. Each time the rig moves in, sets up, and runs a riser increases the likelihood of damaging the subsea equipment or pipelines.

A subsea development of the scope required for the Coil Oil Point project of 100 or more wells has never been done and none are currently planned. Many technological advancements in areas such as control systems, chokes, templates, flowlines would be required. ARCO's design philosophy for the Coil Oil Point project has been to only use field-proven systems and methods, not first-time technology.

Further, the high viscosity, low gravity, and relatively low reservoir pressure of Monterey production is not compatible with flowing several miles to onshore facilities or a remote platform.

The cost of full subsea development and operation would be substantially higher than conventional platform development. Ultimate recoverable reserves would also be less because of fewer wells, reduced recompletion capacity, minimal secondary recovery options, and increased downtime and operating costs.

It should be noted that in 1985, the University of California at Santa Barbara commissioned Battelle Petroleum Research to conduct an independent preliminary
assessment of development alternatives for the Coal Oil Point project. I believe a copy of that study is contained in this booklet.

Subsea development was one of the alternatives studied, but it was not recommended due to higher risk, spill and pollution hazard, and the formidable technical advancements required.

Development of the leases from onshore or from federal waters, in addition to other limitations, would require the use of slant or high-angle conventional drilling techniques. Drilling of every well with a hole angle of at least 80 degrees and displacements of 10,000 feet or greater in only 4,000 feet of true vertical depth is essentially impossible.

Several onshore facility installations and pipeline systems would be needed to gather the production to a central processing site. Development costs are almost unquantifiable, but certainly extremely high, due to attempting the world record drilling departures needed for each well.

Ultimate recoverable reserves would be substantially less than with conventional platform development.

The previously referenced Battelle Petroleum Research report also studied this alternative. It
concluded that onshore directional drilling would be an extremely risky technical proposition. Attempting to develop the leases from federal waters would present the same problems, but would be even more difficult, because the wells' kick-off point would be at least 400 feet deeper than onshore.

The other alternatives discussed in the staff report are also flawed, with the noted exceptions, which should lead you to conclude, as we do, that our proposal is the preferred alternative.

Turning to some of the impact areas addressed in the staff report, beginning with that of visual impact or aesthetics.

From the analysis of the issue of aesthetics in the staff report, it is possible to conclude that the history of the Coal Oil Point project has been one of years of dialogue, engineering design, and environmental review to enable you to reach the decision that offshore production platforms are unattractive.

There are references to the fears expressed by local residents that their property values would decline; that communities would likely suffer significant adverse, economic, and social effects, and that the University may not be able to attract the quality of faculty and students desired because of the deterioration of the scenic...
quality of the area.

All of these assertions fail as convincing arguments, because they are not supported by the facts. There is no evidence presented to show that property values will decline. And the experience of communities along the South Coast with comparable views of platforms shows no evidence that either property values or the quality of life are affected by such views.

There is no reason to believe that property values in Isla Vista will behave differently, especially since most vistas along the Isla Vista coastline now contain a view of ARCO's Platform Holly.

The Santa Barbara Channel has had a long history of coastal and offshore oil and gas development, and there is no evidence that the existence of platforms on the channel horizon has had an adverse impact on the desirability of the Santa Barbara South Coast to those who live there, or to those who desire to live there, or to come and enjoy its amenities.

The yearly number of people who choose to visit this area continues to increase, and there is no reason given to expect that this trend will be affected in any way by the addition of the Coil Oil Point project platforms. Claims of social or economic harm to coastal communities from offshore development are simply without
There's no evidence that the University would fail to attract the quality of faculty and students they seek if Platform Heron was visible from the campus. The merits of this argument are refuted by the University's own experience. Platform Holly is now visible from coastal portions of the campus. And inland, the campus is bounded by industrial development in West Goleta and around the Santa Barbara Airport.

The competitiveness and desirability of UCSB to prospective students and faculty appear to grow each year, a factor which must be due at least as much to the quality of the academic experience the campus offers as it is to its setting.

ARCO has responded to the concerns expressed about aesthetic impacts, however, by agreeing with those who judged offshore crude oil processing to be inappropriate for the area of this project. ARCO went further, and announced its intention to withdraw its previous proposal to install platform complexes which would have best served offshore processing. The platforms now proposed are closer in size and scale to Platform Holly.

A Commission decision to withhold approval of ARCO's development plans with emphasis on visual and
aesthetic impacts, real or perceived, will have
implications beyond this project. Any platform set in
State waters will be within three miles from shore, and
its visual impact greater than if it were set in federal
waters.

Do you infer from your staff's analysis of the
question that it is desirable to deny approval -- were that
within your power -- for projects off the coasts of
settled areas like Isla Vista, but permissible to approve
platforms where they will be seen by fewer people?

Residents of sparsely populated coastal areas
may be troubled by the indication that visual impacts are
measured by head count. Those who hold State tidelands
leases issued by the State of California, and maintained
in compliance with the regulations of your Commission,
are profoundly troubled by the implication that their
rights to develop those leases are subject to so
capricious a decision.

Turning next to the issue of oil spills, the
staff report concludes that oil spills are, quote,
"...among the greatest environmental impacts from the
project," end quote.

The staff report admits that the impacts are
described, quote, "...without reference to likelihood,"
end quote. Likelihood of oil spill size and frequency is
critical to any discussion of oil spill impacts for two main reasons.

First, assuming the worst case for oil spills is analogous to assuming that every airplane in the sky will crash.

Second, oil is spilled every day in the Coal Oil Point project area from the thousands of natural oil seeps. The marine biota, tourism, and fishing all coexist with natural oil seepage. To simply state that oil spills would cause great damage or impacts is erroneous.

Specifically, the staff analysis states that a large oil spill would contaminate ocean water, beaches, and sediment -- as a minimum -- to injuring benthic habitat, adult marine organisms, eggs, and larvae, sea birds, harbor seals, and other marine mammals.

This broad statement is contradicted by the conclusions of serious investigations into broad impacts of oil spills. For example, the United Nations Environmental Programme states, quote, "No long-term damage to open-sea ecosystems has been detected," end quote.

Studies of oil impacts to harbor seals, sea lions, and other marine mammals during the 1969 Santa Barbara oil spill showed no long-term effects. This conclusion was based on studies performed by many
investigators, including University of California faculty.

The staff analysis states that several of the at-risk bird and marine mammal species are classified as rare, threatened, or endangered, yet the U.S. Fish and Wildlife Service has formally stated that endangered species in the affected area are not in jeopardy from the Coal Oil Point project, including oil spills resulting from the project.

The staff report states that UCSB research may suffer irreparable injury as a result of an oil spill. This statement ignores the fact that important UCSB research is at present being carried on by the University in an area world famous for natural oil seeps.

Estimates of natural oil seepage at Coal Oil Point range from 50 to 70 barrels a day. The fact that UCSB already conducts research in an area of chronic crude oil input to the sea contradicts staff's comment that the University may suffer irreparable damage.

The staff report concludes that the elimination of Platform Heron would provide the fullest protection for both onshore and offshore University research, including laboratory research served by the seawater intake system. This analysis fails to note that spilled oil rises to and stays on the surface of the water. Oil spilled at Platform Heron would not sink 35 to 45 feet to enter the intake.
system.

In addition, it fails to note that seawater currently entering the UCSB seawater system already contains small amounts of soluble hydrocarbons, such as xylene and toluene. Documentation of these soluble hydrocarbons is presented in a 1986 paper by Dr. Richard Zimmer-Faust of the UCSB faculty. The source could be natural seeps located several hundred yards away or the Goleta sewage effluent line located a thousand yards away in 90 feet of water.

The staff report describes potential impacts to offshore research areas from an oil spill at Platform Holly and Platform Haven, concluding that the Naples Reef research area would be threatened by an oil spill from either of these platforms.

Again, the staff analysis fails to note that spilled oil rises to and stays on the surface of the water. Oil spilled at Platforms Holly and Haven would not sink to depths of 25 feet and greater to impact the Naples Reef. If this were true, the Naples Reef would already be impacted by the 50 to 70 barrels of natural seep oil released each day from the immediate upcurrent area.

In discussing the proposed location for Platform Heron, the staff report concludes, quote, "Heron poses a threat to the hardbottom benthic habitat simply by its
This conclusion ignores the fact that Heron would occupy a small area on the seafloor of 170 by 210 feet, nor does it explain how the mere presence of a platform threatens a benthic habitat.

This reasoning fails to consider that offshore oil platforms act as artificial reefs and actually enrich both surrounding water column biota and the benthic biota.

Fish are attracted to a platform for the same reasons they are attracted to a sunken ship or any natural or man-made artificial reef.

Further, it overlooks the fact that existing Platform Holly is already a location of key UCSB research. Additional platforms would result perhaps in additional research locations. At present, the site proposed for Platform Heron is not a location of key UCSB research.

The report describes potential adverse impacts to the benthic habitat as a result of the placement and presence of offshore pipelines. This description is incorrect. Pipeline placement impacts to hardbottom and softbottom areas can be mitigated by using special placement techniques. ARCO has already identified several of these at a prior hearing and in discussions with your staff. The placement of a pipeline on the ocean floor does
not in itself cause harm to a benthic habitat.

Turning to the issue of air quality, while not specifically addressed in the staff report made available to ARCO, air-quality issues raised by the project remain of concern to the public and to other agencies.

ARCO has committed to meet the criteria established by law for the issuance of an Authority to Construct, the main air-quality permit required for construction of the Coal Oil Point project, and a Permit to Operate the facilities that are constructed.

The first criterion is to minimize emissions through implementation of best available control technologies. ARCO also recognizes Santa Barbara County's interim control strategies document and has implemented those strategies as applicable; thus, the actual project emission values will be significantly less than the emission values stated in the environmental impact report.

The second criterion for an air permit is that the national ambient air quality standards will not be exceeded. An air quality impact analysis will be performed during ATC, or authority to construct, review process, using modeling methodology approved by the Environmental Protection Agency. The entire area, which could potentially impacted to an EPA significance level, will be analyzed.
Maximum monitored, baseline pollutant values will be added to the maximum predicted project-caused concentrations. That composite pollutant value must not exceed the established air-quality standard for the particular pollutant. With the mitigated emission levels in the authority to construct application, this second criterion can be met.

The third criterion is the requirement to provide enough offsets for the project emissions to guarantee a net air-quality benefit. The southern portion of Santa Barbara County is presently designated a nonattainment area for ozone. ARCO will be required to offset both nitrogen oxides, or NO\(_x\), and reactive hydrocarbons, referred to as RHC, because these are ozone precursors.

Under the Santa Barbara Air Pollution Control District's new source review rule, ARCO must offset Coal Oil Point project NO\(_x\) and RHC emissions by a ratio of at least 1.2 to 1. In other words, ARCO must remove 120 tons per year of existing emissions for every 100 tons per year our project emissions add.

The EIR identified potential sources of emission offsets for the Coal Oil Point project, including shutdown of the Ellwood Marine Terminal, removal of gas processing from ARCO's Ellwood facility, and the seep containment.
project. ARCO has identified several other potential sources in the Coal Oil Point application for an authority to construct. The offset amounts identified exceed the project emissions as required.

Again, offsets do not represent an equivalency, but a genuine improvement of the existing air quality. Permitting of the Coal Oil Point project must, by law, result in a reduction of emissions and a positive effect on air quality.

This evidence will support a finding by the Commission that the project, as described by ARCO in its application for an authority to construct from the Santa Barbara County Air Pollution Control District, will mitigate air quality impacts identified in the EIR to insignificance during both construction and operations phases.

With respect to the issues of noise and lighting, the staff report points out that, quote, "Considerable public concern has been expressed about the effects of noise from the platforms," end quote.

What the report fails to point out, however, is the commitments ARCO has made to the State Lands Commission mitigate these impacts. For example, ARCO has committed to install sound baffling on the shoreward sides of the Platform Heron drilling floor, to drive only four out
12 proposed piles to set the jacket from the surface, to comply with all relevant federal and state regulations, to comply with all relevant Santa Barbara County regulations, to schedule pile driving during daylight hours, to comply with federal, state, and county regulations which fully mitigate the platform noise impacts identified in the EIR and the State Lands Commission staff report.

ARCO will develop a comprehensive noise abatement plan which incorporates the commitments already made and which specifies the methods by which full mitigation is achieved.

Concerns have also been raised by residents of Isla Vista and the University during draft EIR hearings about night lighting from the platforms and their effect on the area. Although ARCO has made several commitments in discussions with your staff which would mitigate the effects of lighting, they were omitted from the report. The Commission must consider the fact that we have committed to, first, use design criteria based on lighting levels recommended by the American Petroleum Institute recommended practice and standards developed by the Illumination Engineering Society, and to reduce direct glare and lighting visible from shore by shielding all perimeter lighting, minimizing -- and by minimizing the
use of continuous floodlighting on the north side of the platform.

ARCO also recognized that platform flaring could cause glare and effect on onshore residents. As a result, ARCO has committed to flare gas only during emergencies and has designed the processing facility and production facility so as to minimize flaring. There will be no routine flaring of gas.

Did you have a question?

The staff report suggests that further study may reveal a more appropriate means for exploring resources underlying the leases. This conclusion ignores the fact that exhaustive study has already taken place over the past four years.

All feasible methods for exploiting the resources under the leases have been identified. And of these, ARCO has proposed the most reasonable and the most environmentally and technically sound. Further study will only serve to increase the cost of the Coal Oil Point project and delay the Coal Oil Point project unreasonably.

The staff report's invitation to ARCO to reapply for the Coal Oil Point project serves no useful purpose. ARCO has previously withdrawn and resubmitted the application twice at the request of the State Lands Commission and was faced with a delay as long as 18 months.
until further action after such resubmittals, only to be faced now with the staff report's last-minute proposal to adopt the no-project alternative.

With regard to the list of items to be included in a reapplication on page 23 of the staff report, ARCO has already proposed each of these items as a modification to its original development plan, with the possible exception of onshore disposal of produced water, which your staff have never requested.

However, the onshore disposal plant could also be developed as a part of the project conditions for the project now before the Commission.

The staff report recommends a comprehensive study of the overall effects of all proposed oil and gas development in both federal and state waters off the California coast. It is not clear from the staff report how study of the environmental impacts of oil and gas development along the entire coast is relevant to the decision before the Commission today on ARCO's application for development of the Coal Oil Point project leases, especially when the project EIR has studied impacts from lease and regional development in detail.

We also argue that it is particularly onerous that ARCO's project should be held hostage to such a study since the staff report proposes studying the study for six
months before the Commission decides whether such a study will even be conducted.

ARCO suggests that the Commission deal with such a study on its own merits, independent of the ARCO application, and not sanction delay of the Coal Oil Point project for purposes of studying whether or not to conduct such a comprehensive review.

Finally, with regard to the loss of the petroleum resource, it may be literally correct that the resource would not be lost by delaying development. However, the people of California would lose the value of the present income from the resource, and ARCO would be severely damaged by the delay.

ARCO submits that denial of the Coal Oil Point project based on the grounds set forth in the State Lands Commission staff report would be tantamount to taking ARCO's property without just compensation, regardless of the staff report's attempt to characterize the taking as merely a temporary suspension of operations or delay of development.

For all of the above reasons, ARCO requests the Commission to approve the ARCO Coal Oil Point project with reasonable conditions, as proposed by ARCO, and allow the development of the leases with appropriate environmental safeguards, so that the resources of the tidelands area may
be developed concurrently with other public uses of the tidelands and without injury to them.

That concludes my statement. I'd like to turn to Mr. Ed Renwick, who will offer a few additional comments.

CHAIRMAN MC CARthy: Mr. Renwick.

MR. RENWICK: I'm going to ask Mr. Ranger if he would trade places with me. I find sitting in this short chair, the length from my paper to my tired eyes doesn't match up with the glasses. It's a very nice, comfortable chair to sit in, though. It took me by surprise when I sat down in it, but --

(Laughter.)

EXECUTIVE OFFICER DEDRICK: That's a tall person's chair, Mr. Renwick.

MR. RENWICK: Yeah, that's right. Thank you. My name is Edward Renwick. I'm an attorney with the law firm of Hannah and Morton in Los Angeles. I'm representing ARCO in this matter.

And I'm just going to very briefly state our legal position, so there isn't any doubt as to what it is. That is -- it's really a very simple, straightforward proposition. The issue, of course, is whether the Commission has authority to -- to impose what amounts to an open-ended suspension of ARCO's right to develop. And
our answer to that legal issue that, no, the Commission does not have that legal authority.

The reason is that that would amount to a cancellation of the leases. The proposition -- the legal proposition that an open-ended suspension of development is a cancellation or tantamount to a cancellation was spelled out fairly recently -- well, if you call 1975 recently -- was spelled out in the case of Union Oil Company vs. Morton. It involved an offshore platform, offshore California. And the 9th Circuit Court of Appeals said that the denial of a right to erect an offshore platform on the lease amounted to a cancellation.

That case is reported at 512 Fed. 2d, page 743.

And that is precisely the situation that is presented here in the staff recommendation,

Now, obviously, implicit in what I just said is the proposition that the State Lands Commission does not have the power to cancel leases, assuming, of course, that the lessee is complying with the terms and conditions of the lease. And here there's no doubt that ARCO is complying with all the terms and conditions of the lease, trying indeed to proceed ahead diligently.

Now, let me change direction just a little bit and say what the situation is if one assumes, for sake of argument, that the Legislature had given this
Commission the power to cancel leases at its pleasure.
In that event, constitutionally, the State Lands Commission would have to pay ARCO a just compensation for either the total or partial taking, because it would amount to a taking.

So for all of these foregoing reasons, we say very simply this Commission lacks the power, the legal power—the legal authorization perhaps is a better word—to do what the staff report recommends.

Oh, let me just make sure that something is in the record.

You have been given four copies of a fairly extensive document entitled, "Coal Oil Point Project, State Lands Commission Hearing Brief," May 27, 1987. It's in a three-ring binder. I see there's four of them over there on the side. I want to make sure that those are entered as part of the record.

EXECUTIVE OFFICER DEDRICK: Yes, we'll enter it.

MR. RENWICK: Thank you.

CHAIRMAN MC CARthy: Does that conclude ARCO's presentation?

MR. RANGER: Yes, sir. We'll answer any questions.

CHAIRMAN MC CARthy: Do either of the
Commissioners have questions of either of the two
gentlemen from whom we just heard?

COMMISSIONER ORDWAY: Not at this time.

CHAIRMAN MC CARTHY: Do our attorneys wish to
respond to any points made by Mr. Renwick on behalf of
ARCO?

MR. STEVENS: Only, Governor, that we believe
the record does support the findings which are proposed
by the staff; that there's an inherent condition in the
lease of ARCO that a proposed plan for development be
consistent with Commission's public trust responsibilities
and with public interest. And I believe that the Union
Oil Company case, which was discussed by Mr. Renwick, does
mention the permissibility of calling halt on a
temporary basis when it appears that there are
unmitigatable consequences and that further study and
technology may solve those things, inasmuch as the
proposed findings of the staff permit a reapplication
when such circumstances exist. And in light of a study
which has been proposed also in these recommendations, we
believe the Commission would be within its discretion to
make the findings set forth therein.

CHAIRMAN MC CARTHY: Thank you, Mr. Stevens.

MR. RENWICK: I trust that my -- Edward Renwick.

CHAIRMAN MC CARTHY: Mr. Renwick.
MR. RENWICK: I know Mr. Stevens to be a very fine lawyer. He and I attended an institution of higher learning up in the Bay Area a number of years ago, too many years to recount unfortunately.

I don't want my silence to be considered, however, as any form of agreement, because in this instance, I think Mr. Stevens is wrong.

CHAIRMAN MC CARTHY: I think we might assume that that's the case.

(Laughter.)

MR. STEVENS: We rarely disagree, but occasionally that will happen.

CHAIRMAN MC CARTHY: Any questions by either of the Commissioners?

Thank you very much.

Mr. Jack Sloan, the International vice-president of the Boilermaker's Union. And then after that, we'll ask Mr. Kevin Reidy, the president of Fabricated Products Group, Kaiser Steel, to please address us.

Mr. Sloan, welcome.

MR. SLOAN: Good morning, Commissioners. Thank you.

Honorable Commissioners, on behalf of the thousands of dedicated boilermakers in the State of California, I request your help in preserving an
endangered species, the California industrial worker.

Your approval of ARCO's application to develop Coal Oil Point will create thousands of jobs for California workers and lead to millions of dollars in economic benefit to the State.

We will be observing your commitment to keeping Californian's at work when you vote on the application for this project.

The construction of a typical offshore rig can provide up to 1300 jobs and a shot in the arm of more than two million in California's economy. The world economic situation is turning around and our government finally is getting tough on foreign competitors subsidized by their own governments.

So, it is very possible the work on ARCO's Coal Point project will go to American contractors likely to be in California. Our California workers are highly skilled and will do a topnotch job because they live here and share a concern about protecting the environment.

As you know, our country depends on a large degree on foreign, Alaskan crude oil to satisfy its energy needs. But reliance on foreign sources poses a risk to our national security, and the available Alaskan crude is running out.

Californians use one billion gallons of gasoline
each month. Last year, gasoline consumption was at an all-time high of 12.2 billion gallons. We are lucky to have a crude oil supply in our own back yard -- offshore Santa Barbara -- to help meet our energy needs.

The development of offshore energy resources is critical in sustaining (sic) the California economy. Without access to this resource, our economic development will grind to a halt.

As a review of the Coal Oil Point proposal indicates, the project is environmentally sound. We do not understand or accept the Commission's staff recommendation that the project be denied primarily for aesthetic reasons. The sight of offshore oil operations should reassure the people of California that we have a secure supply of energy to power our State.

The International Brotherhood of Boilermakers is a labor organization representing West Coast workers engaged in resource and energy-related projects. Headquartered in Kansas City, Kansas, the International Brotherhood of Boilermakers has 110,000 members in the United States; 16,000 of those members are on the West Coast. They're experiencing high unemployment in California, and estimate the unemployment rates range from 20 percent to 40 percent at various West Coast locals.

We thank you for your consideration on our
concerns and we respectfully request you vote affirmatively to issue the desired permit to ARCO.

CHAIRMAN MC CARTHY: Thank you, Mr. Sloan. Any questions from either of the Commissioners?

Thank you very much. Kevin Reidy. Welcome, Mr. Reidy.

MR. REIDY: Thank you. Good morning. My name is Kevin Reidy, and I'm the president of Kaiser Steel's Fabricated Products Group.

I come before you this morning representing Kaiser Steel Corporation, its employees, and their families. Honorable Commissioners, the men and women who live and work throughout California are the big losers if ARCO's Coal Oil Point project is denied.

However, we all win if the project moves forward. The Commission's approval of ARCO's pending permit application will place the following Californians in the win column: the millions of Californians who depend on automobiles and buses for transportation, the thousands of California workers in the energy field, the State of California, which will receive approximately $1 million in royalties every day when at peak performance -- peak production, excuse me, and the scores of communities up and down the coast that will experience substantial economic benefits as a result of the project.
And you will get credit for the win by having taken a strong leadership position in support of a properly planned, environmentally sound project that benefits the entire State of California.

On the other hand, without this project, thousands of California workers will be sitting it out on the sidelines. The fact is that if the project proceeds, many California contractors, including Kaiser Steel, and their employees will have an opportunity to participate in this work.

With respect to just one aspect of the project, that being the fabrication and assembly of the required offshore platforms, it is our plan to propose that the work be done right here in California. We urge you to support our California companies and their workers who will see needed jobs and economic benefits evaporate if the ARCO project is denied permitting.

Without this and other responsible energy projects, California -- along with the rest of the nation -- will be continually vulnerable to the disruption in the supply of oil needed to produce gasoline and other fuels. The need for refined products is increasing at a time when domestic oil production is falling off. And, of course, the result is our overreliance on imported oil, primarily from the Persian Gulf, which then places us at
the mercy of the uncertain political situation in the Middle East.

I certainly hope that the gas lines of the 1970s haven't been forgotten. The ARCO project will help put us back on the right track by bringing about a secure energy source.

Assessments of the Coal Oil Point project underscore our position that the plan is not only a substantial economic benefit to our State, but is also environmentally sound. In fact, ARCO has already provided an environmental plus in the Coal Oil Point area. For years people have been complaining about the tar balls and the stench of petroleum odors that show up in areas around Santa Barbara.

Some of the folks think that the tar and the odors are the result of offshore drilling, when in fact, it has been proven that they are due to seepage from the natural vents on the ocean floor.

The ARCO project has already helped the environment by the installation of seep containment structures performed by ARCO in anticipation of this Coal Oil Point project. These structures built by Kaiser Steel, and not sitting on the ocean floor, are reducing the occurrences of tar balls and are gathering in approximately nine tons of reactive hydrocarbons every day, thus
enhancing the quality of the environment in the Santa Barbara area.

In conclusion, I request that you do not adopt a wait-and-see attitude about energy development in State waters. We need the ARCO project and we need it now. Help make all Californians winners -- winners on the economic, environmental, and energy fronts by approving ARCO's permit application today.

Thank you very much.

CHAIRMAN MC CARTH: Thank you, Mr. Reidy.

Any questions of Mr. Reidy?

Thank you, sir. Would our staff kindly notify Senator Gary Hart that he can come up at his convenience.

EXECUTIVE OFFICER DEDRICK: I believe we have.

UNIDENTIFIED VOICE: He's on his way.

CHAIRMAN MC CARTH: All right. Mr. Newell Little, president of Little --

COMMISSIONER ORDWAY: Before Mr. Reidy leaves, may I ask him one question?

CHAIRMAN MC CARTH: Certainly.

COMMISSIONER ORDWAY: How many jobs are involved in the fabrication of an oil platform?

MR. REIDY: With respect to the question about the number of jobs that are involved in the fabrication of a platform, it does depend on the size of the
structure, but for the jacket, decks, and piling for one structure for Coal Oil Point, the direct employment would be on the order of a thousand jobs, and the indirect employment would be a substantial multiple of that number.

COMMISSIONER ORDWAY: Thank you very much.

MR. REIDY: Thank you.

CHAIRMAN MC CARTHY: Mr. Little? The Little Oil Company.

MR. LITTLE: Thank you very much.

Mr. Chairman, members of the Commission, my name is Newell Little.

CHAIRMAN MC CARTHY: Mr. Little, we would appreciate -- there's a fairly long list of witnesses left--so, if you could sort of follow the precedent set by the previous speakers, and try to --

MR. LITTLE: I will, Governor. I've got about seven minutes, if that's all right.

CHAIRMAN MC CARTHY: Fine.

MR. LITTLE: My name is Newell Little. I live in Lancaster, California. I'm the owner of Little Oil Company, a gasoline distributor in the Antelope Valley.

I've been in the gasoline business for 35 years, 25 of those years in Lancaster. It's my own business. I have two sons and one daughter involved in the business with me. We employ over 50 employees fo.
company.

We've been both a major oil company distributor and an independent distributor during that time. We serve farm and ranch accounts, small commercial businesses, mom and pop service stations considered too small to service by the major oil companies.

Atlantic Richfield Company has applied to the State Lands Commission for a permit to develop the Coal Oil Point project in Santa Barbara. Your Commission staff has recommended denial.

I'm not here today to speak for or against the recommendation, but to bring your attention, the Commission, another factor that enters into the picture with regard to the possibility -- responsibility this Commission has to the small businessman throughout the State of California in rendering their decision concerning millions of gallons of oil lying off the coast of California.

The Commission has been delegated authority to administer State lands as trustee of the public trust. Because ARCO's leases are subject to that public trust, its right to develop its leases are subject to the Commission's continuing duty to supervise these uses and its right to modify or prohibit them from -- when they threaten substantial interference with public trust
purposes.

The public trust is the interest held by the State of California for the benefit of all its people. It is an interest which burdens all of the State's sovereign lands, including all tide and submerged lands. Under the public trust doctrine, trust lands must be used for the trust purposes.

Such purposes have traditionally been held to include navigation, fisheries, and commerce. I'm here today to emphasize the concerns I have about this public trust as it relates to commerce.

California courts have held that offshore oil exploration and development are also proper uses of the public trust, contributing as they do to commerce. However, the courts have also held that such exploration and development may be abated if they are found to interfere substantially with other public trust uses.

California has an active program to support and advance small businesses. Governmental agencies on the federal, state, and local levels are unanimous in the view that small business contributes more jobs to the general economy than any other form of commercial enterprise. It is the interest of the small petroleum wholesaler that has been addressed (sic) by the State Lands Commission when acting upon the application of a major oil company to
explore State lands.

In ARCO's case, it presently has 22 ARCO branded distributors in the State of California. This number represents a reduction from approximately 95 wholesalers, which were doing business in the State of California in the late seventies and early eighties.

ARCO's California branded distributors are selling only approximately 160 million gallons of gasoline annually at the present time, compared to ARCO's company sales of approximately 2.8 billion gallons annually.

There are no State or federal laws presently requiring ARCO or any other major oil company to share any oil obtained by the exploration of leases from public State lands with gasoline wholesalers doing business in the State of California.

It is respectfully submitted that the Commission require ARCO to submit with each application herinafter that they file a plan to assure that at least 30 percent of all oil extracted from State lands be reserved for sale to California's petroleum wholesalers. This requirement will assure that 30 percent of oil extracted from the State trust land will promote the interests of California's small gasoline wholesalers.

This 30 percent figure represents only one-half of what the wholesale class of trade in the late seventies
and early eighties did, and we feel it is a fair and modest allocation.

Mr. George Babikian, executive vice-president of ARCO Petroleum Products Company, said in an interview with National Petroleum News in May of 1987 -- and I quote -- "We're oversold, and have been, so we could keep that (throughput) volume going up, but there isn't any sense because we don't have the gasoline to do it. Our own stations in Los Angeles did 175,000 gallons a month in December (sic). That's plenty of volume for us in our stations as an average. We're very happy with that," close quotes.

ARCO's shortage of petroleum products results in its continued favoritism to its direct operations over the interest in promoting a viable gasoline wholesaler class of trade in the State of California. Mr. Babikian has demonstrated that ARCO has no interest -- and I repeat-- no interest in voluntarily making available petroleum products to small gasoline wholesalers doing business in California.

The small businessman and wholesaler must turn to our elected leaders to provide some measure of protection for our source of supply or face the inevitability of being squeezed out of business like 2400 ARCO distributors have been nationally in the past years.
ARCO's record of termination of its wholesale class of trade -- currently there are 42 distributors in five western states, down from 2648 nationally -- demonstrates the absence of the State Lands Commission (sic) requirement that ARCO dedicate 30 percent of all oil exploration from trust lands, ARCO will continue to promote its interest at the expense of the wholesale class of trade, which is the small distributor operating to serve the farmers, the ranchers, the mom and pop service stations, who are traditionally served by the small distributor within the State in their local area.

There's a real threat to the supply of product for independent gasoline marketers on the West Coast, because of a deal between Tosco refining and ARCO that is currently in negotiation. Beginning this year, Tosco is processing 50,000 barrels a day of ARCO Alaskan crude at its 126 (sic) barrel a day refinery in Avon, California in San Francisco (sic).

Since Tosco is by far the main supplier of independent gasoline marketers on the West Coast, and since the deal turns over 40 percent of the refinery to ARCO, small independents have protested strongly, arguing that the deal is clearly anticompetitive and violates antitrust laws.

The Federal Trade Commission and the Attorney
Generals of California, Oregon, and Washington have had
talks with Tosco and ARCO, but nothing has been done
to stop the deal. And it isn't known whether or not
these agencies plan to interfere.

This raises very serious questions about how
dependable Tosco might be for supply in the -- as a supply
in the future. A senior vice-president of marketing for
Beacon Oil Company, a California independent, said in the
May, 1987 National Petroleum News, and I quote him:

"Tosco is on the verge of becoming extinct,
courtesy of ARCO, and they are a big supplier."

Small businessmen in the State of Nevada are
currently experiencing ARCO's threat to their livelihood,
and state legislators there have taken up initial steps
to enact a law protecting the independent gasoline dealers
by divorcing major oil companies from the operation of gas
stations.

But the Nevada State Assembly first had to issue
a contempt citation to ARCO -- the first time in its
history -- to force the oil company to produce records
the Assembly Subcommittee on Commerce felt they need in
order to provide -- to prove whether or not ARCO committed
antitrust (sic) and engaged in price fixing.

The protective legislation was enacted in
response to the Nevada Gasoline Retailers Association, who
contend oil companies have been buying gasoline stations
and selling their own gas at such cheaper prices in order
to force independent owners out of business and gain
monopolistic control over the gasoline market.

Nevada State Assembly Spaker Joe Dini said --
I quote -- "We think ARCO's market plan does say that they
want to run all the independents out of business."

On May 22nd, Democrat-controlled Nevada Assembly,
through its Commerce Committee (sic), passed a Bill of
Divorcement 33 to 7. And the measure is now in the
State Senate Commerce Committee awaiting their action.

There's a great deal more to this story, but
once again shows ARCO's typical disregard for the small
businessman, and why we seek the protection of the
California State Lands Commission in preserving 30 percent
of the extracted oil from the public trust lands as our
future source of supply.

We, the small wholesalers, must have a source
of supply in order to remain in business in California
in the future. And this Commission has the power, if not
the legal and moral obligation to the small businessman,
(sic) to take steps to assure that this supply isn't
gobbled up by ARCO, thereby forcing more small operations
out of business and further threatening California
commerce.
I thank you for allowing me to take this time
to present this to you. If there are any questions, I'll
be happy to answer them.

CHAIRMAN MC CARTHY: Thank you, Mr. Little.
Are there any questions from either of the Commissioners?

COMMISSIONER ORDWAY: I have one question.

MR. LITTLE: Yes, ma'am.

COMMISSIONER ORDWAY: Am I to take it then that
you are opposed to the ARCO project at this time?

MR. LITTLE: No, ma'am. I'm not opposed. I'm
not for it or against it. I feel that -- that this is up
to the Commission and the evidence that you already have.

I came here only on behalf of a lot of ARCo
distributors and other commission -- and jobbers throughout
the State of California trying to protect our rights as
small businessmen if you're going to grant this.

COMMISSIONER ORDWAY: Because if the staff
report is followed, there won't be any oil coming out.

MR. LITTLE: I understand that. Yes, ma'am.

COMMISSIONER ORDWAY: I was just a bit confused.

Thank you.

CHAIRMAN MC CARTHY: I think the witness is
suggesting that should the Commission on this occasion or
future occasions grant lease rights or pursuant to existing
lease rights, to somehow we -- I'm not sure we have the
legal power to do this. That would take a good, clear answer from the Attorney General's Office. That would take some form of action to increase the opportunity for competition --

MR. LITTLE: Yes, sir.

CHAIRMAN MC CARthy: -- as he has described.

MR. LITTLE: If I could just make one last remark, Governor. During the energy crisis when we all had problems, very serious problems, the State of California had a State set-aside, which saved a lot of small farmers and ranchers and commercial businesses that were priority-type businesses around the country.

Example: If a farmer or a rancher had moved his farm somewhere else, to get an allocation of gasoline or diesel fuel during those days, it took an act of Congress.

But through the State, you had a setup through the State here that we could call and get that customer product immediately. It was very helpful to a lot of people. Thank you very much.

CHAIRMAN MC CARthy: Thank you very much, Mr. Little. I saw Senator Gary Hart come in a little while ago. Senator Hart? Senator Hart, we were just going to call on the opponents of the ARCO application who are testifying. You are the first witness, and very welcome.
SENATOR HART: Thank you very much, Mr. Chairman. I appreciate your willingness to accommodate my schedule today.

I'd like to begin by first commending the Commission and thanking the Commission on behalf of my constituents for your willingness to not only hear testimony and review the record here in Sacramento, but to travel to Santa Barbara and to hear from people who would be directly affected by this project. That's, unfortunately, not very common. We've had recent decisions by the Coastal Commission and other State agencies that now no longer engage in these kinds of public hearings in the communities that are affected.

And I would just like to go on the record to just thank you and the other members of the Commission for your willingness to take time out of your busy schedules to hear testimony and hear from my constituents of Santa Barbara County.

I appreciate the opportunity to express my support, Mr. Chairman and members, for your staff's recommendation to deny the Coal Oil Point development project at this time and to proceed with an assessment of the long-term costs and benefits of oil development off the coast of California.

As your EIR points out, there are a number of
serious problems with the ARCO project. Air quality will be adversely affected. The risk of oil spills will increase, and the addition of up to three new platforms and support facilities will dramatically increase the industrialization of the coast of Santa Barbara County.

In addition, damage to marine habitat and conflicts with marine research at UCSB make this project highly undesirable. Permitting the ARCO project would create a bad precedent at this time. Numerous other leases along the Santa Barbara coast are presently held by oil companies. The Federal Government plans a massive expansion of oil development in the OCS which may require further onshore support facilities.

Reviewing these projects on an individual basis could allow the gradual erosion of the environmental quality upon which much of Santa Barbara's economy is based. For this reason, I applaud the conclusion of your staff that oil development in this area should be preceded by an assessment of the cumulative impacts of oil production and the development of a comprehensive plan to protect our coastal environment.

As the Chairman of the Senate Education Committee, I'm well aware of the importance of oil royalties to public education and other areas of State Government. And you are faced with the difficult task of
balancing the State's need for oil revenues with your responsibility to protect the environment.

I urge you to keep in mind that while increased oil revenues would be useful now, they would be no less useful in the future. In this sense, a delay in permitting oil development does not cost the State any money; while poorly planned oil development that damages the economic foundation of our coastal economy, can be very expensive.

One final point that I'd like to make, Mr. Chairman, one of the reasons cited to justify expanding offshore oil development at this time is to reduce our nation's dependence on foreign oil. This argument might have some validity if we had a rational energy policy at the Federal level, but we don't. The Reagan Administration has been responsible for reducing the Federal Government's commitment to energy conservation and alternative energy development. At the same time, they have pursued an aggressive expanded offshore oil development.

This unnecessarily increases the demand for oil and thus provides a convenient rationale for expanding oil development in environmentally sensitive areas. I believe that California should pursue a more thoughtful approach. We should insist that expanded offshore oil development be approved only in the context of an energy
policy which makes the best use of this limited natural resource. Oil extraction at a high environmental and economic cost to our coastal communities should not be used to subsidize a wasteful and counterproductive energy policy.

Thank you very much, Mr. Chairman.

CHAIRMAN MC CARTHY: Any questions from the Commission members of Senator Hart?

Thank you very much.

Supervisor Bill Wallace, the Chairman of the Board of Supervisors, Santa Clara County.

COMMISSIONER ORDWAY: Santa Barbara.

CHAIRMAN MC CARTHY: What did I say?

COMMISSIONER ORDWAY: Santa Clara.

CHAIRMAN MC CARTHY: I just moved you, Supervisor Wallace.

MR. WALLACE: Running is tough enough in Santa Barbara County.

Good morning. My name is Bill Wallace, and I am Chairman of the Board of Santa Barbara County Board of Supervisors.

And we have reviewed the calendar item and the staff report. Our Board did take a unanimous position yesterday in support of your staff's position. We have submitted additional written material, and I won't go into
that today. And there's been a tremendous amount of written material and verbal going back and forth, and I, too, would echo Senator Hart and Assemblyman O'Connell's comments about your attendance in Santa Barbara County. It was very beneficial, I think, for the community.

It's difficult to go back and forth between Sacramento (sic) as you found out, and you did receive a tremendous amount of community input.

And we have submitted a lot of legal, environmental, technical, and aesthetic information, too. So, our statement today will be fairly short.

We do concur with the recommendation for a comprehensive State and Federal oil development study. And we do not object to the deferral of development of the entire ARCO project until the numerous significant problems identified in the EIR process can be abated or resolved.

We don't agree with ARCO's legal position, and we have submitted information to your staff and to the Commissioners also. And we feel that as administrators of the public trust lands, the State Lands Commission plays a crucial role in regulating the tidelands adjacent to Santa Barbara County and the coast of California.

We concur with the conclusions of the staff report that the UCSB-Coal Oil Point area is an asset to the
entire State. The tidelands in this area contain significant benthic habitat, fisheries, and research operations which must be protected. Oil and gas development at a scale much smaller than the proposed Coal Oil Point project is already present and has presented occasional conflicts with other uses of the area.

The University of California has developed a major campus at this location with extensive investments in marine research programs.

In addition to research in the area, the scenic quality of the campus environment is a major factor in recruiting top faculty and students who are collectively responsible for the outstanding academic reputation of the Santa Barbara campus.

Sensitive environmental areas, including the Coal Oil Point Reserve and Naples Reef, are also within the proposed development areas and could be affected significantly.

A competing use of the public trust lands is commerce. The State has granted ARCO Oil and Gas Company five leases in the area. The State would receive revenue if these leases were to be developed. However, development of these leases under today's technology would post significant conflicts with other legitimate uses of public trust lands, which is also your
responsibility, and we feel it is not appropriate at this time.

In your visit to Santa Barbara County, you heard overwhelming opposition, specifically to Platform Heron -- and I believe Mr. Ranger commented about Platform Holly is already there. It's a much, much smaller platform and at a much bigger angle from the very dense populated areas of the campus and Isla Vista.

It must be clear to you that alternatives to platform development of leases 308 and 309 are really essential. Not one group in Santa Barbara County has supported the development of Platform Heron as you heard again.

The groups now that are talking from industry were not present in Santa Barbara County like they are at most oil hearings, because of the immediate presence of this immediate presence of this ARCO project to the urban areas, which is a major tourist area of Santa Barbara County. It was just too overwhelming for them to even publicly support it. And at yesterday's hearing, even the Chamber of Commerce refused to take a stand in supporting this.

We've heard now about the need of jobs again from the rest of the State. We were subjected to a great deal of testimony from Humboldt County during the Exxon
hearings because of the needs for jobs, and they were going to build the platforms in Humboldt County.

Well, as you all know, they're building them in Korea. There are no commitments at this point. We've done socio-economic studies to show where the workers are coming from. And not a majority, but a good 30 percent of the oil workers are being imported from other states to work on these offshore platforms and develop these plants.

And, when the jobs are done, they may stay and they may inherit unemployment from the State of California. It is not necessarily local jobs. In fact, most of them are not coming from Santa Barbara County. And we're not provincial, that jobs are jobs, and this nation also needs jobs. But the argument that this will save California and State of California workers is spurious. It will show up in our findings, and we will share these studies with you.

Hopefully, the oil companies will become more responsive when some of these studies become public.

Going back to Platform Heron, which is our major problem, this is not just a platform, not just a visual blight on a very dense populated area. It's a platform less than two miles over water from a major university and a community with 20,000 residents. And it's a significant
industrial, residential land-use conflict.

In addition, Heron poses serious public safety problems for the UCSB campus and the Isla Vista Community. Areas of the campus have actually been evacuated on several occasions in the past due to upsets with existing oil development in the Coal Tar Point area.

In addition to the significant air quality impacts, which, again, will have to be dealt with separately by the county, the industrial noises, flaring, odors, night lighting, and major visual intrusion of the platform offshore Isla Vista create an unacceptable industrial-residential conflict that would never be allowed by local government under CEQA rules, only because we, again, are provincial and have to live with the residents' complaints over the years on these kind of conflicts.

This conflict would cause significant economic injury to UCSB as demonstrated in their report to you. And an oil spill, even as minor as the recent Seal Beach spill, could wipe out major coastal-related research programs at UCSB.

Mr. Ranger talks about water sinking into the ocean (sic). I was just talking to a fellow studying mussels on the shore. He spent a whole year in oyster -- or a mussel bed right on the coast. And one single oil
spill would have wiped out a whole year of his research.

There may also be inconsistencies and conflict with the county's State-approved local coastal program. And this, again, is the industrial-residential conflict. These issues are all similar to those which led to the formation of the historical State Oil and Gas Sanctuary immediately east of Lease 309, which was originally designated to prevent the major urban areas of Santa Barbara County (sic).

Since those leases were sold and since that lease was -- were given, the University of California and Isla Vista have developed. And if that sanctuary were to be considered today, it would have certainly been expanded another mile on up the coast.

The State Lands Commission staff report invites ARCO to reapply if specified programs can be -- problems can be resolved.

We feel it must be made to clear to ARCO that the proposed Platform Heron is not an appropriate way to develop lease 308 and 309. Please do not put ARCO and Santa Barbara County and the State Lands Commission through this process again. There should be no rush to develop the heavy sour crude oil reserves immediately off an urban area underlying these leases.

We must allow time for development of
appropriate technology to mitigate the major oil spill in environmental habitat and industrial-residential conflict problems identified in environmental review processes.

Leases 308 and 309 should only be developed in a less expensive way when that technology is available. Santa Barbara County strongly supports the undertaking of a cumulative study of the effects of Federal and State oil and gas development in the area. We have wrestled with the problems of comprehensive planning versus project by project permit reviews, and find the staff recommendations refreshing.

We wish to play an active role in the development of the work program in the study itself. We would hope that the joint review panel process, which was used to promote interagency participation in this EIR, and which should also include UCSB — and as such, we do not oppose deferral of the ARCO Coal Oil Point project at this point to allow for a study of the cumulative development and improved project mitigation. In conclusion, we support the recommendation of your staff. We are strongly opposed to any development of Leases 308 and 309 with conventional drilling and production platforms. We welcome the cumulative Federal and State oil development study and encourage the use of the joint review panel to
promote interagency participation.

We do not oppose deferral of the ARCO Coal Oil Point project in its entirety at this time, and it would be an appropriate action in the administration of the public trust lands.

Thank you for this opportunity. And our staff is here today for any technical questions that you might have and that -- I guess my one final comment would be to the people from elsewhere in the State who have suggested that the Commission hold hearings elsewhere to see if this should be developed. That really go to those hearings (sic), I think, and explain the tremendous impacts that are already occurring in Santa Barbara with oil development. We're being asked to absorb far more than our share, because the oil is there. We have major pipelines traversing the length of the county. We're approving major onshore facilities for Exxon, for ARCO -- not in this case, I guess, at this time. But the ARCO facility's already there. -- for Union, for Chevron. We're trying, and we're in the final stages of negotiations to bring Exxon to the shore. We are trying to make consolidations. We are struggling with ozone problems. And Santa Barbara County sometimes feels like they're under siege at this point from the oil industry. And we welcome your help in this study that's going to go forward. And
we really pledge to help with that.

CHAIRMAN MC CARTHY: Thank you, sir.

Commissioner Ordway.

COMMISSIONER ORDWAY: Just one question. I don't think it's very technical.

You support the study that is mentioned in the staff report. Would the county also support sharing in the costs of what may be a two-year-long study since it will have such an impact on Santa Barbara County?

MR. WALLACE: We would have to look at some of the AG monies that have come in the past, if they were to continue coming.

As you probably know, Santa Barbara County is at its Prop 4 limit and we're facing --

COMMISSIONER ORDWAY: AG funds are outside of Prop 4.

MR. WALLACE: Right. And if those were to continue coming, then we would have monies available to look at things like that. And that's one of those places where we've allocated those monies. We are looking at a $5 million shortfall next week in our budget process because of the Prop 4 limit. And we are strapped even to do long-term studies of our own for oil consolidation and gas consolidation.

We're finding difficulties finding money just to
do an EIR ON THAT. But if the AG monies are going to be continually available, we would certainly be looking at pledging monies for that.

COMMISSIONER ORDWAY: Thank you.

MR. WALLACE: I can't speak for the rest of the Board.

COMMISSIONER ORDWAY: Having the Chair's support usually helps.

MR. WALLACE: You never know in our county.

COMMISSIONER DAVIS: Bill, I wonder if you could -- I share your notion which you made reference to today and spoke to in greater detail in our hearings in Santa Barbara, that the Commission ought to speak with one voice on energy. I'm very interested in the observation you made in Santa Barbara about the effects of the Reagan Administration's rollback on mileage standards of a mile and a half on new cars, in effect negating efficiencies that would have been achieved if that law had gone into effect.

I wonder if you have those statistics with you that you could share with us as to the effect of that one action.

MR. WALLACE: I can do some of it from memory. I do have them in a notebook in the back. But that would take a few minutes. But I think that I would echo
Senator Hart's comments about the real need for an energy policy in this country. And to do simple, little things like that without looking at the whole context, I think, is very damaging and very damaging psychologically to us.

But that rollback of 1.5 or 2 miles standard that the Reagan Administration did with a flip of the pen—and I don't know how much effort went into that—but that eliminated over the next 30 years, it created a demand for 1.9 million barrels of -- billion barrels of oil, additional oil, which is over the entire production of the Santa Barbara Channel. That simple act negated the entire development of the Santa Barbara Channel if you go to the 500,000 barrels a day, which it looks like we're not going to make.

But that was something like 1.9 billion barrels. The Santa Barbara Channel is equivalent to 1.75 billion barrels. Simply delaying the increased efficiencies of appliances that the Reagan Administration did several years ago created a demand for 1 billion barrels of oil over the life of those appliances. That if they had imposed that, those appliances over the life of them would have used a billion barrels less of oil. That alone is over two-thirds of the entire channel's production.

So, I think we really do need to come to grips.
And maybe this study, and maybe, you know, this kind of continual pressure from California and other oil-producing states where the environmental impacts are so great could create more pressure for a better, more comprehensive energy policy at the national level.

COMMISSIONER DAVIS: Thank you.

CHAIRMAN MC CARTHY: Thank you, Supervisor.

Betsy Watson, Assistant Chancellor of UCSB.

And then at the request of Assistant Chancellor Watson, we're going to call upon Dr. Case, Associate Vice Chancellor, Professor of Physics.

Welcome.

MS. WATSON: Good morning, Commissioners. I guess it's on into the afternoon now.

You've identified my name as Betsy Watson. I wanted you to know that I'm authorized by Chancellor Aldrich to present UCSB's comments on today's agenda item. And, believe me, if it were possible for the Chancellor to be here, he would.

You may recall that he testified before you in Santa Barbara on his opposition to ARCO's proposed project, and particularly to Platform Heron, because of its intrusion upon our teaching and research missions. It's in that context that I offer the following:

UCSB strongly supports the conclusions of the
State Land Commission staff on the proposed Coal Oil Point project as found in the calendar item as far as they go, and urges the Commission to accept findings two through twelve with some modifications.

It is entirely appropriate that the project be denied at this time to allow two critical activities to take place. First, the implementation and completion of the comprehensive study must have occurred before the Commission entertains a resubmittal of a plan for offshore development at Coal Oil Point and, secondly, technological alternatives to six or even three fixed platforms must have been developed to offset the Class I impacts associated with this project development plan.

Specifically, the new project development plan must propose extraction of the resources on leases 308 and 309 in a fashion which does not require a fixed platform on a rare environmental habitat which is used extensively for scientific research or one which promulges extensive socio-economic impacts because of its degradation of aesthetic resources.

We don't believe that this is an unreasonable request. What would be unreasonable would be to accept an ARCO application in a few months which meets the criteria found on page 23 of the staff report alone. Your staff, that of the University, and those of county and
ARCO have just completed the exhaustive task of reviewing a proposal that is not acceptable.

In the case of the University, the faculty and staff who submitted more than 1200 comments on the ARCO EIR did so while carrying out their other responsibilities and without any compensation. I ask you not to require that they expend this kind of energy on a new application which contains the same defenses as the old ones.

Several comments in your staff report support this request. For example, it notes that, quote, "While a satisfactory method for development of the five leases may be available, none has yet been demonstrated," end of quote.

It also states that while the Commission may invite ARCO to reapply, it need not do so until, quote, "...a satisfactory method for development of the five leases is available."

It concludes that the resource will remain in place while other options are considered. And let me add that the resource has been there for 70 million years.

What would be a satisfactory method of development? One that does not intrude upon faculty recruitment, upon marine research, and upon a rare environmental community, or the Coal Oil Point Reserve.

With regard to the latter, the Regents of the
University 21 years ago established the Natural Reserve System to provide a cross-section of California's extraordinary natural diversity for teaching and research purposes. Today, NRS sites preserve more than 85,000 acres for such use and all are indicative of the State's habitat diversity.

Totaling only 117 acres, the Coal Oil Point Reserve protects less than one-tenth of one percent of the total acreage in this particular system, yet it ranks in the top third of 27 NRS sites for habitat diversity and for research productivity as measured by published articles, books, reports, dissertations, and theses. It also ranks in the top third in user-days for teaching and research.

Moreover, the University shares with the State Lands Commission a responsibility for the public trust, because it holds its natural reserves for the benefit of the people of California. Section 15386 of the California Environmental Quality Act guidelines designate the University, with regard to its NRS reserves, as one of four State trustee agencies charged with protecting the State's interest in its natural resources.

Thus, we have an obligation to protect the Coal Oil Point Reserve from the adverse impacts generated by ARCO's proposed project.
We have a responsibility to continue to carry out our duty to the citizens of this State and to the University of California to fulfill teaching and research functions on a quality plane equal to UC standards.

Clearly, UCSB's hard-earned reputation for academic excellence is threatened by ARCO's project. That is to say, the potential for massive offshore development on our doorstep will not help us to attract outstanding scholars to our campus, a highly competitive undertaking at best; rather, several faculty have told you the opposite effect would occur; moreover, the UCSB study has identified in the new campus plan as one of the greatest advantages, this as a result of the campus survey on UCSB's advantages and disadvantages, in which faculty participated.

In the next decade, the nation's universities will have to undertake vigorous faculty recruitment efforts to fill a staggering number of faculty positions created by the retirement of a great many professors who were appointed in the enrollment boom of the 1960s. So, competition for outstanding scholars with such institutions as Stanford, Harvard, Texas, and others will become even more difficult very soon.

Although you've heard a great deal about the excellence of UCSB's marine sciences, I would be remiss if
I didn't mention a few of the matters again. Our claim
to be one of the top centers for marine research in the
country is supported internally by a statement, which your
staff has, from the Office of the President, but -- in
which the Director of Academic Planning Program Review
exists, and it cites the fact that among 85 marine
institutions in the country, UCSB is ranked in the top three
in the amount of financing we receive from the National
Science Foundation. The marine teaching program is also
among the top in the nation.

We have about 300 undergraduate majors and some
1400 undergraduate students who study living marine
organisms as part of their coursework. Our graduate
study applicants must have a 3.5 grade point average and
scores on the Graduate Record Exam in the 90 percentile
range.

The research of the marine science faculty
conducted in waters off of UCSB use marine animals to
test the suitability and effectiveness of prescription
drugs, develops hybrid kelp which may increase food production
from that source, or could generate energy in the form of
methane from natural kelp. Our mariculture work is of
great value to commercial fishing interests with regard
to spawning and production of abalone, the location and
management of lobster habitats, and the protection of
Dungeness crabs from parasites.

Moreover, a UCSB faculty member contributes to national defense in the study of bioluminescence of marine organisms, work which has tactical applications in the detection and communication of submarines.

The work I have described and other research will be greatly enhanced by the construction we will begin in two months of a state-funded $8 million biotechnology seawater laboratory.

I'd like to mention the uses UCSB has specifically for the site proposal for Platform Herca. Contrary to ARCO's belief, this hardbottom habitat provides rock fish and other fish species for a variety of research projects, as well as classroom teaching. Moreover, eight additional research projects use the water column directly above the site. A scientist from Lawrence Livermore Laboratories also conducts bottom sampling in the area.

I want to emphasize that, although UCSB has a proprietary interest in the Coal Oil Point area, many other institutions conduct research there and in adjacent channel areas. These include UC Santa Cruz, Moss Landing Marine Lab, Cal State Long Beach, Scripps Institute of Oceanography, and the University of Southern California.

The California cooperative fisheries
investigation program, a long-term State-supported undertaking, routinely samples three stations in the channel -- one at Coal Oil Point.

These stations provide data on water chemistry, plankton abundance, and physical oceanography dating back to 30 years ago.

The item before you would increase oil production more than eight times over that which is currently produced by Platform Holly, a fact which ARCO overlooked in its testimony early today.

Perhaps you will understand our apprehension about such expansion if I cite a few facts associated with present small-scale production of Platform Molly. Over a number of years, complaints related to Molly's operations have been made regularly to the Air Pollution Control District, Campus Police, the County Fire Department, and UCSB's Office of Environmental Health and Safety.

The latter office has received 36 complaints in the past two years, while the Air Pollution Control District heard 53 complaints from 1986 to the present time.

We have moved our art studio from our west campus as a result, and we've cancelled numerous art classes in that area. The main campus was afflicted with such sickening odors on several occasions in 1985, that
classes on both the east and west boundaries of the campus were dismissed. Complaints were so widespread, evacuation of the campus was contemplated and voluntary evacuation was actually achieved.

Eventually, a good many students and employees went home complaining of nausea and headaches. And finally, UCSB was forced to evacuate the Coal Oil Point caretaker from her lodging at Coal Oil Point and had to provide housing elsewhere for her at the University's expense.

All that I have said supports your staff's recommendation that ARCO's project be denied at this time. As painful as it may be for the State of California and ARCO to forego income from this offshore project for now, it is in the best interest of the people of California to do so. I remind you again of Professor Walter Mead's observation about taking into account the social costs of this project.

Thank you for hearing and responding to the University's concerns in this matter.

Chancellor Aldrich has asked me to submit some proposed rewording of Findings 13 and 14. And I will do that now.

Are there any questions?

CHAIRMAN MC CARTHY: Any questions for Miss
Watson?

MS. WATSON: Dr. Case will be --

CHAIRMAN MC CARTHY: Dr. Case.

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, excuse me.

CHAIRMAN MC CARTHY: Yes.

EXECUTIVE OFFICER DEDRICK: Before we go on, the court reporter needs a break.

CHAIRMAN MC CARTHY: We'll have a five-minute break.

(Thereupon a brief recess was taken to allow the court reporter to replenish her stenograph paper.)

CHAIRMAN MC CARTHY: Our next witness is Dr. James Case, Associate Vice Chancellor at UCSB. Dr. Case.

DR. CASE: I'm here today to represent UCSB briefly on two matters. I want to discuss generally the importance of its marine research efforts and to respond to some details of the call by the Commissions staff for a research plan.

First, I wish to thank the Commissioners and staff for their careful hearing they provided us over these many months of hearings. We feel that we're virtually neighbors after all of this exercise. And I wish to emphasize how important it is to the development of a
rational resource utilization, not only in California, but in the nation, for you to have considered this matter in terms of the concept of public trust.

I also wish to acknowledge ARCO's generally interested attitude regarding UCSB's concerns, which is not to say by any means that we think they've been interested enough obviously.

But to give the oil company its due, the Commission should realize that ARCO has supported for the past several years a joint science panel with UCSB. Don Keane of ARCO's environmental staff has led their participation in trying to resolve some of our problems, and have supported some preliminary research relating to the resolution of the problems that are quite obvious to us.

Their action in doing this expresses more than a pro forma interest in public problems with offshore oil development and, of course, at the same time, decisively shows that they know there are serious problems with this project.

Professor Alice Aldrich usually leads our presentation on the importance of marine research programs. I think Regent McCarthy will be touched by the fact that Alice could not be with us today because of a teaching requirement of an undergraduate course. At other hearings, Dr. Aldrich has detailed the value of the UCSB
marine program. Beyond this, I would like to call to your attention how important research on marine organisms has been and continues to be to advancement of biomedical sciences in general.

This stems in part from the fact that the oceans were the cradle of life, and they are still relatively a benign environment, hosting a far greater variety of life forms than exist on land or fresh waters.

Biomedical scientists have found in this variety of organisms certain exotic forms which are exactly suitable to their research owing to useful peculiarities of structure and function. Thus, the squid provided the giant nerve cells that made possible the experiments leading to a Nobel Prize in biology and medicine by Huxley who determined the nature of the nerve impulse.

And even today, the nervous system in certain large sea slugs are making possible rapid advances in the study of the basic processes of learning and memory. These processes many believe are the most important and difficult biomedical problems left to be solved.

Marine laboratories thus are critically important sites for innovative research and should be vigorously protected as essential to the progress of biomedical science. Good marine laboratories, such as the University
of California has, are rare. There are perhaps fewer than six in the United States with facilities such as exist at UCSB.

The UCSB laboratory is an even more valuable resource when it is considered that it exists on a general campus of a major university. There are perhaps only two or three laboratories in this category in the United States.

Tremendous advantages stem from such a location. As compared with the relative isolation of most marine laboratories on a general campus, the power of other academic disciplines can readily be brought to the assistance of research in the marine area.

Mathematics, physics, chemistry, and engineering — the powerful stimulatory effects of research have crossed traditional borders of science become an everyday fact in the operation of a marine laboratory in such an environment.

Presence of the marine laboratory on a general university campus provides rare opportunities for the education of our future scientists. At most universities, if students are to benefit from studies on marine organisms, they must disrupt their regular program and go to a marine laboratory for a brief and often extremely expensive stay. In contrast, marine studies are a normal
part of the curriculum at UCSB and are fully integrated in instruction.

Dr. Aldrich described in her presentation to Commission staff last week the quality of the UCSB research and instructional program in the marine area, and Betsy Watson has reminded you of some details of that already today.

She pointed out that tangible recognition of this quality is clear from the fact that within a few weeks we shall begin construction of a unique new State-funded facility at UCSB, a marine biotechnology laboratory. This will support the most advanced research in biochemistry, genetic engineering, and physiology of marine organisms.

Research at UCSB that has justified construction of this new facility is not only of great value in disciplines ranging from biomedicine to defense, but also establishes UCSB as an ideal center for a very significant part of research that we believe is necessary to implement the staff's report call for research.

UCSB scientists working on the molecular biology and neurophysiology of senses which govern critical life stages of commercially important organisms -- such as abalone, crabs, and lobsters -- have shown how defective the present water quality standards are when it
comes to assessing long-term subtle, but ultimately life-
threatening effects of pollutants.

We know of only two other laboratories in the
United States conducting work of this type and quality.

Here I would like to parenthetically comment on
a statement made by Mr. Ranger with respect to the fact
that petroleum is not a great problem to us at UCSB,
because it resides almost exclusively at the surface of the
water. He should be reminded that when investigators
look at the toxicity of petroleum in the ocean, they're
not really interested in the glop itself, which has an
obvious mechanical effect, but in the so-called water
accommodated fraction, that fraction of petroleum that
goes into solution. And that, of course, exists
throughout the entire water column,

I should also point out that when we have heavy
weather, which is quite common in the Santa Barbara
Channel, such oil at the surface would itself be mixed
throughout the water column.

Other UCSB scientists are doing fundamental
research on cultivation of kelp and, most importantly,
the genetic improvement of this species. Since a
prominent effect of marine development in California is
damage to kelp, which is a vital nursery to much marine
life, these scientists have much to offer in assessing the
effects of proposed development and in seeking remedies
for such damage as may be unavoidable.

UCSB marine ecologists and biological oceanographers know the habitats of the channel like the back of their hands, having worked there since 1956. And they are thus ideal judges in the health of the channel.

UCSB has an internationally respected remote sensing expert who can bring to bear the power of remote sensing technology to help solve the tremendous problems of monitoring large marine ecosystems which must be achieved if the staff recommendations are to be realized.

Among our geologists and engineers are experts on physical oceanography and are able to assess the physical properties that drive the biology of the channel. And one prominent in our engineering school has expertise in marine safety. Finally, UCSB has economists who are expert in natural products and in marine policy. All of these skills are resident at the present site of greatest interest and have been developed to a very great extent by investigation of channel problems.

We have two basic problems with the staff call for research and have presented at least one recommendation to you already today with respect to Finding 14. And I would like to illustrate that point now.
We note first, with dismay, that there's no indication that the University of California should play a role in planning or conduct of this work. For many years as a land grant institution, the University has had a decisive role in conducting research for the public benefit.

Surely, there is no difference between this situation, one in which research is essential to proper use of the public trust; that is, the California coastal province.

Specifically, for the reasons cited already, UCSB is an ideal center for such activity as it affects the Santa Barbara Channel.

Our second problem with the staff call for research has to do with its scope. We believe this plan will be defective if it considers only oil and gas. All human intrusions -- oil and gas, agricultural runoff, waste disposal, commercial and sports fisheries, and transportation -- must be taken into account if the condition of the California marine public trust is to be properly assessed.

The entire marine ecosystem, State and Federal, in terms of all intrusions must be considered. While we certainly compliment the staff for their enlightened call for research planning on such a large geographical scale --
and as I have said, we hope that you will make the plan even larger by considering all human intrusions -- we have to urge, in a preliminary way for practical considerations, that you begin with a more restricted program of research which we believe should be centered in the Santa Barbara Channel.

This would have two important effects. It would be a proving ground for what may be practically accomplished in the proposed Statewide study, and it would be a decisively important input to any further consideration of the ARCO development program.

The Santa Barbara Channel is an optimal site for such a study. It is a defined oceanographic realm of large, but probably manageable size. It possesses all of the problems that make up the essentials of such a study -- oil, and active fisheries, sewage, agricultural runoff, heavy ship traffic.

At the same time and most uniquely in the State of California, the channel possesses a natural controlled environment -- the Channel Islands themselves. These islands are still almost in their natural state and if properly studied, can assist us to differentiate between many natural and human-induced effects on the channel's ecosystems.

The channel is also an ideal site for testing
a statewide research initiative, because of the great and constructive interest on the part of the local government, the channel fishermen, who are already veterans in accommodating to oil and other developments, and, of course, because it is the site of UCSB.

We believe that such a program focused on the channel should begin as soon as possible and run for about three years before further consideration of permitting of the ARCO project. Our reasoning and an indication of the types of research that should be conducted were presented to your staff at last week's hearing.

Your staff has requested ideas on how this research has (sic) been funded. And there was actually one question from the Commission this morning.

We simply believe the cost of such research should be borne by all users of the channel in proportion to the benefits they receive from the use of this public trust.

In conclusion, we commend the Commission again for its efforts to attain optimal use of California's State waters and wish to state that UCSB is ready to help in this fundamental and farsighted activity along the lines of the general plan which we have already presented.

Thank you.

CHAIRMAN MC CATHY: Thank you very much.
Any questions of Dr. Case? Thank you, Doctor.

Dr. Raymond Sawyer, Professor of Physics, UCSB.

DR. SAWYER: Thank you. I'm a professor at
UCSB and formerly the vice chancellor of the campus. You've
seen me two times already. And I won't repeat testimony
that I've already given.

Thank you for listening patiently the previous
times. Now I'm down to two short paragraphs, and I think
you have copies of my remarks already, but here's one
if you do not.

I wish to suggest one change in the motion
which was drafted by the Commission staff. In suggesting
that ARCO reapply possibly after a period in which new
studies are carried out, the Commission should add
an explicit admonition to the effect that neither Platform
Heron nor any equivalent structure or set of structures
be proposed for the area east of present Platform Holly.

A research program, as described by Dr. Case,
will be invaluable in better determining the risks to the
biological environment and to marine science at UCSB, and
in determining what safeguards or mitigations should be
incorporated into a new project proposal.

But as the staff report recognizes, the Heron
project, in close proximity to the most densely populated
part of the coastline, would have serious unmitigatable
impacts on the human environment. The citizens who have
spent their time reading EIRs, attending hearings, writing
letters should be spared going through it all over
again in the case of Platform Heron.

I do have a suggestion for something which could
be added to the list of 14 recommendations which are
being presented to the Commission this morning. I have
entitled it thirteen and a half. And I'll read it with a
preface.

It is not quite as sweeping a statement as the one
submitted by Assistant Chancellor Watson. I actually
prefer the one submitted by Assistant Chancellor Watson,
which has to do with delaying any future project until
there is significant advancement in technology. But
I'm reading it anyway in case the Commission would like to
have different choices in considering this issue.

This is in the format of advice from the staff
to the Commission, and it reads: Inform ARCO that a new
application should not propose the construction of
platforms east of present Platform Holly, and that the
exploitation of the reserves accessible only from this
region be delayed until such time as a combination of
economic factors and improvements in subsea technology
allow the profitable extraction of the resource without
large negative impact on UCSB and Isla Vista. Thank you.
CHAIRMAN MC CARTHY: Thank you very much. Any questions by the members of the Commission? Thank you.

Paula Carrell, legislative representative for the Sierra Club.

MS. CARRELL: Thank you. Good morning, Commissioners. These will be very brief comments. I don't wish to repeat all the points that have been made by our representatives at the three hearings that were held locally, nor many of the same points that have been made this morning.

I just want to state on behalf of the Sierra Club, that we very strongly support the recommendations made to you in the staff report on this matter; that you deny the project at this time and most particularly, that you authorize the research project that has been proposed.

It is precisely the kind of thing that the Sierra Club has been looking for in dealing with the various offshore oil applications, both in the Federal and State level, for the last several years. We have a very strong feeling there is a need for a comprehensive look at offshore oil development as it is proposed in California and most particularly, a look at ways in which we can have a cumulative facilities planning and a clear review of some of the extraction options that may be...
available; for instance, in this particular case, the possibility of accessing some of this oil with some -- by virtue of some sort of cooperative agreements with the Federal agencies that are drilling in the region rather than the construction of new platforms.

But at any rate, we think that the research can help us to answer some of these questions. And we very strongly support that aspect of your staff's recommendations.

The impacts that this project would have on the environment in the Santa Barbara Channel are many and familiar, and I don't -- will not restate them at length. But they are of very grave concern, not only to the Sierra Club members in Santa Barbara, but also to those statewide membership (sic) who is considering the resource in the Santa Barbara Channel and the coastal resource as a value -- an environmental value to us statewide.

There will be a written copy of more extensive comments for this hearing coming from the members in Santa Barbara. It was mailed by them last week with the intention that I deliver it to you today, but the U.S. Mail have not seen fit to deliver it to me yet. Anyhow, it will be coming i', and I appreciate very much the opportunity to make our simple statement this morning.

CHAIRMAN MC CARTHY: Commissioner Ordway.

COMMISSIONER ORDWAY: Just a question. You said
something very intriguing. Do you have any indication from
the Department of the Interior that they would be willing
to enter into a cooperative arrangement whereby State oil
under State lands could be obtained via platform from the
OCS?

MS. CARRELL: I don't have such indication, but --

COMMISSIONER ORDWAY: You were just hypothesizing
that this would be a nice thing?

MS. CARRELL: We have suggested previously that
it is something that should be looked at by both parties.

COMMISSIONER ORDWAY: Okay. I thought maybe you
had discussions with Secretary Hodel and thought this was
nice and you could pursue that.

(Laughter.)

MS. CARRELL: Discussions with Secretary Hodel
are not a regular part of our business I'm afraid,
unfortunately. Thank you very much.

CHAIRMAN MC CARTHY: Nicole Silk, Pacific Coast
Federation of Fishermen's Association.

MS. SILK: Good afternoon. I'm here to read the
Pacific Coast Federation of Fishermen's Association's letter
of statement.

The Pacific Coast Federation of Fishermen's
Association representing the working men and women --
excuse me -- California's commercial fishing industry
supports the staff recommendations of the State Lands Commission to deny at this time the permit request by ARCO for its Coal Oil Point project offshore Santa Barbara County.

Our opposition to this ARCO project has nothing to do with the merits of the project or the applicant, rather our concern is with the cumulative impacts of this project, together with others proposed for State waters offshore Santa Barbara and San Luis Obispo Counties.

We urge the State Lands Commission to deny any new permits until such time as a study's conducted and completed assessing the impacts of all the development proposals by the different companies for offshore Santa Barbara and San Luis Obispo Counties.

As you know, it is the commercial fishing industry that is the first to feel the effects of offshore oil development, whether it be from fish dispersal, displacement from fishing grounds, or the loss of fish and shellfish resources.

If the State is to maintain a visible commercial fishing industry in the wake of offshore oil development, then care must be taken to thoroughly study and wisely plan for that development.

That is what we are asking the State Lands Commission to undertake. If you, the Commission, or your
staff have any questions regarding this recommendation, please call the offices of the Pacific Coast Federation of Fishermen's Association.

Your attention to these comments is greatly appreciated. And I have copies of the statement.

CHAIRMAN MC CARTHY: Thank you.

MS. SILK: Thank you.

CHAIRMAN MC CARTHY: Robert Klausner, Chairman of the Oil Committee, Citizens Planning Association of Santa Barbara.

Mr. Klausner, welcome.

MR. KLAUSNER: Thank you, Chairman McCarthy, Commissioners.

Before I go into this, I'd like to go back to the findings that you passed out today.

I have no problems with those findings. Last week we sent you -- and I don't know whether the mails got here -- and a copy to your Executive Director -- some observations in regard to findings about making a finding of inconsistency of the project with a significant lands inventory which came in under your --

EXECUTIVE OFFICER DEDRICK: I don't believe we received that, Mr. Klausner.

MR. KLAUSNER: Okay. I'd like to give you then a copy, because I think that this is something that's in
your jurisdiction and would further strengthen your findings in this case. And I'd like you to give that some consideration before you make your final statement.

CHAIRMAN MC CARTHY: Do you have some other testimony?

MR. KLAUSNER: Yes. I'm sorry.

CHAIRMAN MC CARTHY: Why don't you proceed with that.

MR. KLAUSNER: Obviously, I would like to thank you folks for having spent as much time as you have with us in Santa Barbara. We really appreciate that.

We would like to support, obviously, your staff report in the sense that we believe that Heron should be denied and is unequivocally inappropriate until technology changes the facts as they are today, and perhaps putting off the other two platforms until a study is done would be appropriate.

We think that review should be undertaken in concert with the county and other interested agencies up and down the coast. And it should establish thresholds for development of this and other State leases under scenarios with and without a national energy policy in place.

We believe that the thresholds--obviously, if there is a national energy policy in place, the thresholds
are different than if there is no policy in place. And I think, Mr. Davis, you sort of touched on that subject. And we are very concerned that until something's in place, we are unwilling to sacrifice our local economy, our quality of life, or the prospects of our university for this type of development.

I think as loyal Americans, we in Santa Barbara have demonstrated that we're willing to accommodate oil development. How much, however, ties in with what the national government's policy is. I would suggest also that the lack of people here from Santa Barbara is not because of a lack of interest. I guess you have a quiet thank you from all of them, and they didn't feel it was justified to spend the time and energy and money to come up here. But from every indication we've gotten, they're all sympathetic to the staff report.

We think it should be made clear to ARCO, the industry, and the Federal Government that the reason for denial is not quite as simple as Mr. Ranger as sort of indicated in indicating that people in Santa Barbara don't like the looks of oil platforms. Many of us living in Santa Barbara are accustomed to viewing oil platforms. As a matter of fact, the oil platforms -- I live on the beach. They were there before I came. I do not find them objectionable. And probably if another one were put in
off my quarters, I would be used to it and not be offended
by it.

However, people coming from other parts of the
country to enjoy the scenic quality of our coast don't
feel the same way. And I can give you chapter and verse,
people who have come, who visit us, and say, "My God!
What are they doing there? Don't let them do anymore."

So, it's not so much the people who are there
and used to it as the people who come to visit, take
advantage of our tourism. Frankly, common sense would
indicate to me that you're not going to go to a
destination resort to look at oil rigs. I mean, that's
too absurd.

Since the quality of the University and tourism
and so important to our community, the visuals and its
implications do have substantial impact that would other-
wise be unreasonable in places where industry and oil
development is the heart of the local economy. That ties
in with something that Bill Wallace was talking about --
residential-industrial conflict.

We have a general plan. And if you look where
those -- Heron was or is projected relative to I.V. as
a focal point, it's closer to I.V. than some parts of the
University. So, our general plan and our local coastal
plan call for urban lines moving outward from Isla Vista,
with residential and visitor serving—namely, hotels
and parks—are the appropriate uses.

Industrial applications are not appropriate.

And what may have been appropriate in 1947, is not longer
so, because events have overtaken the leases, and may
very well overtake those two platforms that you’re
temporarily deferring, because if you wait long enough
on those, that coastline is going to be developed to
a greater extent. What is applicable now to Heron
relative to an urbanized coastline, may very well be
applicable to those platforms as you move further up the
coast, because the coast is changing. And it’s a
question of priorities. Who gets there first. And first
come is the one that dictates, in effect, what shall be
until time marches on and you get an evolution or whatever’s
going to happen.

Most people in Santa Barbara are there by choice
and not by need. And whether they be retired people, or
visitors, or working people, the place is the attraction.
And that’s significant. Visual solution is inconsistent
with the surrounding beauty (sic). I mean, we’ve gone
so far as to pull down pole signs. Now, the people who
don’t come from an area where that’s so, you can’t
appreciate what a difference that has made in our quality
of life. It may sound silly to people who are in
communities who have pole signs and they don't realize how different it could be, but to us it's very important where we live and that's why we're living there. A lot of people are living there, despite the fact that they could make more money living someplace else, because of their environment.

And there has to be a place like that. And we don't see any reason under the circumstances to sacrifice that. As a matter of fact, a year ago, somebody had found -- or thought that they had some oil under their land in Carpenteria, which is in the South Coast, and they wanted to put an oil drilling -- one of those things that go up and down -- on agricultural land, and the County said no. It's incompatible with the surrounding use. So, I think we're being consistent, unless there's a very good reason for us to make some other adjustment. We're not willing to do that. And we think that what staff has come in with is consistent with where we are.

In summary, if a large number of people can see the platforms, hear the development, and from time to time smell the project, it should not be permitted. It's as simple as that. Standards, however, to ensure a greater certainty of the process for everybody -- the public, ARCO, the rest of the oil companies, must be established and established quickly. This is a crazy process. It's
unreasonable to go around in circles the way we have.
It's much too unproductive. It costs too much, and we
just can't afford as a society or a nation to continue
operating this way.

So we would urge you to proceed with the study
in a logical way -- not in an antagonistic way, not with
a preconceived notion of what you're going to end up
with, but something that will end up with better guidelines
so everybody can go in a straight direction.

We thank you for your leadership in this regard.

CHAIRMAN MC CARTHY: Thank you, Mr. Klausner.

Any questions by the Commissioners?

Thank you very much.

Michael Phinney, Isla Vista Association,
representing himself.

MR. PHINNEY: And myself.

CHAIRMAN MC CARTHY: And yourself, both.

MR. PHINNEY: Chairman McCarthy, Commissioner
Ordway, Commissioner Davis, nice to see you again.

The Isla Vista Association and a lot of other
people who couldn't afford to fly up here asked me to
convey to you that we heartily concur with the staff's
recommendations to you, especially the two modifications
today. Of course, we heartily endorse Dr. Wallace's
statement.
A couple of brief remarks, and then I'll get off here.

There was some allusion to an inverse condemnation this morning. I wrote you all a rather lengthy letter on that subject. I hope you remember getting it.

We'd like to emphasize again and concur with the comprehensive study of the cumulative effects of offshore oil development.

We talked about -- there's been some testimony about jobs this morning. I'd like to speak to that. I would suggest that our national lack of an overall energy development plan -- program has created an absolutely Madd Comics situation. We've got thousands of people right down here in Kern County out of work in the oil industry and associated fields. We've got thousands and thousands of people out of work in Texas, Louisiana, Oklahoma. I haven't heard any testimony about the sad plight they're in, and yet we're talking about developing some pretty low grade crude oil here. It's not going to do those people any good. Why aren't we doing something about reactivating those fields? We need an overall energy plan for this whole nation. I hope that message will go back to Washington.

There was some mention made of an oil spill. We've got an oil spill going on down at Seal Beach. It may
not be a frequent occurrence, but those of us who were in Santa Barbara in 1969 will never forget the one we had. It takes only one.

Air quality, I've spoken about that. I presented some testimony at your staff hearing last Thursday. I'll give you little brief comment on that again if I may.

We had a suspected hydrogen sulfide leak up the coast at one of the platforms. Apparently everybody was so worried about hydrogen sulfide that they evacuated a large percentage of the platform personnel as a routine precaution. It turned out it was air bubbles. But they didn't mess around. They hauled those people right out. Dangerous stuff.

We do not want to live next door to that right off our beach with that threat hanging over our heads. No way. Thank you for your time.

CHAIRMAN MC CARTHY: Thank you, Mr. Phinney. Any questions by the Commissioners?

The staff has proposed an amendment to the findings and they were distributed to the members of the audience at the beginning of this hearing.

I'd first like to take up that issue before the members of the Commission. Do either of the Commissioners have any comment on the proposed staff amendment to the staff findings? Do I hear a motion to adopt?
COMMISSIONER DAVIS: I would move their adoption.

CHAIRMAN MCCARTHY: The proposed amendments to the proposed findings are adopted.

COMMISSIONER ORDWAY: I would like to be recorded as a no.

CHAIRMAN MCCARTHY: All right. Two to one. Those proposed amendments are adopted, have now been adopted to the findings.

CHAIRMAN ORDWAY: Question on the recommendation to staff?

CHAIRMAN MCCARTHY: Yes.

CHAIRMAN ORDWAY: Item 14, where it discussed the staff would be directed to develop a plan for a comprehensive study of the overall effects of all oil and gas development in all federal and state waters off the coast of California; to investigate and develop potential funding sources for the program; to inquire about participation by the oil and gas industry and by federal, state, and local governments; and to return to the Commission at the end of a six-month period to report on the feasibility and proposed agenda for the program.

One question would be, would it be -- isn't the intention of Item 14 to continue to conduct a comprehensive study, state and federal OCS if there's no involvement by
the Department of Interior?

CHAIRMAN MC CARthy: I'm sorry. Was that a
question you're posing to staff?

COMMISSIONER ORDWAY: The question I'm proposing
to anybody, staff probably.

CHAIRMAN MC CARthy: Well, Commissioner Davis
says he'd like to answer that.

COMMISSIONER DAVIS: About two months ago I
proposed the development of a cumulative impact study. My
view is that any effort to develop a vision for the
coast allows us to make more thoughtful and responsible
decisions.

I had a chance to visit with a congressional
delegation back in April under Don Edwards' leadership.
They seemed to be responsive. My staff had a chance to
visit with the GAO, and they seemed to be responsive.

Obviously, the preferable -- the preferable
situation from my perspective -- I know from my perspective
and I presume from the staff's and Chairman McCarthy,
that Interior participate. But I would hope that we would
undertake the study whether or not Interior participates.

COMMISSIONER ORDWAY: This is just a question,
because I don't -- I'm not opposed to a cumulative impact
study. I think it's something that we've all been talking
about for a lot of years. But I really have to question
how beneficial that can be without the input, the knowledge, and the data base that's only held by the Department of Interior. Otherwise, wouldn't it just be sort of a whole collection of assumptions and guesses? And I'm just wondering what that is going to generate as far as the document upon which future judgments will be made?

So, it's just query. I'm looking for some guidance on 14. I'm trying to find an item here that I can support.

COMMISSIONER DAVIS: My own view, again, would be that in cooperation with the Coastal Commission staff, with the Congress, we could piece together our best estimate of what we expect to happen, not only with the State waters, but what's likely to happen in federal waters, which would clearly put us in a preferable situation, which may not be a totally accurate prediction of the future, but would give us a better sense of what we ought to be doing in the decisions that we'll be confronted with.

COMMISSIONER ORDWAY: That's true. Does staff have any additional comments?

CHAIRMAN MC CARTHY: Claire? Miss Dedrick?

EXECUTIVE OFFICER DEDRICK: Not really. I think what we need is some time to talk to the people involved. There was a lot of testimony today requesting or suggesting
that the scope be enlarged. I think what we need to do is have some meetings with various interested parties, of which there are a whole bunch, and try to bring this into some, you know, to personalize the issues that we can realistically address.

Certainly, the cooperation of the Department of Interior is a critical one. But I also think that we have to go forward and if we can't get Interior's assistance, we just have to do the best we can without it.

I believe, however, that the majority of information that is on the public record is useful information. The cooperation of the oil industry is a pretty important part of this and, obviously, because their own plans are propriety. And we cannot get -- you can't get them from the public record the way you can other things.

So that's an area that's going to take some careful thought. Beyond that, it's difficult to come up with a funding number until a scope is established. And, of course, we do have a rather serious problem in regard to funding as you all know. The budget is virtually closed at this point for the next fiscal year. And we need to come up with some kind of working number to -- the reason staff suggested a six-month period to put it together was -- this has been tried before and it's never
worked. And I believe the reason it hasn't worked is
simply that you couldn't focus the players on the same
goal. Now, perhaps there's now a goal. There's enough
interest in a common goal now that there wasn't years back,
that we would be able to get the kind of focus that I think
we require for this kind of project. At any rate, those
are the primary, immediate staff technical kind of
problems that we've been worrying about the last few
weeks.

Mr. Chairman, is there anything else you'd like
me to --

CHAIRMAN MC CARTHY: Well, I think that should
the staff recommendation be supported by a majority of
this Commission, it would be the intent of those
supporting the recommendations that staff proceed
expeditiously to try to obtain funding and to define the
scope of this in cooperation with all parties, instead of
having to insert that when we mention the State of
California, we do include all parts of the State
Government, including the University of California.

And I think that requires us to try to obtain
funding at this session of the Legislature and not wait
till next year.

On the point raised by Commissioner Ordway,
I agree with her that total lack of cooperation with the
Department of Interior would be harmful. It wouldn't totally destroy the effort we would set about in should this Recommendation 14 be supported by the Commission. But it would damage it. I think we do need to make every effort to involve the Department of Interior.

Of great concern to me is how we would work with other State agencies, notably the Coastal Commission, which has a very significant responsibility under State law. That was alluded to by Commissioner Davis. I just wanted to reaffirm that I think we go nowhere with this undertaking unless it starts with a premise that there is a clear cooperative definition of the scope of the plan that would be developed, particularly with the Coastal Commission, but also with others.

There is going to be some difference of opinion as to how expansive the study would be in the development of the plan. To make it useful, of course, we would want it to be as broad as possible. That's going to be to some degree determined by the availability of funding. Now, this session ends --

COMMISSIONER ORDWAY: September 11th.
CHAIRMAN MC CARTHY: September 11th. The recess ends when? When do they come back?
COMMISSIONER ORDWAY: They recess the 17th of July and return the 18th -- 17th of August. They then are
scheduled for their fall recess the 11th of September
and would return -- depending on when the 1st of January
or shortly after that time.

CHAIRMAN MC CARTHY: Well, the budget will be soon
closed. As a practical matter, what we're discussing here
is separate legislation and an attempt to try to persuade
the Legislature and the Governor to support that
legislation for the State of California's part in this.
Therefore, all of this must be done in a very short
period of time. That is difficult, but it can be done.
And I think that all the parties would want the answers
that would be developed from this, this study.

Any other questions on Item 14?

COMMISSIONER ORDWAY: One other question, and
that was we were handed during part of the testimony a
letter from the Mayor of the City of Santa Barbara, and
asked that that be put into the record. Can we put that
into the record?

CHAIRMAN MC CARTHY: That's next.

COMMISSIONER ORDWAY: Thank you.

CHAIRMAN MC CARTHY: I would like to finish the
conversation on the amendments in front of us first. Are
there any other comments on -- pardon me, not on the
amendments, on the 14, the 14 recommendation. Any other
discussion on this? All right. Let's put into the record
the letter from the Mayor of the City of Santa Barbara, dated May 27th -- May 26th. Mayor Sheila Lodge. I don't have to read it, do I? We'll submit to you this original and put it into the record as part of the evidence of the day.

Mr. Ranger, do you want this opportunity to sum up or close on arguments based on anything you've heard? Have you completed your presentation?

MR. RANGER: Thank you, Governor McCarthy. We have completed our presentation and have no further remarks at this time.

CHAIRMAN MC CARTHY: The recommendations of the staff are before the Commission. What's the pleasure of the Commission?

COMMISSIONER DAVIS: Is it appropriate to make a comment at this time?

CHAIRMAN MC CARTHY: It is appropriate to make some comments. Commissioner Davis, you're recognized.

COMMISSIONER DAVIS: I'd like to comment on -- obviously, I'm not going to comment on everything I've heard today. But I'd like to comment on just a few things that were developed.

First of all, ARCO's contention that rights of existing lease holders essentially allow them to develop their resources and that this Commission cannot influence,
adjust, or reject a development on those leases, it's my judgment -- in my judgment, it would be irresponsible for this Commission to permit unrestricted development of oil on all existing leases. There are some 51 leases up and down the State of California, including ARCO. There's 16 in the immediate Santa Barbara community. ARCO's asking for permission to approve some 240 leases. It's reasonable to expect that there will be at least a thousand leases sought by the applicants of the other 15 leaseholds. I think you can see that in relatively short order, Santa Barbara, which is today a mecca for tourism, could be converted into a heavily industrialized area. I don't think that's what they want. I'm not sure that's what anybody wants. But that is the logical extension of ARCO's argument, that this Commission is essentially powerless to affect development on existing leases. I reject that notion. I'm confident the courts will reject that notion. In any event, they will be the ultimate arbitors of that decision.

As it relates to a study to develop the cumulative impacts of drilling in State and Federal waters, I'm delighted the staff recommends it; as I said earlier, I called for it a couple of months ago, and believe there's enough cooperation at the Federal level to make the study worthwhile. In any event, anything is better than the
current system. We are essentially flying blind. We have virtually no context against which to make these decisions. And were we to permit ARCO -- were we to approve ARCO's application today, I think we would be very hard-pressed to do anything but approve the other applications of the other 15 leaseholds.

Again, the plan will give us some sense of how to deal with existing leases as well any future applications for leases.

Another thing that disturbs me that did not come up today, but came up at the hearings -- and which is not ARCO's fault -- which, I think as Commissioners we have to take into account -- the affected counties by law now only get one percent of the royalties. And that's simply not fair. I think we should share the royalties equally between the affected county, the State, and the Federal Government. If the Federal Government was not willing to do that, then we ought to consider sharing the State portion of the royalties, because clearly all the adverse impacts of drilling are absorbed in the affected county. And they are being shortchanged. They're not getting anywhere near the economic benefits that the State and Federal Government realize. Again, it's not the oil companies' fault. They sensed that it was important enough to change that. You know, before we begin approved additional leaseholds, I
think that's a change that definitely should be made. And finally, on this national energy notion, I think it's very important that we speak with one voice. And it's clear that we are not. Secretary Hodel is saying we have to develop more oil and the Reagan Administration, on the other hand, is vetoing efforts to apply conservation measures for manufacturers of appliances, rejecting notions to increase the mile range efficiencies, permitting the 65 mile speed limit. All those policies drive consumption up at the same time that Secretary Hodel is saying we have to produce more oil. If you had to characterize the national energy policy, I think what in effect is happening is the Reagan Administration is stimulating the nation's appetite for oil and Hodel is demanding that the coastal communities satisfy that need.

And I think I would be more responsive to producing oil if I saw a clear -- I know I would be more responsive if I saw a clear national policy that said we were going to conserve oil, but there's a need to develop it. That would make sense and certainly would make me more responsive, and I expect this Commission.

Those are the comments I wanted to make.

CHAIRMAN MC CARthy: Do you wish to make any comments at this point, Commissioner Ordway?
COMMISSIONER ORDWAY: I believe that the applicants made a good-faith effort to comply with the prescribed process and with the numerous concerns raised by all parties, not just the Lands Commission. I believe the mitigation measures that have been suggested during the EIR process and subsequent to that process are, in fact, feasible. And I believe this project should go forward.

CHAIRMAN MC CARthy: Is there a motion before the Commission?

COMMISSIONER DAVIS: I would move to adopt the staff recommendations.

COMMISSIONER ORDWAY: I would vote no.

CHAIRMAN MC CARthy: Ready for the vote?

I would only comment that I think the staff's recommendations meet the public trust responsibilities of the State Lands Commission. I intend to support the motion. The vote is two to one. The staff's findings and recommendations are accepted and affirmed.

COMMISSIONER ORDWAY: In the absence of further business, I'll move we adjourn.

CHAIRMAN MC CARthy: We do adjourn.

(Thereupon the meeting was adjourned 1:45 p.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify that I am a disinterested person herein; that the foregoing meeting of the State Lands Commission was reported in shorthand by me 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 11th day of June, 1987.

[Signature]
Nadine J. Parks
Shorthand Reporter