MEMBERS PRESENT

Gray Davis, Lieutenant Governor, Chairman

Kathleen Connell, Ph.D., State Controller
(By Speaker Phone from Los Angeles)

Theresa Parker, Chief Deputy Director of Finance, for Russell S. Gould, Director of Finance

Staff:

Robert Hight, Esq.
Executive Officer

Jack Rump, Esq.
Chief Counsel

Dwight Sanders
Chief
Division of Environmental Planning & Management

Gary Gregory
Marine Facilities
Long Beach

Bill Morrison
Assistant Executive Officer

Jan Stevens, Esq.
Deputy Attorney General

Sharon Shaw
Executive Secretary

Lynda Smallwood
Calendar Coordinator
## INDEX

<table>
<thead>
<tr>
<th>Proceedings</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion by Parker to Approve Minutes of Meeting of July 6, 1995</td>
<td>1</td>
</tr>
<tr>
<td>Roll Call Vote</td>
<td>3</td>
</tr>
<tr>
<td>Motion by Parker to Approve Consent Calendar Items, with the exception of C80, 82, 85, 93, and 96</td>
<td>3</td>
</tr>
<tr>
<td>Roll Call Vote</td>
<td>3, 4</td>
</tr>
<tr>
<td>Item 97 Consider Approval of Agreements re Exchange of Lands relating to Desert Protection Act</td>
<td>3, 4</td>
</tr>
<tr>
<td>Presentation by Robert Hight Executive Officer</td>
<td>3</td>
</tr>
<tr>
<td>Questions/Comments</td>
<td>3</td>
</tr>
<tr>
<td>Motion by Connell to Approve Staff Recommendation</td>
<td>3</td>
</tr>
<tr>
<td>Roll Call Vote</td>
<td>4</td>
</tr>
<tr>
<td>Item C85 Subsea abandonments and flowline abandonments/removals on existing State oil and gas leases in the Santa Barbara Channel</td>
<td>4</td>
</tr>
<tr>
<td>Explanation by Executive Officer Hight</td>
<td>4</td>
</tr>
<tr>
<td>Dwight Sanders Chief Division of Environmental Planning and Management</td>
<td>4</td>
</tr>
<tr>
<td>Questions/Comments</td>
<td>4</td>
</tr>
</tbody>
</table>
INDEX, continued...

AGENDA ITEMS:

C85  PUBLIC COMMENT:

Whitt Hollis  
Arco Oil & Gas Company  

Motion by Parker to Approve  
Staff Recommendation with added  
amendment  

Roll Call Vote  

Adjournment  

Certificate of Reporter
CHAIRMAN DAVIS: All right. I'm going to gavel this meeting of the Lands Commission to order. The Secretary will note that the Director of Finance is represented, the Lieutenant Governor is here. The Controller is here by the magic of telecommunications.

EXECUTIVE OFFICER HIGHT: Just so we can make sure that the Controller is here --

CHAIRMAN DAVIS: Controller, can you hear us?

(Thereupon, a spokesperson, not readily understood over the speaker phone, explained the Controller would be called to the phone.)

CHAIRMAN DAVIS: Just say we're ready to proceed. I was a little premature that we were all present.

(Thereupon, a technician attempted to make connection with the Controller in Los Angeles, after which the following proceedings were had.)

CHAIRMAN DAVIS: Controller, we're ready to begin the Lands Commission meeting.

COMMISSIONER CONNELL: Yes, we're here.

CHAIRMAN DAVIS: All right. Then, all three members of the Commission are present, and the Secretary will so note.

EXECUTIVE OFFICER HIGHT: Okay. For the record,
Mr. Chairman, Item No. C82, C93, C80, C79, and 96 are pulled from the regular agenda.

We have a letter that we just now received -- and we're trying to make some sense out of -- on Item C85. And, I guess, who wants to explain what our issue is here?

CHAIRMAN DAVIS: Let's remove it from the consent calendar and put it on the regular.

EXECUTIVE OFFICER HIGHT: Yes.

CHAIRMAN DAVIS: Now, the items that you just pulled off the consent calendar, are they pulled from the meeting entirely or just off of the consent calendar?

EXECUTIVE OFFICER HIGHT: Meeting entirely.

COMMISSIONER PARKER: I move the consent calendar.

CHAIRMAN DAVIS: Hearing no objection, the consent calendar is approved unanimously.

MR. RUMP: Mr. Chairman, because of the teleconference today, I would suggest that we have to take a roll call vote.

CHAIRMAN DAVIS: A vote, all right. I'd be happy to call for a vote. By the way, can we do this before we approve the minutes?

We also need to approve the minutes.

COMMISSIONER PARKER: I apologize.

CHAIRMAN DAVIS: You withdraw that motion?

COMMISSIONER PARKER: Yes.
CHAIRMAN DAVIS: And give me a motion to approve the minutes.

COMMISSIONER PARKER: Okay.

CHAIRMAN DAVIS: There's a motion to approve the minutes.

COMMISSIONER CONNELL: I'll second it.

CHAIRMAN DAVIS: The Controller seconds it. Do we need a roll call on that?

MR. RUMP: We might as well.

Chairman Davis?

CHAIRMAN DAVIS: Aye.

MR. RUMP: Controller Connell?

COMMISSIONER CONNELL: That's an aye.

MR. RUMP: Chief Deputy Parker?

COMMISSIONER PARKER: Aye.

CHAIRMAN DAVIS: All right. Passes unanimously.

Now, we'll entertain a motion on the consent calendar.

COMMISSIONER PARKER: I move we adopt the consent calendar.

COMMISSIONER CONNELL: I second it.

CHAIRMAN DAVIS: All right. We'll have a roll call vote on the motion that's been made and seconded.

MR. RUMP: Chairman Davis?

CHAIRMAN DAVIS: Aye.
MR. RUMP: Controller Connell?

COMMISSIONER CONNELL: Aye.

MR. RUMP: Chief Deputy Parker?

COMMISSIONER PARKER: Aye.

MR. RUMP: It passes, Mr. Chairman.

CHAIRMAN DAVIS: All right.

That takes us to Item 97.

EXECUTIVE OFFICER HIGHT: The room is clearing.

(Thereupon, there was a pause in the proceedings while members of the audience exited the hearing room.)

CHAIRMAN DAVIS: Would you be kind enough to just keep your voices down so we can continue the meeting?

Mr. Hight?

EXECUTIVE OFFICER HIGHT: Yes.

CHAIRMAN DAVIS: Explain the item before us.

EXECUTIVE OFFICER HIGHT: Mr. Chairman, Item 97 is a series of memorandums of understanding with the Bureau of Land Management relating to the Desert Protection Act that Congress passed last year.

Included within the desert, the Commission has a total of 338,000 acres of land under its jurisdiction. This is 465 parcels of fee ownership surface land and 185 parcels, totaling 70,000 acres of mineral rights.

They are shown on these maps. The red areas are--
CHAIRMAN DAVIS: Does the Controller have --

EXECUTIVE OFFICER HIGHT: Yes. The Controller has a copy of this map.

CHAIRMAN DAVIS: All right.

COMMISSIONER CONNELL: Yes. Thank you for asking, Mr. Chairman. I have the map.

EXECUTIVE OFFICER HIGHT: As you can see, there are a lot of parcels. Each one of those will have to be evaluated as to value in order to make an appropriate exchange with the Federal Government.

The Federal Government at the moment has a total of 1,392,000 acres of land scattered throughout California that they have, at the moment, put on the list that is exchangeable with the Commission.

The staff of the Commission will go through a very long process in order to categorize these lands as to appropriate use and exchange.

Once this process is done, staff will come back to the Commission with categories of various kinds of lands that we would suggest that you take, and we will brief you as this process goes along.

It will be probably a four- or five-year process, with parcels being exchanged on a go-forward basis. We'll keep up a running tally, if you will, of the value that we have given up and the value that we have taken.
CHAIRMAN DAVIS: Now, I gather that we’re going to use the same appraisers that the Department of Interior is?

EXECUTIVE OFFICER HIGHT: That’s correct.

CHAIRMAN DAVIS: And they’ll go through the competitive bidding process?

EXECUTIVE OFFICER HIGHT: Yes. They will go through the Federal process.

CHAIRMAN DAVIS: All right. So, we’ll basically use whatever appraisers they select?

EXECUTIVE OFFICER HIGHT: Yes.

CHAIRMAN DAVIS: And that’s consistent with our laws and regulations?

EXECUTIVE OFFICER HIGHT: Yes.

COMMISSIONER CONNELL: Mr. Chairman, I have a question.

CHAIRMAN DAVIS: Sure.

COMMISSIONER CONNELL: Is there any priority that we’re assigning to the way we select the land; in other words, is the return on -- of the sale of land a senior priority, followed by protection of endangered species? Or how do we rank the various sites that are available to us?

EXECUTIVE OFFICER HIGHT: The number one priority will be revenue to the Teachers’ Retirement System. Under the trust by which the Commission holds the land, the major issue is revenue production, not wildlife enhancement.
So, any land that the Commission takes has to have a value for commercial use, which could include sale to someone as a wildlife habitat. But its primary mission is dollars.

COMMISSIONER CONNELL: Thank you.

EXECUTIVE OFFICER HIGHT: Yes. And, as I said, as soon as we have a compilation or a partial list of various options available for the Commission, we will come back for more discussion, and clarification, and direction.

CHAIRMAN DAVIS: All right. So, basically, this is an information item to explain to us you’re about to embark on the process.

EXECUTIVE OFFICER HIGHT: Yes, and request for authorization to sign the memorandums of understanding, which enable this process to go forward.

COMMISSIONER PARKER: Bob, this is consistent with our fiduciary responsibility we also have, as members of the Commission, for overseeing the School Land Bank for the State Teachers’ Retirement Pension Fund?

EXECUTIVE OFFICER HIGHT: That’s correct. Any dollars that we would take would go into the School Land Bank Fund, with which the Commission then can purchase additional land for revenue production.

COMMISSIONER PARKER: So, we have a fiduciary responsibility to the Fund.
EXECUTIVE OFFICER HIGHT: Correct.

CHAIRMAN DAVIS: And I understand we act as trustees for the safety of the Retirement System in this process.

EXECUTIVE OFFICER HIGHT: That's correct.

CHAIRMAN DAVIS: Are we going to have any informal consultation with them as we go down this road?

EXECUTIVE OFFICER HIGHT: Yes. We have almost monthly meetings with them, basically telling them where we are, getting their input into any -- into the process and to options that they think would be available or best useful for the Fund.

CHAIRMAN DAVIS: Okay.

COMMISSIONER PARKER: Mr. Chairman, I would add that it's my understanding, also sitting on STRS, that there has been excellent cooperation between the staff of the Commission and also STRS on the provisions of the California Desert Protection Act.

So, I think the staff are well positioned in those two organizations to move forward on this particular project, and that serves their best interest.

EXECUTIVE OFFICER HIGHT: Thank you.

CHAIRMAN DAVIS: Do we need to hear any advice or guidance as to the action that you want us to take today to prepare the memorandum or the mou?
EXECUTIVE OFFICER HIGHT: Just a moment to approve would be all that’s necessary.

CHAIRMAN DAVIS: All right. Is there any staff recommendation or --

EXECUTIVE OFFICER HIGHT: Staff recommends that you authorize the approval of the memorandums.

CHAIRMAN DAVIS: Is there anyone in the audience who would like to make for or against this matter?

Any comments from the Commissioners?

Do we have a motion?

COMMISSIONER CONNELL: I move the staff recommendation.

COMMISSIONER PARKER: Second.

CHAIRMAN DAVIS: All right. The motion’s been made and seconded. And since we’re doing a teleconference here, the secretary has to call the roll.

MR. RUMP: Chairman Davis?

CHAIRMAN DAVIS: Aye.

MR. RUMP: Controller Connell?

COMMISSIONER CONNELL: Aye.

MR. RUMP: Chief Deputy Parker?

COMMISSIONER PARKER: Aye.

MR. RUMP: It’s been approved, Mr. Chairman.

CHAIRMAN DAVIS: All right. The matter’s concluded.
EXECUTIVE OFFICER HIGHT: Okay. The last matter is Item No. C85, which is the authorization for a subsea abandonment program.

The Commission has a number of subsea wells that were drilled in the early fifties and sixties. And the oil companies involved would like to abandon these wells.

Just a few minutes before this Commission meeting, we received a letter from the air district, which I have not had an opportunity to read yet, so Dwight and Jan can explain it.

COMMISSIONER CONNELL: Can we ask again, Mr. Chairman, what item you're on?

EXECUTIVE OFFICER HIGHT: 85.

CHAIRMAN DAVIS: C85.

COMMISSIONER CONNELL: Oh, thank you. 85. Thank you.

CHAIRMAN DAVIS: It was pulled from the consent calendar pursuant to a letter the Commission received shortly before we convened.

MR. SANDERS: Commissioners, my name is Dwight Sanders, I'm staff to the Commission, Chief of the Division of Environmental Planning and Management.

In essence, the letter implies that the findings that the Commission is being asked to make, with respect to the subsea well abandonment program, do not allow the air
pollution control district to require mitigation for impacts
that -- an impact that has been identified within the
environmental impact report as we're required to as lead
agency.

Under current rules and regulations, activity of
abandoning subsea wells and flowlines is exempt from the
Santa Barbara County Air Pollution Control District permit
process. They so notified us in responding to the draft
environmental impact report, indicating that no permit would
be required from their district for this activity.

They opined, however, that the Commission itself
ought to apply mitigation for an impact that the district
itself is currently exempting from their own authority.

As lead agency, we have indicated that for one
well abandonment activity, absent the exemption, the
district would probably require mitigation for an impact.
However, the fact is that the current rules and regulations
of the district exempt this activity from their permit
authority. And it's our understanding and information that
the district has already issued a letter of exemption from
their permit process to the only applicant which would,
under other regulatory circumstances, have an impact.

The district is, in effect, by this letter,
indicating that the wording of our mitigation measure would
not allow them -- well, would not allow them to subsequently
or to apply mitigation. And they further, in addition to
that, indicate the Commission ought to, through an authority
as lead agency, apply a mitigation requirement for the
impact.

Staff believes that the mitigation measure, as
currently worded, would afford the district every
opportunity, should their rules and regulations change, to
apply a different standard to the activity than they
currently now apply.

The only possible change to eliminate any
confusion in this regard might be to indicate in our
findings that the mitigation applies to the district’s rules
and regulations rather than "existing" rules and regulations
to eliminate any confusion as to whether we are freezing an
issue in time.

Other than that modification, which would be the
elimination of the word "existing," as it currently exists,
in view of our findings, I can say it is staff’s opinion
that the mitigation measure affords the district every
measure of discretion that it may choose to, in the future,
apply.

I reemphasize again that under the current rules
and regulations of the district, this activity is exempt and
they have so issued a letter of exemption to one of the
applicants.
CHAIRMAN DAVIS: Jan, have you had a chance to --

MR. STEVENS: Well, we've had a full ten minutes to --

CHAIRMAN DAVIS: -- discuss it before the meeting, right?

MR. STEVENS: Mr. Chairman, we've had some time to discuss and deliberate on this ten minutes before the meeting. And our office did not participate in the transaction, so I apologize for not being fully up on this measure.

But as I understand Mr. Sanders' presentation and the letter, the Santa Barbara Air Pollution Control District has come in today and suggested that there are unavoidable adverse impacts, significant impacts, that are inconsistent with its clean air plan and should be more fully discussed in the EIR; but that, nevertheless, it's insufficient for this Commission to find that these impacts can be mitigated by requirements imposed by the Santa Barbara Air Pollution Control District, because the district has seen fit to exempt these activities. A somewhat circular position.

Basically, I think Mr. Sanders has identified a viable option, which is to reiterate and clarify that it is the responsibility of the Santa Barbara Air Pollution Control District to provide for the mitigation offsets that would, in effect, mitigate the impacts caused by this
pollution. And that could be taken care of -- I think very clearly -- by simply modifying the mitigation measure identified on page 29 and again on 31 to delete under its existing rules and regulations, and simply say the applicant shall enter into, if required by the APCD, a legally binding contract for bona fide offset credits.

The only alternative, I think, would be for the Commission itself to impose these kind of requirements, and the air pollution control is really the responsibility of the district and not the Commission.

CHAIRMAN DAVIS: All right. Is there any opposition to proceeding along the lines that the Attorney General has suggested?

COMMISSIONER PARKER: Mr. Chairman, can I ask a question?

Mr. Hight, when we originally had the air quality district respond to the EIR -- it's my understanding it was months ago -- was the raised then about whether this oil company might be a candidate for mitigation?

EXECUTIVE OFFICER HIGHT: No. This is the first --

COMMISSIONER PARKER: So, this is new information, and this is the first time that we've heard it today?

EXECUTIVE OFFICER HIGHT: Yes.

COMMISSIONER PARKER: So, you're presuming, in that sense, the air quality district didn't know this at the
point in time that they had essentially signed off on this
project?

MR. SANDERS: If I may intercede for Bob here, as
I indicated in my statement, the district, in response to
the draft environmental impact report, gave us in writing
their position that no permit would be required for these
activities by their district.

COMMISSIONER PARKER: And so, I presume that,
since then, they have now discovered that one of these
companies may be exceeding the air quality requirements.
And since they can't do mitigation, they're asking us to do
mitigation?

EXECUTIVE OFFICER HIGHT: We don't know the
former, but definitely the latter. We don't know that
anybody is or is not going to exceed a requirement.

COMMISSIONER PARKER: Mr. Chairman, my only
concern -- I have no problem with the suggestion of the
Attorney General on how to proceed. I'm a little bothered
for the applicants here from the standpoint of learning all
of this today, and how they might react to now being put in
a situation of maybe some unknown of the air quality
district imposing something on them or not imposing
something on them.

I'm not sure what we can do about that. But I do
think it's unfortunate that we're learning all about this
and dealing with it today.

CHAIRMAN DAVIS: I haven't even seen the letter.

Is there a copy of the letter?

MR. SANDERS: Yes, sir.

CHAIRMAN DAVIS: Can we fax one down to the Controller?

COMMISSIONER CONNELL: I don't have a copy.

CHAIRMAN DAVIS: No. I said, "Can we fax one down to the Controller."

COMMISSIONER CONNELL: Certainly.

CHAIRMAN DAVIS: What's your fax number, Controller?

COMMISSIONER CONNELL: I wish I could tell you that, Mr. Chairman. I'll go get it for you in a moment.

(Thereupon, the fax number was exchanged.)

CHAIRMAN DAVIS: (Addressing the Controller) We're just reading the letter now. That's why you're not hearing anything. The letter will be down within about 30 seconds.

COMMISSIONER CONNELL: Thank you.

(Thereupon, the Commissioners read the district's letter.)

CHAIRMAN DAVIS: So, the effect, Jan, of your suggestion would be to do what?
MR. STEVENS: Would be to, in effect, toss it back to the Air Pollution Control District of Santa Barbara County, which has the authority to deal with it.

The district could take a variety of actions. It would revoke the exemption heretofore granted, I believe; amend its rules and regulations to include this activity within that scope, or it could independently enter into a contract on board action.

I'm not familiar with their rules and regulations, so I can't be more precise as to that.

There's one other alternative that that's available, of course, that is the Commission could itself impose these conditions and enter into a contract.

But, as a matter of purview and expertise, it appears to me that the district has the responsibility for this and could assume jurisdiction if it chose to do so.

CHAIRMAN DAVIS: All right. What about the point made earlier that, at least as regards to one applicant, an exemption has been granted?

MR. SANDERS: That's correct. It has been granted.

CHAIRMAN DAVIS: As it applies to the other applicants, it need not be granted?

MR. SANDERS: They are under consideration. The requests for the same exemption are currently under
consideration by the district as we speak, in effect. But
one exemption has already been granted, and it is that
company and that company alone, absent the rules and
regulations, that might be subject to the offsets.

In other words, the air pollution control district
has already exempted the only potentially violating company.

COMMISSIONER PARKER: So, if we were to take the
action suggested by the Attorney General, then that company
would only be in jeopardy if the air quality district
decided, in a sense, take action to reverse its waiver and
impose on them some mitigation requirements.

MR. SANDERS: I think what Jan is suggesting is
that, by clarifying the mitigation slightly, that you state
that fact; that if the district should decide at a later
date that something is required, they would have the
wherewithal to do so. This Commission would not be
eliminating or modifying that opportunity.

CHAIRMAN DAVIS: Well, do we have the power to do
that anyway?

MR. SANDERS: At this point, we have the power to
merely state the facts, and the facts are that, under
current rules and regulations, these activities are exempt.

Were they not exempt, then this one particular
applicant out of six -- their emissions are .2 tons over an
existing standard, which is not currently being applied.
COMMISSIONER PARKER: If we were to have taken action on this, as it was presented to us in the consent calendar -- which we pulled it -- would it have precluded the air district from coming back and essentially changing its requirements that might impact this particular oil company?

MR. SANDERS: No, ma'am, not in my opinion. Jan can react on his own. But, in my opinion, it would not.

COMMISSIONER PARKER: So, our choices are really, in that sense, are really to approve it, which doesn't change the air quality district's role from the standpoint of coming in and assessing some mitigations against them, or to essentially step in and to provide -- decide to impose some mitigation requirements.

MR. SANDERS: That is, I think, accurately stated.

MR. STEVENS: I think deletion of the phrase "under its existing rules and regulations" eliminates any possibility of argument that the legal position of the applicants is frozen in time as of today, when the district has a regulation exempting this activity.

So, I believe it doesn't preclude the district's ability in the future to assume jurisdiction over this.

EXECUTIVE OFFICER HIGHT: A representative of the applicants is here and maybe this would be an appropriate place to hear from him.
CHAIRMAN DAVIS: If we're going to take an action, other than what was proposed by the intent of the placement on the consent calendar, I think the applicant is entitled to be heard, and I think anybody representing the district or the public is entitled to be heard.

So, if we have someone from the applicant group that wants to address, they're welcome.

MR. HOLLIS: Good afternoon, Chairman and Commissioners, my name is Whitt Hollis. I work for Arco Oil and Gas Company. I am one of six -- or our company is one of six companies that your Commission requested years ago to jointly enter into a program whereby one jack-up rig would be brought into the area of operation and then jointly moved from one activity to the other.

So, my first point I'd like to stress is that this is, in reality, six individual companies or six individual projects. By the sheer nature of the request of the State Lands Commission staff to have one vessel conduct all of that activity, we find ourselves here years later before your Board with a last-minute request from the air pollution control district, which all abandonment activities inside Santa Barbara County under the existing rules and regulations are exempt.

CHAIRMAN DAVIS: They may not at some future point unexempt them?
MR. HOLLIS: The APCD is currently proposing a rule change which would require abandonment activities to go from a nonexempt to a --

CHAIRMAN DAVIS: I'm not suggesting that they do that, but I mean --

MR. HOLLIS: Right.

CHAIRMAN DAVIS: -- you don't dispute that they have the power to change their rules prospectively.

MR. HOLLIS: The promulgation process is underway. Whether or not they do adopt that or not is in the future somewhere.

Another point of clarification is, under the rules and regulations, we do not believe that a request for an exemption is necessary. The rules clearly state abandonment activities are exempt.

However, Phillips, which has representatives here, is the company that people are talking about of having a project of theoretically 25 tons. Our project is five tons. We have also put in a letter requesting -- just, if you will pardon the phrase, but dot the I and cross the T. However, our position would be a rule change in the future could still cause questions about that exemption letter being set in stone, if you will.

Therefore, we urge your Commission to adopt the item as it went before the -- on the consent calendar.
Because, in our opinion, the question of whether or not these projects will ever actually ever be able to be done is in jeopardy due to whether or not offsets are available.

MR. SANDERS: Or required.

MR. HOLLIS: Or required, or available, whatever.

This is simply a matter for our company of taking well that was put in place subsea in 1963. It performed very well. A lot of revenue was generated in royalties to the State. And now we're just asking to go back in there with a jack-up and abandon that one well, a minor matter.

And, again, if our project was looked at by itself, it would be one well, a matter of a few weeks, and clearly exempt under all rules and regulations. And we cannot express strong enough our concern about the process causing us to end up having offsets that are, one, not available or, two, seriously questionable whether or not legally required.

I'd defer to any other representative to speak.

Thank you very much.

CHAIRMAN DAVIS: Thank you. Are there any questions?

COMMISSIONER PARKER: Mr. Chairman, I have one. My understanding is that these are six individual projects, but they all rise and fall together; is that correct? So, if one oil company was in question, would the balance of the
projects be able to go forward?

    MR. HOLLIS: Is that a question to me?

    COMMISSIONER PARKER: Yes.

    MR. HOLLIS: I believe it can seriously jeopardize the whole project going forward, but it will be a question of economics as to the companies jointly agreeing to share the mobilization and demobilization of the rig. That's probably where the practical answer lies.

    COMMISSIONER PARKER: So, obviously, even if the air district doesn't have a problem with you exceeding the air quality standards, you could be impacted because another oil company, which is part of this project, may --

    CHAIRMAN DAVIS: It would increase your operational cost, right?

    COMMISSIONER PARKER: Right.

    CHAIRMAN DAVIS: If perchance Phillips is not approved, then you have five companies sharing the cost rather than six.

    MR. HOLLIS: The sheer fact of the request of the Commission to have the companies jointly share a rig has had us have to do very serious legal concerns about an antitrust implication of jointly going out there and agreeing to share one rig. And we'll be meeting for two days, Thursday and Friday, to work -- continuing on the contract between the six companies to deal with that.
So, from just one aspect, we have the EIR, and then the responsible agencies and the permits before the various other agencies we need to get. But a whole other matter for us is the issue about trying to work together and not violate any antitrust acts, but yet share this agreement and, in turn, share, prorate our costs; so, yes.

CHAIRMAN DAVIS: And we asked you to do that, because we didn’t want six different pieces of equipment out there, and the oil companies have acted to respond to public policy.

MR. HOLLIS: Correct.

CHAIRMAN DAVIS: And I appreciate that. And that raises a question. Jan, could the Commission just act favorably on this proposal, and then write a letter to the air district saying we believe you have the authority to take whatever action you think is appropriate; that we’re acting within our jurisdiction from the facts and evidence before us, and you’re the agency that has the responsibility for mitigation.

MR. STEVENS: That’s an available option, certainly.

COMMISSIONER PARKER: Mr. Chairman, under that consideration, will we be adopting the language in the staff recommendation that was in the consent calendar, not as suggested by the Attorney General?
CHAIRMAN DAVIS: Yes, and that would be accompany it with a letter --

COMMISSIONER PARKER: A letter.

CHAIRMAN DAVIS: -- stating that we think they are fully empowered to take whatever actions they think are appropriate, and the applicants have passed muster with us under our applicable laws.

EXECUTIVE OFFICER HIGHT: I think that would be very appropriate, Mr. Chairman.

CHAIRMAN DAVIS: Controller, do you have any comments?

COMMISSIONER CONNELL: I think that you're approaching it the way that I would do it on this issue.

CHAIRMAN DAVIS: All right. Let me just invite anybody from the public who would suggest we not take the action; namely, that we approve the action as proposed to us in the consent calendar, but we will send a letter to the air district -- Santa Barbara Air Pollution Control District telling them we think they have all the applicable powers that they're asking us to implement beyond our charter.

Plus, we're not prepared to do that today. The letter just arrived. But we think, if they want to do it, they have the power to do it.

And you don't see a problem with that approach, Jan?
MR. STEVENS: No more than any other alternatives.

There's no perfect solution to this.

CHAIRMAN DAVIS: All right. Do I hear a motion?

COMMISSIONER PARKER: I would make that motion, Mr. Chairman. I think that's the best solution to this.

COMMISSIONER CONNELL: I second it.

CHAIRMAN DAVIS: All right. We have to have a roll call vote.

The secretary will call the roll.

MR. RUMP: Chairman Davis?

CHAIRMAN DAVIS: Aye.

MR. RUMP: Controller Connell?

COMMISSIONER CONNELL: Aye.

MR. RUMP: Chief Deputy Parker?

COMMISSIONER PARKER: aye.

MR. RUMP: Motion's passed.

CHAIRMAN DAVIS: Motion passes.

EXECUTIVE OFFICER HIGHT: Okay. With that, that concludes the open agenda off the Lands Commission.

CHAIRMAN DAVIS: I might just add that you would draft the letter and then show it to Jan, the Attorney General --

EXECUTIVE OFFICER HIGHT: Yes.

CHAIRMAN DAVIS: -- and get approval before it goes out.
EXECUTIVE OFFICER HIGHT: Right.

That concludes the open agenda, and we'll convene to go into closed session to discuss pending litigation.

(Thereupon the open session of the State Lands Commission meeting was concluded.)

--000--
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 was reported by me in shorthand writing, 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 am I interested in the outcome of said meeting.

In witness whereof, I have hereunto set my hand this 9th day of November, 1995.

__________________________
Nadine J. Parks
Shorthand Reporter