

STATE OF CALIFORNIA

Minutes of the Meeting of the  
State Lands Commission  
Sacramento, California

February 27, 1975

A regular meeting of the State Lands Commission was called to order by Chairman Kenneth Cory in Room 2117, State Capitol, Sacramento, California, at 10:10 a.m. on Thursday, February 27, 1975.

Present: Kenneth Cory, State Controller, Chairman  
Mervyn M. Dymally, Lieutenant Governor,  
Commissioner  
Roy M. Bell, Director of Finance,  
Commissioner

Staff Members in Attendance:

William F. Northrop, Executive Officer  
R. S. Golden, Assistant Executive Officer  
D. J. Everitts, Manager, Energy and Mineral  
Resources Development  
James F. Trout, Manager, Land Operations  
Luella Kunkle, Secretary

Also in Attendance:

Representing the Office of the Attorney General  
N. Gregory Taylor, Deputy Attorney General

Appearances:

Re Minute Item 15 - Sale of Vacant State School land,  
Application Number 5610, Sacramento  
Land District, Trinity County;  
Eugene J. Joergenson, M.D.

Theodore Olson, son-in-law of Dr. Joergenson,  
appearing in favor of the item

## EXECUTIVE OFFICER'S REPORT

Mr. William F. Northrop, Executive Officer, State Lands Commission, briefed the Commission on the status of the following items:

1. Stepped-up trespass program. S 8282
2. Proposed budget augmentation required for, among other things, the above-mentioned trespass program, boundary and ownership determination program, legislative program in connection with increased activity in Washington, D.C., with Federal agencies, and with other states.
3. Increased efforts relative to amending the Federal Energy Administration's price ceiling regulations.  
  
Report on possible applications to the FEA for rulings that would increase the State's oil and gas revenues from State lease production and its related impact on the California consumer. W 9603
4. Modification of lease with Burmah Oil and Gas Company within the 91.1 Main Zone Unit, Huntington Beach Field, Orange County. W 9121  
PRC 91.1
5. Agreement between U.S.A. Petroleum and the State. During discussion of this matter, the Commission authorized the Executive Officer to execute the subject agreement. PRC 4833.1
6. EIR relative to Standard Oil Company's request to resume drilling operations on existing platforms at Carpinteria and Summerland in the Santa Barbara Channel, Santa Barbara County. W 9732  
PRC 1824.1  
PRC 3150.1  
PRC 4000.1
7. Environmental Impact Statement prepared by the Federal Department of the Interior, published on February 21, 1975, relating to the sale of oil and gas on the Outer Continental Shelf. W 1835  
W 9270

A copy of Mr. Northrop's written report is attached as Exhibit "A" and by reference made a part hereof.

Attachment:  
Exhibit "A" (8 pages)

STATE LANDS COMMISSION MEETING  
February 27, 1975

EXECUTIVE OFFICER'S REPORT

by  
William F. Northrop

Mr. Chairman, I have a few informational items to bring to the attention of the Commission at this time.

First, the good news: the latest tally on the aggressive trespass program you have requested the staff to undertake.

As you know, attorneys for the State Lands Division initiated the program with a suit filed on February 13, against Halvor Schultz, a long-standing trespasser on the Sacramento River. The suit seeks to eject Mr. Schultz from State land which he has been occupying without a permit. In addition, we have asked for payment of back rent as well as \$10,000 in punitive damages resulting from the trespass.

Because of the publicity resulting from the litigation, the Division has already been contacted by approximately 20 current trespassers regarding the State's leasing requirements. In addition, the Division has received 9 preliminary lease applications -- 6 for the Sacramento River area and 3 in the Lake Tahoe area.

Day before yesterday, the Division filed another legal action on trespass: against Patricia Avila, dba The River Galley Restaurant, to eject this marina operation from State-owned land on the Sacramento River and to collect damages resulting from this trespass.

The program will continue, and we will continue to keep you informed.

EXHIBIT "A"

2. BUDGET AUGMENTATION -- 1975-76 FY

Each of you has been provided with a detailed summary of the proposed budget augmentation.

Basically, the proposal provides the means through which the staff can implement more active and aggressive programs in several areas:

- a. Boundary and ownership determination to establish firm title to State lands in such areas as the Colorado River and Sacramento-San Joaquin Delta.
- b. Field surveys to assist the boundary determinations and the expected trespass actions.
- c. Bringing trespassers under lease, or removing them from State-owned property.
- d. Upgrading our capability to prepare Environmental Impact Reports.
- e. Improved legislative coordination.
- f. Increased travel requirements for the Commission members -- particularly increased activity in Washington, D.C., with federal agencies -- or stepped-up meetings with other states facing oil and gas problems similar to California's.

The requested augmentation is essential, if the Commission and its staff are to pursue an aggressive land management program as well as an aggressive economic program to increase State revenue from State-owned oil and gas resources.

The benefits to be accrued from an aggressive land titles clarification program cannot be understated. The State must know what it actually owns. It must also be able to assert and retrieve its interest in disputed tideland areas.

In the area of oil and gas revenues: Increased efforts to have the FEA amend its price-ceiling regulations on crude oil could result in millions of dollars in additional revenue for badly needed State programs. The people of California should be receiving the same \$5.25 per barrel for their oil that people in other States are receiving. Instead, California is being held to a ceiling of \$4.21 a barrel for state-owned oil.

### 3. PETITION FOR PARITY -- CONSUMER IMPACT

At the last Commission meeting, Chairman Cory asked for a report on possible applications to the FEA for rulings which would increase the State's oil and gas revenues from State lease production. Commissioner Bell requested a report on what impact such increase would have for the California consumer.

For the record, I am reporting that the Chairman, acting on behalf of the State, filed a petition with the Federal Energy Administration this week, requesting an amendment to FEA crude oil pricing regulations -- making gravity penalties on crude oil produced in California equivalent to those applied elsewhere in the United States.

Staff investigation on Commissioner Bell's request as to consumer impact, shows that the requested rule change could not possibly make an appreciable increase in the pump price for

gasoline. There could not conceivably be an increase of more than one-tenth of one cent per gallon -- if, in fact, there were any increase at all.

4. BURMAH - AMENDMENT OF LEASES

At the December 1974 Commission meeting, the staff, subject to certain legal approvals by the Attorney General's Office, was authorized to conclude an agreement with Burmah Oil Company, modifying the leases included within the 91.1 Main Zone Unit in the Huntington Beach Field.

Burmah has the right, and has threatened, to terminate the unit agreement which would reduce State revenues and cause the premature shutting-in of wells. Burmah's action is based upon an assertion that it is losing money under current royalty arrangements. The Commission's delegation of authority to the staff was to adjust the unit agreement to allow continuation of the profitable lifetime of the unit and maximize the State's income.

To date, no amendment of the agreement has been completed. Data are still being collected by the State Lands Division in order to determine whether the proposed changes in the royalty formula will accomplish the purposes intended by the Commission. Furthermore, steps are being taken to include minority leasehold interests within the overall agreement, and to explore the legality of such inclusion.

I will keep you fully advised at future meetings concerning further developments in this matter.

## 5. USA PETROLEUM SUPPLEMENTAL AGREEMENT

At the regular January Commission meeting, I reported on the recent FEA ruling setting aside certain of the State's oil sell-off agreements.

In this connection, there was a discussion of the contract dispute between the State and USA Petroleum, one of the purchasers of the sell-off oil. (You will recall that representatives of USA appeared before the Commission at that time.) Following the meeting, a staff report, dated February 10, 1975, was distributed to you for your information.

Although USA is supporting the State's position before the FEA regarding the propriety of the sell-offs, the company has refused to pay the State any bonus on the oil it has received under the State contracts.

A supplemental agreement has just been reached between the State and USA whereby: (1) USA will increase its letter of credit to the Commission \$1 million dollars to guarantee payment of all sums the State alleges are due under the contract; (2) USA will further increase the amount in said letter of credit upon 10 days notice from the State Lands Division that additional funds are necessary to cover the amounts the State alleges are then owing; and, (3) while legal action is pending to determine the validity of sell-offs, the rights of each party will not be affected by any delay caused by litigation.

In short, the agreement fully protects the State's interests, and allows the State and USA to jointly proceed in

Federal Court to establish the validity of sell-off contracts. The dispute between USA and the State will be decided as a part of that action, which will be filed within the next week.

The agreement between USA and the State has been reviewed and approved by staff and by the Attorney General's Office. Under the previous authorization from the Commission to proceed with this litigation, I will execute the agreement, if that is acceptable to the Commission.

## 6. CONSULTANTS FOR ENVIRONMENTAL IMPACT REPORT

In January, the Commission directed staff to prepare an Environmental Impact Report on Standard Oil Company's request to resume drilling operations on existing platforms at Carpinteria and Summerland in the Santa Barbara Channel.

The Report will be prepared by a contractor selected by the Commission. The study will be funded by Standard through an escrow account.

On February 19 a draft Request For Proposal to be submitted to potential contractors was transmitted to various local governments and legislators (Russell, Rains, Hart, City & County of Santa Barbara, City of Carpinteria, Santa Barbara Coastal Zone Commission) with a request to review it and asking for expression of any special concerns that they might have.

A preliminary screening by staff of possible contractors has been completed.

The Final Request For Proposal will be transmitted to the potential contractors on March 24. Proposals are due April 14, and a report recommending a contractor will be given to the Executive Officer for discussion with the individual Commissioners by May 5.

7. FEDERAL OCS ENVIRONMENTAL IMPACT REPORT RELEASED

A notice was published in the February 21, 1975, Federal Register advising that the Department of Interior had released the draft Environmental Impact Statement relating to a possible Outer Continental Shelf oil and gas sale of 297 tracts offshore California. This is the sale that was originally scheduled for around June, 1975.

Comments on the Statement will be accepted by Interior until May 23, 1975. After a public hearing is held and comments have been received and analyzed, a Final Environmental Statement will be prepared. (It is obvious that the sale has been delayed.)