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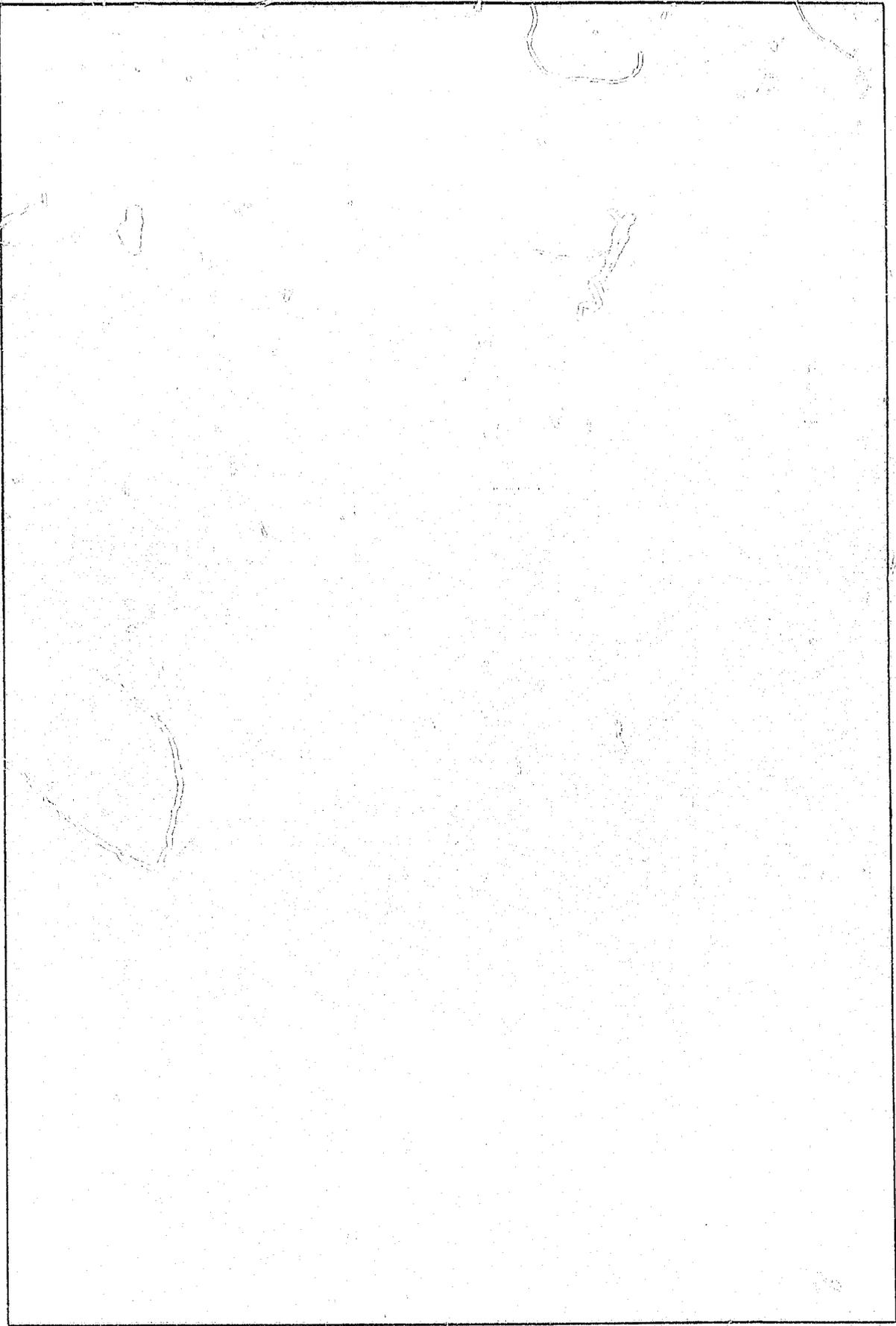
MEETING  
STATE LANDS COMMISSION

Room 6028  
STATE CAPITOL  
SACRAMENTO, CALIFORNIA

THURSDAY, MARCH 25, 1976  
10:00 A.M.

**ORIGINAL**

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MEMBERS PRESENT

- Hon. Roy M. Bell, Director of Finance, Acting Chairman
- Mr. Peter Pelkofer, for Kenneth Cory, Chairman
- Mr. Walter McGuire, for Mervyn M. Dymally, Commissioner

MEMBERS ABSENT

- Hon. Kenneth Cory, Controller
- Hon. Mervyn M. Dymally, Lieutenant Governor

ALSO PRESENT

- Mr. William F. Northrop, Executive Officer,  
State Lands Commission
- Mr. James F. Trout, Land Operations,  
State Lands Commission
- Mr. Robert C. Hight, Staff Counsel,  
State Lands Commission
- Mr. N. Gregory Taylor, Deputy Attorney General



1 We had our first meeting in Seattle, Washington,  
2 on March 12. It was decided, at that time, that the FEA  
3 would prepare a report with input from this western states  
4 group. California was successful in arguing for a Minority  
5 Report in the event any of the western states disagree with  
6 the majority opinion of the report.

7 The next meeting is scheduled for April 23 in  
8 San Francisco.

9 As far as FEA hearings in San Francisco on March 17  
10 and the continuing saga of what's the price of our crude oil,  
11 Mr. Thompson will give us a report on the agenda item on the  
12 Fifth Modification.

13 ACTING CHAIRMAN BELL: Very definitive.

14 EXECUTIVE OFFICER NORTHROP: It will be probably  
15 as definitive as the last three or four chapters in that  
16 saga have been.

17 ACTING CHAIRMAN BELL: All right, go ahead.

18 EXECUTIVE OFFICER NORTHROP: At that last Commission  
19 meeting during the consideration of Pacific Gas and Electric  
20 Company's several pipeline crossings applications, the  
21 Commission asked questions concerning that company's position  
22 on wheeling power for the cities which make up the Northern  
23 California Power Agency. Staff was asked to report back at  
24 this meeting concerning the status of this situation. Both  
25 Pacific Gas and Electric and representatives of the Northern

1 California Power Agency were contacted.

2 The Power Agency is a joint authority involving  
3 cities which have their own electrical distribution  
4 facilities. The Agency, as representative for these cities,  
5 has been attempting to acquire additional electrical energy  
6 to meet their requirements and wants a contract with  
7 Pacific Gas and Electric for wheeling this power. The  
8 Agency has an overall general plan for obtaining and  
9 generating their own power. They feel it is imperative that  
10 they have agreement with the Company to wheel this power  
11 at a proper price over Company lines for a specific period  
12 of time.

13 Representatives of PG&E have stated that it's  
14 Company policy to wheel power for anyone, at any time surplus  
15 capacity is available, providing the Company is appropriately  
16 compensated. However, it is the Company's position that the  
17 Agency -- that the Northern California Power Agency --  
18 substantiate its requirements and identify its power source  
19 before attempting to contract for wheeling power. PG&E  
20 states that power supply centers are located at such diverse  
21 areas as The Geysers, Rancho Seco, and the San Joaquin Nuclear  
22 Facility.

23 Staff evaluation is that the situation is a little  
24 like the chicken and the egg -- which comes first? In order  
25 to move off dead center, staff would recommend that the

1 Commission consider language similar to the following which  
2 is part of any additional lease for powerline crossings of  
3 State lands under the Commissions' jurisdiction. The language  
4 follows.

5           "The facilities occupying the lands  
6 described herein, as a condition of this  
7 lease, shall be made available to publicly  
8 owned power systems for the transporta-  
9 tion of electrical energy, subject to  
10 reasonable charges therefor, whenever sur-  
11 plus capacity exists in said facilities.  
12 Surplus capacity shall be deemed to  
13 exist whenever the California Public  
14 Utilities Commission shall determine,  
15 pursuant to their procedures, that said  
16 facilities are not being utilized fully,  
17 or that alternate available routing of  
18 power would make surplus capacity avail-  
19 able in said facilities. This lease shall  
20 terminate upon 60 days written notice to  
21 lessee if the use of said facilities is  
22 not made to publicly owned power systems  
23 when a surplus exists as defined above."

24           With the Commission's approval, I will submit this  
25 proposed language to the appropriate parties. So what we're

1 really saying, gentlemen, is that not only must PG&E have  
2 the line capacity, but this would preclude them saying they  
3 don't have the capacity when, in fact, they do. It would  
4 leave the onus on PUC as to whether the statements of PG&E's  
5 capacity, the availability, was, in fact, true.

6 ACTING CHAIRMAN BELL: All right. Wheeling  
7 restrictions would apply only to publicly owned power systems.  
8 I would assume it would extend to more than PG&E.

9 EXECUTIVE OFFICER NORTHROP: Yes. It would extend  
10 to any -- Bob, do you want to address yourself to this?

11 MR. HIGHT: It would allow private users to sell  
12 to any of the public-owned utilities in the northern area  
13 through PG&E power lines.

14 MR. MCGUIRE: In other words, when we had those  
15 geothermal hearings, one of the problems was the private  
16 companies couldn't -- they didn't have access to transmission  
17 lines. This would open that up.

18 EXECUTIVE OFFICER NORTHROP: Right. This would  
19 open that up and give some criteria other than PG&E saying,  
20 "Well, I'm sorry, fellows, we ain't got the space."

21 If they don't have the space, they have to demon-  
22 strate that to PG&E, so it leaves it more than on the word  
23 of PG&E. And I think as the chairman, Chairman Cory pointed  
24 out last time, if we're going to use public lands, we should  
25 give the best public benefit for the use of this land.

1           ACTING CHAIRMAN BELL: All right. You have before  
2 us for our approval a request which would then say you would  
3 submit this proposed language to the appropriate parties.

4           EXECUTIVE OFFICER NORTHROP: Yes.

5           ACTING CHAIRMAN BELL: We are not actually passing  
6 on the language at this time.

7           EXECUTIVE OFFICER NORTHROP: That's correct. I'm  
8 just coming to you with the concept in the language. If  
9 that's acceptable, we'll come back with it in some kind of  
10 a formalized form. This is where we are. This is the first  
11 step before we go on.

12           MR. McGUIRE: So move.

13           MR. PELKOFER: I'll second it.

14           ACTING CHAIRMAN BELL: All right. I have a motion  
15 from Mr. McGuire, seconded by Peter that the Commission  
16 approve Mr. Northrop submitting the proposed language to  
17 the appropriate parties. All those in favor say aye.

18           MR. PELKOFER: Aye.

19           MR. McGUIRE: Aye.

20           ACTING CHAIRMAN BELL: Aye.

21           Opposed? (No response.)

22           That's approved.

23           EXECUTIVE OFFICER NORTHROP: The Commission entered  
24 into a contract with Inca I Corporation for a grass roots  
25 opinion poll of American Indians throughout California

1 relative to jurisdiction over their tribal lands. Once we  
2 receive this information, the Commission will be in a better  
3 position to make determinations concerning the retrocession  
4 of jurisdiction on Indian lands.

5 At last month's meeting, staff brought to your  
6 attention a question of whether "lead agency" status on the  
7 SOHIO Project should be assigned -- as it was then -- to a  
8 local agency, the Port of Long Beach, or to a statewide agency  
9 such as the State Lands Commission or the Public Utilities  
10 Commission.

11 Pursuant to your direction at the time to raise  
12 the question with the Office of Planning and Research and in  
13 response to a March 1 request from OPR, staff did inform the  
14 Office of Planning and Research on March 8, that a dispute  
15 did exist between the State Lands Commission, the Public  
16 Utilities Commission, and the Port of Long Beach relative to  
17 the role of lead agency with the respect to preparation of  
18 an EIR for the SOHIO Project.

19 On March 10, OPR confirmed the existence of a lead  
20 agency dispute, and requested formal statements from this  
21 Commission and the Public Utilities Commission and the Port  
22 of Long Beach. Such statements were submitted on March 19.

23 On March 22, staff participated in a meeting  
24 attended by representatives of the City and Port of Long  
25 Beach, the California Public Utilities Commission, and the

1 Attorney General's Office representing OPR. The subject  
2 of negotiation was a compromise agreement whereby Long Beach  
3 and the Public Utilities Commission would, under conditions  
4 believed by the staff to be favorable to this Commission,  
5 would function as a combined lead agency for the SOHIO  
6 Project. Under the terms of the agreement, the State Lands  
7 would have substantial input into the total EIR process.

8 This proposed agreement was considered by the  
9 Public Utilities Commission at their March 23rd meeting and  
10 was approved by a vote of five to zero. The Office of  
11 Planning and Research now has the option to recognize the  
12 agreement and formally announce the termination of the lead  
13 agency dispute.

14 That completes my report.

15 ACTING CHAIRMAN BELL: There is nothing before us  
16 in terms of our own action on this item?

17 EXECUTIVE OFFICER NORTHROP: No.

18 ACTING CHAIRMAN BELL: All right. The next item  
19 on the agenda is the progress report on land consolidation  
20 survey.

21 EXECUTIVE OFFICER NORTHROP: That will be presented  
22 Mr. Chairman, Members, by Mr. James Trout of our staff.

23 MR. TROUT: Mr. Chairman, Commissioners, we talked  
24 off and on about the possibility of consolidating the State  
25 Lands Commission's holdings of the state school lands into

1 manageable parcels, and your staff has worked under  
2 Mr. Northrop's direction for several months in this area,  
3 and we found a couple of things that are somewhat surprising  
4 to the staff.

5 One thing we knew was that 45 percent of California  
6 land is owned by the federal government, or 45.6 million  
7 acres; that one-third of this federal ownership is under  
8 the control of the U.S. Bureau of Land Management. That's  
9 15.6 million acres. To put this in perspective, California  
10 received less than nine percent of its land area from the  
11 federal government, grants totaling about five and a half  
12 million acres.

13 Today only 1,457,000 acres of that land is still  
14 in state ownership or under state control in one way or  
15 another. 607,000 acres is in fee title. 100,000 acres is  
16 unsurveyed entitlement. That's a debt we believe owed to us  
17 from the United States. 20,000 acres of indemnity entitlement--  
18 this is land that we couldn't get because the federal govern-  
19 ment had already given it away. 717,000 acres of mineral  
20 rights; we don't own the surface, but we own the minerals  
21 in varying degrees -- one-sixteenth to one hundred percent.  
22 And there are 13,500 acres that we own but which the Bureau  
23 of Land Management has informed us were incorrectly surveyed.  
24 Now, considering the state's nine percent that was  
25 granted on statehood, by comparison other western states

1 received a much larger portion of their territory in grants  
2 from the federal government; Alaska, perhaps as much as  
3 29 percent, although this is subject to native claims;  
4 New Mexico, 16 percent; Arizona, 14 percent; Utah, 14 percent;  
5 Oregon, 11 percent.

6 Now, today California has more federal ownership  
7 within its boundaries than 43 other states. The average  
8 federal ownership in each state is about 16 percent.

9 Now, at the August Western States Lands Commissioners  
10 Association meeting that Mr. Northrop attended, the western  
11 states agreed that they have been discriminated against  
12 in amounts of federal land grants by comparison with the  
13 southern and eastern states; and at that time, they resolved  
14 to seek additional federal land within their borders.  
15 These states today average almost 50 percent of their land  
16 areas in federal ownership. California, therefore, should  
17 appear to be justified in seeking additional federal lands  
18 for state management.

19 Now we come to the problem. In looking at the  
20 15 million acres under the jurisdiction of the Bureau of  
21 Land Management, we find that BLM lands could be evaluated  
22 for the purpose of satisfying this shortage and in looking  
23 at the needs to consolidate state holdings. However, we find  
24 that BLM ownership is nearly as scattered around the state  
25 as our own land; that 90 percent of BLM land is generally

1 without economic or recreational potential except for open  
2 space, grazing, and hunting, and those are purposes for  
3 which BLM is now managing the lands; that ten percent, or  
4 barely 1.6 million acres, is suitable for acquisition by  
5 the state for management purposes; and any additional lands  
6 for consolidation or for grants would most likely have to  
7 come from several agencies other than BLM, perhaps the U.S.  
8 Forest Service or surplus Department of Defense installations.

9 Therefore, we have submitted a preliminary report  
10 to the Executive Officer evaluating these findings, but we  
11 think we're going to have to look a little further.

12 ACTING CHAIRMAN BELL: Thank you, Mr. Trout.  
13 Any questions by Commission members?

14 MR. McGUIRE: What is the time table, then, for  
15 looking into this?

16 MR. TROUT: We're going to have to now take a look  
17 at the resources of the National Forest Service, for example,  
18 in terms of the holdings we have, the holdings they have,  
19 and the possibility of exchange and consolidation in that  
20 area.

21 We are, frankly, a little surprised because the  
22 maps that the Bureau of Land Management had published,  
23 basically in four and five-color sheets, showed large blocks  
24 of federal ownership. When we got to looking at these  
25 specifically by planning unit, we find out that they have

1 just colored general large areas in which BLM has ownership,  
2 but that didn't represent their ownership at all. Their  
3 ownership is scattered parcels much as ours. There were only  
4 two BLM planning units where BLM has compact, large acreages  
5 within their management, so I really can't answer your  
6 question, Commissioner McGuire. It's going to take us  
7 another -- we're going to have to have to take a month or  
8 so to take another look at the broader perspective.

9 MR. MCGUIRE: We're going to miss this year,  
10 though, if we wanted to go back to Washington.

11 MR. TROUT: Pardon.

12 MR. MCGUIRE: We were thinking in terms of going  
13 back to Washington with a resolution.

14 EXECUTIVE OFFICER NORTHROP: No, I think we'll  
15 be timely to do that. I think what we're looking at now  
16 is, perhaps, putting some more valuable land in the picture,  
17 and I think we can do that in rather short order. Frankly,  
18 BLM land is not all that good. The intent of Congress,  
19 particularly Congressman Pettis' desire, is to set a lot of  
20 the desert lands, BLM desert land, into a desert unit has  
21 just complicated what we were trying to do, so we are now  
22 looking at some other lands.

23 ACTING CHAIRMAN BELL: Okay. The last staff  
24 report on the agenda is presentation on Bethel Island  
25 meeting with Senator Nejedly by Mr. Trout.

1 MR. TROUT: I'd like to preface my remarks by  
 2 saying that following the Bethel Island meeting we had  
 3 indicated we would look at some alternatives, and it has  
 4 turned out that every alternative we've looked at has  
 5 resulted in maybe 18 problems. And therefore, we're giving  
 6 you a progress report rather than the more detailed report  
 7 we had thought we could give you this month.

8 As the Commission is aware, title investigation  
 9 and leasing activity on state-owned land is part of a  
 10 statewide program being conducted by the Division. The  
 11 program is being continued at various places in the State,  
 12 including Bethel Island, Donner Lake, the Colorado River,  
 13 and lagoons and estuaries in Southern California.

14 At the December '75 Commission meeting Senator Nejedly  
 15 asked that representatives of the Division meet with Bethel  
 16 Island property owners. The Senator specifically asked for  
 17 presentation of State intentions with regard to the  
 18 Commission's leasing program and its ownership claims. The  
 19 meeting was held the evening of January 19, 1976, at Bethel  
 20 Island and was attended by about 300 persons.

21 Property owners at Bethel Island disputed the factual  
 22 basis for the State's contention concerning the location  
 23 of boundaries. Consideration is being given to the additional  
 24 information presented in the comments of the people of  
 25 Bethel Island. The property owners objected to the State's

1 leasing policy under which processing fees and rents would  
2 be charged for various types of facilities constructed in  
3 the waterways. Staff is evaluating all of the data and  
4 information concerning matters raised at the meeting. Ways  
5 are being sought to resolve the dispute. The Office of the  
6 Attorney General has been involved to assist in evaluating  
7 various alternatives which might be available.

8 The staff will keep the Commission apprised of  
9 progress on the evaluation of both the information and  
10 alternatives. It is expected that a recommendation can be  
11 presented to the Commission for public comment within  
12 three to four months.

13 Staff has agreed not to press for further lease  
14 applications until the overview is concluded. Without  
15 objection from the Commission, we would continue to advise  
16 Bethel Island property owners of the extent of the State's  
17 claims, but not to require lease applications for structures  
18 within state-claimed lands until the information discussed  
19 above has been presented to the Commission. In the meantime,  
20 the Division will continue to issue leases to those parties  
21 willing to make arrangements with the State.

22 ACTING CHAIRMAN BELL: Fine. Thank you, Mr. Trout.

23 Are there any public comments on this item from  
24 members of the audience? If not, does the Commission have  
25 any comments?

1 MR. McCONNEL: Mr. Chairman.

2 ACTING CHAIRMAN BELL: Yes.

3 MR. McCONNEL: My name is Darrel McConnel. I  
4 represent the Marina and Recreation Association of  
5 California.

6 With respect to Bethel Island and other activities  
7 of the State Lands Commission involved in lease right  
8 negotiations, would it be in order that we ask the Commission  
9 at the present time to defer from any negotiation throughout  
10 the State on these matters until this problem becomes  
11 resolved? There are problems on the Sacramento River. There  
12 are problems, Donner Lake, et cetera, all over the State,  
13 and I think that these negotiations should be held up until  
14 we can reach some sort of a basis, a common basis, throughout  
15 the State on these negotiations.

16 ACTING CHAIRMAN BELL: Thank you, Mr. McConnel.

17 May I have some advice from our staff?

18 MR. TAYLOR: Mr. Chairman, I believe you have a  
19 leasing policy for the state. It's being applied in a  
20 state-wide manner. The State Lands Commission is charged  
21 with the leasing schedule. The State Lands Commission is  
22 charged with administering the leasing program of the state;  
23 that is a mandatory duty. It has been the concern of the  
24 Legislature that this program go forward, and it's been  
25 the concern of the Office of the Governor and the Department

1 of Finance that the program go forward, and the budget and  
2 the staffing of the Lands Commission has been. Unless  
3 there is a change in the law and regulations of the State  
4 with regard to that, this is a public asset which must be  
5 administered in the public interest. I think, as we made  
6 clear at all the hearings, that this is the program of the  
7 State.

8 The primary problem with Bethel Island are the  
9 boundaries. I think without a change in the law -- and I  
10 think there still may be a problem in that as far as  
11 potential gift of public property is concerned -- I believe  
12 that the duty of the Commission is clear to proceed.

13 EXECUTIVE OFFICER NORTHROP: Staff has made it  
14 very clear that should -- at the resolution of this problem,  
15 everything will be retroactive as to leases as well, so I  
16 think the gift of public property raised by the Attorney  
17 General is well taken by the rest of the staff.

18 ACTING CHAIRMAN BELL: Thank you. Any comments  
19 from Commissioners?

20 (Thereupon a short discussion was held off  
21 the record.)

22 MR. PELKOFER: No, I don't either as long as  
23 that policy exists. It seems that if there are landowners  
24 willing to enter into lease agreements that they feel are  
25 satisfactory, I see no reason to preclude them doing that.

1           ACTING CHAIRMAN BELL: Mr. McConnel, as I inter-  
2 pret the attorney's language, which is always difficult to  
3 interpret, and my own Commission members, the answer to  
4 your question is, no, we feel it is quite proper to negotiate  
5 with those who want to negotiate. We are, however, accepting  
6 the fact that the staff's agreed to not press in those  
7 areas when further lease applications would be resisted by  
8 the --

9           EXECUTIVE OFFICER NORTHROP: Bethel Island only.

10          ACTING CHAIRMAN BELL: Bethel Island only.

11          MR. McCONNEL: Well, why just Bethel Island?

12 Let me say this, that I'm concerned over, say, just our own  
13 back yard, the Sacramento River, right at the present time  
14 where the Commission is going in and making all sorts of  
15 wild increases, say, from \$180 a year for lease right to  
16 \$3,300 a year; ranging from \$800 up to \$3,300 on the various  
17 resort owners on the Sacramento River.

18           Now, this seems a little wild to me. I'd like to  
19 see that we get down to some standardized procedures and not  
20 to go in and beat these individuals over the head on increases  
21 this way. This doesn't sound right.

22          MR. PELKOFER: Mr. Chairman.

23          ACTING CHAIRMAN BELL: Mr. Cory's representative  
24 would like to comment.

25          MR. PELKOFER: It seems to me that the gentleman

1 is raising a problem other than what we are dealing with in  
2 terms of Bethel Island. If I understand the Attorney General  
3 correctly, the dispute as it exists there is not a question  
4 so much as to how much but whether or not we have a right  
5 in any case because of the boundaries, as I understand them.

6 MR. McCONNEL: The boundary dispute, yes, is  
7 taken; but at the same time, it's the increases that are  
8 being demanded by the Commission, by the State Lands Commission,  
9 upon these individual owners that these people are very much  
10 concerned with. And I think that we should --

11 MR. PELKOFER: I think that's not really before  
12 us. That may be a valid subject of investigation or considera-  
13 tion. I haven't sat that often here, so I don't know, but  
14 it seems to me that's really not what we're talking about  
15 in terms of Bethel Island specifically at this point.

16 ACTING CHAIRMAN BELL: Thank you.

17 MR. McCONNEL: Thank you for your time.

18 MR. WALSH: I'd like to comment on the same  
19 subject, if I may.

20 ACTING CHAIRMAN BELL: Would you care to step  
21 forward and identify yourself?

22 MR. WALSH: My name is John Walsh, and I'm the  
23 chairman of the organization that convened the January 19  
24 meeting with the State Lands, and I'd like to compliment  
25 Mr. Trout. That was a fair and factual summary of the meeting;

1 no more and no less.

2 I think there's one thing I'd like to get into  
3 the record though. It's this, that one of the disturbing  
4 aspects of the State Lands' actions or attitudes toward we  
5 people in Bethel Island has been the lack of disclosure,  
6 and I'd like to place on record that at the meeting Mr. Trout  
7 in the name of the State Lands, undertook to deal with the  
8 parties involved on any questions that assumed any acuity  
9 at all, to deal with them from the principles of utmost  
10 disclosure and legal particularity. He did more than that;  
11 he pledged that, and I would just like to have that reaffirmed.  
12 I would like to be able to report back to my membership  
13 committee that in questions, I repeat, of any acuity that  
14 we can expect complete disclosure from the State Lands.

15 ACTING CHAIRMAN BELL: Comments?

16 MR. MCGUIRE: I don't know what to say except  
17 I think that's always been the policy of the State Lands.

18 EXECUTIVE OFFICER NORTHROP: That's the policy  
19 of the State Lands. We've got nothing to hide. Things are  
20 out in the open.

21 MR. WALSH: I know it's not the issue before,  
22 but that has not been my experience with the State Lands.  
23 It's a positive blank wall. It's infuriating and frustrating  
24 and -- well, it's just that.

25 On a less serious note, I'd like to compliment

1 Mr. Trout on the manner in which he withstood the slings and  
2 arrows of the outraged Bethel Island citizenry.

3 ACTING CHAIRMAN BELL: It's one of the advantages  
4 of being the staff guy you send instead of having to do  
5 it yourself.

6 MR. WALSH: Thank you very much.

7 ACTING CHAIRMAN BELL: Thank you very much. I do  
8 think, though, that it is our policy, and if there is  
9 something outrageously out of line, that really should be  
10 called to the Commission's attention.

11 MR. WALSH: We'll do that in future if we feel  
12 that's the case, Mr. Bell.

13 ACTING CHAIRMAN BELL: Any other comments? If  
14 not, we will go to the rest of the agenda.

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Items  
16 C10, 23, and 33 have been by either Attorney General or  
17 other reasons have been taken from the -- stricken from the  
18 agenda. C10, 23, and 33.

19 ACTING CHAIRMAN BELL: C10, 23, 33?

20 EXECUTIVE OFFICER NORTHROP: Yes. I may have a  
21 comment on 33 when we get to 34. I have a good reason for  
22 that.

23 ACTING CHAIRMAN BELL: Thank you. Now, we have  
24 before us for the first time, I believe at the request of  
25 the Lieutenant Governor, a suggestion that we use a Consent

1 Calendar; is that correct, Mr. Northrop?

2 EXECUTIVE OFFICER NORTHROP: That's right, and it  
3 includes Items C1 through Consent Item Number 17.

4 There have been no registered objections; we have  
5 none today. Those people who have items on the Consent  
6 Calendar have been advised they were going on consent, but  
7 if they had any -- if they would like to make any statements  
8 or felt any statements would have to be made to support  
9 their positions that they were to attend. It was not to be  
10 considered that the Consent Calendar was automatic. It's  
11 merely a mechanism for the Commission to deal with these  
12 noncontroversial items more expeditiously in the meeting.

13 ACTING CHAIRMAN BELL: All right. I think without  
14 objection, I have no particular desire to read 17 items  
15 myself. Perhaps I could just deal with the Consent Calendar  
16 by asking if there is anyone in the audience that has any  
17 objections to the Consent Calendar being adopted.

18 If not, are there any problems by Commission  
19 Members? If not --

20 MR. PELKOFER: I'll move, Mr. Chairman.

21 ACTING CHAIRMAN BELL: I have a motion --

22 MR. MCGUIRE: Second.

23 ACTING CHAIRMAN BELL: All a second that the  
24 Consent Calendar be approved with the exception of Item C10,  
25 which is deleted. All those in favor say aye.

1 MR. PELKOFER: Aye.

2 MR. MCGUIRE: Aye.

3 ACTING CHAIRMAN BELL: Aye.

4 Opposed? (No response.)

5 That's unanimously adopted.

6 Mr. Northrop, Item 18 on the regular calendar.

7 EXECUTIVE OFFICER NORTHROP: Chairman Bell and  
8 Members, this is an application by Shell for a pipeline  
9 roughly from the Sacramento Airport to Shell's Martinez  
10 refinery.

11 Let me say at the outset of this meeting that  
12 Shell Oil Company has been extremely cooperative with those  
13 members of the public who have raised objections to the  
14 routing of the line. The staff tells me they have really  
15 done -- have been very cooperative in putting this pipeline  
16 route together and the objections raised, the bulk of them  
17 have been overcome.

18 We have Leslie Hood, from the Natural Areas  
19 Coordinating Council, Sonoma County, called. He would like  
20 to make a short presentation. However, before we get to  
21 that presentation, it's been suggested by some of the  
22 Commissioners in conversation with staff that, in fact,  
23 we're looking at a through-put concept in the Executive  
24 Session this afternoon, or immediately following this meeting,  
25 the legal ramifications of the imposition of a through-put

1 concept; that we may want to hold this item over for a month  
2 and make this the first item on the Through-put Calendar,  
3 so I make that suggestion first. I know that Chairman Cory,  
4 in conversation with him, indicated that was what he had  
5 in mind. I don't know whether his representative has  
6 been so instructed or not.

7 MR. PELKOFER: In that wise I was instructed that  
8 that would be -- was to be considered, and he would recommend  
9 and I would make such a motion when the time is proper.

10 ACTING CHAIRMAN BELL: All right. Quite frankly,  
11 I would want to be assured that the Shell Oil Company  
12 would not be damaged by putting the item over a month,  
13 because I happen to appreciate some cooperation by people  
14 around here, but that's beside the point at the moment.

15 Is Mr. Hood here to make comments?

16 MR. HOOD: I am Leslie Hood. I'm chairman of  
17 the California Plant Society Conservation Committee and also  
18 the Executive Director of the California Natural Areas  
19 Coordinating Council, and the latter is an organization  
20 attempting to determine what areas, what natural areas in  
21 the state should be protected and how we can protect them.

22 I have three points to make. The first point is  
23 necessary to understand the second point. I was just  
24 handed an alternative routing by the Shell Oil people  
25 which takes -- surrounds the Dixon vernal pools. This is

1 very important. Vernal pools are found in California.  
2 They are, perhaps, one of the more unique habitats in the  
3 state. They used to be very common in the state but, perhaps  
4 now, oh, ten or twenty of any substantial size. These pools  
5 are formed in a shallow hummock. They stay there during  
6 the spring, and over a period of some 20 to 30 thousand years,  
7 a number of plants have grown up around them. There is  
8 probably a plant community of 40 to 50 plants that live in  
9 these pools and are found only in California and only in  
10 this pool habitat. In the Dixon area there are three rare  
11 plants, one of which is found in Solano County; one of  
12 which is found in several other spots in the state; and one  
13 of which is found only in this particular pool.

14           Secondly, the area also is one of the best native  
15 grassland areas remaining. Before the coming of the  
16 Spaniards and their domestic animals, approximately 20 million  
17 acres in the State of California was covered by the bunch-  
18 grass. Today we now have something less than 7,000 acres  
19 that is in anywhere approaching a natural state, of which  
20 approximately 1,500 acres are in the vernal pool area in  
21 the Dixon-Dumbarton area. Therefore, this does have a  
22 very important biological and historical value in terms of  
23 the original landscape of the state.

24           Mr. Chairman, we have been negotiating with Shell  
25 and had a number of meetings with them. I think I can speak

1 for most of the members of the -- whatever you want to call  
2 it -- the environmental elements, and Shell has agreed to  
3 reroute its pipeline from the Sacramento northern right-of-  
4 way, around, down Highway 113, and around Creed Lane to  
5 avoid this very environmentally sensitive area. This is a  
6 positive precedent, and we are very appreciative of this.

7           On the negative side, we had hoped that this area,  
8 this particular routing down 113 and around Creed Lane would  
9 not become the major corridor. A six-foot water pipe in  
10 there would cause damage that would eventually, perhaps  
11 not in my lifetime, perhaps not in yours, but would eventually  
12 damage the vernal pools, probably resulting in their  
13 absolute destruction. Therefore, one, we hope that the  
14 Shell routing will establish a precedent but also hope  
15 that the precedent won't be a full precedent.

16           And my last comment would be that I would like to  
17 and I think Mr. Northrop's comments that Shell has been  
18 magnificent in their willingness to cooperate with us and  
19 have bent over backwards in doing what can be done, and I  
20 would like -- I wish that everybody that we worked with  
21 were as cooperative and as understanding. I thank you.

22           ACTING CHAIRMAN BELL: Thank you, Mr. Hood. In  
23 other words, this alternate route is a lot better than the  
24 one they originally had laid out.

25           MR. HOOD: Very definitely.

1           ACTING CHAIRMAN BELL: Any other comments on  
2 the Shell application?

3           MR. HOLLIMAN: Mr. Chairman and Members of the  
4 Commission, my name is William Holliman. I'm the attorney  
5 for Shell Oil on this particular project.

6           I would like to address myself to the suggested  
7 continuance, possibility of a continuance, and I'd like  
8 to break down the comment into two areas because the  
9 significance differs. First you have before you the EIR  
10 as the lead agency and, secondly, of course, the application  
11 for the permits and the lease.

12           With respect to the EIR, fortunately, I believe  
13 we have been able to resolve the significant environmental  
14 questions, and with everyone exchanging commendations, I  
15 have to say that your staff spent a great deal of time and  
16 effort, more than I've seen expended on numerous EIRs, in  
17 requiring and preparing responses to significant comments  
18 that were, indeed, raised on the initial draft. But the  
19 project to which the EIR addresses itself now is a route  
20 which includes the alternate route; that is to say, by way  
21 of mitigation. And the recommendation before you is that  
22 the EIR be certified as adequate under CEQA and, secondly,  
23 that a finding be made that there is no significant environ-  
24 mental effect.

25           We would hope that you would proceed on that

1 aspect of this calendar item today for the following reason:  
2 We may not proceed to file our application with the Bay  
3 Conservation and Development Commission nor with the Corps  
4 of Engineers until that EIR has been certified; and further,  
5 we have to do it within a specified number of days following  
6 that.

7 Now, the second part of the calendar item had  
8 to do with the question of a through-put charge. We've had  
9 an opportunity to review the staff report to the Commission  
10 as well as a draft of the lease which would be applicable.  
11 We have understood from the outset the Commission's interest  
12 in exploring and pursuing a through-put charge as opposed  
13 to the long-established cent per diameter pipe and so forth.

14 The proposed lease contains a suggested provision  
15 that Shell would agree that if a through-put charge is  
16 established that we would then pay that through-put charge.  
17 As you well know, last March those hearings were opened  
18 under the Administrative Procedures Act; and then after a  
19 lot of discussion and hearings, they've been suspended and  
20 they're still suspended and now pending. And we think the  
21 proposal is fair. We think that if you proceed and if, in  
22 fact, a through-put charge should be enacted state-wide and  
23 industry-wide, then we have agreed and would agree in this  
24 lease that it would not only be applicable but retroactive  
25 to April 1 of 1976.

1           There is a damage to Shell in the delay, in a  
2 month's delay. Part of that is because of the necessity of  
3 the construction period to avoid some of the environmental  
4 problems that the report indicates; the necessity of doing  
5 a large amount of the work in the dry period to avoid problems  
6 with some of the water areas. And the one month will, in  
7 fact, be a serious delay to us. And in view of the proposed  
8 through-put provision within the lease, we would hope that  
9 we could avoid that delay. It would seem to me that that  
10 provision would take care of the situation which would  
11 arise if, in fact, you do proceed to work out a through-put  
12 charge.

13           ACTING CHAIRMAN BELL: Mr. Holliman, I personally  
14 happen to agree with both of your statements. Unfortunately,  
15 I don't have either Mr. Cory or the Lieutenant Governor here  
16 with me, but their representatives are here and they would  
17 seem to indicate at least they have not -- they seem to  
18 have nodded when you were saying about the EIR. And I  
19 notice in our official Calendar Item 18, on pages 56 and 57,  
20 that the recommendation of the Commission consists of four  
21 steps. One, to determine a final EIR Impact Report has been  
22 prepared for this project, et cetera. Two, that the final  
23 Environmental Impact Report Number 186 has been completed  
24 in compliance with the Environmental Quality Act of 1970  
25 and the State Guidelines, and that the Commission has reviewed

1 and considered the information. And three, determine that  
2 the project will not have a significant effect on the  
3 environment. Now, that was the first part of your comment.

4           The fourth part of the recommendation was to go  
5 ahead by authorizing the issuance of a 15-year lease, which  
6 I sense some reluctance by my fellow Commission members  
7 on that, and I was wondering if, perhaps, we could have a --  
8 you can take an action which would in effect approve the  
9 EIR and those three points and not issue -- and in effect  
10 put over the issuance of the lease.

11           May I have a comment on that?

12           EXECUTIVE OFFICER NORTHROP: As soon as staff  
13 gives me one, we'll be right with you.

14           (Laughter.)

15           ACTING CHAIRMAN BELL: Okay. I'm trying to see  
16 whether we can divide your question.

17           (Thereupon a short discussion was held off  
18 the record.)

19           ACTING CHAIRMAN BELL: By the way, while you're  
20 in the middle of a consultation, may I be sure that our  
21 action on the EIR would indicate that this is on the alternate  
22 routing?

23           MR. HOLLIMAN: I'm sorry, Mr. Chairman. I was --

24           ACTING CHAIRMAN BELL: No. I was just trying to  
25 get back to the staff and break up their conversation by

1 saying that if we approve the EIR part of this, does this  
2 cover the alternate route?

3 MR. HOLLIMAN: I believe that to make it clear  
4 that it does, and we have committed ourselves to all the  
5 environmental people that that is our intention; that I  
6 want to say for the record now that the project to which the  
7 EIR refers and, therefore, is applicable, is a project which  
8 shows the route as altered on a set of maps which have been  
9 provided to staff and which may be marked as an exhibit and  
10 so forth.

11 MR. PELKOFER: If the staff is satisfied that  
12 the EIR covers the alternate route, there's no problem.

13 EXECUTIVE OFFICER NORTHROP: Correct.

14 (Thereupon a short discussion was held off  
15 the record.)

16 ACTING CHAIRMAN BELL: By the way, this is a  
17 reasonably significant item for us to discuss.

18 MR. HIGHT: Yes.

19 (Thereupon a short discussion was held off  
20 the record.)

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman.

22 ACTING CHAIRMAN BELL: Mr. Northrop.

23 EXECUTIVE OFFICER NORTHROP: Thank you very kindly  
24 for the delay. In consultation with not only our counsel  
25 but Shell's counsel, the delay for them would be, as far as

1 the environmental concept, would be if we would adopt  
2 items 1, 2, and 3 as required, Shell has indicated a  
3 willingness to go with the through-put concept, and we would  
4 have to put -- the terms of that would depend a great deal  
5 on the discussion this afternoon with Counsel on the through-  
6 put concept and put that as an agenda item for next month  
7 as the first through-put.

8           ACTING CHAIRMAN BELL: All right. We have the  
9 advice of the staff which seems to conform with the prior  
10 thinking of the Board members.

11           I would like to accept a motion that we approve  
12 recommendations 1, 2, and 3 on pages 56 and 57, and we defer  
13 item 4, which was the authorization for the lease, until  
14 our next meeting.

15           EXECUTIVE OFFICER NORTHROP: In the interim we'll  
16 have a meeting with Shell.

17           MR. HOLLIMAN: Mr. Chairman, may I just make a  
18 comment prior to consideration of the motion?

19           That is satisfactory, first of all --

20           ACTING CHAIRMAN BELL: That's what I wanted to  
21 know.

22           MR. HOLLIMAN: -- and we can go along with that.  
23 I just want to be sure that there's nothing misleading in  
24 the record. The point that I had made with respect to the  
25 issue that's being delayed is simply to say that in

1 recognition of the fact that the Commission has had and is  
2 continuing to consider the enactment or provisions for the  
3 enactment of a through-put charge, that we were prepared  
4 to say that should it be enacted, that the rate would be  
5 applicable to this lease and --

6 ACTING CHAIRMAN BELL: I appreciate that.

7 MR. HOLLIMAN: -- and that is the only remark that  
8 I intended to make with respect to the whole through-put  
9 issue.

10 ACTING CHAIRMAN BELL: Thank you. All right,  
11 may I have such a motion?

12 MR. McGUIRE: I move that we accept the first  
13 three recommendations and defer action on the fourth.

14 MR. PELKOFER: And I'll second the motion.

15 ACTING CHAIRMAN BELL: I have a motion and a  
16 second. All those in favor say aye.

17 MR. McGUIRE: Aye.

18 MR. PELKOFER: Aye.

19 ACTING CHAIRMAN BELL: Aye.

20 Opposed? (No response.)

21 Thank you, Mr. Holliman.

22 MR. HOLLIMAN: Thank you.

23 ACTING CHAIRMAN BELL: Now, if I can find my  
24 way back to the agenda. Item 19, exercise of the public  
25 trust within a portion of Morro Bay, San Luis Obispo County.

1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we  
2 have had -- we have here a letter from the Department of  
3 Fish and Game -- correction.

4 On this item, Mr. Chairman, we have Mr. Charles Ogle,  
5 of the law firm of Ogle, Gallo & Merzon, representing Morro  
6 Bay Land Company. He called the state and advised he would  
7 like to make a presentation at the Commission meeting in  
8 opposition to the item. The Commission and the Commission  
9 members, addressed to the staff officers, have received  
10 17 letters in support of the Commission's exercising the  
11 public trust over Morro Bay.

12 ACTING CHAIRMAN BELL: Thank you. What was the  
13 name of the gentleman?

14 EXECUTIVE OFFICER NORTHROP: Charles E. Ogle,  
15 O-g-l-e.

16 ACTING CHAIRMAN BELL: All right. Mr. Trout, are  
17 you going to present the item to the Board?

18 MR. TROUT: At the Commission's pleasure, I'd  
19 be happy to.

20 We have over here on kind of our black easel,  
21 this is a composite area photograph of south Humboldt --  
22 Morro Bay.

23 I've been accused of having this an all-purpose  
24 map. You turn it this way and it's San Francisco, but this  
25 is Morro Bay.

1                   This is a mosaic of color area photographs  
2 showing the area we're talking about. This line basically  
3 represents the line of the limit of presently privately-owned  
4 tideland patents that extend from the lower part of the  
5 Bay up to this area. Some tideland patents have been --  
6 the underlying fee has been purchased by the Department of  
7 Parks and Recreation, and there is some up in the town of  
8 Morro Bay itself. Some of the tideland patents include  
9 lands that are submerged lands for which we argued title  
10 never passed to the private owners. But this is the area  
11 we're talking about, and for about a minute and a half we'd  
12 like to start at this area and show you a few slides around  
13 Morro Bay as the tide recedes, and we'll come back and show  
14 you a good idea what this area looks like at the present time.  
15 And I think it also illustrates some of the important aspects  
16 of Morro Bay that are necessary to be preserved under this.  
17 And I would apologize to the audience for the angle that  
18 we have, but it's the best we can do, I think, here.

19

--oOo--

20

21                   This is starting at the east side, as I pointed  
22 out, kind of gives you an overview of the situation.

22

--oOo--

23

24                   Another view.

24

--oOo--

25

And then we're moving kind of south around the

1 southern part of Morro Bay.

2 --oOo--

3 This is the kind of area that exists there with  
4 the various kinds of estuary and habitat.

5 --oOo--

6 And some habitat, a man there.

7 --oOo-- --oOo-- --oOo--

8 Looking kind of across the very southern end.

9 --oOo-- --oOo--

10 That one upside down.

11 --oOo--

12 Here again is some of the very desirable habitat  
13 that the letters and the reports that are indicated in the  
14 Calendar Item say must be preserved.

15 --oOo-- --oOo--

16 This is the very southern end.

17 --oOo-- --oOo-- --oOo-- --oOo-- --oOo-- --oOo--

18 This is the small area that shows on the aerial  
19 photograph that has been developed.

20 --oOo--

21 An artificially created lagoon.

22 --oOo--

23 And now the tide is nearly at low tide as we go  
24 quickly back around a portion of the Bay. These areas would  
25 be covered at higher stages of the tides.

--oOo-- --oOo-- --oOo-- --oOo-- --oOo--

1           These are the dunes that extend out toward  
2 Morro Rock from the south.

3                           --oOo-- --oOo-- --oOo--

4           Again you can see the fine area that's basically  
5 undisturbed.

6                           --oOo--

7           It's this area that is consistent with the  
8 Commission's exercise of the trust to preserve.

9                           --oOo-- --oOo-- --oOo-- --oOo-- --oOo--

10           I think we must have dropped a carousel at one  
11 time or another.

12                           --oOo--

13           That's basically an overview of the portion of  
14 south Humboldt -- Morro Bay. We've got problems in Humboldt  
15 Bay and it stuck on my mind.

16           ACTING CHAIRMAN BELL: Thank you, Mr. Trout.

17           Is Mr. Charles Ogle here?

18           MR. OGLE: Yes, I am, Mr. Chairman.

19           ACTING CHAIRMAN BELL: Would you like to address  
20 the Commission?

21           MR. OGLE: If I may.

22           Mr. Chairman and Members of the Commission, per-  
23 haps my first comment will be to the effect that certain  
24 of the slides showed the area known as Shark Inlet which  
25 is the water area being the southernmost portion of the Bay.

1 That area is no longer in private ownership, and to that  
2 extent the legal description attached to the proposed  
3 resolution is incorrect. After several years of litigation  
4 and a jury trial last fall, much of the Morro Bay in-  
5 lands, uplands ownership and also their tidelands ownership  
6 comprised of Shark Inlet was taken by Parks and Recreation.

7 Now, I'm the attorney for the Morro Bay and Land  
8 Company which is a California partnership comprised  
9 initially of 17 people who purchased these tideland holdings  
10 and large upland holdings about 20 years ago. The tidelands  
11 have been in private ownership for about 75 years, and  
12 over that 75-year period, very substantial real property  
13 taxes have been paid.

14 Aware, obviously, looking around at your very  
15 crowded agenda and the great number of people here, I will  
16 abbreviate my remarks for that reason, but I must say that  
17 speaking for the owners and the partners that own these  
18 tidelands, and though I will keep my remarks low key, we  
19 very vehemently protest the imposition of the public trust  
20 upon these tidelands. We feel it's unnecessary for reasons  
21 that I'll advance, but we further feel that it would, in  
22 effect, confiscate valuable property. Though we don't seek  
23 condemnation, our position would be rather this, if the  
24 people want to acquire those tidelands, a condemnation and then  
25 we can negotiate a settlement; or failing that, a jury can

1 ascertain their value.

2 We view the imposition of this public trust which,  
3 perhaps, is authorized but not demanded by the Marks vs.  
4 Whitney decision, as the equivalent of down zoning. You  
5 might just as well take a C-1 piece of property upon which  
6 you could build a hotel in downtown Sacramento and zone it  
7 to R-1, single-family residence, and turn around and try  
8 to condemn it at the lower value. We believe that would  
9 be the process that would be started by the imposition of  
10 this public trust. But more than that, we feel it's unneces-  
11 sary. It sounds great, imposing the public trust and  
12 preserve the tidelands; but in actuality, that isn't so.

13 The staff report, which is otherwise extremely  
14 well-written and objective, contains some phrases that keep  
15 cropping up when people talk about certain sensitive areas.  
16 The staff report addresses itself to ongoing pressure for  
17 a continued development of the Bay. Well, factually that's  
18 not true. I'm one of the partners of this partnership,  
19 and I've represented the partnership for its 20-year existence,  
20 and there are no past or present ongoing pressures for the  
21 development of that bay. As a matter of fact, an interest  
22 about five years ago -- as an example of what cannot be  
23 done -- the county -- this is an unincorporated area -- the  
24 County of San Luis Obispo together, I'm quite sure, with  
25 the blessings of and I believe proposed financial assistance

1 of the State of California, no doubt by State Lands,  
2 proposed to erect a small boat launching harbor at the  
3 south end of the Bay -- this is the county and the state  
4 acting together -- leading from that man-made lagoon or an  
5 area near that to the nearest channel, and the Corps of  
6 Engineers stopped them. So we see -- and, of course, the  
7 environmental movement has progressed rapidly since that  
8 five or six years ago, but even as of then the county and  
9 the state acting together were not allowed to even dredge  
10 a channel of those tidelands.

11 I further observe that San Luis Obispo County,  
12 although some other counties might challenge this reputation,  
13 is known by some as a hot bed of environmentalists. My  
14 point is it's just not realistic and it's not factually  
15 correct, it's not true to say that there's any pressures  
16 for the development of that bay. And again, the staff reports  
17 suggest that the imposition of the public trust is necessary  
18 for the protection and preservation of the public property  
19 rights. Again I say, not so. What will result from the  
20 unilateral imposition of this trust without compensation,  
21 because that's what this resolution seeks to do, would be  
22 to greatly enlarge any existing public property rights and  
23 greatly reduce, maybe diminish entirely, the private property  
24 rights and without compensation.

25 Now, I next observe that the imposition of the

1 public trust with announced purposes such as -- looking  
2 at the staff report -- clamming, will inevitably, I believe,  
3 lead to a situation, to wit, pressures for continued use  
4 by the public, willful trespass, that would probably defeat  
5 the very laudable purpose thought to be served by the  
6 imposition of the trust. In plain English, the word's going  
7 to get around that a public trust was imposed in the Bay,  
8 that the private property owners don't have any rights any  
9 more, and people are going to tear up that bay. They are  
10 going to get out there and flop around and try to do whatever  
11 they can do. At worst it's going to result in the distur-  
12 bance of the tidelands. It's also going -- you're either  
13 going to have to spend money policing or suffer the inevitable  
14 result of an encouraged and renewed public interest.

15 I next observe that, as we all know, the Coastal  
16 Plan is before the Legislature now. As a separate argument  
17 against the imposition of this trust, I would observe to you  
18 that most definitely the Coastal Plan has addressed itself  
19 in large measure to wet areas and coastal areas; and  
20 obviously, these tidelands are well within the purview of  
21 the Coastal Plan. And as a separate and independent argument,  
22 therefore, I suggest that any resolution imposing a public  
23 trust at this time will be premature. You don't know  
24 whether the stated uses as suggested in your resolution  
25 will be consistent or at variance or inconsistent with whatever

1 uses of these tidelands that will be set forth in the  
2 Coastal Plan wh. and if adopted. And really, I would  
3 suggest stopping right there is a valid argument not to  
4 impose this trust at this time.

5           Finally, and again although this matter is of  
6 extreme importance to the owners, I'm aware of the many  
7 other matters before the Commission today. There are two  
8 developments which I believe to be further persuasive of  
9 the partnership's position that the trust should not be  
10 imposed, at least not at this time. One is the fact that  
11 for two or three years, as counsel for the partnership and  
12 with certain other partners, I've negotiated with the  
13 University of Southern California for a marine biology type  
14 of gift to the University. I've met with the Director of  
15 the Alan Hancock Foundation and with Dr. Walsh, who heads  
16 the Institute of Marine Studies, as I recall the name. I  
17 met with these gentlemen as late as two or three days ago  
18 to specifically secure their approval to bring up the  
19 name of the University in these proceedings, and I received  
20 that approval. It is contemplated that, perhaps, the  
21 westerly one-third of these tidelands will be given by  
22 the partnership to the University; and the University,  
23 perhaps with a consortium of other schools, will establish  
24 a facility of some type on the dry land area -- we're also  
25 talking about giving them an acre or two of dry land --

1 and conduct educational pursuits on the westerly one-third  
2 that's given to them.

3 Now, I'm aware that educational pursuits are  
4 one of the stated objectives that are allowed, I should say,  
5 within the public trust thought to be imposed. But I  
6 suggest to you that if the public trust is imposed upon  
7 all this property, it just won't work. No private university  
8 is going to be interested in going in there and competing  
9 with ten thousand people sloshing around in tidelands that  
10 otherwise would be set aside for scientific study by  
11 graduate students and others of this type of foundation.

12 Further, we, as owners, have been dealing with  
13 various individuals who wish to lease and make beneficial  
14 use of these tidelands, the type of beneficial use, to wit,  
15 shellfish cultivation, that's entirely consistent, something  
16 that can be done by the private sector, but entirely consistent  
17 with the objectives thought to be achieved by the imposition  
18 of the trust.

19 As it so often happens in life, just at the  
20 time when the tidelands are becoming valuable, somebody  
21 wants to do something with them. In this case, it's the  
22 State impressing the trust.

23 Now, I have and will leave with the staff and  
24 won't dwell on it because of time considerations, a three-  
25 page letter with resumes of the authors of that letter, one

1 of which is a Ph.D. in marine biology from the Scripps  
2 Institute, people who know what we're talking about. These  
3 are people who are in the business of cultivating shellfish.  
4 They point out -- something that was of interest to me --  
5 that there are only four areas left in California which  
6 the Department of Public Health recognizes as being certified  
7 or approved for shellfish culture. These are Humboldt Bay,  
8 Tomales Bay, Drake's Estero Bay, and Morro Bay; and of the  
9 four, Drake's and Morro are considered to be the best from  
10 a water quality standpoint. Now, the United States govern-  
11 ment owns all of Drake's. The State owns all of Humboldt;  
12 some of Tomales is in private ownership or at least owned  
13 by the State and leased out; and in Morro Bay, the State  
14 owns two-thirds and this partnership owns the other one-third.

15           This letter goes on to say, in effect, we know  
16 what we are doing. This is an industry that will grow  
17 massive amounts of food for the world's population, in  
18 this instance, or population of the western half of the  
19 United States in the very near future. The authors of  
20 this letter feel that should the public trust be imposed,  
21 there's a strong possibility, quoting from the letter,  
22 that the tidelands would come under the management and  
23 jurisdiction of the Department of Parks and Recreation,  
24 thereby eliminating them as potential food source.

25           Now, I can make other points, but I respectfully

1 suggest that any one of the several points I've made  
2 certainly should mitigate against impressing this trust  
3 upon this property at this time. The State can always  
4 act at any time they wish. There is no threat, there is  
5 no threat whatever, to the waters of that bay by any  
6 intrusion by man. There are many agencies that would have  
7 to be consulted and their approval sought before this  
8 could come about.

9 Thank you.

10 ACTING CHAIRMAN BELL: Thank you. Do the  
11 Commission members wish to ask Mr. Ogle anything or  
12 should we go directly to staff's findings?

13 Thank you, Mr. Ogle. Mr. Taylor, any comments?

14 MR. TAYLOR: Mr. Bell, I think a few words of --  
15 briefly to respond to the statements made by Mr. Ogle are  
16 appropriate.

17 The first is that we are not seeking to impose  
18 a public trust. He has used the word "imposition". This  
19 property was originally -- the title was in the State.  
20 We conveyed whatever tidelands were within the perimeter  
21 descriptions of these areas subject to a retained right.  
22 That retained right is what we are dealing with today.  
23 The action that is proposed for the Commission is to  
24 formally exercise that right, to put everyone on notice  
25 that we believe that the status quo should be maintained

1 in this area; and that if there are any further changes,  
2 that the State Lands Commission wants to be a part of any  
3 of those proposed changes.

4 Mr. Ogle pointed out that we have included  
5 Shark Inlet and some other areas which may have passed  
6 into public ownership. That was deliberately done. We  
7 are not discriminating between public or private agencies  
8 in this exercise. The Lands Commission's interest in  
9 this is to preserve the area. Some State agencies might  
10 want to do things which wouldn't be, in the view of this  
11 Commission, preservation. I think the boat launching  
12 site that you mentioned could be a kind of situation that  
13 could arise in the future.

14 The action that is being proposed here is  
15 consistent with the action taken many years ago in Newport  
16 Bay where Mrs. Newcombe had a tideland patent from the  
17 State, and the State had granted the retained rights to  
18 the city of Newport Beach; and the development of Lido  
19 Island and the channels which are familiar around 17th  
20 Street today. Her patent was decided to be the area of  
21 the ships channel. The ships channel or dredging for  
22 ships channel purposes was an exercise of the trust. The  
23 dredgers came in and took her property, and the California  
24 Supreme Court held that there wasn't anything compensable  
25 as far as her interest was concerned, although if she

1 wanted to pay taxes in the event that the channel would no  
2 longer use it and her title would pop up, that she was free  
3 to do .

4 All that is being done here is to leave the use  
5 as it is. We are not asking that any existing development  
6 be taken out. All that we're saying is that as a result  
7 of a good number of studies made by the Department of Fish  
8 and Game, resolutions made by the Legislature, it appears  
9 that this is an area which can be threatened and has  
10 periodically been threatened over the years. It is also  
11 appropriate at this time, as opposed to the time when the  
12 combination action arose for this action to be taken outside  
13 of the contention of pending acquisition. And right now  
14 is a very dormant period with regard to any discussion of  
15 that sort, and it should give us time to exercise your  
16 prerogatives in this area in a vacuum. But the Lands  
17 Commission has repeatedly requested to give statements  
18 with regard to the extent of public interest in an area,  
19 and I think that this would be of some assistance to  
20 public agencies in proceeding with their planning.

21 Now, for those reasons this matter is being  
22 presented to you at this time and with those clarifications,  
23 at least as to our position. Mr. Ogle, I believe, has  
24 very articulately stated the position for the private  
25 parties.

1           ACTING CHAIRMAN BELL: I think he did an excellent  
2 job.

3           MR. PELKOFER: May I ask a question of Counsel?

4           ACTING CHAIRMAN BELL: Please.

5           MR. PELKOFER: Do I understand that what you're  
6 saying is that other public projects, school things,  
7 learning facilities, educational matters and so on could  
8 be advanced and -- in other words, the land would be usable  
9 or the services would be usable for these purposes even  
10 though this resolution were passed?

11                   This is not going to preclude any of those types  
12 of things?

13           MR. TAYLOR: This resolution does not preclude it,  
14 but it just says that the Lands Commission has formally  
15 exercised the easement and in light of that exercise wants  
16 to be a part of any further action that's taken, and the  
17 Commission --

18           MR. PELKOFER: It says any change you've got  
19 to consult with us first.

20           MR. TAYLOR: Right.

21           MR. PELKOFER: It's not to make any changes.

22           MR. TAYLOR: Otherwise, everything is frozen  
23 as it is now.

24           MR. PELKOFER: In private ownership or anything  
25 else?

1           MR. TAYLOR: There has been always a combination  
2 of private and public ownership in this area, and we're  
3 just saying that as far as -- we are not being passive  
4 with regard to this area.

5           The argument can be made by the private parties  
6 that if we don't come in and assert our interest that they  
7 can be free to go ahead, absent our objection, and make  
8 any improvements. If that occurs, then we are in a position  
9 under the law of having to compensate them for that. In  
10 this area, we're not being passive with regard to the  
11 public trust easement. We are exercising it; saying we're  
12 freezing everything and come see us, because we think our  
13 easement is important in that area for the retention of  
14 that area as it presently exists.

15           MR. PELKOFER: Okay. Thank you.

16           MR. MCGUIRE: I'm going to move that we pass  
17 the resolution.

18           ACTING CHAIRMAN BELL: All right. We have before  
19 us on page 67 the recommendation that the Commission adopt  
20 the resolution attached and direct the resolution be  
21 recorded in the Office of the County Recorder and authorize  
22 the staff and the Office of the Attorney General to take  
23 all action necessary to implement the foregoing, including  
24 but not limited to litigation. You have the resolution  
25 before you on page 69.

1 I have a motion; do I have a second?

2 MR. PELKOFER: You have a second.

3 ACTING CHAIRMAN BELL: I have a second. All  
4 those in favor say aye.

5 MR. McGUIRE: Aye.

6 MR. PELKOFER: Aye.

7 ACTING CHAIRMAN BELL: Aye.

8 Opposed? (No response.)

9 Approved unanimously. Thank you.

10 Item 20, approval of the Fifth Modification of  
11 the '75-6 plan for development and operation budget for  
12 the Long Beach unit.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
14 Mr. Thompson has a presentation to make and a language  
15 modification in the resolution; Mr. Thompson and staff.  
16 Thompson also at this time will clarify the FEA.

17 MR. THOMPSON: I'll hedge on that last. I guess  
18 I'm back here for another chapter in the book on FEA  
19 crude oil pricing, and whether it's a history book or a  
20 fable or fairy story, it depends on your viewpoint, I guess.

21 The Fifth Modification, we have a carry over  
22 again. We have two alternatives in here based again on  
23 the pricing policy of the FEA on crude oil. There has been  
24 one positive step, I believe. The FEA, they had hearings  
25 on the 17th and 18th of this month, came up with proposals,

1 but they are taking the position they want to have a final  
2 crude oil policy for the remaining 39 months but they  
3 don't quite know how to go about it.

4 We might have to drop back and see really what  
5 has happened here on crude oil pricing. Really now, since  
6 February 1st, all crude oil, domestic crude oil in the  
7 United States, is under price control; before only so-  
8 called old oil. We now have new buzz words. Old oil  
9 becomes lower tier oil; new oil becomes upper tier oil.  
10 We have to change buzz words periodically to stay in vogue.

11 Then Congress passed a bill in which they  
12 decided to control this by establishing a composite price  
13 for all domestic crude oil, and this was to start out at  
14 \$7.66; then they allowed some provisions by which through  
15 inflation or incentive there would be a potential of about  
16 10 percent per year increase in the composite price of  
17 all domestic crude oil. So it would move, then, from  
18 \$7.66 a barrel to approximately \$10.50 at the end of this  
19 30-month period.

20 Now, within this \$7.66 you have this mixture of  
21 lower tier and upper tier oil that must fit under this.  
22 So they arbitrarily decided then that as of this point in  
23 time, February 1st, that the lower tier oil comprised  
24 60 percent of domestic production and upper tier was 40 percent;  
25 so therefore, then, they established then that they would

1 freeze lower tier oil at the price they thought best at  
2 the time which was \$5.25; then they worked the problem  
3 backward to fit under the \$7.66. They then arrived that  
4 the upper tier price would be \$11.28, which is a back down  
5 of about \$1.32 from the existing levels at that time.

6 Under this composite, then, in the future you  
7 must have this mix of upper and lower tier oil, and some  
8 projections show that lower tier oil, then, will drop from  
9 its current about 60 percent -- that's estimated -- down  
10 to, depending on whether you put Alaskan crude in that mix  
11 or not, of between 43 and 36 percent. At the same time,  
12 then, your upper tier oil is increasing in volume. Even  
13 though the overall volume of the two will be going down,  
14 the percentage within it will change.

15 The President has to make a determination in  
16 mid '77 as to whether Alaskan crude goes and fits in this  
17 mix or not, and this is the reason for the difference in  
18 here. If it goes in, then you'll have about a 10 percent  
19 difference in the mix.

20 All right. Then what does that translate to,  
21 then, as to actually what might happen for future crude oil  
22 prices? Well, the FEA has considered two different proposals,  
23 have to fit under this composite price, and these are the  
24 ones that came up in the hearings of the 17th and 18th.  
25 One proposal is that they would take and split this 10 percent

1 allowable with a period of time that allows this composite  
2 to go up, and split equally between upper and lower tier  
3 oil. This is what would happen in this particular case.  
4 You can see here that upper tier oil came through at this  
5 point in time, was reduced \$1.32 down to this level here.  
6 This is the U.S. composite here, now. The lower tier oil  
7 was at \$5.25. So if you get a 50-50 split of this parti-  
8 cular allowable, then this upper tier oil would go from  
9 \$1.28 to \$13.54. The lower tier would go from \$5.25 to  
10 \$6.32.

11 The other proposal that they considered would  
12 be that they would put all of this 10 percent allowable  
13 onto the upper tier oil and keep lower tier oil as it is.  
14 They realized they had to have some incentive to go on  
15 this, so they devised another way of getting a production  
16 decline -- I'll go into later -- to give some incentive  
17 to the lower tier.

18 Now, because of the gravity differential situation  
19 in California, the actual impact on low-gravity crude in  
20 California -- here we've done it for 18 gravity Wilmington  
21 crude -- is not as you saw before but actually it's over  
22 a dollar difference. Even upper tier oil starts at \$10.01  
23 instead of \$11.33. We start at \$4.21 instead of \$5.25,  
24 so we would parallel these cases. But even at lower tier  
25 oil under their incentive plan of getting half of it, after

1 39 months we would be just about where so-called lower tier  
2 price starts in the U.S. right now, and this is the  
3 gravity differential situation. But again, we're not  
4 getting any satisfaction from the FEA.

5 ACTING CHAIRMAN BELL: What's our percentage on  
6 our site as opposed to 60-40 at the present time? Would  
7 they apply the same necessary 60-40?

8 EXECUTIVE OFFICER NORTHROP: Our percentage,  
9 Mr. Bell, is almost the reverse. California is nearly 60  
10 percent old oil, 40 percent new.

11 ACTING CHAIRMAN BELL: And they would recognize  
12 that, no?

13 EXECUTIVE OFFICER NORTHROP: No, they would not  
14 recognize that.

15 MR. TAYLOR: Force us into the U.S. mix.

16 EXECUTIVE OFFICER NORTHROP: We're thrown into  
17 the national mix.

18 ACTING CHAIRMAN BELL: Great.

19 MR. THOMPSON: Now, as part of the alternative  
20 method, and again, let's get back to how to define upper  
21 tier oil. Upper tier oil is that amount of oil produced  
22 in excess of either your 1975 production or 1972 production,  
23 whichever one you select. Therefore, if you select 1975,  
24 that oil which you produce in excess of that is considered  
25 to be upper tier oil. Anything below that is lower tier oil.

1 Then by a decline method that they proposed, you would then  
2 be able to take some of the lower tier oil and reclassify  
3 it to upper tier oil.

4 The problem comes that if you have been really  
5 working at your properties, it gets you at a disadvantage.  
6 This is the Long Beach Unit plot here of our production.  
7 Starting back in here, we were on a decline; got some crude  
8 oil price incentives in here. We started doing a lot of  
9 work, and we arrested this decline. This area here repre-  
10 sents that volume attributable to the redrills and new  
11 wells that we have in Long Beach.

12 ACTING CHAIRMAN BELL: The yellow section

13 MR. THOMPSON: Beneath this would be an additional  
14 volume from our stimulation and water injection projects  
15 that we started back here. But they propose that you take  
16 your production in 1972 to 1975, take the difference,  
17 divide by three to get an average yearly decline and start  
18 applying that as of July 1st.

19 In the simplest terms, then, the result of that  
20 would be that you would then get to classify any oil above  
21 these two red markers as upper tier oil; except that you  
22 can see that even though we've arrested the decline, we've  
23 done such a good job that we just can't do any better but  
24 we never get any incentive for it. If we had followed  
25 this trend --

1           ACTING CHAIRMAN BELL: We should have stayed --

2           MR. THOMPSON: -- we would then be down here  
3 and we would then get it.

4           ACTING CHAIRMAN BELL: That would have helped us.

5           MR. THOMPSON: This was the biggest part of the  
6 comments they received in their hearings, and this may be  
7 up for modification. We don't know, but this is the  
8 situation that we find ourselves in, that if we get -- if  
9 they pick the alternative of getting a 50-50 position, we  
10 will get some gradual relief for our lower tier oil with  
11 time. But under this proposal, the decline method, we  
12 have no potential at all.

13           So all I can report back is that we know a little  
14 more than we did last month at this time except that the  
15 FEA has said they want to decide once and for all the  
16 carry-through from March 1, the full 39 months, of what  
17 the future pricing will be so that people will know.

18           So before you, again, we have carried over the  
19 Fifth Modification. Again, you have two proposals at that  
20 time depending on the action of the FEA. Again, we would  
21 recommend that, we think consistent with Commission policy,  
22 that you take the second alternative in there which is to  
23 transfer funds within the budget instead of augmenting the  
24 budget.

25           ACTING CHAIRMAN BELL: Right.

1 MR. THOMPSON: And this is to handle primarily  
2 the additional funds for mineral rights and personal  
3 property taxes in the area. We handled some of it last  
4 time at your directive, and the Executive Officer transferred  
5 funds in the amount of about four or five hundred thousand  
6 dollars if you ratify that action from last month, and we  
7 would recommend you approve the 1B part and the part 2  
8 of our proposal.

9 ACTING CHAIRMAN BELL: Does that present an  
10 interest problem on the personal property tax?

11 MR. THOMPSON: It's a combination of both mineral  
12 rights and personal --

13 EXECUTIVE OFFICER NORTHROP: Mining rights and  
14 personal.

15 MR. THOMPSON: And we already took care -- well,  
16 I take that back. And also business license tax; City of  
17 Long Beach increased the business license tax.

18 EXECUTIVE OFFICER NORTHROP: This recycles back.

19 MR. THOMPSON: This recycles back so it has no  
20 impact on title.

21 So we would recommend, then, that you approve 1B  
22 proposal and the ratification of the Executive Officer's  
23 action as Item 2.

24 ACTING CHAIRMAN BELL: Are there any remarks  
25 from anyone in the audience in opposition to this recommendation?

1 I assume that the City of Long Beach is --

2 EXECUTIVE OFFICER NORTHROP: The City of Long  
3 Beach is represented today.

4 MR. AUGUST: Yes. My name is George August.  
5 I'm a Deputy City Attorney for Long Beach. We are in accord  
6 with the choice of LB on this proposal.

7 ACTING CHAIRMAN BELL: Thank you.

8 All right. Are there any questions by Members  
9 of the Commission? If not -- do you have a question?

10 MR. PELKOFER: No.

11 ACTING CHAIRMAN BELL: May I have a motion.

12 MR. PELKOFER: I move that we adopt the recommenda-  
13 tion of staff.

14 ACTING CHAIRMAN BELL: All right, on the Fifth  
15 Modification.

16 MR. MCGUIRE: Second.

17 ACTING CHAIRMAN BELL: I have a second. All those  
18 in favor say aye.

19 MR. PELKOFER: Aye.

20 MR. MCGUIRE: Aye.

21 ACTING CHAIRMAN BELL: Aye.

22 Opposed? (No response.)

23 It's unanimously approved.

24 MR. THOMPSON: May we then add these additional  
25 phraseology here because, in effect, we are modifying the

1 Plan. I wonder if we could incorporate this statement  
2 you see outlined in red as part of the Commission's policy.

3 EXECUTIVE OFFICER NORTHROP: The language being:

4 "By the transfer of Budget funds from  
5 Development Drilling and Operating Expenses,  
6 the Commission is in fact modifying the  
7 Plan of Development and Operations toward  
8 a lower level of drilling and operational  
9 activity. This modification of Plan is  
10 necessitated by the Federal Energy Adminis-  
11 tration's failure to relieve the freeze  
12 on December 1973 crude oil prices."

13 ACTING CHAIRMAN BELL: Well, that more or less  
14 corresponds to the testimony we've had.

15 MR. THOMPSON: The reason for this is that  
16 actually you had earlier adopted the Plan, and we want to  
17 make sure everyone realizes, in effect, we are modifying  
18 some part of that Plan.

19 ACTING CHAIRMAN BELL: Without objection by  
20 Commission members this amended language will be incorporated  
21 in the initial motion.

22 MR. THOMPSON: Thank you. I'll take a few more  
23 seconds and cover the Parcel A Information Items on later  
24 on.

25 This other curve is Parcel A production curve

1 and, again, you were in exactly the same situation under  
2 the proposed pricing rules as before; that we have spent  
3 money to flatten the decline out, but we can only get  
4 above this decline method here which is very difficult for  
5 us. We will probably triple that, and that leaves us in  
6 exactly the same situation. And again, as far as the  
7 benefit of this, roughly for every 25 cents fuel oil price  
8 increase there results about 10 million dollars for state-  
9 wide use. That's the dollar impact.

10 ACTING CHAIRMAN BELL: Hopefully.

11 MR. THOMPSON: Hopefully. Conversely, if we do  
12 not get a crude oil price increase and, in effect, inflation  
13 reduces the price of crude oil, every apparent reduction  
14 that way loses 10 million dollars to the State for every  
15 25 cents inflation reduction.

16 EXECUTIVE OFFICER NORTHROP: Thank you, Mr. Thompson.

17 ACTING CHAIRMAN BELL: All right, that completes  
18 Item 20.

19 Item 21.

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item  
21 21 is kind of unique on the calendar in the fact it's not  
22 asking for approval of anything but a sense of endorsing  
23 a concept or a sense of the Commission on a willingness to  
24 issue a lease to Walter M. Harvey and F. Brett Stauffer  
25 on a parcel of land in the Old Sacramento area in which to

1 locate, among other things, a stern-wheeler restaurant  
2 to be called as I understand it, the "Mark Twain." Rental  
3 on this would be, after April 30th of '77, 2,800 a year  
4 plus a through-put of one percent of the gross sales.  
5 If the Commission has no objection to that, we would like  
6 to get your expression on that.

7 ACTING CHAIRMAN BELL: Well, the use of the  
8 word "through-put" is just --

9 (Laughter.)

10 EXECUTIVE OFFICER NORTHROP: Well, that was -- I  
11 saw the Attorney General who has been working on through-  
12 put in the back of the room, and I thought I'd just do that  
13 to make him feel good.

14 ACTING CHAIRMAN BELL: Perhaps we would interpret  
15 the remark slightly differently.

16 All right. It's a question of a 19-year commercial  
17 lease, but the fact that we get the one percent on gross  
18 sales, in effect, is a sort of a replacement of the normal  
19 renegotiation at five years; is that correct?

20 EXECUTIVE OFFICER NORTHROP: That's correct.

21 ACTING CHAIRMAN BELL: Any objection by Members?

22 All right. Without objection, Item 21 is approved.

23 Item 22.

24 EXECUTIVE OFFICER NORTHROP: This is an authoriza-  
25 tion, Mr. Chairman, and Members, to institute trespass

1 litigation or at least litigation against R. H. Pelham on  
2 the Sacramento River, Tehama County, to collect back rent.

3 ACTING CHAIRMAN BELL: Collect back rental. Any  
4 problems? Any objections? If there are no objections,  
5 Item 22 will be approved.

6 Item 23 you said was off the Calendar?

7 EXECUTIVE OFFICER NORTHROP: Off the calendar  
8 because the Attorney General wants to take a look at it.

9 ACTING CHAIRMAN BELL: All right. Item 24, to  
10 authorize cession and retrocession of concurrent jurisdiction  
11 to the United States over the Naval Support Facility,  
12 Terminal Island, Long Beach, Los Angeles County.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we  
14 have a unique situation here where on this particular  
15 facility there are geographic areas within it which are  
16 either State or Federal. We're asking that jurisdiction  
17 be -- that either State or Federal have jurisdiction in  
18 these areas, so we're willing to give to them, they are  
19 willing to give to us this jurisdiction authority. This  
20 mainly will have -- Mr. Counsel, would you care to speak  
21 to this?

22 MR. HIGHT: This allows -- in the past there has  
23 been some confusion as to which area there was exclusive State  
24 jurisdiction and which area there was exclusive Federal,  
25 and this clears up any problems and allows concurrent

1 jurisdiction in the entire area.

2 ACTING CHAIRMAN BELL: All right. Now this is  
3 concurrent?

4 MR. HIGHT: Right.

5 ACTING CHAIRMAN BELL: So that means both of us  
6 have jurisdiction --

7 MR. HIGHT: Right.

8 ACTING CHAIRMAN BELL: -- as opposed to exclusive?

9 MR. HIGHT: Right.

10 MR. McGUIRE: No objection.

11 MR. PELKOFER: No objection.

12 ACTING CHAIRMAN BELL: All right. Without  
13 objection, then, Item 24 is approved.

14 We now come to the section on permits, easements,  
15 rights-of-way granted. Item 25, California Department of  
16 Fish and Game.

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
18 is a 66th year public agency lease for wildlife and a study  
19 and management and protection. It's a Public Use permit  
20 for the Department of Fish and Game. Counsel has a language  
21 he would like to add to the resolution.

22 MR. McGUIRE: Mr. Bell will be back in just a  
23 second.

24 MR. HIGHT: Okay. I would like to amend the  
25 resolution on page 100 to add the language that I'm going

1 to read to be Number 4, and Number 4 would then become  
2 Number 5. Number 4 would then read:

3 "Find the permit is categorically  
4 exempt under 14 Cal. Adm. Code, Sections  
5 15107 and 15108, and to Cal. Adm. Code,  
6 Section 2907, Classes 7 and 8."

7 This was an omission that we didn't put in the  
8 original resolution.

9 MR. McGUIRE: Any objections to the resolution  
10 as amended?

11 MR. PELKOFER: I have no objections.

12 MR. McGUIRE: No objections, so move.

13 The next Calendar Item, Number 26.

14 EXECUTIVE OFFICER NORTHROP: The City of Stockton  
15 is asking for a 30-inch sewerage line crossing. They met  
16 the environmental standards.

17 MR. McGUIRE: Any objection of Calendar Item  
18 Number 26?

19 MR. PELKOFER: No objection to Item Number 26.

20 MR. McGUIRE: Any comments, by the way, on any  
21 of these as we go. No objection? Passed.

22 Next, Calendar Item Number 27.

23 EXECUTIVE OFFICER NORTHROP: Item 27 is an  
24 application by Phillips Petroleum Corporation for some  
25 product lines.

1           The Chairman of the Commission in discussing it  
2 with staff wonders if Phillips Petroleum -- there is a  
3 representative for Phillips in the audience, because the  
4 question was raised just very recently as to why if  
5 Phillips is divesting itself from all pipelines, they are  
6 now applying for a pipeline. And we understood they were  
7 told to divest, and we just want the question raised as  
8 to why.

9           MR. JENSEN: Commissioners and staff, my name  
10 is Richard S. Jensen, Counsel for Phillips Petroleum  
11 Company.

12           The reason we are applying for this renewal as  
13 well as the renewal on Calendar Item Number 29 is because  
14 the basic terms of these leases expired, I believe, last  
15 fall, and we are protecting our interest in the event that  
16 for any reason the transaction as presently contemplated  
17 fails to close.

18           EXECUTIVE OFFICER NORTHROP: Okay. That answers  
19 the question that was raised earlier.

20           MR. PELKOFER: Is there any reason why they have  
21 to be 25-year leases on that basis, or is that just customary?  
22 Staff or somebody.

23           EXECUTIVE OFFICER NORTHROP: That's customary on  
24 this.

25           MR. PELKOFER: You don't find any objection on

1 that considering the answer the gentleman from Phillips  
2 gave us?

3 EXECUTIVE OFFICER NORTHROP: If Phillips maintains  
4 that we have a right to go through-put, and we're sure  
5 that Phillips won't object to a through-put concept either.

6 MR. PELKOFER: Then I don't have any objection.

7 MR. McGUIRE: The Controller's questions were  
8 answered?

9 MR. PELKOFER: Yes.

10 MR. McGUIRE: With no objection, so move.

11 Calendar Item 29.

12 EXECUTIVE OFFICER NORTHROP: This is an assignment  
13 of a lease, commercial lease, from Alan Lewe to Gaylen  
14 R. Marquardson. Seem to be no objection to this.

15 MR. PELKOFER: You're on 28 or 29?

16 EXECUTIVE OFFICER NORTHROP: 28.

17 MR. PELKOFER: I have no objection.

18 (At this point Mr. Bell returned.)

19 EXECUTIVE OFFICER NORTHROP: Item 29 is where we  
20 are?

21 MR. McGUIRE: Yes. Calendar Item Number 29.

22 EXECUTIVE OFFICER NORTHROP: Did we approve 28?

23 ACTING CHAIRMAN BELL: Item 28 I have no problem  
24 with if the Commission does not.

25 MR. PELKOFER: No problem.

1           ACTING CHAIRMAN BELL: All right. Item 28 is  
2 approved.

3           Item 29.

4           EXECUTIVE OFFICER NORTHROP: Item 29, Mr. Chairman  
5 and Members, this is a thing that's bothered the Chairman --  
6 Commissioner Cory to a great degree, and staff is at a  
7 loss to explain why the Gulf Oil Company, GITCO, who is  
8 not normally in the coke business is being apparently  
9 subsidized in the coke business by the Chicago First  
10 National Bank which happens to be the bank of ARCO to put  
11 them in the coke business. And Mr. Cory's raised some  
12 questions as to why this circumstance exists, and staff  
13 has been talking to Mr. Lyon, I believe, Mr. Jim Lyon from  
14 TOSCO, in this regard and --

15           MR. TAYLOR: John D. Lyon.

16           EXECUTIVE OFFICER NORTHROP: John D. Lyon, L-y-o-n,  
17 in this regard. To this date, staff has been unable to  
18 come up with any answers that appear to answer this question,  
19 and I wonder if Mr. Lyon -- Mr. Cory has asked that we  
20 raise the question again before we approve this item.

21           ACTING CHAIRMAN BELL: All right. Mr. Lyon,  
22 would you like to comment -- or whoever is here -- would  
23 like to comment on the question which Mr. Northrop raised  
24 which apparently Mr. Cory was concerned with.

25           MR. JENSEN: Mr. Chairman and Commissioners, I

1 don't believe that Mr. Lyon is present at the meeting.

2 ACTING CHAIRMAN BELL: I see. He's not here  
3 right now.

4 MR. JENSEN: No --

5 ACTING CHAIRMAN BELL: Can you speak for him?

6 MR. JENSEN: -- but I think I can respond  
7 generally to it. While you were out I explained my name  
8 is Richard S. Jensen. I'm Counsel for Phillips Petroleum  
9 Company.

10 This is part of the financing arrangements whereby  
11 TOSCO and its wholly-owned subsidiary, Lyon Oil Company,  
12 are acquiring the assets from Phillips Petroleum Company  
13 pursuant to an order to divestiture entered into by the  
14 United States District Court, Central District, California.  
15 It's really not, as far as I'm concerned, a subsidy of anyone.  
16 What's really happening here is that the First National  
17 Bank of Chicago as part of some other financing arrangements  
18 is going to make a loan to Lyon Oil Company for about  
19 ten million dollars which note will be guaranteed by Gulf  
20 International Trade Inco., a wholly-owned subsidiary of  
21 Gulf Oil Company. As part of that transaction, GITCO, Gulf  
22 International Trade Inco., acquires a supply of petroleum  
23 coke from the Avon refinery. It gets a favorable price  
24 on the supply and then, as I understand it, their plans  
25 are to market the petroleum coke to purchasers of it.

1           And I can't respond to the exact reasons why  
2 they're willing to go into it, but apparently it's an  
3 arms-length business arrangement as far as I know.

4           MR. MCGUIRE: That didn't seem to answer your  
5 question but rather raise it.

6           MR. PELKOFER: That was kind of my feeling, too.

7           I don't know, Mr. Chairman, if this is appropriate,  
8 but I think since Mr. Cory has a question and I wasn't  
9 fully briefed on where he was at this point, in his behalf  
10 I would like to see that matter put over until he is present  
11 and see if we can get some answers to his questions.

12          MR. JENSEN: Excuse me. Is it possible that I  
13 could answer some more specifics?

14          EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr. Lyon  
15 from TOSCO was asked to be here specifically today to answer  
16 this question.

17          I think you made it very clear to him, didn't you,  
18 Jim, that we were going to raise these questions?

19          MR. TROUT: Mr. Lyon talked to Mr. Cory.

20          EXECUTIVE OFFICER NORTHROP: Oh, he did directly?

21          MR. TROUT: Yes, so I don't know the answer to  
22 that.

23          EXECUTIVE OFFICER NORTHROP: Okay, fine.

24          MR. PELKOFER: When I spoke with him this morning,  
25 apparently Mr. Cory didn't have his answers, so I would be

1 in the same position that I am that I'd like to see that  
2 done until he gets an answer to his question.

3 MR. MCGUIRE: What does this do? I mean is there  
4 any reason why --?

5 MR. JENSEN: Yes. This part of the financing  
6 is critical for the consummation of the closing. Closing  
7 is scheduled for April 1st. It may seriously prejudice  
8 our ability to close this transaction on time.

9 EXECUTIVE OFFICER NORTHROP: As Counsel explained  
10 it to me, the alternative, do you want to go into that?

11 MR. JENSEN: May I say this, too, that -- I don't  
12 know if Mr. Trout or the staff has advised you, but we wish  
13 to delete items -- recommendations items 4, 5, 6, 7, and 8  
14 from this Calendar Item which relate to the GITCO financing  
15 as we had advised the staff it would be some time ago.

16 EXECUTIVE OFFICER NORTHROP: It has been deleted.

17 MR. JENSEN: It has been deleted, fine.

18 EXECUTIVE OFFICER NORTHROP: The question is still  
19 there, however.

20 MR. JENSEN: But let me say that Gulf International  
21 Trade Inco. will not have any interest in this property,  
22 and so while you ask the question, I wonder --

23 EXECUTIVE OFFICER NORTHROP: Why do they want to  
24 guarantee it if they have no interest?

25 MR. JENSEN: I think I responded to that in part,

1 that they are getting as part of the package a supply of  
2 petroleum coke.

3 MR. PELKOFER: Well, I wish I knew the more exact  
4 and appropriate questions to get the answer that Mr. Cory  
5 wants, but under the circumstances I don't -- since I  
6 wasn't completely briefed, I'm afraid I'm going to have to  
7 stay with my position on this.

8 MR. JENSEN: Just a minute.

9 (Thereupon a short discussion was held off  
10 the record.)

11 ACTING CHAIRMAN BELL: Mr. Northrop.

12 EXECUTIVE OFFICER NORTHROP: Yes, sir.

13 ACTING CHAIRMAN BELL: May I ask a question?

14 EXECUTIVE OFFICER NORTHROP: Yes, sir.

15 ACTING CHAIRMAN BELL: If instead of adjourning  
16 this meeting we recess this meeting and take this item up  
17 again tomorrow as a continuation of this meeting so that we  
18 don't louse up any April 1st deadlines or whatever, so that  
19 or perhaps after the Executive Meeting.

20 EXECUTIVE OFFICER NORTHROP: Or perhaps if we  
21 could delay this until the end of the Calendar, we may be  
22 able to get Mr. Cory to come up here.

23 ACTING CHAIRMAN BELL: Okay. That might solve it.  
24 I'll tell you what, then. Let's put Item 29 on at the end  
25 of the Calendar, and maybe we'll get some answers in between.

1 MR. JENSEN: Thank you.

2 ACTING CHAIRMAN BELL: Okay, fine. Thank you,  
3 Mr. Jensen.

4 Item 30, Kenneth E. and Ursula Grimes.

5 EXECUTIVE OFFICER NORTHROP: This is a commercial  
6 lease, Mr. Chairman. This Grimes is no relation to Grimes  
7 on our staff.

8 ACTING CHAIRMAN BELL: All right. No objection?

9 MR. MCGUIRE: No objection.

10 MR. PELKOFER: No objection.

11 ACTING CHAIRMAN BELL: Item 30 is approved.

12 Item 31, Paul R and Mary Reed.

13 EXECUTIVE OFFICER NORTHROP: This is another  
14 commercial lease, Mr. Chairman. Staff has arranged the  
15 rental to be in line.

16 ACTING CHAIRMAN BELL: All right. Without objection,  
17 Item 31 is approved.

18 Item 32, the 4-Jay Investments, dba Rio Ramaza  
19 Marina.

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is  
21 a Sacramento River marina, and there's no objection in the  
22 rental rates.

23 ACTING CHAIRMAN BELL: All right. Without objection,  
24 Item 32 is approved, and we now go to Item 33 which is off-  
25 calendar.

1 Item 34, Burmah Oil and Gas Company.

2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, for  
3 the record I'd like to just read a paragraph from Burmah  
4 Oil requesting "withdrawal of our application to drill  
5 Well number UJ-269. The economics of drilling this well  
6 have seriously -- have been seriously affected by the recent  
7 Federal Oil Administration pricing regulation. UJ-269 does  
8 not now meet Burmah's criteria for acceptable investment."

9 This loss to us alone, Mr. Chairman, is \$187,000  
10 in royalties by this FEA action.

11 ACTING CHAIRMAN BELL: Thank you. I would like  
12 to have the minutes indicate the presence of that letter  
13 in response to Item 33 and the reason for which it's being  
14 pulled off.

15 EXECUTIVE OFFICER NORTHROP: All right. Thank  
16 you, Mr. Chairman.

17 ACTING CHAIRMAN BELL: All right. Item 34, Burmah  
18 Oil and Gas Company.

19 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 34  
20 is a drilling of a well that staff and Burmah considers  
21 is economic, and it will do nice, good things for us.

22 MR. PELKOFFER: No objection.

23 ACTING CHAIRMAN BELL: All right. Without objection,  
24 Item 34 is approved.

25 Item 35, Standard Oil Company of California.

1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, under  
2 separate cover earlier this week or late last week, you  
3 received a draft Environmental Impact Statement. We are  
4 now asking for authorization to hold a hearing in Santa  
5 Barbara on May the 8th, Board of Supervisors, Hearing Room;  
6 I believe the time starting is 9:00 a.m., at which we will  
7 receive public comments on this EIR.

8 ACTING CHAIRMAN BELL: All right. What we have  
9 before us is authorization to -- for the staff to hold a  
10 public hearing on this draft Environmental Impact Report  
11 concerning the resumption of drilling operations on certain  
12 State oil and gas leases by Standard Oil.

13 EXECUTIVE OFFICER NORTHROP: Right. On four  
14 existing items.

15 ACTING CHAIRMAN BELL: Four existing items. All  
16 right.

17 MR. PELKOFER: No objection.

18 ACTING CHAIRMAN BELL: We are authorizing here  
19 the public hearing. Without objection, Item 35 is approved.  
20 Item 36, Exxon Company.

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
22 is a dredging permit for Exxon Company to do some channel  
23 dredging from 80,000 to 400,000 cubic yards at 15 cents a  
24 cubic yard.

25 ACTING CHAIRMAN BELL: Fifteen cents a cubic yard?

1 EXECUTIVE OFFICER NORTHROP: Yes, sir.

2 ACTING CHAIRMAN BELL: Without objection, Item 36  
3 is approved.

4 I'm assuming if anyone in the audience doesn't  
5 like an item, that they'll sort of yell or let me know or  
6 something.

7 Item 37, Industrial Mineral Ventures, Inc.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
9 is a lease for the extraction of clay at a ten-year period  
10 at a percentage of the sales price -- my, how many times  
11 we're coming that up today -- at a minimum 40 cents a ton.  
12 Staff has indicated that this is for a ten-year basis. The  
13 Industrial Mineral Ventures, Inc., had indicated they would  
14 like to have it for a longer period of time. They may wish  
15 to address the Commission. I do not have a notification  
16 here from them officially.

17 ACTING CHAIRMAN BELL: Is there anyone here  
18 representing this outfit?

19 MR. TILDEN: Yes, sir. My name is Bill Tilden.  
20 I'm an attorney representing IMV.

21 We have just a brief comment. We had applied  
22 originally for twenty years. We did feel that that was a  
23 reasonable length of time in light of the necessity of  
24 investment in that area and development of the lease area.  
25 We would submit that the twenty years is still an appropriate

1 length of time. We have not as yet had an opportunity to  
2 review the m recent draft of the lease, and for that  
3 reason we can't comment on the exact parameters of the  
4 lease nor can we really discuss the terms of it intelligently.

5 We would make one comment, and that is that we  
6 feel it would be most appropriate to have the term of the  
7 lease dependent not on the arbitrary date set now, but  
8 rather on the date of signature of the lease. The reason  
9 for this is that it's been some time in coming, and we  
10 anticipate that probably the lease will be some time in  
11 being signed; and this would be even more appropriate if  
12 the ten-year period is to be the length which finally is  
13 agreed upon. But we would request that the Board certify  
14 the compliance with the EIR and also approve the EIR as  
15 formulated.

16 ACTING CHAIRMAN BELL: All right.

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, staff  
18 feels --

19 ACTING CHAIRMAN BELL: Mr. Northrop, any comment?

20 EXECUTIVE OFFICER NORTHROP: Staff feels that in  
21 the light of the future shock, the way things are running  
22 on resources, that ten-year period is more than -- is an  
23 adequate period, and staff has no problem with ten years  
24 from time of signature, but anything longer than that is --.

25 ACTING CHAIRMAN BELL: All right. May we modify

1 this and say ten years from the time of signature?

2 EXECUTIVE OFFICER NORTHROP: Fine.

3 ACTING CHAIRMAN BELL: Any objection?

4 MR. PELKOFER: No objection.

5 MR. MCGUIRE: No.

6 ACTING CHAIRMAN BELL: All right. The action  
7 of the Board will be amended that way.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I  
9 think we ought to put some kind of a cut-off, one year cut-  
10 off.

11 ACTING CHAIRMAN BELL: All they have to do is  
12 wait ten years and then sign the lease, and they've got  
13 twenty years.

14 EXECUTIVE OFFICER NORTHROP: Twenty years, that  
15 may well be.

16 ACTING CHAIRMAN BELL: All right. Let's have it  
17 a one year cut-off.

18 EXECUTIVE OFFICER NORTHROP: Okay, fine. If it's  
19 not signed within one year, it's --

20 ACTING CHAIRMAN BELL: If it's not signed within  
21 one year I think it ought to come back.

22 MR. TILDEN: I think there is an additional item  
23 with respect to the length of the lease, and that is that  
24 in the comments -- now, I haven't seen the final draft of  
25 the lease. I understand that it is now drafted and in the

1 hands of the Lands Commission. However, it was my under-  
 2 standing there would be a provision in the lease that if  
 3 there was substantial changes in either environmental or  
 4 other considerations that the lease could be reconstituted  
 5 in terms of what could be done under it and, in the final  
 6 analysis, terminated. This seems to give the State signifi-  
 7 cant control in this area, even more significant than,  
 8 perhaps, a ten-year termination date would give. In that  
 9 regard I would ask that that be considered when considering  
 10 the effect of granting the longer term of twenty years.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in  
 12 light of the fact that this lease is the only consideration  
 13 this lease Counsel tells me is the mining royalty, there is  
 14 no performance guarantee, that I guess if it's not mined,  
 15 it's not paid, it's not a lease.

16 MR. TAYLOR: I think that the changing provision  
 17 is the changing rules and regulations of the Commission  
 18 that you're objecting to, not changing the lease over the  
 19 period of time; but whether this lease would be subject to  
 20 the evolving regulations that are -- from time to time  
 21 may be changed for the protection of the resource, and  
 22 that's what the objection is addressed to. Am I correct  
 23 in that?

24 MR. TILDEN: Yes.

25 MR. PELKOFER: I'm confused at this point. Are we

1 saying that you've got a clause built into a lease that  
2 says that if the Commission changes some rule or regulation  
3 that affects the resource involved, then that rule or  
4 regulation will also apply to the lease, and that's the  
5 objection?

6 MR. TILDEN: Yes.

7 MR. TAYLOR: The State may prescribe in its rules  
8 and regulations those conditions it deems to be necessary  
9 for the protection of any mineral resources.

10 ACTING CHAIRMAN BELL: We're saying if clay becomes  
11 a scarce commodity and we don't want them to mine it any  
12 more, that we can close it off by regulation.

13 MR. TAYLOR: For the protection of other minerals,  
14 not clay.

15 ACTING CHAIRMAN BELL: I'm sorry.

16 MR. PELKOFER: Is that pretty standard in this  
17 type of agreement?

18 ACTING CHAIRMAN BELL: The lease is for clay  
19 extraction, is it not?

20 MR. TILDEN: That's correct.

21 MR. PELKOFER: The lease is not yet signed; is that  
22 right?

23 MR. TAYLOR: That is right.

24 MR. PELKOFER: So if they object to that particular  
25 item they can either negotiate it or refuse to accept the

1 lease, period.

2 MR. TAYLOR: I think that's the lease as it is  
3 before you at this time. Either that or we should put  
4 it over for another month and try to work this provision  
5 out.

6 ACTING CHAIRMAN BELL: I'm inclined to put it  
7 over and make sure what we're doing. I don't like to act  
8 on something that I'm up in the air as to what we are doing.  
9 What does that do to you?

10 MR. TILDEN: This part of it is not of particular  
11 concern to us except for the fact that we would like to  
12 bring this matter to a head. We've been quite some time  
13 getting to this point. I would like to see --

14 ACTING CHAIRMAN BELL: I don't like to hold you  
15 up either.

16 MR. TILDEN: -- that there would be certification  
17 of compliance with the California Environmental Quality Act  
18 and also approval of the EIR at this point.

19 ACTING CHAIRMAN BELL: Do you have any other  
20 permits or permission that you have to obtain from other  
21 agencies? Mr. Taylor.

22 MR. TAYLOR: Mr. Bell, Mr. Goldstein has worked  
23 on this item with Mr. Bray, the staff counsel, and I think  
24 that his clarification might help you with regard to this  
25 one item.

1 MR. GOLDSTEIN: Mr. Commissioner, I believe  
2 the statement he's referring to reads as follows:

3 "The State may prescribe in its rules  
4 and regulations those conditions it deems  
5 necessary for the protection of other  
6 mineral resources."

7 ACTING CHAIRMAN BELL: Other mineral.

8 MR. GOLDSTEIN: Other mineral resources, not  
9 clay. We're not attempting to take away their right to  
10 extract clay pursuant to the lease.

11 I might give an example. Perhaps the Commission  
12 could decide in its rules and regulations that a certain  
13 kind of machinery was inappropriate for use in this desert  
14 area and would require in its rules and regulations that  
15 other methods be found. This would have to come before the  
16 Commission as a proposed change to the rules and regulations,  
17 There would have to be a hearing on it, and the applicant  
18 could, of course, have any say at the public meeting at  
19 that time as to his position on it. I do not believe in  
20 any event it would limit his right to extract clay minerals  
21 for which this lease is granted.

22 MR. PELKOFER: If I understand the gentleman,  
23 he's using this argument to say that we really ought to  
24 consider twenty years, because if we start imposing some  
25 rules and regulations it might affect his economic picture,

1 and he'd rather have a longer term.

2 ACTING CHAIRMAN BELL: Covering your front money  
3 or something?

4 MR. PELKOFER: Is that where you're at?

5 MR. TILDEN: That's correct.

6 MR. McGUIRE: Why do you anticipate a delay between  
7 this meeting and the signing of that contract; just for  
8 you to review the contract?

9 MR. TILDEN: I suppose that my basic reason would  
10 be past history of this particular lease application and  
11 prospecting permit. It has taken significant time to get  
12 to this point.

13 MR. McGUIRE: It seems to me, though, that if the  
14 lease is before the Commission now and is satisfactory to  
15 the Commission, then the only hold-up would be whether or  
16 not you sign it in which case it would be in your own hands  
17 anyway.

18 MR. TILDEN: That's correct. I would have no  
19 objection to the Commission going ahead and authorizing  
20 the lease to be issued, and upon our review of it and then  
21 signature, it then could become the document. I wanted to  
22 simply make clear that, in fact, we were quite concerned  
23 about the twenty-year period. We were concerned about it  
24 for several reasons, those of which I've indicated and  
25 those that you've asked questions on. I wanted to simply

1 explain that. After we've reviewed the document, we may  
2 well be able to sign it and end the situation.

3 MR. MCGUIRE: It seems to me you don't have to  
4 sign it if you want to come back.

5 ACTING CHAIRMAN BELL: I assume you would have  
6 the right to appeal if you didn't want to sign it and wanted  
7 to come back for something different.

8 MR. TILDEN: I believe that's correct.

9 EXECUTIVE OFFICER WORTHROP: Mr. Chairman, they  
10 have a right to five-year renewals without any --

11 ACTING CHAIRMAN BELL: Okay.

12 MR. GOLDSTEIN: Mr. Chairman, let me indicate one  
13 more thing. The statute that authorizes the issuance of  
14 this lease clearly places it within the discretion of the  
15 State Lands Commission to issue the lease for a period not  
16 to exceed twenty years. With that in mind and having  
17 reviewed the lease provisions and the procedures in the  
18 applicant's plans, the staff has made a decision that ten  
19 years is the appropriate time period.

20 ACTING CHAIRMAN BELL: Thank you. I sense that  
21 neither of you have a problem with Item 37.

22 MR. PELKOFER: No.

23 MR. MCGUIRE: No.

24 ACTING CHAIRMAN BELL: All right. Without objection,  
25 then, Item 37 will be approved by the Commission, and then

1 we'll either hear back from you or not, Mr. Tilden.

2 MR. TILDEN: Fine. Thank you, Mr. Chairman.

3 ACTING CHAIRMAN BELL: Now, on geothermal resources,  
4 Item 38, Union Oil Company of California, Magma Power Company,  
5 Thermal Power Company.

6 EXECUTIVE OFFICER NORTHROP: This is approval of  
7 well, DX-2 in the Geysers Steam Field.

8 ACTING CHAIRMAN BELL: Geysers?

9 EXECUTIVE OFFICER NORTHROP: Yes, sir.

10 ACTING CHAIRMAN BELL: Without objection, Item 38  
11 will be approved.

12 Item 39, granted tide and submerged lands.

13 MR. SUTER: I have a comment I'd like to make on  
14 Item 38. Is that --

15 EXECUTIVE OFFICER NORTHROP: Oh, excuse me. I  
16 beg your pardon. There is a gentleman here, Vane E. Suter,  
17 and I apologize.

18 ACTING CHAIRMAN BELL: Mr. Suter, we are going to  
19 rescind our action of Item 38 and listen to you.

20 MR. SUTER: Okay. Now, I'd like for it to be  
21 approved. I asked to speak for a minute after you'd taken  
22 your vote, and I thought you had taken your vote.

23 ACTING CHAIRMAN BELL: I'm sorry. I'm going to  
24 rescind the rescission.

25 MR. SUTER: My purpose --

1                   ACTING CHAIRMAN BELL: Without objection, Item  
2 38 now stands approved.

3                   MR. SUTER: Thank you. My name is Vane Suter.  
4 I'm the District Manager for Union Oil's geothermal operation  
5 at the Geysers, and I'd like to take this opportunity to  
6 make an appeal for help in cutting through some of the  
7 red tape that's slowing down our geothermal development.  
8 In order to drill a geothermal well on State lands we need  
9 to get five major permits: One from the County, one from  
10 the Air Pollution Control District, one from the Regional  
11 Water Quality Control Board, one from the Division of Oil  
12 and Gas, and one from State Lands.

13                   All right. These two wells in question, we started  
14 this permit process back in July of 1975, and in two months,  
15 by September '75, we had four of those five permits and  
16 the only permit we did not have is the one we just got.  
17 And that was back in September '75, and for the last six  
18 months we've been trying to get to this point of having this  
19 hearing set.

20                   ACTING CHAIRMAN BELL: Mr. Suter, now I see why  
21 you wanted the vote taken before you spoke.

22                   MR. SUTER: That's right. My concern is that  
23 during the last six months, what's been going on. There  
24 haven't been any issues to resolve. There's no environmental  
25 impact involved at all because these wells aren't even on

1 State land. They happen to be off State land and they're  
2 going to be drilled underneath.

3 What's been going on for the last six months is  
4 that between the three parties, which is Sonoma County,  
5 the State Clearinghouse, and the State Lands staff nobody  
6 could figure out exactly what needed to be done next. And  
7 I'd like to make an appeal to try to get that situation  
8 improved.

9 We have a recommendation, and we're going to  
10 propose a change to CEQA that would call for a fixed time  
11 table with deadlines that need to be met, and that if the  
12 deadlines were not met, that this constitute automatic  
13 approval. We're going to be proposing such an amendment  
14 to correct CEQA legislation that's in the mail, and we'd  
15 like to ask for the support of this Commission for those  
16 proposed changes.

17 ACTING CHAIRMAN BELL: Mr. Suter, it isn't necessary  
18 now, because now that we've done this one, we know how to  
19 do it and we won't hold it up any more.

20 MR. SUTER: Well, I hope that's true. I hope to  
21 be back next month with a permit that was started in  
22 October of last year, so it's getting better.

23 Thank you kindly.

24 (Thereupon a brief recess was taken.)

25 ACTING CHAIRMAN BELL: All right. Back to the

1 real world.

2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I  
3 would like to --

4 ACTING CHAIRMAN BELL: Mr. Northrop.

5 EXECUTIVE OFFICER NORTHROP: -- respond to  
6 Mr. Suter's criticism of the staff and the fact that the  
7 County of Sonoma ran the report all the way through without  
8 going through CEQA, and we could not work with this report  
9 without going to the Clearinghouse. So that's what happened.  
10 We had to take it back to the Clearinghouse. We apologize  
11 to --

12 ACTING CHAIRMAN BELL: Doubled up on the time.

13 EXECUTIVE OFFICER NORTHROP: -- Mr. Suter. However,  
14 local entities are local entities, and we don't try to tell  
15 them what to do despite Mr. McConnel's -- notwithstanding  
16 Mr. McConnel's comments this morning.

17 ACTING CHAIRMAN BELL: You got that one in,  
18 didn't you?

19 EXECUTIVE OFFICER NORTHROP: Couldn't let him  
20 get away.

21 ACTING CHAIRMAN BELL: Item 39, grant to tide  
22 and submerged lands, approval of description and maps of  
23 the tide and submerged lands the State transferred to the  
24 San Diego Unified Port District.

25 EXECUTIVE OFFICER NORTHROP: We must by legislation

1 map it, and we have and we're reporting this to the Commission.

2 ACTING CHAIRMAN BELL: And we have finally, since  
3 1962, concluded the mapping. Gee, if they thought six months  
4 was bad, this one has been fourteen years.

5 EXECUTIVE OFFICER NORTHROP: Well, they didn't  
6 have Mr. Suter on their side.

7 MR. TAYLOR: There was a lawsuit involved in this.

8 ACTING CHAIRMAN BELL: I know. I'm kidding.

9 Gentlemen, is there any objection?

10 MR. PELKOFER: No objection.

11 ACTING CHAIRMAN BELL: If no objection, Item 39  
12 is approved.

13 Item 40. This is a moratorium.

14 EXECUTIVE OFFICER NORTHROP: In the past year  
15 the Commission has recommended a Environmental Impact on  
16 all the recreational piers in Huntington Beach. That's been  
17 done, and we're requesting lifting the moratorium on leasing  
18 recreational boat permits.

19 MR. PELKOFER: No objection.

20 MR. MCGUIRE: No objection.

21 ACTING CHAIRMAN BELL: Without objection Item 40  
22 is approved.

23 Item 41, boundary line agreement.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
25 Mr. Bob Hight from our staff will speak to that.

1 MR. HIGHT: This is the execution of a boundary  
2 line agreement at Marina Lagoon.

3 ACTING CHAIRMAN BELL: San Mateo County?

4 MR. HIGHT: San Mateo County, and everybody's  
5 in agreement.

6 MR. TAYLOR: I have two comments to make in regard  
7 to this.

8 ACTING CHAIRMAN BELL: Mr. Taylor.

9 MR. TAYLOR: Mr. Chairman, the real party and  
10 interest in this boundary line agreement will be Security  
11 Savings and Loan Association. Mr. Berryman has an option  
12 to acquire the property. Whether it's actually an interest  
13 which will require a signature on the boundary line agreement  
14 will be dependent upon a title report which is in process;  
15 but I would like to disclose that there may be several  
16 other parties including Security Savings and Loan.

17 ACTING CHAIRMAN BELL: Does the et al include --  
18 is that inclusive enough?

19 MR. TAYLOR: I think it is, and that's why we  
20 didn't change the calendar item, but we want to make it clear  
21 for the record that the primary party in this agreement is  
22 Security Savings and Loan Association.

23 ACTING CHAIRMAN BELL: Thank you.

24 MR. TAYLOR: The second item is that it is  
25 contemplated that at next month's Commission meeting we will

1 have a lease of the area to be obtained by virtue of this  
2 boundary agreement transferred to the City of San Mateo.  
3 There has been legislation introduced to amend the grant of  
4 land to the City of San Mateo in trust, and because there  
5 will be a number of permits to be processed for piers, it  
6 would appear that since the city already has a procedure set  
7 up, it would be easier for the city to continue that procedure  
8 in this portion of Seal Slough which is not in the grant.  
9 So there will be for the Commission's consideration at the  
10 next meeting an interagency lease of this area if this  
11 transaction is closed and we have title to the property by  
12 that time.

13                   ACTING CHAIRMAN BELL: Thank you, Mr. Taylor.

14 Without objection --

15                   MR. PELKOFER: No objection.

16                   ACTING CHAIRMAN BELL: -- Item 41 will be approved.  
17                   Item 42, report of investigation of substantial  
18 compliance.

19                   EXECUTIVE OFFICER NORTHROP: Mr. Chairman, last  
20 month the staff had on the calendar, put it over this failure  
21 of the City of Carlsbad to substantially improve the tide-  
22 lands, and the staff is recommending that the grants revert  
23 to the State of California.

24                   ACTING CHAIRMAN BELL: All right. As I understand  
25 it, the City of Carlsbad is not opposed to that action.

1 EXECUTIVE OFFICER NORTHROP: They are not appearing.  
2 ACTING CHAIRMAN BELL: They are not appearing.  
3 MR. TROUT: They are not opposed.  
4 EXECUTIVE OFFICER NORTHROP: They are not opposed.  
5 All right, fine.  
6 ACTING CHAIRMAN BELL: All right. Without objection,  
7 Item 42 is approved.  
8 Item 43, multiagency hearing procedure.  
9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
10 is a multi -- asking the Commission to endorse a multiagency  
11 hearing concept in connection with a major industrial  
12 development in the Collinsville area which will include  
13 Dow Chemical. There been some criticism. Mr. Suter is not  
14 alone in criticising the length of time. In an attempt to  
15 do this we were trying to put together a multiagency hearing  
16 to expedite this sort of thing.  
17 However, I would like on this same matter to  
18 recommend that this -- that we take a hard look -- the  
19 Office of Planning and Research take a hard look at this  
20 entire area to see what's going in in the long run.  
21 ACTING CHAIRMAN BELL: I can assure you they are.  
22 EXECUTIVE OFFICER NORTHROP: Good.  
23 MR. PELKOFER: No objection.  
24 ACTING CHAIRMAN BELL: All right. Without objection,  
25 Item 43 is approved.

1           Item 44.

2           EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
3 is a -- well, I'll let the lawyers explain this.

4           MR. HIGHT: Mr. Chairman, this is an action to  
5 protect the state's interest in some land which Hamilton  
6 Air Force Base is going to declare excess April 1st. It is  
7 the contention of the staff that this land should rightly  
8 revert to the State Lands Commission, and we want to have  
9 authorization to properly protect this interest.

10          ACTING CHAIRMAN BELL: Well, okay. This would  
11 authorize the AG to institute --

12          MR. TAYLOR: It's my understanding the suit won't  
13 be immediately initiated. We won't have the authority to  
14 do so. We'll try to talk to them further, but if that is  
15 unsuccessful or if they initiate a time sequence of events  
16 that would not permit us to get back to the Commission, we  
17 want the authority to bring this suit immediately.

18          ACTING CHAIRMAN BELL: All right. Item 44 to  
19 authorize, without objection is approved.

20          Item 45.

21          MR. HIGHT: Yes, Mr. Chairman. The City of Morro  
22 Bay desires to institute quiet title action to protect some  
23 public interest within Morro Bay, and the statute requires  
24 that the Commission be made a party to this action, and this  
25 authorizes us to become a party to that action.

1 MR. PELKOFER: Do I understand correctly if we  
2 don't join as a plaintiff we'll be added as a defendant?

3 MR. HIGHT: Yes.

4 MR. PELKOFER: Okay. No objection.

5 ACTING CHAIRMAN BELL: We're choosing sides. //

6 MR. PELKOFER: Right.

7 ACTING CHAIRMAN BELL: All right. Item 45 is  
8 approved without objection.

9 Item 46.

10 MR. HIGHT: Item 46, Mr. Chairman, is the settlement  
11 of a lawsuit. Construction Aggregates Company has a lease  
12 with the State Lands Commission. The City of San Francisco --  
13 a mineral lease. The City of San Francisco issued a similar  
14 mineral lease to Umpqua River and Navigation Company, and the  
15 two had a disagreement over what rights each had, and this  
16 is a settlement of that.

17 ACTING CHAIRMAN BELL: This is a settlement of  
18 that report.

19 MR. MCGUIRE: No objection.

20 ACTING CHAIRMAN BELL: Without objection, Item 46  
21 is approved.

22 Item 47, Anza Pacific.

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
24 has other litigation aspects and the possibility. I'd like  
25 to have the Attorney General discuss this with you.

1           MR. TAYLOR: Mr. Chairman, some years ago we made  
2 a settlement of some title and boundary problems, and had  
3 our title confirmed to some land which was then leased back  
4 to Anza Pacific Corporation to operate. There are a good  
5 number of outstanding bonds against the property. Anza  
6 Pacific Corporation now desires to go out of business, go  
7 into a liquidating trust and to assign the assets.

8           This agreement is to protect our interests and  
9 to get a reaffirmation of all the obligations to pay the  
10 bonds; the Trans-America Title Insurance Company, Anza Pacific  
11 Corporation, and the liquidating trust. We will have to  
12 present to you for your approval subsequent assignments out  
13 of the liquidating trust. There are also provisions that  
14 if the liquidating trust will not do certain -- will not  
15 make assignments of these assets to certain parties, and  
16 there is a provision that if anything defaults that we get  
17 immediately paid off. We get some pay-offs as they're due.

18           ACTING CHAIRMAN BELL: Guaranteed by Trans-  
19 America?

20           MR. TAYLOR: Trans-America.

21           MR. MCGUIRE: No objection.

22           ACTING CHAIRMAN BELL: Without objection, Item 47  
23 is approved. We're down to three items.

24           Item 48, status of major litigation.

25           MR. TAYLOR: I think we can cover that in Executive

1 Session.

2 ACTING CHAIRMAN BELL: Fine.

3 Item 49, review of the second quarter fiscal year  
4 production revenue, Parcel A.

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
6 Mr. Thompson did that earlier.

7 ACTING CHAIRMAN BELL: He already covered it,  
8 so that is done.

9 And Item 50, the last item on the agenda, approval  
10 and modification of San Francisco grant maps with respect  
11 to military reservation shown and identified with the Marin  
12 County boundary line.

13 MR. HIGHT: Yes, Mr. Chairman. The grant to the  
14 City of San Francisco required that we map that grant. There  
15 has become, now, a dispute as to owns 300 yards around each  
16 military reservation, and the maps now reflect this disagree-  
17 ment so our position is made whole and unprejudiced.

18 ACTING CHAIRMAN BELL: We're approving the  
19 modification of those?

20 MR. HIGHT: Yes.

21 ACTING CHAIRMAN BELL: All right. Without objection,  
22 Item 50 is approved.

23 Time and place of next meeting.

24 EXECUTIVE OFFICER NORTHROP: April 22nd, in San  
25 Francisco.

1 MR. PELKOFER: I think it's appropriate to reraise  
2 Item 29 at this point if we've finished the agenda.

3 ACTING CHAIRMAN BELL: We're just about to the  
4 end of it. The 22nd, did you say?

5 EXECUTIVE OFFICER NORTHROP: The meeting is the  
6 22nd.

7 ACTING CHAIRMAN BELL: Now, we're back to the last  
8 item on the agenda, Item 29, which we put last on the agenda.

9 MR. PELKOFER: The questions and objections raised  
10 by the Controller have been answered, if at least not  
11 satisfactorily, have been answered; and we will withdraw our  
12 objection or our request that the matter be put over at this  
13 time and the Commission may act on it.

14 ACTING CHAIRMAN BELL: All right. Do you have  
15 any objection to moving Item 29?

16 MR. MCGUIRE: None.

17 MR. PELKOFER: No objection now.

18 ACTING CHAIRMAN BELL: All right. Without objection,  
19 then, Item 29 will be approved.

20 MR. JENSEN: Thank you very much, and thank you  
21 for the splendid cooperation you've demonstrated.

22 ACTING CHAIRMAN BELL: You bet, Mr. Jensen.

23 We will now adjourn to Executive Session.

24 (Thereupon the March 25th meeting of the State  
25 Lands Commission was adjourned at 12:14 p.m.)

--oOo--

1 State of California)  
2 County of Yolo ) ss.

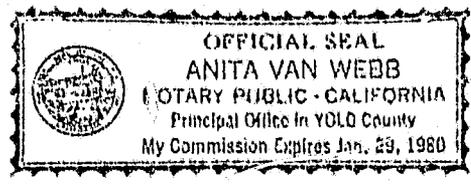
3 I, ANITA VAN WEBB, a Notary Public in and  
4 for the County of Yolo, State of California, duly appointed  
5 and commissioned to administer oaths, do hereby certify:

6 That I am a disinterested person herein; that the  
7 foregoing State Lands Commission Meeting was reported in  
8 shorthand by me, Anita Van Webb, a shorthand reporter of  
9 the State of California, and thereafter transcribed into  
10 typewriting.

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

14 IN WITNESS WHEREOF, I have hereunto set my hand  
15 and affixed my seal of office this 19 day of April, 1976.

16  
17 *Anita Van Webb*  
18 ANITA VAN WEBB  
19 Notary Public in and for the  
20 County of Yolo, State of  
21 California



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