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MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 2170
STATE CAPITOL
SACRAMENTO, CALIFORNIA

ORIGINAL

MONDAY, OCTOBER 29, 1979
10:00 A.M.

Paul D. Ramshaw
C.S.R. License No. 3434

MEMBERS PRESENT

- 1
- 2
- 3 Mr. Kenneth Cory, State Controller, Chairperson
- 4 Mr. Roy M. Bell, Representing Ms. Mary Ann Graves,
Director of Finance
- 5
- 6 Mr. Rex Hime, Representing Mr. Mike Curb, Lieutenant
Governor

STAFF PRESENT

- 7
- 8
- 9 Mr. William F. Northrop, Executive Officer
- 10 Mr. Robert C. Hight, Chief Counsel
- 11 Mr. James F. Trout
- 12 Mr. Richard S. Golden
- 13 Mr. Wilbur M. Thompson
- 14 Mr. Donald J. Everitts
- 15 Ms. Diane Jones, Secretary

OTHERS PRESENT

- 16
- 17 Mr. N. Gregory Taylor, Assistant Attorney General
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P R O C E E D I N G S

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3 CHAIRPERSON CORY: We will call the meeting to
4 order. The first item on the agenda is confirmation of the
5 minutes of the meeting of September 26, 1979. Any
6 corrections or additions to those minutes? Any problems?
7 Without objection, they will be approved as
8 presented.

9 The report of the executive officer, Mr. Northrop.
10 MR. NORTHROP: Mr. Chairman and members, the
11 United States Department of the Interior, Geological
12 Survey--Water Resources Division, has requested permission
13 to place a temporary double-armored cable slightly over one-
14 half inch in diameter across the bottom of Suisun Bay from
15 Chipps Island to West Pittsburg as part of an "acoustic
16 velocity flow" measuring system used to measure the net
17 outflow of water from the Sacramento--San Joaquin Delta.
18 The period required for study will take 90 days or less, and
19 the cable will then be removed.

20 This proposed project is within the primary
21 management area of Suisun Marsh and Suisun Bay and is
22 provided for in the multi-agency management agreement signed
23 by the U.S. Bureau of Reclamation, the U.S. Fish and
24 Wildlife Service, the State Department of Water Resources,
25 and the State Department of Fish and Game in 1970.

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1 The Department of the Interior must record the
2 current low flow prior to the winter precipitation. In line
3 with this commission's ongoing policy of protecting the
4 state's wetlands, I have issued a letter permit authorizing
5 the immediate placement of the temporary cable. Staff will
6 present a full report in calendar-item form to the
7 commission on next month's agenda.

8 Gentlemen, the request came at such a time that we
9 would not have had time to get it on the calendar, so I gave
10 a letter, and we will put a calendar item on it next time.

11 With the opening of the Elk Hills Naval Petroleum
12 Reserve to active commercial development, increasing sales
13 and development activities in the Santa Barbara Channel
14 outer continental shelf, and the recent federal decontrol of
15 heavy crude oil production, we are once again faced with
16 questions concerning the transportation and distribution of
17 additional crude oil to existing refineries.

18 In general, state policy has stressed the use of
19 pipelines rather than tankers to transport Elk Hills and
20 Santa Barbara OCS production to the L.A. Basin. The
21 anticipated production of heavy crude from Kern County
22 reinforces this position.

23 In light of this position and the commission's
24 interest and experience in such matters, we have been asked
25 by the Governor's office to

1 "undertake studies to determine what
2 transportation pipelines are required
3 and to identify the state's role in
4 construction and operation of them."

5 It is our intent to provide a report to the Governor within
6 60 days of the receipt of additional funding necessary to
7 initiate the studies. To date we need about \$45,000, and
8 the money has not been forthcoming. However, as soon as it
9 does, we will move with haste on this study.

10 CHAIRPERSON CORY: Questions?

11 MR. NORTHROP: That completes our report,
12 Mr. Chairman.

13 CHAIRPERSON CORY: Mr. Golden.

14 MR. GOLDEN: Mr. Chairman and members of the
15 commission, this is a staff report on state coastal zone
16 matters. The first item has to do with William L. Smith and
17 Delta Associates.

18 The Solano County Planning Commission issued a
19 permit to William L. Smith and Delta Associates for the
20 extraction of sand, gravel, and other materials from two
21 areas within a 160-acre parcel of land in the Potrero Hills
22 within the secondary management area of Suisun Marsh. This
23 action was appealed by two BCDC commissioners on the grounds
24 that the issuance of this local permit as a marsh develop-
25 ment permit may not have been consistent with the provisions

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1 of the Suisun Marsh Preservation Act and the policies of
2 the Suisun Marsh Protection Plan.

3 Hearings began on July 19, 1979, and continued
4 through August and September, with a vote being taken on
5 October 4, 1979. The staff recommendation of the commission,
6 which was approved, provided for expanded excavation in
7 the area already developed, with provisions for erosion
8 control and an overall reclamation plan.

9 The second item has to do with an update of the
10 local coastal program effort. Certification of local
11 coastal programs (LCP's) along the coast statewide is
12 proceeding slowly. These LCP's when certified will consist
13 of local plans, zoning ordinances, and other implementing
14 actions, and must be certified by June 30, 1981.

15 The Chula Vista Bayfront LCP was recently
16 certified, with conditions relating to uses of Gunpowder
17 Point, construction of Tidelands Avenue, and proposed
18 filling of a remnant marsh area, among others.

19 The Coastal Commission has commented that the
20 pilot programs, such as the Chula Vista LCP, have provided
21 valuable lessons in the preparation of these documents
22 which will facilitate the review of future documents. State
23 commission staff is now closely monitoring staff work at the
24 local level to assure early identification of conflicts so
25 that resolution will not be left until the end of the "

1 process.

2 State Lands Commission staff have worked with the
3 Coastal Commission on the Tijuana River Valley segment of
4 the City of San Diego's LCP, which is currently being
5 considered by the city for certification.

6 The Unit I Marin County LCP covers the southern
7 part of Marin County, including Bolinas Lagoon and Seadrift.
8 There has been concern from both this commission and the
9 Coastal Commission regarding piecemeal development at
10 Tomales Bay, and this issue is being addressed in the
11 Tomales Bay plan. Proposed policies for residential
12 development at Tomales Bay are presently being formulated,
13 and we hope to have these ready for your consideration at
14 your November meeting.

15 CHAIRPERSON CORY: Questions, commissioners?

16 Thank you, Dick.

17 For those in the audience, the next items are the
18 consent calendar, items C1 through C15, with the exception
19 of -- C6 and C11?

20 MR. NORTHROP: That's correct, Mr. Chairman.

21 CHAIRPERSON CORY: If there is anybody in the
22 audience who disagrees with the proposed action on these
23 items, please speak up now, because these items will all be
24 taken up and approved in one motion unless somebody objects
25 at this point.

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1 Without objection, then, the consent calendar will
2 be approved as presented, excluding items C6 and C11. They
3 have been taken off calendar.

4 Item 16 is an industrial lease for volumetric
5 rent for Shell Oil Company. Is there anybody in the
6 audience on this item? Any questions from commissioners?

7 Without objection, item 16 is approved as
8 presented.

9 Item 17, industrial lease for Chevron USA and
10 Standard Pipe Line Company. This is a volumetric rental up
11 from -- \$29,000?

12 MR. NORTHROP: Up from \$29,108 to \$87,000,
13 Mr. Chairman.

14 CHAIRPERSON CORY: Anybody in the audience on
15 this item? Any questions from commissioners?

16 Without objection, item 17 is approved as
17 presented.

18 Item 18, Paul and Marilyn Toch and Wells Fargo
19 Bank, encumbering a lease. Is there anybody in the
20 audience on this item? Any questions from commissioners?

21 Without objection, item 18 is approved as
22 presented.

23 Item 19, Alvin Stults, Cliff's Marina.

24 MR. NORTHROP: Continued operation of the marina.

25 CHAIRPERSON CORY: Just a continuation of the

1 lease. Anybody in the audience on this one? Any questions
2 from commissioners?

3 Without objection, item 19 will be approved as
4 presented.

5 Item 20, the Huntington Partnership, 3.25 acres of
6 tide and submerged land in Sunset Bay, Orange County: to
7 change lease term to 43 years, revise construction limiting
8 dates, add 40 more boat slips, and some dredging royalty
9 payments. Anybody in the audience on this item? Questions
10 from commissioners?

11 Without objection, item 20 is approved as
12 presented.

13 Item 21, Huntington Harbour. We're doing what?
14 an assignment?

15 MR. NORTHROP: And an amendment.

16 CHAIRPERSON CORY: The amendment is increasing
17 rent after construction is completed?

18 MR. NORTHROP: That's right, Mr. Chairman.

19 CHAIRPERSON CORY: Anybody in the audience on
20 item 21? Questions from commissioners?

21 Without objection, item 21 will be approved as
22 presented.

23 Item 22, terminate a sublease from Anza to Flowers
24 for 5.3 acres of state land at Burlingame. The sublessee
25 had some financing difficulties or something. Is there

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1 anybody in the audience on this item? Any questions from
2 commissioners?

3 Without objection, item 22 is approved as
4 presented.

5 Item 23, terminate right-of-way easement and
6 replace with a 25-year grant permit (public agency use)
7 from July 1, 1979, covering a 0.82-acre parcel of tide and
8 submerged land in the Pacific Ocean at Goleta.

9 Anybody in the audience on this item?

10 Without objection, item 23 is approved as
11 presented.

12 Item 24 --

13 MR. NORTHROP: Off calendar.

14 CHAIRPERSON CORY: Off calendar. Okay. Item 25,
15 Gibson-Pierson. This is a salvage permit that you want
16 to --

17 MR. NORTHROP: This rescinds the prior
18 authorization. It was in 1974. It's really a bookkeeping
19 matter.

20 CHAIRPERSON CORY: Anybody in the audience on 25?
21 Questions from commissioners?

22 Without objection.

23 Item 26, Phelps Slough mitigation agreement. We're
24 going to get mitigation from --

25 MR. NORTHROP: Mobil Oil Estates, about two acres

1 in Phelps Slough and about 217 acres in Bair Island. Fish
2 and Game likes it, don't you?

3 He indicated in the affirmative.

4 CHAIRPERSON CORY: Is there anybody in the
5 audience on this item? Questions from commissioners?

6 Without objection, the item is approved as
7 presented.

8 Item 27, granted lands, City of Antioch: find
9 that the City of Antioch has substantially complied with the
10 terms of its grants pursuant to Chapter 1039, Statutes of
11 1955.

12 Anybody in the audience on this item?

13 Without objection, the item is approved as
14 presented.

15 Item 28, San Luis Rey River boundary settlement
16 and exchange.

17 MR. TAYLOR: Mr. Chairman, their counsel is
18 supposed to be here for that. I don't know if they wanted
19 to say anything on it. There's an agreement on it, but
20 there are extreme headwinds this morning, and I don't know
21 whether the plane has been slowed down.

22 MR. BELL: Why don't you put this last?

23 CHAIRPERSON CORY: Okay. We will hold item 28
24 until the last item on the agenda.

25 Item 29. I will give the gavel to Mr. Bell. At

1 one time I talked about a business proposition with somebody
2 named Sam Kalman. I don't know whether it's the same Sam
3 Kalman or not, and I don't know anything about it, and I
4 want you people to deal with it.

5 MR. BELL: Item 29 is a settlement with Sam Kalman,
6 authorization to accept \$2,592 from Mr. Kalman, dba Sam
7 Kalman and Company or Kalman Companies, as full compensation
8 for prior unauthorized use of an approximately half-acre
9 parcel of tide and submerged land in the Sacramento River,
10 Yolo County.

11 Any dispute from Mr. Kalman?

12 MR. NORTHROP: I think that handles it,
13 Mr. Chairman. Mr. Kalman, we understand, is in the process
14 of selling the property, and this cleans up his title
15 problem.

16 MR. BELL: All right. Is there objection?

17 MR. HIME: None.

18 MR. BELL: Without objection, there are two votes
19 for item 29. Mr. Cory abstains. I return the gavel to
20 Mr. Cory.

21 CHAIRPERSON CORY: Item 30, cooperative agreement
22 with the U.S. Fish and Wildlife Service, to extend one year
23 from October 1, 1979, through September 20, 1980. That's
24 not quite a year, is it?

25 MR. TROUT: It's supposed to be a year, I think.

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1 CHAIRPERSON CORY: I hope you aren't doing the
2 bookkeeping on my life.

3 (Laughter.)

4 MR. TROUT: The calendar item says September 30th.

5 CHAIRPERSON CORY: All right. Anybody in the
6 audience on this item? Questions from commissioners?

7 Without objection, item 30 is approved as
8 presented.

9 Interagency agreement with the U.S. Bureau of Land
10 Management, item 31, for a five-year period, more or less.

11 (Laughter.)

12 CHAIRPERSON CORY: Is there anybody in the
13 audience on this item?

14 Without objection, item 31 will be approved as
15 presented.

16 MR. BELL: I understand we're doing this because
17 this is on their land?

18 MR. NORTHROP: It's on our land, Mr. Bell. It
19 allows them to build firebreaks on lands that are really
20 contiguous to our lands.

21 MR. BELL: So it's a protective device.

22 MR. NORTHROP: Right, until we're allowed to
23 harvest some of that overripe timber.

24 CHAIRPERSON CORY: Item 32, continue the mineral
25 extraction lease on 1,313 acres of sovereign lands in South

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1 San Francisco Bay to extract oyster shell deposits according
2 to a prescribed schedule. The winning bidder is Morris Tug
3 and Barge, Inc. Is that correct?

4 MR. NORTHROP: That's correct, Mr. Chairman, with
5 a bid factor of 1.91. We had one other bid at 1.13. That
6 was the same gentleman who was here last time. I'm not
7 sure whether he's here today.

8 CHAIRPERSON CORY: Anybody in the audience on
9 item 32? Commissioners?

10 Without objection, item 32 will be approved as
11 presented.

12 Item 33, Ocean Front Oil Company, renegotiation ---

13 MR. NORTHROP: That's off calendar, Mr. Chairman.

14 CHAIRPERSON CORY: Okay. Item 34, assignment of
15 a geothermal lease to Aminoil. Is there anybody in the
16 audience on these items? Questions from commissioners?

17 MR. BELL: Is this Geyser country?

18 CHAIRPERSON CORY: Yes.

19 MR. BELL: No problem.

20 CHAIRPERSON CORY: Without objection, the
21 assignment will be approved as presented in item 34.

22 Item 35, Chevron USA wishes to quitclaim a sub-
23 surface oil and gas lease (PRC 5481.1) effective October 1,
24 1979. Anybody in the audience on this item? Questions
25 from commissioners?

1 Without objection, item 35 is approved as
2 presented.

3 Item 36, Olin Jones Sand Company, certification
4 of negative declaration, sovereign lands in Alcatraz Shoals,
5 San Francisco County, sand dredging at 100,000 cubic yards
6 per year. Anybody in the audience on this item? Questions
7 from commissioners?

8 MR. BELL: I assume this is the area where we are
9 disposing of spoils, and now these guys are going to come
10 along and dredge this back.

11 CHAIRPERSON CORY: Right. We're fighting
12 unemployment. Not doing a whole lot for inflation, however.

13 Without objection, item 36 will be approved as
14 presented.

15 Item 37, Earl E. Gillham. This is Nevada County,
16 and we are taking grant deed of fee of two parcels and
17 relinquishing some further subsurface --

18 MR. NORTHROP: Surface entry. These two parcels
19 will give us surface entry for our mineral reservation.

20 CHAIRPERSON CORY: We have a mineral reservation,
21 and this parcel will allow us to mine all the gold there
22 when it hits \$8,000 an ounce, which should be by the end of
23 the week.

24 Anybody in the audience on this item? Any
25 questions from commissioners?

1 Without objection, item 37 is approved.

2 Item 38, authorization to conduct hearings on
3 proposed regulation for drilling and production operations
4 on state tide and submerged lands -- in what particular
5 area?

6 MR. NORTHROP: Northern Santa Barbara County. But
7 generally, Mr. Chairman, this would be regulations for semi-
8 submersible drilling rigs, which we need regulations on if
9 we are going to proceed with any leases that would require
10 that.

11 CHAIRPERSON CORY: Anybody in the audience on this
12 item? Questions from commissioners?

13 Without objection, authorization is granted.

14 Item 39, Chevron USA, Inc. This is using the
15 existing pipeline facilities at "Hope and Heidi" --

16 MR. NORTHROP: -- to bring oil and gas production
17 from Chevron's Santa Clara Unit ashore.

18 CHAIRPERSON CORY: Is there anybody in the
19 audience on this item? Questions from commissioners?

20 Without objection, item 39 will be approved as
21 presented. That should take care of any claims Santa
22 Barbara has for Proposition 13 reductions.

23 MR. NORTHROP: It should be able to work away at
24 it.

25 CHAIRPERSON CORY: Item 40, authorize agreement

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1 for funding of EIR with Arco Oil and Gas Company.

2 MR. NORTHROP: Mr. Chairman, the last line of
3 the summary says "Santa Clara County". That should read
4 "Santa Barbara County".

5 CHAIRPERSON CORY: Close enough for state work.

6 Now that the audience knows that that's Santa
7 Barbara County and not Santa Clara, is there anybody who
8 wishes to comment on that item?

9 MR. BELL: Is this Platform Holly?

10 MR. NORTHROP: Yes, I believe it is.

11 MR. EVERITTS: It's adjoining Platform Holly.
12 This is one of those subsurface things.

13 CHAIRPERSON CORY: Without objection,
14 authorization in item 40 is granted.

15 Item 41, authorize entering into a memorandum of
16 understanding for the preparation of a joint environmental
17 study for the proposed Union Oil Company development of the
18 Hueneme and Santa Clara OCS units offshore the City of
19 Oxnard, Santa Barbara County.

20 Any questions? Any comment from anybody in the
21 audience? Commissioners?

22 MR. BELL: I believe it should read "City of
23 Oxnard and Santa Barbara County", since Oxnard is not part
24 of Santa Barbara County.

25 CHAIRPERSON CORY: Okay. Without objection, item

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1 41 with the amendment will be approved.

2 Item 42, first modification of the Plan of
3 Development and Operations and Budget, Long Beach Unit,
4 Wilmington Oil Field.

5 You want a million and a half moved from one
6 place to another?

7 MR. THOMPSON: Well, the executive officer has
8 already done it. All we're asking you to do is ratify his
9 action.

10 CHAIRPERSON CORY: He did what?

11 (Laughter.)

12 MR. THOMPSON: We have been trying to activate
13 another drilling rig in the Long Beach Unit. It so happened
14 that we had an opportunity to buy certain pieces of
15 equipment because of cancellations along these items under
16 our previous contract where we bought the last rig. This is
17 a good time to buy, to place those orders, so we asked for
18 a transfer of funds for a million and a half dollars.

19 Really, this first and second modification should
20 be taken together as a package.

21 CHAIRPERSON CORY: This is a second new rig?

22 MR. THOMPSON: Yes. This will bring our unit
23 total to five that we own, and we're moving another contract
24 rig in by the first of November, and then we will hopefully
25 have seven rigs drilling by the first of March.

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1 CHAIRPERSON CORY: Questions from commissioners?

2 Okay. Item 42 is approved as presented.

3 The second item is for a little more money.

4 MR. THOMPSON: Yes. This is \$20 million.

5 Recent actions by the federal government --

6 CHAIRPERSON CORY: You had a bad day at the tracks?

7 (Laughter.)

8 MR. THOMPSON: You win some, you lose some.

9 Actually, it looks like we may be winning a little
10 of the battle as far as crude oil prices are concerned.

11 Recent actions have resulted in our crude oil price coming
12 up about \$4 a barrel. This comes from a number of things.

13 It's the release of lower-tier oil to upper-tier oil on a
14 phased deal. It's some heavy oil decontrol. In the future
15 there's a proposed deregulation of upper-tier oil on a
16 phased deal where they would phase out 4.6 percent per month
17 on a cumulative basis, to be completely decontrolled by
18 October of 1981. Of course, the federal government is also
19 considering raising the gravity on heavy oil.

20 The only unknown now is the impact of the excise
21 tax.

22 CHAIRPERSON CORY: What are you doing with the
23 \$20 million?

24 MR. THOMPSON: This is to pay back Mr. Northrop's
25 million and a half dollars, part of it. Also, we want to

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1 drill about 16 more new wells. What we're going to try to
2 do is develop part of the Ranger Zone that was not economic
3 before.

4 CHAIRPERSON CORY: That would be new production?

5 MR. THOMPSON: Brand new production. These wells
6 would cost probably in the neighborhood of \$400,000 or
7 \$50,000 each, and they probably will come in for maybe 100
8 or 150 barrels a day. They were kind of questionable wells
9 before, but now with crude oil prices coming up --

10 Also, we want to go into the Ranger Zone and start
11 subdividing that.

12 CHAIRPERSON CORY: Would that be "new and released
13 oil"?

14 MR. THOMPSON: In that particular block it will be
15 a conglomeration. In other words, some of it may be lower-
16 tier that will have been released to upper-tier, and if
17 upper-tier is decontrolled, some of it actually may come
18 under the heavy oil.

19 CHAIRPERSON CORY: Even though we're putting in
20 new wells, bringing in a new well and another 150 barrels
21 a day, that doesn't necessarily mean it's "new and released
22 oil".

23 MR. THOMPSON: It would depend on the property.
24 In this particular property it will be uncontrolled oil.

25 CHAIRPERSON CORY: Fascinating.

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1 MR. THOMPSON: If you think this is fascinating,
2 you ought to see what will come out some day on the tax. We
3 may have a multiple-tier excise tax. You may be taxed on
4 lower-tier oil that went to upper-tier, upper-tier that went
5 to uncontrolled, on uncontrolled oil, on tertiary oil and
6 incremental tertiary oil, new new oil -- take your pick.

7 CHAIRPERSON CORY: Okay. Questions from anybody
8 in the audience on item 43?

9 MR. BELL: Have we ever settled as to whether
10 they're going to give us the gravity on the shipping tickets
11 or the actual production out of the well?

12 MR. THOMPSON: No, that is still pending. Hope-
13 fully, we'll hear something on whether they raise the
14 gravity on the "heavy oil" definition, which again would
15 take care of that problem.

16 MR. NORTHROP: We are making our projections based
17 on the fact that the oil as it comes from the ground is what
18 we are using.

19 MR. BELL: So we'd better be careful.

20 MR. THOMPSON: Again, as I explained last time,
21 we have to take it now because we can't make a retroactive
22 claim for it.

23 MR. NORTHROP: We're basing all our projections on
24 that.

25 CHAIRPERSON CORY: It's my understanding that they

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1 hope to have the answer to that for Moose's retirement
2 dinner.

3 MR. THOMPSON: Is that early retirement you're
4 talking about?

5 (Laughter.)

6 CHAIRPERSON CORY: Item 43 will be approved as
7 presented.

8 Item 44, subsidence costs in the Town Lot Area,
9 Broadway Reconstruction. How much?

10 MR. THOMPSON: By the time we get through this
11 will be somewhere around \$85,000 to \$90,000.

12 CHAIRPERSON CORY: Any questions?

13 Without objection, item 44 is approved as
14 presented.

15 Item 45, a legal item, the Roundhouse and Moana
16 Corporation. This is to authorize a suit for ejection and
17 collection of past rentals on a 3.84-acre parcel at Lake
18 Tahoe. Is there anybody in the audience on this item?

19 This is a commercial marina that has been
20 operating and that refuses to sign a lease?

21 MR. HIGHT: Correct, Mr. Chairman.

22 CHAIRPERSON CORY: Any questions?

23 Without objection, item 45 is approved as
24 presented.

25 Item 46 is off calendar.

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1 Item 47 is a disclaimer on --

2 MR. HIGHT: The New Melones Dam.

3 CHAIRPERSON CORY: Why didn't you tell me that in
4 the briefing?

5 (Laughter.)

6 CHAIRPERSON CORY: Is there anybody in the
7 audience on this item?

8 Amazing.

9 Without objection, item 47 authorization is
10 granted.

11 Item 48, authorization to file disclaimer in
12 Ventura County.

13 MR. HIGHT: The Ventura River Project.

14 CHAIRPERSON CORY: Anybody in the audience on this
15 item? Any questions?

16 Without objection, item 48 is approved as
17 presented.

18 We're back to item 28.

19 MR. NORTHROP: Mr. Chairman, I notice the
20 attorneys have arrived. The attorney general is out. In
21 the meantime, Mr. Taylor would like to discuss the Bolsa
22 Chica with you. I will go out and get the other attorneys.

23 MR. TAYLOR: There are five items that could be
24 reported on in terms of litigation activity in the last
25 month. The first is Amigos de Bolsa Chica vs. Signal

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1 companies and the State, et al. A rather massive demurrer
2 was filed by the state, which was handled by Kathy Stone, 117
3 special counsel from the Ball firm. It was 5,000 pages, in
4 which we disclosed the agreement and all of the pertinent
5 documents and examples of other agreements which might be
6 affected by it.

7 We made the demurrer to have it dismissed without
8 leave to amend. The court granted the demurrer on all 12
9 causes of action, and as to causes 2 through 11
10 granted our motion without leave to amend, and then severed
11 those provisions so they're in a posture to appeal.

12 The only two remaining counts in the complaint
13 that they can redraft are the ones involving alleged coastal
14 violations, which do not involve the State Lands Commission,
15 and the 12th cause of action, regarding an accounting for
16 oil production from the area.

17 It is expected that the Amigos will appeal, but
18 if we are successful on the appeal, it will have
19 tremendously reduced the amount of time that would have been
20 involved in this action. It probably would have been a
21 trial that would have taken three years of preparation and
22 probably at least six months to try, plus appeals.

23 The court held that 6307 authorizing exchanges
24 was constitutional on its face and that a statute of
25 limitations regarding boundary line agreements was

1 constitutional on its face, and therefore they were too late
2 in bringing their lawsuit. That is, in essence, the
3 holding.

4 The court was very meticulous about it and ruled
5 from the bench, which was surprising, considering the
6 amount of pleadings that have been filed.

7 We have to prepare the order, and then their time
8 to appeal will run from that. So I would say within about
9 four months we'll know whether they're going to appeal. I
10 would expect them to appeal.

11 The other matters -- in U.S. vs. California we are
12 filing objections to the special master's report. This is
13 the last remnant of that lawsuit. The two issues are
14 whether piers (in one category) and jetties and groins (in
15 the other category) -- which of them constitute base points
16 for measuring the three-mile limit. The court ruled for
17 California in connection with jetties and groins,
18 particularly the Zuniga Jetty at San Diego and the closing
19 line on the L.A. Harbor one. That gave us about 200
20 additional acres, including some off L.A. Harbor which would
21 be significant for mineral potential.

22 Unfortunately, the court did not agree with our
23 contention with regard to piers. We are filing exceptions
24 to that. That amounted to about 1,600 acres for the
25 federal government. In some senses we won the battle and

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1 are losing the war. However, we hope to correct that
2 situation. We are filing the objections and argument before
3 the Supreme Court, which will take place before June. At
4 least there will be one additional tract for the state to
5 consider leasing in the area off L.A. Harbor.

6 In California vs. Nevada, you're aware that the
7 master ruled in favor of California's position.

8 California vs. Arizona and the U.S.: This is the
9 Davis Lake litigation to confirm the first study made by
10 the State Lands Commission of the boundary determination
11 along this former bed of the Colorado River. We had a
12 rather hot hearing before the special master in Phoenix a
13 couple of weeks ago, and we're now waiting for the transcript
14 and will go back to oral argument before the judge, who will
15 then prepare his report and submit it to the Supreme Court.
16 That may be argued this year before the end of this term,
17 which concludes in June.

18 The final matter is that there are continuing
19 discussions with the County of Los Angeles over the tax
20 appeal. We have not resolved all our record request
21 problems. The county has asked for a continuance of the
22 hearing, and they have alleged that we haven't been
23 cooperating and that that's the reason for it, but we
24 vigorously dissent from that view. That is getting to be
25 a rather complicated matter. I'm sure that's been discussed

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1 with you privately, but it's very complicated.

2 MR. NORTHROP: We released all the public
3 documents to L.A. County.

4 MR. TAYLOR: There's about \$6 million minimum at
5 stake to the state in that proceeding.

6 That concludes the major items of litigation.
7 One other item: Mr. Williams, who is here today, won a
8 motion for summary judgment on the last three lawsuits over
9 the LaJenelle. The LaJenelle was the ship that washed
10 aground. We still have two lawsuits pending from that
11 debacle. He was successful in defeating the claim of a
12 person who participated in the salvage operation. She asked
13 that we pay her \$50,000, and the court sustained our summary
14 judgment motion on the grounds that we had already obtained
15 a judgment against her, so we didn't have to. So that's
16 over.

17 There are two more actions pending on whether
18 fishlines happened to foul on the superstructure of the ship,
19 which was put out in the ocean for a fish habitat for the
20 Department of Fish and Game. Those actions have been
21 sitting for several years. They're going to have to prove
22 to us that that was what they tangled on. They have not yet
23 brought that.

24 That brings the total from one derelict ship
25 running aground to, I think, about five lawsuits and several

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1 million dollars to the state in expense. That was why it
2 was so important to move the Catalina into sheltered waters.

3 That concludes the litigation report.

4 CHAIRPERSON CORY: Okay. The last item on the
5 agenda today is item 28.

6 MR. NORTHROP: Mr. Chairman, on item 28 Rob Collins,
7 the deputy A.G., and counsel for North Coast Village would
8 like to appear before the commission to make some technical
9 language changes in the calendar item.

10 MR. COLLINS: Mr. Chairman, Phil Knierim,
11 representing the private parties, is here, but he has
12 indicated that I can speak for both him and ourselves.

13 When this calendar item was written, we hadn't
14 had one final meeting, which we had last week with them, and
15 there is just a slight need for clarification on page 3, item
16 5. Is that page 155?

17 MR. NORTHROP: Yes.

18 MR. COLLINS: Item 5 says:

19 "The Parties agree to and will
20 confirm the existence of a public
21 access and recreational easement
22 over Parcel 2A, as shown on Exhibit
23 "C", by virtue of implied dedication."

24 In our subsequent meetings we agreed to take out the phrase
25 "by virtue of implied dedication".

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1 Another thing that Mr. Knierim asked me to mention
2 which we've agreed to put into the boundary line agreement
3 which is not presently in the agreement is that it will be
4 noted that the lots established by the boundary line
5 agreement are exempt under the Subdivision Map Act -- that's
6 Government Code Section 66412(e) -- and will be legal lots
7 without the filing of a subdivision act.

8 CHAIRPERSON CORY: What's the significance of
9 striking "by virtue of implied dedication"?

10 MR. TAYLOR: We have a compromise agreement.
11 Mr. Chairman. They're agreeing to make the settlement. The
12 basis for our claim for part of the settlement is implied
13 dedication. They're not necessarily agreeing with us on
14 that, but they are agreeing to set aside certain land for
15 the purposes for which we feel the public has acquired a
16 right to use it.

17 CHAIRPERSON CORY: Okay. So everybody is happy?

18 MR. TAYLOR: I think so.

19 MR. COLLINS: Or acquiescing, if not happy.

20 MR. KNIERIM: "Acquiescing" is the proper word,
21 Mr. Chairman.

22 CHAIRPERSON CORY: Are you happy in your
23 acquiescence?

24 MR. KNIERIM: No, sir.

25 CHAIRPERSON CORY: The thing I'd like to

1 establish -- that seems to imply that you feel you've been
2 unfairly treated. We're willing to listen if you have a
3 complaint.

4 MR. KNIERIM: We have, prior to now --

5 MR. NORTHROP: Please identify yourself for the
6 record.

7 MR. KNIERIM: My name is K. Phillip Knierim of
8 Fulop, Rolston, Burns and McKittrick, 9665 Wilshire
9 Boulevard, Beverly Hills, Counsel for North Coast Village.

10 We have, before now and on numerous occasions,
11 indicated to the State Attorney General the objections that
12 we have. But I think for the record at this time it's
13 appropriate to say simply that we are in fact entering into
14 the agreement. Whether we're happy or not is perhaps not
15 as relevant as whether we're agreeing.

16 CHAIRPERSON CORY: But you are in fact agreed: not
17 under duress, but agreed?

18 MR. KNIERIM: You've put a very awkward question
19 to me.

20 CHAIRPERSON CORY: I just don't want you to go out
21 and sue us after we enter into this agreement.

22 MR. KNIERIM: If the agreement stays in force and
23 settles all the claims, in all likelihood we'll not. Asking
24 me whether it's done under duress is raising a great many
25 issues that perhaps would take a lot of time to deal with

1 and may not be fruitful, since the agreement is being
2 reached.

3 I'm not prepared to say that the agreement is not
4 being obtained under duress. I cannot say that.

5 CHAIRPERSON CORY: Mr. Taylor.

6 MR. TAYLOR: That puts me in a little difficult
7 position. I would say this: In December of 1978 the
8 commission authorized a quiet-title action against North
9 Coast Village, which in part -- there are several tiers of
10 ownership -- which in part is in bankruptcy. North Coast
11 Village has title insurance and feels that it has complete
12 ownership of this property. The commission staff and our
13 office, based upon other investigation, disagree with them
14 on that question. They very vigorously feel that they have
15 full title.

16 On the other hand, they are in the process of
17 trying to rehabilitate this project from bankruptcy, and
18 the staff has tried to work with them consistent with our
19 arguments in the case. They have been pretty hot
20 negotiations. I don't know that we've quite risen to the
21 degree of feeling that Mr. Knierim has for other govern-
22 mental agencies that he has dealt with, but they were
23 spirited negotiations.

24 The commission is going into partnership, in a
25 sense, with North Coast Village at this point. If they get

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1 their conversion either to stock cooperatives or condominiums,
2 we have an agreement. If not, this agreement does not
3 become effective, and we go back to our beginning squares.

4 There is some urgency in concluding this as soon
5 as possible, due to the bankruptcy proceedings and the fact
6 that there are an awful lot of liens and lawsuits
7 outstanding.

8 In defense of the commission, I would say that the
9 commission staff and the representative of the Attorney
10 General's office that worked on this action have appeared
11 before the Coastal Commission and have actively sought to do
12 everything they possibly could to explain the situation to
13 the Coastal Commission, both at the regional and at the
14 state level.

15 I would say that this boundary agreement is
16 similar to others that we have entered into with parties,
17 and if it is successful will save substantial litigation
18 expense.

19 If no one is happy with an agreement, maybe it's
20 a good agreement. That's about the most I can say on the
21 matter.

22 From a practical standpoint, they have a choice
23 whether to turn this over to their insurers and let them
24 fight with us or to go ahead with the project. I think
25 they want to see if they can't rehabilitate this project

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1 and get it back on its feet. In that sense I would agree
2 with them that they haven't been happy with our presence,
3 but on the other hand they've found a way to work out the
4 problem if everything else works.

5 I don't know whether that clarifies the
6 situation. I don't think it would constitute the kind of
7 duress which would invalidate the agreement. Mr. Knierim
8 and his clients are very knowledgeable real estate people
9 and very knowledgeable counsel in this matter and in coastal
10 matters, and we certainly hope we've done the same kind of
11 job from our standpoint.

12 This agreement has been brought to you in
13 considerable haste in order to try to meet the requirements
14 of negotiations with them and also to make sure this project
15 somehow stays afloat. So I would not say there was any kind
16 of legal duress. It was just where two people have a
17 dispute, and people as a practical matter decide they need
18 to go ahead with the matter and finish it.

19 Mr. Trout does have a diagram showing the
20 transaction.

21 (Addressing Mr. Knierim.) Where do we stand? Is
22 that about where you think we stand?

23 MR. KNIERIM: I think Mr. Taylor's summary is
24 entirely accurate. I reserve the contentions about duress
25 except to say that we are prepared to say that we will not

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1 seek to invalidate the agreement based on that or any
2 similar contentions.

3 CHAIRPERSON CORY: I'm happy with that, then.

4 MR. TAYLOR: Before the commission acts, there are
5 three points that should be noted. The first is that,
6 depending upon the results of a title report, North Coast
7 Village may or may not be a party to the agreement.

8 The second is that there is a problem with the
9 legal description on the common boundary between Parcel 1B
10 and Parcels 2B and 3. That boundary is going to require a
11 field inspection to find where it should actually be drawn.
12 It can only be resolved in the field. Representatives of
13 the City of Oceanside, Mr. Knierim's clients, the State
14 Lands Commission, and our office are going to meet in the
15 field and resolve that. That will have to be adjusted.
16 Everyone agrees it's not correct, and the only way we can
17 do it is to get out there and have everyone agree on what we're
18 starting from.

19 The third item is that there may be other non-
20 substantive changes made in the agreement in the course of
21 final cleanup and review by the city. If there is anything
22 substantial, it will be brought back to the commission. But
23 your approval would be contingent upon these three
24 statements.

25 CHAIRPERSON CORY: Okay?

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1 MR. KNIERIM: Yes.

2 CHAIRPERSON CORY: Questions from commissioners?
3 Without objection, item 28 as amended is then
4 approved.

5 MR. NORTHROP: Mr. Chairman, the next meeting is
6 tentatively scheduled for November the 20th. We're
7 attempting to have a meeting about the same time in
8 December as well. We have clearances from all offices
9 except Mr. Curb's, and we're still waiting for an answer
10 back.

11 CHAIRPERSON CORY: Okay. If there is no further
12 business, we stand adjourned.

13 (Thereupon this meeting of the
14 State Lands Commission was
15 adjourned at 10:45 a.m.)

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