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MEETING  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 2117  
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, JUNE 22, 1978  
10:00 A.M.

KATHLEEN M. REED  
C.S.R. License No. 3486

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MEMBERS PRESENT

Mr. Kenneth Cory, Chairperson  
Mr. Sidney McCausland, representing Mr. Roy M. Bell, Member  
Ms. Betty Jo Smith, representing Mr. Mervyn M. Dymally,  
Member

STAFF PRESENT

Mr. Richard Golden  
Mr. Robert Hight  
Mr. Steve Mills  
Mr. William F. Northrop, Executive Officer  
Mr. W. M. Thompson  
Mr. James Trout  
Mr. F. D. "Bud" Ures  
Mr. Al Willard  
Ms. Diane Jones, Secretary  
Ms. Judy Sarantis, Secretary

ALSO PRESENT

Mr. Alan Hager, Deputy Attorney General  
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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CHAIRPERSON CORY: Call the meeting to order.  
The first item is the confirmation of the Minutes of the meeting of May 31.

MS. SMITH: No problems.

MR. McCAUSLAND: No objection.

CHAIRPERSON CORY: Without objection, the Minutes will be confirmed.

Report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Thank you, Mr. Chairman and Members. The first phase of plantings of the Watershed and Forest Rehabilitation Project on school lands has been completed as planned and on schedule. California Conservation Corps crews, under the direction of Commission staff and Service Foresters of the Department of Forestry, planted approximately 44,000 seedlings on 110 acres involving three sites.

Twelve acres of the 160-acre experimental plantation near Truckee were planted during a snowstorm in the first week of April, which one of the Commission members attended -- much to her discomfort, I understand. Approximately 80 acres of a fire-killed parcel near Honey Lake were planted during May -- we picked a May date which was going to look better -- and an estimated 18 acres of cut-over forest land

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1 near Bucks Lake were completed in the first week in June.

2 Considerable accomplishments have also been  
3 achieved in preparation for next year's plantings, the  
4 first full year of the project. Among these activities  
5 included obtaining and classifying soil information,  
6 preparing prescriptions for the areas to be planted,  
7 obtaining access information, working out planting stock  
8 needs, and also preparing the Draft Environmental Impact  
9 Report which is currently being circulated to over one  
10 hundred agencies and private parties.

11 The next subject is the jojoba seeds. This  
12 hardy desert shrub is the focal point of an increasingly --

13 MR. McCAUSLAND: Mr. Chairman, I thought I had  
14 come to the State Lands Commission meeting today.

15 (Laughter.)

16 MR. McCAUSLAND: This is State Agricultural Board  
17 stuff.

18 CHAIRPERSON CORY: I didn't hear anything about  
19 this in the briefing.

20 MS. SMITH: You never do when it's in the  
21 Executive Officer's report.

22 MR. McCAUSLAND: Are these candidate projects  
23 for resubmittal for distribution to other needy local  
24 government programs?

25 EXECUTIVE OFFICER NORTHROP: We think we have an

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1 area in much of our land that, because it's so bad, lends  
2 itself well for the growing of jojoba seeds. We recently  
3 found that --

4 MR. McCAUSLAND: Well, we'll save a whale, too,  
5 so I --

6 EXECUTIVE OFFICER NORTHROP: That's correct.

7 We have received a request from the CCC to collect  
8 jojoba seeds on State school lands. The staff is cooperating  
9 with this joint effort, as is the National Park Service,  
10 and will explore the use of State school lands as test  
11 sites for growing these intriguing, oil-producing plants.

12 CHAIRPERSON CORY: Who writes your stuff?

13 (Laughter.)

14 EXECUTIVE OFFICER NORTHROP: I don't know. It's  
15 not very funny.

16 MR. THOMPSON: I don't think it will ever replace  
17 an oil well.

18 EXECUTIVE OFFICER NORTHROP: As this project  
19 gets further down the road, we'll be in to the Commission  
20 for specific --

21 CHAIRPERSON CORY: For what?

22 EXECUTIVE OFFICER NORTHROP: For specific  
23 approval.

24 CHAIRPERSON CORY: To let the CCC go pick up  
25 some seeds? I mean, I think you can handle that one.

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1 EXECUTIVE OFFICER NORTHROP: We will be looking  
2 at a plant -- we did so well on trees, we thought maybe  
3 the seeds would do well. So we may want to do planting on  
4 some of the desert property.

5 CHAIRPERSON CORY: Wonderful.

6 EXECUTIVE OFFICER NORTHROP: Moving right along --  
7 in fiscal year 1977-78, the Commission sold a total of  
8 nearly three million board feet of merchantable timber from  
9 five parcels of school land for nearly a half-a-million  
10 dollars. About one-quarter of the volume sold was fire-  
11 or insect-damaged timber, and the remainder was mature or  
12 overgrown timber and some green timber as well.

13 A preliminary review of the aerial photograph and  
14 available mapping indicates there may be one hundred million  
15 board feet of merchantable timber on some 120 school  
16 parcels of land. Much of this timber on these parcels is  
17 in old-growth stands, where there is little net-volume  
18 increase because decay generally cancels out the gross. By  
19 harvesting the mature and overmature trees from these timber  
20 stands, growth on the remaining younger trees can be  
21 accelerated.

22 During the next fiscal year the staff plans to  
23 prepare and submit to the Commission sales to harvest  
24 approximately three million board feet of timber from seven  
25 school land parcels. In addition to maturity, availability

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1 of access is the major criterion for selection. Also,  
2 the staff will respond to any additional salvage operations  
3 that may be required during the year regarding fire- or  
4 insect-damaged timber.

5 CHAIRPERSON CORY: Why are you doing basically  
6 the same number of board feet this year as last year, and  
7 you tease us with the line that we've got a hundred million  
8 board feet of merchantable timber? We seem to be hurting  
9 for money. The implication of what you told me -- at least,  
10 the impression that I got -- was that the forest might be  
11 better off if we did the harvest than if we didn't. Why  
12 don't we do six million, ten million?

13 EXECUTIVE OFFICER NORTHROP: The available timber  
14 would only be harvested if, in the estimation of our  
15 timber people, it would be of benefit to the stand. So  
16 far, the staff has not taken a position that harvesting  
17 timber is a revenue-producing area that we should -- if  
18 that's the feeling of the Commission --

19 CHAIRPERSON CORY: I don't know.

20 EXECUTIVE OFFICER NORTHROP: -- I think maybe  
21 we should investigate looking at doing an economic harvesting  
22 of the timber. We've never used that as the criterion in  
23 the past.

24 CHAIRPERSON CORY: What is the criterion?

25 EXECUTIVE OFFICER NORTHROP: If it promotes the

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1 growth of the existing timber in the area or if we're going  
2 to lose it because of infestation, fire, and that sort of  
3 thing. That's been the criterion. We have not --

4 CHAIRPERSON CORY: And there's only three million  
5 of the hundred million board feet that would be available?

6 EXECUTIVE OFFICER NORTHROP: Yes, in that latter  
7 category. We'll certainly take a look at it.

8 MR. McCAUSLAND: This is a selective cut?

9 EXECUTIVE OFFICER NORTHROP: Right.

10 CHAIRPERSON CORY: "A selective cut"? Let's put  
11 him in charge of timber.

12 MR. McCAUSLAND: No, no. I want to stick with  
13 my areas of expertise. I'm big on jojobas --

14 (Laugnter.)

15 CHAIRPERSON CORY: Okay. Moving right along.

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
17 Members, in Item Number 34, the Alamitos Bay Settlement  
18 Agreement 8 is presented to the Commission for its  
19 consideration and approval today. This agreement is the  
20 result of more than 13 years of negotiations and drafting.  
21 It represents the last of the major agreements resolving  
22 the title and boundary problems in the City of Long Beach  
23 in the Alamitos Bay area which started in 1957.

24 This and other Alamitos Bay Agreements are an  
25 exemplar of how title and boundary disputes can be resolved

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1 if all of the affected parties are willing to work together.  
2 Even though this settlement has involved more than 2.6  
3 square miles of land occupied by more than 19,000 inhabitants,  
4 hard work and the desire to succeed in a satisfactory  
5 resolution have insured that there was no major interruption  
6 to private occupation.

7 At this time I would like to express my appreciation  
8 to the City of Long Beach, numerous private parties and  
9 their attorneys, the staff of the Lands Commission, and  
10 the Attorney General's office, who have worked so diligently  
11 on these matters. It is my hope that this may be an example  
12 to be followed in other pending matters where similar  
13 problems are presented.

14 That completes my report, Mr. Chairman, and  
15 Item Number C7 is off calendar.

16 Thank you very kindly.

17 CHAIRPERSON CORY: Any questions?

18 MR. McCAUSLAND: Well, that was really marvelous.  
19 I can see why you write that the night before.

20 (Laughter.)

21 MR. GOLDEN: Mr. Chairman, Members, this month  
22 the Assistant Executive Officer's report will focus on two  
23 items of significance concerning the staffs of the State  
24 Coastal Commission, the San Francisco Bay Conservation and  
25 Development Commission, and the State Lands Commission.

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1 BCDC first -- the staff of the Commission, along  
2 with representatives of the Attorney General's office, are  
3 meeting this afternoon with staff members of BCDC to discuss  
4 matters including: one, streamlining liaison between our  
5 staffs on BCDC administrative permits; two, potential  
6 problems arising from the manner in which Board of Tideland  
7 Commissioner Lots are dealt with in BCDC permits; and  
8 three, the public trust status in artificially created  
9 waterways.

10 On the other side, the State Coastal Commission --  
11 the State Commission and the six regional Coastal Commissions  
12 have begun imposing a standard covenant on their applications  
13 whenever sea walls, groins, or other shoreline projects  
14 are proposed. The standard coastal permit condition will  
15 require permittees to clear with the State Lands Commission  
16 before proceeding with construction on their projects.  
17 Prior to this condition, coastal projects affecting State  
18 Lands were not necessarily brought to our attention.

19 That concludes my report, Mr. Chairman.

20 MS. SMITH: What time are you meeting this  
21 afternoon?

22 MR. GOLDEN: Two o'clock at our office.

23 CHAIRPERSON CORY: Any questions?

24 MR. McCAUSLAND: (Shakes head.)

25 CHAIRPERSON CORY: Okay. The next items on the

1 agenda are the consent calendar items, C1 through 9,  
2 excluding 7. These items will be taken up all in a group.  
3 Is there anybody in the audience who has any objection to  
4 the proposed authorizations as prepared by the staff on  
5 these items?

6 Hearing none, without objection, the consent  
7 calendar will be approved as presented.

8 Item 10, granted lands, substantial compliance,  
9 San Mateo.

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, staff  
11 has found that the San Mateo Harbor District has  
12 substantially complied with their granted -- it is  
13 recommended that it be accepted.

14 MR. McCAUSLAND: No objections.

15 CHAIRPERSON CORY: Without objection, Item 10 is  
16 approved.

17 Item 11, Moss Landing.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, PG&E  
19 has had a delay in getting their lease approved and has  
20 asked for two things. They've asked for the term to  
21 reflect the six months it's taking them to put their  
22 package together; and secondly, the matter of volumetric  
23 rental -- we're informed by the Attorney General's office --  
24 has been a matter of collection to be held in a suspense  
25 account. Our original lease did not cover that, so what

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SMITH: -- in terms of our future agreements?

TAYLOR: Again, I'm going to have to say that understanding, but we need Dennis Eagan to be in that more fully.

SMITH: Maybe we should take this off the

AIRPERSON CORY: I don't understand the other discrepancy between 19-6 and 20.

HIGHT: Mr. Chairman, they were unable to get their necessary permits, and they asked that the start date really begin on July 1st, '78, instead of August 1st, '78.

MCCAUSLAND: May I ask a question?

AIRPERSON CORY: Yes.

MCCAUSLAND: Isn't it true, though, that the facilities have been in operation during the last year 1 through today's date?

TROUT: They're not on our land.

MCCAUSLAND: But not on our land.

TROUT: They're on the grant to the Moss Landing State Marine Reserve District.

MCCAUSLAND: So the State has not received the economic rentals under the terms of this lease to the Moss Landing State Marine Reserve District?

HIGHT: (Shakes head.)

1 MR. McCAUSLAND: Have they incurred any  
2 obligation to pay us anything?

3 MR. HIGHT: That's correct.

4 MR. McCAUSLAND: That's interesting. Then why  
5 would they want a six-month shortening of the terms of the  
6 lease?

7 MR. TROUT: Mr. McCausland, the main reason is  
8 that the lease provides that construction will start within  
9 a specific period of time after the beginning date of the  
10 lease.

11 MR. McCAUSLAND: Wouldn't it be easier to just  
12 amend that clause of the lease?

13 MR. TROUT: I guess it's a matter of choice as  
14 to how you do it.

15 MR. McCAUSLAND: We were one of the agencies that  
16 delayed the approval of the EIR, so I assume we should be  
17 willing to shoulder some responsibility for an extension  
18 of the permissible date for the commencement of construction.  
19 But I don't see why we should go back and renegotiate all  
20 the other terms of the lease on the basis of the EIR review.

21 CHAIRPERSON CORY: I detect that there are not  
22 three votes to deal with this item this morning, and I think  
23 you should inform PG&E and see what they want to do.

24 Item 12.

25 MS. SMITH: Are you taking this off calendar?

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1 CHAIRPERSON CORY: There's no action. If I'm  
2 misreading the Commission, I'm willing to entertain a motion,  
3 but I get the impression that there are not two --

4 MR. McCAUSLAND: I'm willing to leave it open to  
5 negotiation rather than vote against the calendar item.

6 MS. SMITH: Yes, because I'm going to vote against  
7 it today.

8 MR. TAYLOR: I'll have Mr. Eagan here, or we'll  
9 have a briefing.

10 CHAIRPERSON CORY: No action was taken --

11 MS. SMITH: Just have him come in.

12 EXECUTIVE OFFICER NORTHROP: We will be meeting  
13 next time in close proximity to that area, as well.

14 CHAIRPERSON CORY: Okay. Item 12.

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
16 is a request for a Watershed Rehabilitation project which,  
17 in future years, may give us revenue on timber.

18 CHAIRPERSON CORY: Questions from the Commissioners?

19 MR. McCAUSLAND: No problem.

20 CHAIRPERSON CORY: Anybody in the audience?

21 Without objection, Item 12 will be approved as  
22 presented.

23 Item 13.

24 EXECUTIVE OFFICER NORTHROP: It's a contract,  
25 Mr. Chairman.



1 MR. McCAUSLAND: No problem.

2 CHAIRPERSON CORY: Questions?

3 MS. SMITH: No.

4 CHAIRPERSON CORY: Anybody in the audience on  
5 Item 13?

6 Without objection, Item 13 is approved as presented.

7 Item 14, execution of an interagency agreement with  
8 the Department of Justice.

9 MR. McCAUSLAND: I think they've gotten enough  
10 out of us already.

11 CHAIRPERSON CORY: I thought we just had the last  
12 major settlement of Alamitos Bay, and I see son of Alamitos  
13 Bay here for a hundred and sixty grand. I mean --

14 MR. TAYLOR: Well, this is mostly for the oil  
15 operations.

16 CHAIRPERSON CORY: Okay.

17 MR. McCAUSLAND: But we're not making any money  
18 off of that, either. How about going on a profit-sharing  
19 basis?

20 (Laughter.)

21 MR. TAYLOR: If I could get the right rate, I  
22 would be very happy to do that.

23 CHAIRPERSON CORY: But that would be wrong.

24 (Laughter.)

25 MR. THOMPSON: We'd spend \$160,000 for lawyers to

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1 represent us against the Attorney General's office, though.

2 CHAIRPERSON CORY: Are there any objections?

3 MS. SMITH: (Shakes head.)

4 CHAIRPERSON CORY: Without objection, Item 14  
5 will be approved as presented.

6 Item 15, authorize the Executive Officer to extend  
7 existing helicopter services with Condor from July 1, '78.  
8 Why are we extending it rather than rebidding?

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
10 budget -- we will not use all of the money involved as the  
11 budget for last year. Mr. Willard made a survey of the  
12 helicopter companies, and perhaps he would care to discuss  
13 that with the Commission.

14 CHAIRPERSON CORY: Why are we extending rather  
15 than rebidding?

16 MR. TAYLOR: So it won't revert, so the money  
17 won't revert.

18 EXECUTIVE OFFICER NORTHROP: No, no.

19 MR. McCAUSLAND: Let me ask you another question.  
20 This must be about the fifth year of this contract, isn't  
21 it?

22 EXECUTIVE OFFICER NORTHROP: I believe it's the  
23 third year that I know of.

24 MR. McCAUSLAND: What is our normal statutory  
25 obligation? To rebid next year? It seems to me like after

1/2

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1 you've gone for three years, you're supposed to go back or  
2 something like that.

3 MR. HIGHT: No. If the terms of the contract  
4 haven't changed, if they're under the existing terms, and  
5 with General Services' approval, mind you, you can go  
6 forward, and there doesn't seem to be any limitation. We  
7 surveyed the other people in the area. This is the cheapest  
8 deal. There isn't anyone else close who can do it for this  
9 price.

10 EXECUTIVE OFFICER NORTHROP: We surveyed every  
11 agency that supplies that service in the area, and they  
12 indicated they would bid their previous bid. So we just  
13 left it there. It's not a big contract. We're really not  
14 anxious to get it.

15 MS. SMITH: My understanding is that they only  
16 pay by the hour anyway for the services that are provided.

17 EXECUTIVE OFFICER NORTHROP: Yes. This is a  
18 max contract, not a firm-price contract. If we don't use  
19 it, we don't spend it.

20 CHAIRPERSON CORY: Did you ask them whether or  
21 not they're going to pass through the Prop. 13 savings?

22 EXECUTIVE OFFICER NORTHROP: No, sir, we did not.

23 CHAIRPERSON CORY: Moving right along, any other  
24 questions on this item?

25 Without objection, the item will be approved.

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1 Item 16, approval of service contract with Atlas  
2 Blueprint for '78-'79 fiscal year, not to exceed \$38,775.

3 Is there anybody in the audience on this item?

4 MR. McCAUSLAND: No objections.

5 CHAIRPERSON CORY: Questions?

6 MS. SMITH: (Shakes head.)

7 CHAIRPERSON CORY: Without objection, Item 16  
8 will be approved.

9 Item 17, Informative.

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
11 Mr. Al Willard from the Mineral Extraction Section will  
12 just briefly give a run-through of where we are as far as  
13 revenues that are in the impound account for geothermal --  
14 in our hopes of getting.

15 MR. WILLARD: In accordance with the sales  
16 contracts for the sale of geothermal resources in The  
17 Geysers area, the price is redetermined on an annual basis.  
18 And based upon the 1977 figures, the new price for 1978  
19 has been set at 15.52 mils per kilowatt. This is based  
20 upon the average cost of fossil fuel and nuclear fuel to the  
21 PG&E system for the year.

22 MR. McCAUSLAND: Does that include factors for  
23 imported fuel from cartel-controlled sources?

24 MR. WILLARD: I would assume, yes. I mean, it's  
25 the average cost to their system.

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1 MR. McCAUSLAND: Wouldn't that be a precedent  
2 that we might want to research adequately in our own  
3 interests when it comes to discussion on that for --

4 CHAIRPERSON CORY: Similar items, yes.

5 MR. McCAUSLAND: -- similar items? If that's  
6 the technique they utilize for valuing geothermal resources,  
7 I assume it's a technique that's appropriate to --

8 CHAIRPERSON CORY: Other energy sources.

9 MR. McCAUSLAND: Other energy sources, yes. Thank  
10 you.

11 MR. WILLARD: In accordance with this new sales  
12 agreement, it will mean approximately \$4 million royalty  
13 in the 1978 calendar year.

14 CHAIRPERSON CORY: Have the legal people gotten  
15 the inference that Mr. McCausland wants you to research?

16 EXECUTIVE OFFICER NORTHROP: Yes, sir, we have.

17 CHAIRPERSON CORY: Okay. I don't think we need  
18 to belabor it.

19 Any other questions on anything else?

20 We still have the terrible contract that they can  
21 stack the steam to the air and not have to pay for it.

22 MR. WILLARD: That's correct, if they're not  
23 utilizing it.

24 CHAIRPERSON CORY: I hope we don't enter into any  
25 more of those. I hope you understand what they do. If they

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1 don't want to use the steam, I think they let it go to the  
2 air and they don't have to pay for it.

3 MR. WILLARD: They can also pinch back the wells  
4 to a degree. It does not necessarily have to be stacked.

5 CHAIRPERSON CORY: Okay, but they're --

6 MR. WILLARD: On occasion, it is.

7 MR. McCAUSLAND: I don't have any objection to  
8 it being on occasion, but I would like to understand the  
9 geologic consequences of closing down the well when it's  
10 not required rather than venting. If you're not damaging  
11 the substructure --

12 CHAIRPERSON CORY: The courts have held that it's  
13 a mineral; therefore, it's okay. I don't know if the  
14 people down below understand what the courts have done, but

15 MR. WILLARD: To a degree, there is a point,  
16 however, where if you shut them off completely, you can  
17 injure the well; that is, drown the well out.

18 MR. McCAUSLAND: That was my question. I'd like  
19 us to understand as a Commission what reasonable conservation-  
20 management techniques would be for the management of our  
21 geothermal resources so that if we can vent only that which  
22 is necessary to the maintenance of the field, I would like  
23 to only vent that amount.

24 MR. WILLARD: Yes.

25 CHAIRPERSON CORY: Our problem, I think, is that,

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1 from an energy-management problem -- resource problem --  
2 the geothermal, it would seem to me, is technically more  
3 suited to a constant energy-supply utilization, and our  
4 contracts allow them to use it for peaking.

5 MR. WILLARD: Yes.

6 CHAIRPERSON CORY: And as I understand the energy  
7 source, it is ideally suited for constant flow.

8 MR. WILLARD: It would be.

9 MR. McCAUSLAND: When do we get to readdress that  
10 issue in the leases?

11 CHAIRPERSON CORY: That's the problem.

12 MR. McCAUSLAND: Never?

13 MR. WILLARD: In 20 years from 1971.

14 MR. McCAUSLAND: Maybe I can come back and haunt  
15 them. Maybe we can talk about Moss Landing together.

16 (Laughter.)

17 MR. WILLARD: Royalties are up for renegotiation  
18 in 20 years following the negotiation dates.

19 CHAIRPERSON CORY: In future contracts I think we  
20 ought to try to address ourselves to the concept that a  
21 constant energy source is being used for peaking.

22 MR. McCAUSLAND: Short of that, I think it's  
23 appropriate to have meetings with the management and the  
24 operators of the field regarding the relative importance  
25 of this resource in comparison to other energy sources

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1 because I think that, since the time they entered into the  
2 development of this field and we entered into the contract,  
3 the relative prices have changed considerably. It probably  
4 should no longer be considered a peaking source.

5 EXECUTIVE OFFICER NORTHROP: In addition to this,  
6 the general attitude towards geothermal since 1971 has had  
7 quite a change because at that time it was considered some  
8 kind of a weird operation. Now it's becoming much more of  
9 a serious energy source, particularly since 1973.

10 MR. McCAUSLAND: Why don't we try to find a forum  
11 in which we can discuss this without antitrust implications  
12 or anything else? Just as a --

13 EXECUTIVE OFFICER NORTHROP: I would suggest that  
14 we make it a calendar item for the next meeting back in  
15 Sacramento.

16 MR. McCAUSLAND: There might be good publicity  
17 for all parties concerned if the operations of these fields  
18 could be modified somehow.

19 EXECUTIVE OFFICER NORTHROP: We anticipate having  
20 on the calendar next month a geothermal bid. At that time  
21 we may want to tailor our new contracts to reflect that,  
22 as the Chairman suggested.

23 MR. McCAUSLAND: Let me ask a question on that:  
24 Is it clear that this type of resource is best used as  
25 essentially a steady State-load source rather than as a

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1 peaking source? Is that fairly well established, or is  
2 that a subject of debate and controversy?

3 MR. WILLARD: It certainly would appear that it  
4 would be more appropriate as the steady --

5 MR. McCAUSLAND: I would think so, yes.

6 MR. THOMPSON: We still have the problem, though,  
7 of a plant being down so you do have down times.

8 MR. McCAUSLAND: That's okay. You can factor  
9 that in. I mean, there's nothing wrong with a plant going  
10 down once in a while. The question is whether you want it  
11 to be going down every day for a good part of the day.

12 MR. THOMPSON: (Nods head.)

13 MR. WILLARD: A question of economics, I presume,  
14 would come into this thing with respect to the generation  
15 of electricity. If hydropower is considerably less  
16 expensive as opposed to geothermal, it would be --

17 MR. McCAUSLAND: Maybe we should get into the  
18 hydropower business, too. We've been lying back on a lot  
19 of this.

20 CHAIRPERSON CORY: Yes. Where should we put a  
21 dam?

22 (Laughter.)

23 CHAIRPERSON CORY: Let's build a dam somewhere.

24 EXECUTIVE OFFICER NORTHROP: How about Auburn?

25 CHAIRPERSON CORY: There are still a few people

1 we haven't offended.

2 MR. WILLARD: Just to sum this up, then, the  
3 total amount -- as you're aware, this matter is currently  
4 being litigated as to the ownership in The Geysers area.  
5 We have about \$8.8 million in the trust account, which,  
6 upon final settlement of the court case which is on appeal  
7 at this time, will ultimately end up in the general fund.

8 CHAIRPERSON CORY: Where are we -- I saw something  
9 in the newspaper about other litigation on environmental  
10 problems by Lake County or --

11 MR. TAYLOR: I saw the same newspaper article,  
12 and Lake County has requested that the ARB sue PG&E or  
13 increase the requirements with regard to H<sub>2</sub>S discharges into  
14 the atmosphere. Apparently, PG&E was granted a deferral  
15 in a program to restrict those discharges. I don't know  
16 exactly what the status of that is. I've checked with the  
17 Resources Section in our office, but I have not yet reached  
18 the person that would handle that referral from the ARB if  
19 it was made.

20 Lake County apparently contends that H<sub>2</sub>S is blowing  
21 over the mountains into their county from this production.  
22 There has been a program because I've been to the field,  
23 and at the time I was there it was a very clean operation.  
24 Apparently, a proposed delay in this program has been made,  
25 and the county is upset about it and asking the State ARB

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1 Commission to do something. I'll try to find something  
2 about that and pass the information on to Mr. Northrop for  
3 you as soon as I do.

4 I've come to one other item on this lawsuit. We  
5 prevailed at the trial court level after -- I believe the  
6 trial was two years ago now. It was a summer-long trial,  
7 and the State's position was upheld. At that time there  
8 was another State court action pending on whether geothermal  
9 energy was a mineral or a water. The matter was allowed to  
10 hold for that decision to come down.

11 The decision came down and held that it was a  
12 mineral. Then they appealed that to the Supreme Court,  
13 which was denied, and then they went to the United States  
14 Supreme Court for review of that matter, which was denied.  
15 There was some hope at that time that Union Oil would be  
16 satisfied that that disposed of the issue, and this  
17 litigation would be dropped. That now does not appear to  
18 be the case. Union has now announced that they are going  
19 to proceed with the appeal of this case as well.

20 I do not think the record has been completed yet.  
21 Then they will have 30 days in which to file their opening  
22 brief, and we must file our brief in response. There is  
23 eight million on deposit at the present time in a bank  
24 because there was a dispute over how the money would be  
25 held pending the outcome of the lawsuit, and the court

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1 imposed that order. We wanted to take it into the State  
2 Treasury. They weren't happy on the terms we wanted to  
3 take it into the State Treasury and hold it. The matter  
4 was argued in court, and the court took it away from both  
5 parties and put it, I believe, in Hibernia Bank or Wells  
6 Fargo Bank.

7 The balance in that trust account is now eight  
8 million seven hundred-some thousand dollars, with a new  
9 rate. The reason the amount is so low is that the rate of  
10 our royalty started out very low -- 56,000 a year. It's  
11 now four million a year, so this account will begin to grow  
12 in geometric proportions very rapidly.

13 My instructions to Dennis Eagan will be that he  
14 is to give this case all priority. But since we're not the  
15 appellant -- Union Oil is the appellant -- we can make it  
16 as uncomfortable as we can for them as far as extensions  
17 of time and other things are concerned. We are still looking  
18 at this account building up to a point where the case may  
19 not be final for two to four years so that this amount of  
20 money will be building up and probably will not be available  
21 for State use until that time. So, while there's going to  
22 be quite a nest egg here, it's not available for immediate  
23 State funding.

24 CHAIRPERSON CORY: Would it be wrong to suggest  
25 that the terms of the trust agreement provide that when it's

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1 released it will be available to fund the costs of the courts  
2 and judge's salary benefits?

3 (Laughter.)

4 CHAIRPERSON CORY: Would that be wrong?

5 MR. TAYLOR: It might expedite it.

6 MR. McCAUSLAND: You might want to consider that  
7 as a rider on your volumetric rental impound because that  
8 will probably grow at a more rapid rate than this would.

9 MR. TAYLOR: I haven't seen the figures yet on  
10 the volumetric one. Both of these lawsuits will have to  
11 be moved. We have a much different position here. This  
12 one will come in sooner, but both of them will be very large  
13 amounts. We are getting something out of the volumetric,  
14 though. We are at least getting the minimum rent, which  
15 is considerably more than what was obtained from these  
16 leases in the past. The problem with the Pariani case --  
17 the geothermal case -- is that it's a winner-take-all  
18 situation. We're right or they're right, and there isn't  
19 any in-between, so the money is going to sit there until --

20 CHAIRPERSON CORY: Those of us in elected politics  
21 deal with that all the time.

22 (Laughter.)

23 CHAIRPERSON CORY: Okay. Anything else on Item 17?  
24 Questions?

25 MS. SMITH: No.

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1 MR. TAYLOR: Mr. Chairman, could I come back to  
2 Moss Landing for just a minute, because I think the record  
3 should be clarified. Mr. McCausland indicated that there  
4 was a delay in the approval of the Moss Landing matter  
5 because of our handling of the EIR. I would like to make  
6 it clear for the record that there was no delay on the part  
7 of the staff in the preparation of the EIR. The EIR  
8 process took a long time because of the procedures set  
9 forth for members of the public to comment. There was  
10 considerable controversy over this transaction, and quite  
11 a bit of additional information had to be obtained. However,  
12 the staff of the Lands Commission and members of our staff  
13 that work for you in this connection worked very hard in  
14 expediting that matter.

15 As a matter of fact, at the request of PG&E, we  
16 expedited the putting of this matter back on the calendar  
17 so that at least the EIR portion could be acted upon by the  
18 Commission so that they could go get their other permit. So  
19 from the standpoint of the Commission's actions or the  
20 attorneys' actions in this case, while there was a delay,  
21 the delay was not caused by the staff. It was caused by  
22 the normal procedures required to be fulfilled for an EIR,  
23 and the staff did everything it possibly could to make sure  
24 that that got through in the shortest possible time.

25 MR. McCAUSLAND: I would like to stipulate that I

1 agree with Mr. Taylor but that the Commission itself, in  
2 its own wisdom, determined that the public input required  
3 additional deliberations on our part. But the staff  
4 clearly did everything they could to expedite the matter.

5 MS. SMITH: One question: Doesn't every applicant  
6 assume the risk of that type of delay and assume the risk  
7 of having to pay part of the rental even though they're not  
8 using the lease?

9 MR. TAYLOR: Yes, that may be. I just wanted to  
10 make the record clear that it wasn't any fault of the  
11 Commission, but it was the Commission properly discharging  
12 its duties as required by law that required us to require  
13 the long time.

14 MR. McCAUSLAND: Can you answer the question,  
15 though? That's a very important question to me.

16 MR. TAYLOR: Your question was that they assume  
17 certain risks, and the answer to that is yes, they do.

18 MS. SMITH: (Nods head.)

19 MR. TAYLOR: They do. It's the same situation  
20 we have with regard to the Exxon platform.

21 CHAIRPERSON CORY: Okay. Do we need any more on  
22 the record on this?

23 Are you happy with the record at this point?

24 MS. SMITH: Yes.

25 CHAIRPERSON CORY: You know, Moss Landing, fine.

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1 I think that clarified me.

2 The next item is 18, which is that Mr. Northrop's  
3 been -- two or one?

4 EXECUTIVE OFFICER NORTHROP: One issue, one  
5 tentative. At the time the calendar went to press we  
6 thought we had issued, but we hadn't really issued it yet.

7 CHAIRPERSON CORY: Okay. Anybody in the audience  
8 on Item 18?

9 Okay. We acknowledge that we've been informed.

10 We get to be informed again on the Long Beach  
11 operations on monitoring of possible geologic hazards in  
12 Long Beach.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, 19  
14 through 25 will be handled by Mr. Thompson, who's been  
15 working this month.

16 MR. THOMPSON: All right. Twice a year the City  
17 of Long Beach and the harbor area and some of the surrounding  
18 area run ground-elevation surveys. The results of that survey  
19 are seen on this map up here.

20 This is a cum ground-elevation change here since  
21 May of 1965 -- just prior to production at the Long Beach  
22 Unit -- through February of 1978. What this map shows is  
23 that everything within the green area off to the east  
24 there --

25 CHAIRPERSON CORY: Green?

2/3

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1 MR. THOMPSON: The green line off to the east  
2 there, the far east -- that one. Everything from there  
3 westward is higher than it was in May of 1965 with the  
4 exception of a small area --

5 CHAIRPERSON CORY: When you say "higher", how  
6 much higher?

7 MR. THOMPSON: I think the maximum in there is  
8 nine-tenths of a foot, about in that area right in there.

9 CHAIRPERSON CORY: What's the average increase?  
10 Six-tenths, five-tenths?

11 MR. THOMPSON: Well, you'll start with the first  
12 contour line there, and that will be one-tenth of a foot.  
13 And it will build up -- that's one-tenth, two, three, four,  
14 about four-tenths in there. There's a concentrated area  
15 down there where it's five, six, seven -- up to nine-tenths.  
16 And there's one area, a small green area, just to the left  
17 of where he's pointing now --

18 CHAIRPERSON CORY: I'm sorry but I'm sort of a  
19 naive klutz, and I think that's just fascinating that the  
20 ground is that much higher and nobody knew it. That  
21 explains the cracks in the walls and all those things,  
22 right?

23 MR. THOMPSON: No. We monitor it every six  
24 months. We knew it was going up. It also has gone down.  
25 It's gone down and has come back up. You've seen the same

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1 thing in the bulge out at Palmdale. That went up and came  
2 down. The whole Los Angeles Basin, in effect, is  
3 tectonically active. It's going up and down. It's also  
4 moving sideways. Along with this, they periodically run  
5 horizontal surveys to see where you're located within the  
6 whole Basin.

7 CHAIRPERSON CORY: I still keep clinging to these  
8 views that the sun rotates around the earth, and the earth  
9 is solid. But go ahead. I'm sorry.

10 MR. THOMPSON: All right. So our staff review  
11 of this ground-elevation survey from May 1965 to February  
12 '78 substantiates that no subsidence of the land surface  
13 has occurred as a result of operations of the Long Beach  
14 Unit. In addition to this, we run a network of five  
15 seismic monitoring stations at the same time to monitor any  
16 subsurface seismic events occurring within the area, and  
17 during this period we've had no seismic events within the  
18 Unit area.

19 CHAIRPERSON CORY: How do you know that that's  
20 the case and that the units didn't work?

21 MR. THOMPSON: Because if there are five of them,  
22 this would have to say that all five did not work. Lots  
23 of times you can pick extraneous signals from one that will  
24 not be confirmed on the other four. It's so sensitive that  
25 a truck or something going by will give you an extraneous

1 signal for a real small seismic event. What you need is  
2 confirmation from all five because this gives you a  
3 triangulation at the location of where that seismic event  
4 occurs.

5           These are recorded constantly, 24 hours a day.  
6 They're set for a certain intensity, which really sets the  
7 signal, then, and when it can stop. This is the same type  
8 of thing that you get whenever there's a quake, and  
9 Cal Tech comes on and gives a newspaper release or through  
10 the radio of what the intensity of the earthquake was and  
11 where it was located.

12           CHAIRPERSON CORY: Okay.

13           MR. THOMPSON: Now, the next item is on crude  
14 oil pricing. We were to come back and talk about crude oil  
15 pricing and what's happened in relation to the plan and  
16 budget. Unfortunately, everything is rather current so  
17 we really don't have too good an answer. The Department  
18 of Energy came out with entitlements adjustments the first  
19 of this month. You have this in an attachment that you have  
20 there, and what they gave us is shown on these graphs,  
21 these attachments.

22           Really, it's a reduction of the penalty on  
23 upper- and lower-tier oil, and it varies by gravity. So  
24 you have these.

25           Here, we're showing what's happened to two

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1 different gravity crudes in Wilmington. We have 14-gravity  
2 crude on the bottom and 18-gravity crude on the top. You  
3 can see that the lower-gravity crude, 14, is even lower in  
4 relationship to ceiling price than the other gravity. That  
5 spread is 86 cents between current price and ceiling price  
6 for the 14-gravity crude, the bottom curve, and 67 cents  
7 for the 18-gravity crude.

8 The last change you see on the 18-gravity crude  
9 was a posting by Union Oil in February, and you see the  
10 same thing happening down on the 14-gravity crude. And then  
11 there was a posting prior to that around the first of the  
12 year by one company that showed up on the 18-gravity curve  
13 but not on the 14-gravity curve.

14 As of yesterday, Union Oil increased posting  
15 prices again, and until we get time to analyze that, we  
16 really don't know the impact. We think preliminarily that  
17 it will be about maybe another ten cents a barrel.

18 CHAIRPERSON CORY: That's if nobody else changes.

19 MR. THOMPSON: Because we again have to divide  
20 that by four to get the impact overall. They increased  
21 upper tier by about a dollar a barrel, which -- these are  
22 lower-tier crudes here. But for lower tier, some prices  
23 were actually cut, so it will take a little time. We would  
24 suggest that, if you really want an evaluation of the crude-  
25 oil-pricing relationship to planning and budget, we can

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1 report back on this in July again because the postings  
2 should be out by that time, and we can evaluate it a little  
3 better.

4 MS. SMITH: (Nods head.)

5 CHAIRPERSON CORY: Okay.

6 MR. THOMPSON: Calendar Item 21 is a prior  
7 approval. All subsidence costs expenditures by the City  
8 of Long Beach to be reimbursed have to have State Lands  
9 Commission's prior approval. Some of these, we do on an  
10 annual basis so they can go ahead and do certain types of  
11 work. This is one of them which allows emergency maintenance  
12 work throughout the year, and this is reviewed after the  
13 end of the year to see if it is subsidence-cost related.  
14 If it is, it's reimbursed. Some of the areas within the  
15 harbor district are below sea level, so there really is  
16 an emergency need sometimes for maintenance work as it  
17 relates to subsidence.

18 CHAIRPERSON CORY: Any questions?

19 MR. McCAUSLAND: No.

20 CHAIRPERSON CORY: Without objection, 21 will be  
21 approved.

22 MR. THOMPSON: Item 22. In 1964, in bidding on  
23 part of the Long Beach Unit, there's a nonoperating portion  
24 of 20 percent of the Long Beach Unit, Tract 1. Its bid is  
25 called "nonoperating contractors".

1 Richfield and Standard at that time as a  
2 partnership bid on four of these parcels. There was a  
3 five-percent parcel, a two-and-a-half percent, a one-and-a-  
4 half percent, and a one percent. They now want to split  
5 that partnership up so that each has an undivided interest  
6 in which Atlantic Richfield would maintain the two-and-a-  
7 half percent, the one-and-a-half percent, and the one  
8 percent, and Chevron -- successor to Standard -- would hold  
9 the five percent.

10 CHAIRPERSON CORY: There may be some advantage  
11 to them, but what's in it for the State of letting them  
12 sever their commitments to us?

13 MR. THOMPSON: Well, the contract itself says  
14 that any change in assignment has to be approved by the  
15 City of Long Beach and the State Lands Commission. So  
16 they're merely coming back in. If they want to change  
17 their relationship, they have to get approval for it.

18 MS. SMITH: Right, but we're not required to  
19 approve it.

20 CHAIRPERSON CORY: I understand why they're coming  
21 in, but it seems to me that at this point -- as I read the  
22 ads and all, there's a fierce competition in the industry --  
23 one of these companies might go broke from this competition.  
24 And if that occurred, if we sever them, the one that went  
25 broke we couldn't recover against the other one, whereas if

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1 they're jointly held, we could. I don't see what is on our  
2 side of the table to compensate for that lack of security.

3 MS. SMITH: I think the current arrangement  
4 provides the State with much more security, and I'm prepared  
5 to vote no on Item 22.

6 (Thereupon a short discussion was held off  
7 the record.)

8 CHAIRPERSON CORY: Anything we should know about?  
9 We're about to make a decision. Are we making the wrong  
10 one?

11 EXECUTIVE OFFICER NORTHROP: No. I think you're  
12 doing right.

13 CHAIRPERSON CORY: Sid?

14 MR. McCAUSLAND: No problem.

15 CHAIRPERSON CORY: Yes. I think that that's  
16 sort of my wish or inclination. I don't see any reason  
17 to approve it. I don't see what the State gets and, if  
18 the State doesn't benefit, I don't see that we have any  
19 obligation to approve it.

20 MR. THOMPSON: We'll inform the parties, then.  
21 If they want to ask again, why, they can come back at a  
22 future time and explain it to you or whatever.

23 MR. McCAUSLAND: I think it would be better for  
24 them to bring the whole package to us and show us what's  
25 in our best interest.

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1 MS. SMITH: I think that they knew that this item  
2 was going to be on the calendar.

3 CHAIRPERSON CORY: Is there anybody here on Item  
4 22?

5 MR. PARKIN: I'm John Parkin. I'm with the  
6 City of Long Beach. I understand that Arco wants to divide  
7 this so that they can in turn assign their oil to an  
8 independent. We're in hopes that we can realize more money  
9 than the posted price for their oil.

10 MS. SMITH: Which independent would they be  
11 assigning their interest to?

12 MR. PARKIN: Century Oil Company.

13 MR. THOMPSON: We would still be bound by the  
14 contract as far as the pricing provisions on this, regardless  
15 of who had the -- if we're assigned to someone else, we  
16 still have the contract language.

17 CHAIRPERSON CORY: It wouldn't affect the price  
18 unless the new purchaser started posting, I would presume.

19 MR. PARKIN: They could pay anything up to the  
20 ceiling price.

21 CHAIRPERSON CORY: But he'll be paying that to  
22 Arco.

23 MR. PARKIN: No.

24 MR. THOMPSON: He can only pay out of the contract  
25 terms. He can't pay more or less than the contract terms.

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1 That would be my interpretation of it.

2 MR. PARKIN: Well, none of this is for sure.

3 MR. THOMPSON: Alan, could you answer this question?

4 MR. HAGER: Yes. If, for example, Arco were to  
5 assign -- this is just a hypothetical -- but if Arco were  
6 to make a pure assignment of its rights and obligations and  
7 its interests under the contractors' agreement, the other  
8 company would just be stepping in and taking over all those  
9 rights and obligations. There would be no change in anything,  
10 and the pricing provisions would remain the same. So  
11 there would be nothing compelling them to pay the City a  
12 higher price for the oil than the present holders of these  
13 interests are now paying.

14 CHAIRPERSON CORY: I think we know where we are,  
15 and we thank the staff for bringing this matter to our  
16 attention.

17 MR. THOMPSON: We'll inform them, then, that if  
18 they want to come back again, why --

19 CHAIRPERSON CORY: At this point the Commission,  
20 I think, has no interest in this item.

21 Item 23.

22 MR. THOMPSON: Item 23 is an attempt to level out  
23 the net-profits flow for a contractor here. We have to pay  
24 mining rights' tax twice a year, in April and December.  
25 And it creates an imbalance in the net profits account, so

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1 what we'd like to do is each month take out, in effect,  
2 one-twelfth, just like the impounds are taken out when you  
3 buy a house or something like that.

4 CHAIRPERSON CORY: Is it April and December, or  
5 is it August?

6 MR. THOMPSON: Actually, it will be three  
7 payments because there will be an unsecured real property,  
8 I guess, in August, and there's a mining rights' tax in  
9 April and December. I believe that's the way it is.

10 CHAIRPERSON CORY: Okay.

11 MR. THOMPSON: But the main ones are the mining  
12 rights, which is a large one. Those are what we are trying  
13 to smooth out. That's all.

14 CHAIRPERSON CORY: This is to create an impound  
15 account. Who gets the interest on the impound account?

16 MR. THOMPSON: It actually stays within the  
17 account to pay the taxes. So we're impounding money and  
18 letting the money accrue on the interest on it to help pay  
19 the taxes.

20 CHAIRPERSON CORY: Okay.

21 MS. SMITH: That's fine.

22 MR. THOMPSON: And this rate will be higher than  
23 what we would get in the State Treasury.

24 CHAIRPERSON CORY: Without objection, Item 23  
25 is approved.

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1           Item 24.

2           MR. THOMPSON: This is another prior approval for  
3 the year for subsidence remedial-work accounts. This comes  
4 in six different categories. There are the vertical  
5 measurements, such as you see the result on that map.  
6 There are horizontal measurements, \$5,000 for consultants  
7 and contingencies, \$20,000 for preliminary engineering  
8 studies they do prior to getting prior approval for a  
9 project, State Lands' expense -- this is an expense that  
10 the Harbor Department staff incurs in working on these  
11 projects -- there's another lateral ground-movement study  
12 for \$15,000. These add up to \$355,000 in their request.

13           We've reduced one of the items from \$125,000 to  
14 \$80,000. That's the State Lands' expense because we think  
15 our requests of them will be less during the year and there  
16 will be less expense incurred in that. And we have a  
17 letter from the Harbor Department agreeing to this reduction.

18           CHAIRPERSON CORY: Any questions, Sid?

19           MR. McCAUSLAND: I have one question.

20           Do we have agreements with many other entities  
21 in the State where we are billed for their services? And  
22 are the rates at which we're billed in Long Beach within  
23 the ballpark range of the rates at which we're billed by  
24 other entities?

25           MR. THOMPSON: Let me clarify one point. They are

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1 not actually billing us. This is a subsidence cost that  
2 is deducted from the oil revenue.

3 MR. McCAUSLAND: You can call it one way or the  
4 other --

5 MR. THOMPSON: Well, it's true it's one-hundred  
6 percent --

7 MR. McCAUSLAND: -- I appreciate what you just  
8 said, that technically we're not being billed for this, but  
9 those are --

10 MR. THOMPSON: We're paying one-hundred percent.

11 MR. McCAUSLAND: -- funds that are not available  
12 to flow through to us.

13 MR. THOMPSON: Yes, we're paying one-hundred  
14 percent.

15 MR. McCAUSLAND: Are we paying rates that are  
16 relatively equivalent to what other agencies that have  
17 direct billing are billed?

18 EXECUTIVE OFFICER NORTHROP: I can recall that  
19 we had some surveying done by CalTrans --

20 Is that right, Jim?

21 MR. TROUT: Right.

22 EXECUTIVE OFFICER NORTHROP: -- and there, that  
23 cost is --

24 MR. TROUT: It was turned in by the State  
25 Administrative Manual based on established pay scales plus

1 authorized overhead.

2 M. McCAUSLAND: I don't expect instant expertise  
3 on an issue this technical, but I would like to know --  
4 and I don't know how to keep the string on this -- whether  
5 we've been, you know, gouged.

6 MR. THOMPSON: Well, I don't know about that,  
7 but by the time we get through you can usually expect -- I  
8 think it's about a factor of 3.4 times the basic salary  
9 by the time it gets to this account.

10 MR. McCAUSLAND: That's pretty healthy.

11 MS. SMITH: Isn't there a provision included in  
12 the calendar item now for a review of the engineering work  
13 to make sure that the work is properly done and we haven't  
14 been excessively billed?

15 MR. THOMPSON: This would be the scope of the  
16 work and whether it was charged right. Again, if we get  
17 to the question of interpretation of the City of Long Beach  
18 or the Harbor Department's overhead allowance -- if you  
19 want, we'll pursue this with the City of Long Beach. We  
20 have a lot of things to discuss with them on subsidence  
21 items and --

22 MR. McCAUSLAND: Well, I have a couple of  
23 questions. There's no question in my mind that the City  
24 of Long Beach probably uses generally accepted accounting  
25 practices in their dealings with us, and it would be in

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1 their best interest to not have anything amiss there. But  
2 I'm quite concerned about whether or not all these  
3 multipliers that go into the direct labor charges are  
4 really appropriate, and I would like that issue reviewed  
5 very carefully. I mean, it sounds to me like we're paying  
6 for firemen and policemen retirement benefits rather than --

7 MR. THOMPSON: We're coming back in August with  
8 a consideration of the next nine months on the subsidence-  
9 maintenance account. Maybe at that time we can bring this  
10 issue back.

11 MR. McCAUSLAND: Fine. Thank you.

12 MS. SMITH: In addition, since you've asked them  
13 to make a study, they may also want to study the general  
14 problems with the subsidence account with Long Beach. I  
15 understand that we have a problem of them having the  
16 ability to acquire additional land, and we're assuming the  
17 responsibility for any subsidence that occurs?

18 MR. TAYLOR: Item 21 that went by rather quietly,  
19 we had revised the recommendation to you, which was that it  
20 only be for a 90-day period in order that we may talk to  
21 the City about a number of problems in connection with the  
22 subsidence, which is going to be, I guess, the next area of  
23 extensive discussions with the City. That will include all  
24 of the items and can include the one which Mr. McCausland  
25 has also added, but we do have very serious problems. We

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1 have very serious problems with how the City used this fund  
2 which we approved for a budget purpose for next year this  
3 past year. We still have a very great argument with them  
4 over that and think their use of that fund was improper and  
5 gave us some problems. But we want to be able to talk to  
6 the City, so I don't think that today is the day to take all  
7 the shots that each of us might take at each other but to  
8 go sit and talk about it for the next couple of months and  
9 then bring you back a comprehensive package.

10 MR. THOMPSON: Also, there's a new city attorney  
11 in Long Beach who just took office here, I believe, the  
12 first week in June.

13 CHAIRPERSON CORY: He's been sworn in?

14 MR. THOMPSON: Yes.

15 MR. TAYLOR: Yes.

16 EXECUTIVE OFFICER NORTHROP: I have a meeting  
17 with him on July 13th or 14th, at which we're going to  
18 discuss many of these issues.

19 CHAIRPERSON CORY: Fine. Do you have any other  
20 questions?

21 MS. SMITH: (Shakes head.)

22 CHAIRPERSON CORY: Where are we? Have we approved  
23 Item 24?

24 MS. SMITH: That's the one we were just doing now.

25 EXECUTIVE OFFICER NORTHROP: That's what we're on

1 now, Mr. Chairman.

2 CHAIRPERSON CORY: Okay. Without objection --  
3 we'll go ahead with the approval?

4 MR. McCAUSLAND: Yes.

5 CHAIRPERSON CORY: Item 24 is approved.  
6 Item 25.

7 MR. THOMPSON: Item 25 is an annual account of  
8 the year we're in right now in which the City is asking  
9 for an augmentation of the work they performed and charged  
10 against the State Lands' expense.

11 MS. SMITH: Did they receive prior approval before  
12 they incurred the additional cost?

13 MR. THOMPSON: They are asking for this, and  
14 this will be for the period from today through the end of  
15 the month.

16 MS. SMITH: Okay. I may have misread this item,  
17 but -- it's either this one or 21 -- I understand they  
18 expended money that they did not have our approval to  
19 expend --

20 MR. THOMPSON: They have a prior approval for  
21 \$80,000.

22 MS. SMITH: -- and they completed that expenditure?

23 MR. THOMPSON: Our audit indicates that. We'll  
24 have to check that further. I don't know.

25 MS. SMITH: Okay.

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1 MR. THOMPSON: And this \$25,000 will be effective --  
2 your prior approval -- as of today.

3 MS. SMITH: Did they have time to obtain our  
4 prior approval to get the necessary funds?

5 MR. THOMPSON: Our preliminary audit indicates  
6 yes, that by about the end of February -- two-thirds of  
7 the way through the year -- they were 75-percent expended  
8 in this account.

9 MS. SMITH: I think that's the only control we  
10 have on subsidence-remedial work is whether or not they  
11 actually come in and ask for our prior approval before  
12 they make these expenditures.

13 MR. THOMPSON: Well, that can be handled through  
14 the audit because they don't have prior approval for the  
15 eighty thousand. What you're voting on here now is from  
16 today to the end of this month.

17 MS. SMITH: But they've already expended the  
18 mone , right?

19 MR. THOMPSON: But that's an audit situation as  
20 to whether they will be able to be reimbursed for that.  
21 That's a side issue from what you're acting on today. That's  
22 for us to determine at the staff level and with the  
23 attorneys.

24 MR. McCAUSLAND: Let me ask a question, if I  
25 might. How can you spend \$25,000 in two weeks on this, you

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1 know, directly charged to us?

2 MR. THOMPSON: Well, I can phrase it the other  
3 way: We don't think that you can give prior approval until  
4 today for their request for a dollar amount.

5 MR. McCAUSLAND: Then maybe we should give them  
6 \$1.

7 MS. SMITH: We're not even giving prior approval.  
8 We're simply ratifying their previous expenditure.

9 MR. THOMPSON: No, no. You're not. You are  
10 approving an expenditure effective today for the remainder  
11 of this month -- June 22nd, today, anything that they charge  
12 thereon.

13 CHAIRPERSON CORY: But the question is: Was the  
14 actual obligation incurred previously?

15 MR. THOMPSON: For \$80,000. The prior approval  
16 a year ago in June for \$80,000 --

17 CHAIRPERSON CORY: No. That's the accounting  
18 transaction. What happened -- you're saying that there  
19 will be some goods and services -- real goods and services --  
20 that will take place between now and the end of the month  
21 if we approve this, and they will not take place if we don't  
22 approve it?

23 MR. THOMPSON: No. If you don't approve it, they  
24 will not be reimbursed for it.

25 CHAIRPERSON CORY: Okay. Then that's the

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1 distinction that I think Betty is trying to deal with, that  
2 we're really approving a reimbursement of them going ahead  
3 without our approval.

4 MS. SMITH: Right.

5 MR. THOMPSON: I wouldn't look at it that way.  
6 I think you're giving your approval --

7 CHAIRPERSON CORY: We don't care how you want to  
8 look at it.

9 MR. THOMPSON: Okay.

10 CHAIRPERSON CORY: That's how the Commissioner  
11 is looking at it.

12 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, may I  
13 say that --

14 CHAIRPERSON CORY: If we're missing the point,  
15 let's try to figure it out.

16 EXECUTIVE OFFICER NORTHROP: I think the staff  
17 understands your point. I think what Mr. Thompson is  
18 attempting to say is the fact that if this money is to be  
19 used for previously committed obligations, we will not  
20 allow them to use that because that's not the intent of  
21 this motion. The intent of this motion is that if they  
22 have got something sitting out in the woods that they'd like  
23 to take the \$25,000 and pay for, no way. It can only be  
24 for things that they do after the approval time this  
25 morning -- or the disapproval time this morning, whatever.

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1 MR. McCAUSLAND: I withdraw my statement that  
2 they've probably been using generally accepted accounting  
3 practices in their dealings with the State Lands Commission.  
4 I am sorry that's on the record, and I move to deny.

5 MS. SMITH: I second the motion.

6 CHAIRPERSON CORY: The motion is seconded to deny  
7 Item 25.

8 All those in favor, signify by saying, "Aye".  
9 (Ayes.)

10 CHAIRPERSON CORY: Opposed?

11 (No response.)

12 CHAIRPERSON CORY: The motion carries. Item 25  
13 is denied.

14 Item 26.

15 MR. HIGHT: Mr. Chairman, this is a disclaimer  
16 of compensation for a 24-month road easement, and at this  
17 point it's difficult to determine whether the Commission  
18 has any interest in it.

19 CHAIRPERSON CORY: Anybody in the audience on  
20 Item 26?

21 MR. McCAUSLAND: Is that suggested at a later  
22 point, that we might find that we had an interest in it?

23 MR. HIGHT: If the interest is there, it would be  
24 minimal.

25 MR. McCAUSLAND: All right.

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1 CHAIRPERSON CORY: You're saying it's a time-  
2 period lease of 24 months for a roadway and not the full  
3 amount of these acreages listed here?

4 MR. HIGHT: Yes.

5 MR. MILLS: Could I clarify this?

6 CHAIRPERSON CORY: Come forward and --

7 MR. MILLS: My name is Steve Mills. I'm staff  
8 counsel with the Commission.

9 CHAIRPERSON CORY: Let me first state that, as I  
10 read the mood of this Commission, the less said the better  
11 if you want anything --

12 MR. McCAUSLAND: Quit while you're ahead.

13 MR. MILLS: I'm at least temporarily a staff  
14 counsel with this Commission.

15 (Laughter.)

16 CHAIRPERSON CORY: Okay.

17 MR. MILLS: Basically what happened in this case --  
18 it's a federal condemnation. The federal government came  
19 in -- I believe it was the Corps of Engineers -- and made  
20 some core-hole samples over several parcels of land. The  
21 Commission may have an interest in some of those parcels.  
22 We have been approached by several parties on some of those  
23 parcels, and there is currently a lawsuit pending between  
24 two private parties regarding title to those parcels. The  
25 Commission may be named in this lawsuit at a later date.

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1           There was no compensation paid to anyone for this  
2 easement to take core-hole samples, and the staff felt that  
3 it was inappropriate to attempt to try title over parcels  
4 which the Commission may have a claim to in the federal  
5 case. If we have an interest, which we have not yet  
6 determined, we would much rather try title in a State court  
7 action in a quiet title action or, in view of the pending  
8 litigation --

9           CHAIRPERSON CORY: A disclaimer in this case can't  
10 be used against the --

11           MR. TAYLOR: It's not a disclaimer of interest.  
12 It's a disclaimer of compensation, and that's said in  
13 several of these items. We assert the interest and disclaim  
14 the right to be compensated. So we're preserving our title  
15 claims, but we feel that the cost and the benefits to be  
16 derived in having the battle at this point just aren't  
17 worth it.

18           MR. McCAUSLAND: No objection.

19           MS. SMITH: The feeling I get is that if you  
20 determine the compensation you would be entitled to, it  
21 would be so minimal that it's worth giving up your right.

22           MR. MILLS: There was no compensation paid to any  
23 party in this lawsuit. It would be very difficult to  
24 establish any significant compensation for the damages, as  
25 it was a temporary --

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1 MR. TAYLOR: We're doing that in several of  
2 these, if you want to just take them as a group. We're  
3 asserting our interest, and we're saying that as far as  
4 we're concerned it costs us more to define and protect our  
5 interests than the property is worth, but we want to  
6 preserve our claim because of other interests or because  
7 of subsequent litigation that come up over that parcel.  
8 And that's the way it stands.

9 MS. SMITH: No objection.

10 MR. McCAUSLAND: No objection.

11 CHAIRPERSON CORY: All right. Item 26 is approved  
12 as presented.

13 Item 27, authorization to engage in litigation  
14 for sovereign lands at the North Spit entrance of Samoa  
15 Peninsula, Humboldt Bay, Humboldt County.

16 EXECUTIVE OFFICER NORTHROP: That's right.

17 MS. SMITH: I'll move it.

18 CHAIRPERSON CORY: Anybody in the audience on  
19 this one?

20 Questions?

21 MR. McCAUSLAND: No objection.

22 CHAIRPERSON CORY: Without objection, Item 27  
23 will be approved as presented.

24 Item 28, proposed acceptance of retrocession of  
25 exclusive jurisdiction to concurrent jurisdiction of 423

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1 acres, more or less, of land at Oakland Army Base, Alameda  
2 County.

3 Any questions from members?

4 MS. SMITH: No. But for the record, the statutory  
5 authority of Mr. Hull was inserted in the calendar so it  
6 will be on the record, right?

7 MR. HIGHT: Yes.

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

10 Sid, any questions?

11 MR. McCAUSLAND: (Shakes head.)

12 MS. SMITH: No objection.

13 CHAIRPERSON CORY: Without objection, Item 28  
14 will be approved as presented.

15 Item 29.

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Items  
17 29 through 33 might be treated as a unit.

18 CHAIRPERSON CORY: Is there anybody in the  
19 audience on Items 29 through 33?

20 If they could be treated as a unit and they're  
21 noncontroversial, why weren't they on the Consent Calendar?

22 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
23 Legal Department --

24 CHAIRPERSON CORY: Moving right along, is there  
25 anybody in the audience on any of these?



1 Any questions?

2 MR. McCAUSLAND: No.

3 MS. SMITH: No.

4 CHAIRPERSON CORY: Items 29 through 33 will be  
5 approved as presented.

6 Item 34.

7 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, for  
8 Item 34, I would like to introduce Bud Uzes, who has spent  
9 some 13 years of his career at State Lands on the Alamitos  
10 Bay, and Greg Taylor, who have really done a super job on  
11 this. I'd like them to make a presentation to the  
12 Commission. Mr. Taylor. Mr. Uzes.

13 MR. TAYLOR: I believe this has been explained  
14 to you in briefings, but, basically, it's a land-title  
15 settlement.

16 Bud, do you want to show them the areas that are  
17 going to be included in the agreement?

18 This is in the Alamitos Bay area of Long Beach,  
19 which is along the City of Long Beach/Orange County  
20 boundary. Pacific Coast Highway traverses part of the  
21 property and is the northerly boundary part of it.

22 This agreement was the first one we reached back  
23 in about 1967, but it is so complicated that it was decided  
24 for ease of explanation that we would do two other  
25 agreements in the area and take them to the Supreme Court

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1 for approval. It will still take more than six months of  
2 fairly intensive work to close this agreement. This is the  
3 agreement. The deeds are twice the height of this  
4 document, and there are probably a hundred parties that  
5 have to be chased down and get them to sign. And there  
6 are several boxes of title reports that will still have to  
7 be reviewed before the closing can occur.

8 The parcels are those sections that are colored,  
9 plus then we show the marina basins and the other areas  
10 that are involved in the agreement.

11 MR. UZES: Down in here. I don't know if you  
12 can see the photograph. The Marina Basin is down here,  
13 which would be in this area.

14 MR. TAYLOR: Basically, the interests of the  
15 City which are held in trust are being traded so that the  
16 City will have public access to Cerritos Channel.

17 As a result of this and a previous agreement,  
18 they will have the ownership on both sides of Cerritos  
19 Channel from Marine Stadium to the Pacific Coast Highway,  
20 with public access. And the Coastal Commission has, at  
21 least on the right bank, approved additional public marinas.  
22 We have discovered a clam bed on the left bank, and whether  
23 the clams will be preserved or whether there will be some  
24 accommodation or relocation is still an object of some  
25 discussion.

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1           But when we originally started this transaction  
2 it was to increase the availability of public boat slips  
3 operated by the City of Long Beach. And Mr. Cameron  
4 informed us yesterday -- he's one of the attorneys for  
5 the private parties -- that he was trying to get a boat  
6 slip down there and was informed that there was still a  
7 14-year waiting list for public slips in Alamitos Bay. And  
8 that's been the case for the last 15 years.

9           CHAIRPERSON CORY: That's Mr. Cameron?

10           MR. TAYLOR: Tim Cameron is here as well as  
11 Mr. Verrue from the Tidelands Department, City of Long  
12 Beach, on this transaction today. He is about the sixth  
13 generation of attorneys in his particular firm that has  
14 worked on this transaction.

15           In any event --

16           CHAIRPERSON CORY: It's a small footnote, but  
17 if Tim Cameron can't get a boat slip --

18           MR. TAYLOR: It says something for the honesty of  
19 the process.

20           (Laughter.)

21           CHAIRPERSON CORY: Things have sure gone to hell  
22 in a hurry there.

23           (Laughter.)

24           MR. TAYLOR: I'd like to say that the Clerk of the  
25 Court of Appeal did not get a boat slip for 15 years in that

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1 area.

2 CHAIRPERSON CORY: To clarify it for those who  
3 are listening, there was a bond issue that voters kept  
4 turning down for the harbor, the main unit down there.  
5 And there was another fellow named Cameron who finally  
6 figured out how to solve that problem. They no longer  
7 called it a yacht harbor but a small boat facility --  
8 recreational facility -- and the voters were willing to  
9 approve it. That's a relatively small change that enabled  
10 the thing to be developed, and it was surprising that that  
11 name doesn't mean more to people. But go ahead.

12 MR. TAYLOR: The transaction basically provides  
13 for exchange of documents between the parties clarifying  
14 the title and bringing the title up to date, removing the  
15 State's claim and the City's claim as the State's trustee  
16 to certain areas and, where the City is agreed to be the  
17 owner of the property pursuant to the grant, relocating  
18 that property where it will better suit trust purposes.

19 Bud has indicated just how you relocate. Where  
20 he's pointing now with his finger -- where the KFOX radio  
21 tower is -- would be relocated to the side of Cerritos  
22 Channel. The areas that he has colored in orange on the  
23 map are areas that the Legislature terminated the public  
24 trust easement of Commerce, Navigation, and Fisheries. The  
25 Commission was to identify those areas which, as of the date

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1 of the bill, had been filled and reclaimed.

2 So for this area, those are being shown. We  
3 didn't terminate the easement over any water-covered areas,  
4 and we did not terminate the easement over any streets  
5 which provide access -- with one exception. We throw some  
6 language in there that there is an ability to relocate  
7 some streets and, therefore, some streets have been shown  
8 as having the easement terminated. In fact, it isn't, but  
9 I don't think you'd care to hear how that goes through.

10 The end result is that many streets in that  
11 subdivision that is proposed for that area will be subject  
12 to the public trust easement so the public will have access  
13 through the subdivision to the Cerritos Channel.

14 There are several reasons for the delay of this  
15 matter. One is that they wanted to get a Coastal permit  
16 so that they would know the ultimate configuration that  
17 would be allowed for some development and then take into  
18 consideration where the City parcels would be. The Coastal  
19 permit has now been obtained for that subdivision, and this  
20 agreement has moved forward on the basis of that Coastal  
21 Commission action.

22 As a result, the City did obtain -- in addition  
23 to the parcels which are to be received by this agreement --  
24 an additional parcel -- Bud, if you could show where that  
25 would be -- which will complete it and give them a larger

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1 park area along Cerritos Channel in this area.

2 MR. UZES: In through here?

3 MR. TAYLOR: No. It's below 2(A). Right below  
4 that.

5 MR. UZES: Through here?

6 MR. TAYLOR: Yes, right there. There will be one  
7 additional parcel there.

8 There is a mineral aspect of this. The City's  
9 minerals under the trust grant are recognized, and there  
10 is an exchange of drill-through rights so that each party  
11 can use remote sites for exploration of oil and gas. There  
12 are some interests in this area, although it had been  
13 believed up until a few years ago that the oil production  
14 in this area was about exhausted. Now there's some new  
15 exploration going on, and no one knows exactly what the  
16 results of that will be, so there may be some activity in  
17 that in future years, but that will have to wait for the  
18 close of this escrow.

19 The City of Long Beach has approved this agreement.  
20 The basic private landowners have approved the agreement.  
21 Standard Oil has approved it in concept. It's still through  
22 their review process. There are a number of other parties  
23 that still have to approve it.

24 CHAIRPERSON CORY: Anybody in the audience on  
25 this item who wishes to address the Commission?

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1           Your recommendation is that it's a good  
2 settlement?

3           MR. TAYLOR: Yes.

4           CHAIRPERSON CORY: And Bud Uzes has a new project  
5 on the Nevada boundary, so we don't need to protect his job  
6 any longer. We can cover it, and we can approve this,  
7 right?

8           (Laughter.)

9           MR. TAYLOR: I would say that Mr. Uzes' mapping  
10 activity in this area as a result of these agreements  
11 will probably continue for at least another year and,  
12 although this is the last of the major title settlements --

13           CHAIRPERSON CORY: You guys haven't learned  
14 anything from Prop. 13.

15           (Laughter.)

16           MR. TAYLOR: Although this is one of the last  
17 major title problems, there are still disputes around Naples  
18 and other areas which have not been resolved. But these  
19 will be smaller lawsuits or negotiations with an individual  
20 or maybe up to ten or fifteen parties. We have not solved  
21 all the problems. We've just solved the main ones so that  
22 everyone can go ahead, and these things can be taken up as  
23 they become important.

24           However, in order to complete the mapping  
25 requirements under Chapter 2000 of the Statutes of 1957,

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1 there is at least a year of work left for the mapping  
2 people.

3 CHAIRPERSON CORY: I was just being facetious,  
4 Greg. Seriously, I do want to recognize the work that the  
5 staff and the Attorney General have done on a very difficult  
6 problem in resolving that area.

7 MS. SMITH: I'd also like to commend them and  
8 also indicate that we're not showing any lack of interest  
9 by cutting you short. It's just that we have been  
10 thoroughly briefed on this already yesterday.

11 CHAIRPERSON CORY: Okay. Without objection,  
12 Item 34 is approved as presented.

13 MR. McCAUSLAND: Don't I get to commend anybody?

14 CHAIRPERSON CORY: Did you want to?

15 MR. McCAUSLAND: No. I just wanted to be asked.

16 (Laughter.)

17 CHAIRPERSON CORY: The record will reflect that  
18 Mr. McCausland did not have anything nice to say at this  
19 time.

20 (Laughter.)

21 CHAIRPERSON CORY: Status of major litigation.

22 MR. TAYLOR: Mr. Chairman, the only item, I think,  
23 that needs to be reported at this time is the fact that the  
24 private party, Mr. Lyon, in the Clear Lake high-water/  
25 low-water litigation has filed a Motion for Summary Judgment,

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1 raising the high-water/low-water question. That's expected  
2 to be argued in the first part of July. Depending upon  
3 how that ruling comes out, it might present a way of going  
4 to the appellate courts on that question.

5 We already have one attempt to get the question  
6 decided pending now before the Court of Appeal here in  
7 Sacramento County, but we are making every effort possible  
8 to get this issue --

9 CHAIRPERSON CORY: Will that go to the same  
10 District Court?

11 MR. TAYLOR: No. I'll have to check the map,  
12 but I think that Lake County will go to San Francisco, but  
13 I'm not sure.

14 MR. HIGHT: (Nods head.)

15 MR. TAYLOR: One will be in San Francisco. We  
16 made a motion to consolidate or to have the Supreme Court  
17 take over the high-water/low-water controversy now pending  
18 in Sacramento. And they declined to take it. If we get a  
19 number of appeals from different counties, we may renew  
20 that motion and see if they will consolidate the cases.

21 CHAIRPERSON CORY: Anything else?

22 EXECUTIVE OFFICER NORTHROP: No, Mr. Chairman.

23 CHAIRPERSON CORY: The last item is confirmation  
24 of the time and place for the next meeting, July 19th,  
25 Wednesday, at ten a.m., Monterey -- what? California?

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1 Mexico?

2 EXECUTIVE OFFICER NORTHROP: Monterey, California,  
3 at the City Council Chambers.

4 CHAIRPERSON CORY: Okay. If there is nothing  
5 else to come before the Commission, we stand adjourned.

6 (Thereupon the meeting of the State Lands  
7 Commission was adjourned at 11:17 a.m.)

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