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PUBLIC MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, FEBRUARY 25, 1982
10:20 A.M.

EVELYN J. DUGGAN
Shorthand Reporter

APPEARANCES

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Commissioners:

- David Ackerman, Representing Mike Curb, Lieutenant Governor,
Acting Chairperson
- Susanne Morgan, Representing Mary Ann Graves, Director of
Finance
- John Jarvis, Representing Ken Cory, State Controller

Staff Present:

- Ms. Claire Dedrick, Executive Officer
- James Trout, Assistant Executive Officer
- Robert Hight, Esq., Chief Counsel
- Jan Stevens, Esq., Deputy Attorney General
- W. M. Thompson, Chief, Long Beach Operations
- D. J. Everitts, Chief, Energy and Mineral Resources
Development
- R. S. Golden, Chief, Land Management and Conservation
- Bob Faber, Esq., Staff Counsel
- Diane Jones, Administrative Assistant
- Jane Smith, Secretary

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ACTING CHAIRPERSON ACKERMAN: The State Lands Commission meeting will please come to order.

Mr. Hight, I believe you have an opening statement to make.

MR. HIGHT: Yes, Mr. Chairman.

John Jervis will be acting in a non-voting capacity for the State Controller.

ACTING CHAIRPERSON ACKERMAN: For the State Controller?

MR. HIGHT: Yes, John Jervis.

ACTING CHAIRPERSON ACKERMAN: I just wanted to make sure.

COMMISSIONER MORGAN: Before we declare John Jervis as a non-voting member, maybe I should bring up the appointment of the Executive Officer.

ACTING CHAIRPERSON ACKERMAN: In this capacity, let met pass the gavel to Mr. Jervis.

MR. HIGHT: In this capacity, Chairman Jervis, Mr. Ackerman will be the non-voting member.

We now have a legal constituted Commission with Mr. Jervis and Ms. Morgan voting.

COMMISSIONER JERVIS: I want to recognize Ms. Morgan.

COMMISSIONER MORGAN: Thank you.

1 Pursuant to action at Closed Session, February 18,
 2 1982, I'd like us to take the following action to ratify
 3 the appointment of Claire Dedrick as Executive Officer of the
 4 State Lands Commission, effective February 18, 1982, and
 5 appoint her as the delegate to the San Francisco Bay
 6 Conservation and Development Commission, and appoint Dick
 7 Golden, Chief, Division of Land Management and Conservation,
 8 to serve as Ms. Dedrick's alternate to this body.

9 COMMISSIONER JERVIS: Any discussion?

10 COMMISSIONER MORGAN: No.

11 COMMISSIONER JERVIS: I call for the question.

12 MR. HIGHT: Do I hear a second, Mr. Chairman?

13 COMMISSIONER JERVIS: I'll second it.

14 COMMISSIONER MORGAN: All right, I'm voting aye.

15 COMMISSIONER JERVIS: For Mr. Cory, aye.

16 ACTING CHAIRPERSON ACKERMAN: I'm a non-voting
 17 member?

18 MR. HIGHT: Correct.

19 COMMISSIONER JERVIS: The vote will be recorded
 20 as two to zero.

21 COMMISSIONER MORGAN: Thank you. Now you can make
 22 an announcement about the balance of the agenda.

23 MR. HIGHT: The balance of the agenda, Mr. Jervis
 24 will be the non-voting member for the Controller.

25 ACTING CHAIRPERSON ACKERMAN: May we now proceed?

1 MR. HIGHT: Okay.

2 ACTING CHAIRPERSON ACKERMAN: I'm glad we've got
3 attorneys advising us.

4 COMMISSIONER MORGAN: You are?

5 (Laughter.)

6 ACTING CHAIRPERSON ACKERMAN: We'll proceed with
7 the rest of the calendar items.

8 Confirmation of the minutes for the meeting of
9 February 9th, 1982.

10 COMMISSIONER MORGAN: No problem.

11 ACTING CHAIRPERSON ACKERMAN: Any questions raised
12 by either of the Commissioners? Without objection, those
13 minutes will be deemed approved.

14 Report of the Executive Officer, your first
15 report.

16 EXECUTIVE OFFICER BEDRICK: First, I'd like to
17 thank you all for offering me this opportunity which I truly
18 and deeply enjoy.

19 Second, I'd like to thank you all for the very
20 nice gift that you sent me to lighten the cigar smoking in
21 my predecessor's office, and would like to say that in the
22 few days that I've been there, which feels more like a
23 couple of weeks because so much has happened, I'm very,
24 very pleased with the staff. We've been developing a good
25 working relationship. It's a very happy situation and getting

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1 more complicated by the minute, of course, but other than
2 that, fine.

3 One of the reasons that I am so happy with the
4 staff is that I have an excellent Assistant Executive
5 Officer, Jim Trout, who is going to take over the rest of
6 the agenda today, with your permission. Is that all right?

7 ACTING CHAIRPERSON ACKERMAN: That's fine. We
8 officially would like to welcome you to us as Executive
9 Officer and look forward to an interesting year, I think, but
10 one that will continue the work that the Commission has
11 done over the last three and a half years while the rest
12 of us have been members.

13 EXECUTIVE OFFICER BEDRICK: Thank you.

14 MR. TROUT: Mr. Chairman, on the Executive
15 Officer's Report, we have two items we'd like to just brief
16 the Commission on.

17 The first is on the State Indemnity Selections.
18 In the Geysers Area, on October 2nd, 1979, the staff filed
19 a State Indemnity Selection with the Bureau of Land
20 Management for acquisition of 2635 acres of federal land
21 in the Geysers Area in the Lake, Sonoma and Mendocino
22 counties.

23 In the course of processing the application, it
24 has come to light that there are 25 unpatented mining
25 claims located on portions of some of the parcels in the

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1 selection. These mining claims, if valid, affect whatever
2 locatable or hard-rock minerals which may be on the various
3 sites, but do not affect the geothermal resources.

4 ACTING CHAIRPERSON ACKERMAN: Does an unpatented
5 mining claim mean a squatter or what?

6 MR. TROUT: No, it does not mean a squatter.

7 Mr. Grimes can probably answer that, but I under-
8 stand that these claims have been filed on under the
9 Federal Land Management and Policy Act that required filings
10 with BLM by, I think, October of 1979.

11 MR. GRIMES: That is true. All of them have been
12 refiled.

13 MR. TROUT: It means the federal government has
14 not issued a patent, but they have been properly located.

15 Since the purpose of the State's selection was
16 to acquire the geothermal resources, the staff recommends
17 that the land be accepted subject to the unpatented claims.
18 It is believed that the claims are invalid, but contests
19 to invalidate them will be time consuming, and it is
20 advantageous to acquire the geothermal resources at the
21 earliest possible date.

22 These lands are already under lease by the federal
23 government, and the State would acquire these leases. So,
24 it is to the State's advantage, and then we can process the
25 validation or the adjudication of those leases within the

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1 Lands Commission staff.

2 ACTING CHAIRPERSON ACKERMAN: Do we then issue
3 new leases ourselves?

4 MR. TROUT: No, we're taking subject to the
5 federal leases on the leased areas.

6 The second one is brought for your information
7 for an expression of the Commission's approval, if any.
8 Down in the desert, we have requests for a authorization to
9 hold an all-terrain course motorcycle race event on
10 vacant State school land in Imperial County by Oasis
11 Honda-Kawasaki of Palm Springs. This one-day event is
12 proposed for Sunday, April 11, 1982 on Competition Hill
13 in the Imperial Sand Dunes Recreational Lands Area. The
14 estimated number of competitors may range between 500 and
15 1,000.

16 Commission staff investigation and coordination
17 with the representatives of BLM and California Department
18 of Fish and Game knowledgeable of these motorized-
19 recreation-vehicle activities leads us to a confirmation
20 that the proposed ATC race event will not have a significant
21 effect on the environment.

22 Before final approval is granted to Oasis Honda-
23 Kawasaki to stage their motorcycle event, the sponsor will
24 be required to provide a certificate of insurance stating
25 there is liability insurance coverage in the amount of

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1 \$1 million, with the State listed as an additional insured,
2 only insofar as the race event is concerned.

3 I want to point out that these are State school
4 lands which are part of an ORV area that is used widely
5 whenever the weather is good.

6 It's part of a BLM public ORV area, so these
7 lands are traversed most weekends by off-road vehicles.

8 What they're asking for here is to have control
9 for one day, or one weekend, of this piece of property.
10 If you have no objection with that, we will issue an emergency
11 permit and come back with a calendar item at the March
12 meeting. They need to have an expression of concurrence
13 so they can go ahead and advertise, if that's all right.

14 COMMISSIONER MORGAN: Question: Do they make
15 money from an event like this, and do they pay us rent?

16 MR. TROUT: Let me ask Mr. Grimes or Golden to
17 respond.

18 MR. GRIMES: I don't believe they make money.
19 They have an entrance fee that develops the purse, and it
20 goes back out. There's a lot of people involved in this
21 thing, monitors, laying out the course and all. It's a
22 non-profit event.

23 EXECUTIVE OFFICER DEDRICK: Question: They are
24 paying us rent for that day, are they not?

25 MR. GRIMES: No, they're just supplying insurance.

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1 This is an area that is common, on a good weekend,
2 you'll get 5,000 people out there, an uncontrolled use
3 situation. And they're just requesting for one day to
4 control the use.

5 COMMISSIONER MORGAN: Thanks.

6 ACTING CHAIRPERSON ACKERMAN: Any other questions
7 by Commissioners?

8 MR. TROUT: If that's all right, we'll go ahead
9 and do that, Mr. Chairman.

10 Second, there is no report to the Coastal Commission.

11 ACTING CHAIRPERSON ACKERMAN: You don't need any
12 official action from the Commission?

13 MR. TROUT: No, that's fine. I guess oil
14 prices are dropping faster than we thought.

15 ACTING CHAIRPERSON ACKERMAN: Do we have a staff
16 report on the Coastal matters?

17 MR. TROUT: No, no staff report this morning.

18 ACTING CHAIRPERSON ACKERMAN: The Coastal
19 Commission is alive and well?

20 MR. GOLDEN: As far as I know.

21 ACTING CHAIRPERSON ACKERMAN: We will continue
22 with the rest of the calendar items.

23 Items C1 through 27 are normally known as
24 Consent Calendar. They're usually items of non-controversy
25 in nature, and they will be approved by the Commission

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1 en masse, unless there is a request by anyone in the audience
2 or any Commissioners to remove any item off the Consent
3 Calendar.

4 Is there anyone in the audience that wishes any
5 of the Consent Calendar items to be moved to the regular
6 calendar?

7 Any questions or comments from the Commissioners?

8 COMMISSIONER MORGAN: I move the Consent Calendar.

9 ACTING CHAIRPERSON ACKERMAN: I have one
10 question first on Item C-10. It's concerning the Tahoe
11 permit.

12 Is one of those permits involving the lawsuit
13 of the high-water/low-water mark? Is that one of the people
14 that was suing on that?

15 MR. STEVENS: No.

16 ACTING CHAIRPERSON ACKERMAN: One of those
17 names seemed familiar to me.

18 MR. STEVENS: None of them are parties in the
19 pending actions we have.

20 ACTING CHAIRPERSON ACKERMAN: That was my one
21 point of clarification.

22 It's been seconded, by myself, that Items C1
23 through 27 be approved without objection. That will be
24 the order.

25 Calendar item 28, that's approval of a land

1 exchange between the State and Anza, together with approval
2 of a 49-year general lease.

3 Mr. Trout.

4 MR. TROUT: Mr. Chairman, on the rostrum over
5 here is a plat of the Anza Pacific area.

6 The proposal before you is to exchange the light
7 green parcel, 10, owned by the Commission, for Parcel 28,
8 which is light blue, labeled Service Station Parcel, and
9 the area outlined in red.

10 The goal of the transaction is to consolidate --
11 maybe I could ask Mr. Grimes to come up and show you. The
12 idea is to consolidate the area fronting on the Bay,
13 which the State owns all of except Parcel 28.

14 MR. GRIMES: This area in here.

15 MR. TROUT: The idea is to consolidate that
16 development under a single developer.

17 We're asking your approval of this in order to
18 firm up the option agreement on the parcel labeled 28 there,
19 the Service Station Parcel. However, we would like to
20 make that execution of any of the documents subject to
21 us getting Parcel 31 under option as well.

22 At the present time, the State's lessee on that
23 parcel has that lease under assignment option to another
24 party, and they can't give it to us at this point. We
25 are working with BCDE and the City of Burlingame to

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1 develop a master plan, and we're receiving very good
2 cooperation from our lessee.

3 We ask you to approve this calendar item, but
4 at the same time instruct staff to continue working with
5 the lessee in acquiring an option on Parcel 31 so that we
6 have a unified parcel.

7 ACTING CHAIRPERSON ACKERMAN: Any questions
8 from Commissioner? Is anyone in the audience wishing to
9 address the Commission on calendar Item 28?

10 Without objection, then, calendar Item 28 will be
11 approved.

12 Item 29, Dynasonics Corporation, this is a land
13 exchange in Tehachapi and Kern counties.

14 I understand there are some mineral questions on
15 it. Have those been resolved?

16 MR. TROUT: Well, they're not really mineral
17 questions.

18 What this is is an exchange of school land with
19 a private party where the State will be acquiring an
20 additional 88 acres of land. We're exchanging 480 acres
21 for 560 acres that are in a more beneficial position for
22 management.

23 Our mineral people have not had the opportunity
24 to make a full geological evaluation of all of the parcels.
25 However, they are very close to each other, and the

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1 Applicant for this exchange was instrumental in getting
2 legislation passed that would allow the Commission to make
3 exchanges of school land with private parties.

4 Because of that, and because of
5 the nearness of the sites to each other and the additional
6 80 acres, the staff is recommending approval of this land
7 exchange. Not that that would set a precedent for what
8 we would do in similar circumstances.

9 ACTING CHAIRPERSON ACKERMAN: This really helps
10 us out, though, in future BLM exchanges?

11 MR. TROUT: Very much.

12 ACTING CHAIRPERSON ACKERMAN: Any questions from
13 Commissioners? Anyone in the audience on Item 29?

14 Without objection, Item 29 is approved.

15 Item 30, Fred H. Lundblade, Jr., and others,
16 this is one of two items dealing with Eureka.

17 MR. TROUT: Yes, the discussion applies both
18 to Item 30 and Item 31. These are settlements of negotiated
19 agreements in Eureka made by the City of Eureka. They
20 provide for the deposit of money into the Eureka Land
21 Trust Account and clear up private title.

22 We recommend 30 and 31.

23 ACTING CHAIRPERSON ACKERMAN: Is there anyone
24 in the audience on Item 30? Item 31?

25 It will be deemed approved.

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1 Item 31, is there anyone in the audience on Item
2 31? Any questions from Commissioners?

3 Item 31 will be deemed approved.

4 Item 32, Shasta Dam Area, we're approving a sale
5 of State school land for some park and recreation purposes,
6 I believe, to the Shasta Dam Public Utilities District.

7 MR. TROUT: That's correct, Mr. Chairman.

8 ACTING CHAIRPERSON ACKERMAN: Any questions from
9 anyone in the audience on Item 32?

10 Any questions from Commissioners on Item 32?

11 Item 32 is approved.

12 Item 33, Aminoil U.S.A. This is approval of the
13 resumption of an offshore exploratory drilling operation
14 by Aminoil in the Santa Barbara Channel.

15 Anyone in the audience on Item 33? Questions
16 from Commissioners?

17 COMMISSIONER MORGAN: I just want the staff to
18 assure us that there will be an Environmental Impact
19 Report filed if anything results from this.

20 MR. TROUT: That's correct, Ms. Morgan.

21 COMMISSIONER MORGAN: Is there a limit on the
22 lease limit of time?

23 MR. TROUT: Let me ask Don Everitts to respond
24 to that.

25 MR. EVERITTS: There's sort of an open-ended

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1 situation as far as when the wells might be drilled. It's
2 based on availability, and they may not even drill the
3 seven wells, which is the maximum they might drill.

4 According to the lease term, it says that the
5 lease is as good as long as there's production. There is
6 production at this time. It's being held by production.

7 COMMISSIONER MORGAN: From an exploratory well?

8 MR. EVERITTS: No, being held by existing wells
9 on the lease.

10 COMMISSIONER MORGAN: Calendar Item 33 is not
11 for exploratory drilling?

12 MR. EVERITTS: No, calendar Item 33 is for
13 exploratory drilling --

14 MR. HIGHT: On an existing lease.

15 COMMISSIONER MORGAN: All right.

16 ACTING CHAIRPERSON ACKERMAN: An EIR has already
17 been done on the exploratory aspect?

18 MR. TROUT: That's correct.

19 ACTING CHAIRPERSON ACKERMAN: And a negative
20 declaration was determined?

21 MR. TROUT: If they go, then go into a production
22 well, a new EIR will be required and have to be brought
23 before the Commission.

24 COMMISSIONER MORGAN: All right.

25 ACTING CHAIRPERSON ACKERMAN: Mr. Jarvis, any

1 questions?

2 COMMISSIONER JERVIS: No.

3 ACTING CHAIRPERSON ACKERMAN: Anyone in the audience
4 on Item 33?

5 Without objection, then, Item 33 will be deemed
6 approved.

7 Item 34, ARCO Oil and Gas. This is again similar
8 resumption of offshore exploratory drilling, again the
9 Santa Barbara Channel.

10 Anyone in the audience on Item 34?

11 Any questions from Commissioners?

12 I have the same question that Susie had. This
13 applies to Item 34 as well?

14 MR. TROUT: That's correct.

15 ACTING CHAIRPERSON ACKERMAN: Without objection,
16 then, Item 34 will be deemed approved.

17 Item 35, Texaco U.S.A., this is approval of some
18 well abandonments in Santa Barbara County off Point
19 Conception.

20 Anyone in the audience on Item 35? Questions
21 from the Commissioners?

22 These are not producing now; is that correct?

23 MR. TROUT: Right, that's my understanding.

24 MR. EVERITTS: That is correct.

25 ACTING CHAIRPERSON ACKERMAN: Mr. Jervis, any

1 questions?

2 COMMISSIONER JERVIS: No.

3 ACTING CHAIRPERSON ACKERMAN: Without objection,
4 then, Item 35 will be deemed approved.

5 Item 36, State Lands Commission, this is
6 authorization to extend or re-offer several Royalty Oil
7 Sales contracts.

8 What are we extending for?

9 MR. TROUT: We're extending five Royalty contracts
10 that are now paying out roughly \$1.50 over posted.

11 There are two that cannot be extended that we are asking
12 you to authorize us to re-offer those out for Royalty
13 Oil Sales.

14 ACTING CHAIRPERSON ACKERMAN: And those would
15 then come back to the Commission?

16 MR. EVERITTS: There's a slight clarification
17 on that, Mr. Trout.

18 The ones that are expiring, they're asking, if
19 they don't want to extend, we're asking permission to go
20 out and re-sell as well.

21 ACTING CHAIRPERSON ACKERMAN: This is an offer
22 to go back to the lessee and ask them if they want to
23 exercise their option to extend, and if they don't, we
24 go to public bid on those leases?

25 MR. EVERITTS: We have asked. They haven't

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1 responded.

2 COMMISSIONER MORGAN: I think you just added
3 something at the end.

4 MR. EVERITTS: I was saying that we have requested
5 -- we've asked all of them do they want to continue. We've
6 had some decline, but some have not responded, so we're
7 not sure.

8 ACTING CHAIRPERSON ACKERMAN: So the action you
9 really want from the Commission is authority either to
10 extend those contracts, or, if the lessee, the contractor
11 does not wish to extend it, to go forward for bid on
12 that as well?

13 COMMISSIONER MORGAN: Fine.

14 ACTING CHAIRPERSON ACKERMAN: Any questions from
15 the Commissioners? Anyone in the audience on Item 36?

16 Without objection, then, Item 36 will be deemed
17 approved.

18 Item 37, C.F. Braun and Company. This is the
19 award of a negotiated oil and gas lease down south around
20 Freeport. I believe this is a land-locked area which he
21 has sole access to.

22 Anyone in the audience on Item 37? Any questions
23 from the Commissioners?

24 Item 37 is deemed approved.

25 Item 38, this is selection of the highest

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1 qualified bidder on a geothermal lease. This is up in
2 Sonoma County.

3 Anyone in the audience on Item 38? Any questions
4 from Commissioners?

5 These are ones that are normally matched by
6 the surface owner, at least they have the option to match
7 the highest bid; is that correct?

8 MR. TROUT: That's correct. You're authorizing
9 the Executive Officer to award it either to the surface
10 owner if the surface owner matches the high bid, or to
11 the high bidder.

12 COMMISSIONER MORGAN: What was the bid?

13 MR. TROUT: It was 22.76 percent of net profits.

14 COMMISSIONER MORGAN: This is considerably lower
15 than we have received on our other bids.

16 MR. TROUT: It is lower than some of the past
17 bids, but it's on the southern end of the development,
18 if I understand it correctly.

19 MR. EVERITTS: It's on the end of the development,
20 on the edge of it.

21 COMMISSIONER MORGAN: I just wonder if this is the
22 beginning of a trend, or if this low bid is explained because
23 of the conditions of the site.

24 MR. EVERITTS: Maybe a trend. They were the
25 sole bidder, however, so we don't know. If more than one

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1 organization would have been interested, it probably would
2 have been higher.

3 ACTING CHAIRPERSON ACKERMAN: They were the sole
4 bidder in this case?

5 MR. EVERITTS: Yes.

6 COMMISSIONER MORGAN: Do you have any idea why?
7 Maybe the location?

8 MR. EVERITTS: Possibly the location.

9 COMMISSIONER MORGAN: I just don't know. It's
10 just a problem, potential problem, and we ought to keep
11 an eye on it. It's an indication to me, of only having
12 one bidder and not getting a very good bid, that there's
13 something wrong. Maybe we should work harder the next time
14 we have a bid in trying to encourage people to bid, or just
15 not put them on the market.

16 EXECUTIVE OFFICER DEDRICK: Commissioner Morgan,
17 I recognize what you're talking about.

18 I think what we should probably do is to do a
19 little shopping, see if we can get more information on
20 why this occurred, and report back to you as to what we
21 think the state of the geothermal market's going to be.

22 COMMISSIONER MORGAN: Okay.

23 MR. TROUT: Don, we had a sale recently in which
24 we sold three parcels, and it seems to me that one of those
25 three parcels, the bid was about 20 percent, wasn't it,

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1 something in that neighborhood?

2 MR. EVERITTS: We've had some low bids. This is
3 not the lowest bid we've ever received, but it's the
4 lowest bid we've recommended accepting.

5 All I can say, there was a lot of interest,
6 large number of companies requested bid packages, only
7 one bid.

8 COMMISSIONER MORGAN: All right. I'm satisfied.
9 Claire said that the staff would be happy to look into this
10 and let us know what's happening in the geothermal market
11 to let us know if there is some kind of a trend.

12 Single bid situations always make me nervous,
13 especially when they're this low.

14 I'll move approval.

15 ACTING CHAIRPERSON ACKERMAN: Any other
16 questions from Commissioners? Anyone in the audience on
17 Item 38?

18 Without objection, then, Item 38 will be deemed
19 approved.

20 Item 39 is Holly Energy, Inc. We're being asked
21 to approve two geothermal prospecting permits down in
22 Imperial County near the Salton Sea.

23 Anyone in the audience on Item 39? Any questions
24 from the Commissioners?

25 Isn't this a little different to the way you've

1 set up the rental agreement on this?

2 MR. TROUT: Well, we have, as was done before,
3 we've broken it down into two parcels so that there's a
4 little more pressing need for them to develop the parcels
5 or look at the parcels.

6 ACTING CHAIRPERSON ACKERMAN: Do they have a
7 specified time frame?

8 MR. TROUT: I'll have to ask Don.

9 MR. EVERITTS: The primary term is three years,
10 and normally we require a well in that three-year period.
11 If they don't drill a well within the three-year period,
12 if they have done some sort of exploration and the
13 Commission desires to, they can, by law, extend an additional
14 two years.

15 MR. TROUT: The rent goes up by a factor of five
16 each year, so they get a dollar a year for the first year,
17 and \$5 an acre for the second year, and \$25 an acre a year
18 for the third year. So, there is economic incentive for
19 them to get underway with it.

20 ACTING CHAIRPERSON ACKERMAN: Any questions from
21 the Commissioners on Item 39?

22 Item 39 will be deemed approved.

23 Item 40, we are in Long Beach operations. We're
24 asking for approval of a sixth modification of the 1981-82
25 Plan and Budget for the Long Beach Unit.

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1 MR. TROUT: This is Mr. Thompson's report on
2 what's been going on down there. If you want to get into
3 it, he'd be happy to give you an explanation.

4 COMMISSIONER MORGAN: Why do we call this a
5 modification?

6 MR. THOMPSON: It's really not a modification.
7 It's just an historical reporting on the first
8 six months of the year. The oil raises up slightly. The
9 main impact is on the income because of oil pricing. We'll
10 discuss that at length when we come to the revenue.

11 ACTING CHAIRPERSON ACKERMAN: But this is not
12 an increase in the budgetary amount?

13 MR. THOMPSON: No increase in the dollar figures.

14 ACTING CHAIRPERSON ACKERMAN: Any questions on
15 Item 40?

16 Item 40 will be deemed approved.

17 Item 41, I understand, is off calendar?

18 MR. TROUT: Correct, Mr. Chairman.

19 ACTING CHAIRPERSON ACKERMAN: Item 42, legal,
20 we're filing a disclaimer on the United States v. 3.44 Acres
21 of Land, more or less, that's in Yolo County, and I hope
22 we get more.

23 MR. HIGHT: Yes, Mr. Chairman, the Commission has
24 no interest in this condemnation.

25 COMMISSIONER MORGAN: Fine.

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1 ACTING CHAIRPERSON ACKERMAN: Anyone in the
2 audience on Item 42?

3 It will be deemed approved.

4 Item 43, State Lands Commission approve
5 Conflict of Interest Code.

6 MR. HIGHT: Correct, Mr. Chairman. We've
7 reviewed the Conflict of Interest Code under AB 1111, and
8 this is the adoption of that review.

9 ACTING CHAIRPERSON ACKERMAN: Anyone in the
10 audience? Any of the staff wishing to comment?

11 MR. HIGHT: Probably everyone.

12 ACTING CHAIRPERSON ACKERMAN: One thing while
13 I look at it, I can't believe how far down into the staff
14 you have to go in Conflict of Interest.

15 Is that required by the law, the Office of
16 Administrative Law, or the FPPC? Who says how far down you
17 have to go to require these forms?

18 MR. HIGHT: It's a combination of the law and
19 the Commission's judgment.

20 EXECUTIVE OFFICER DEDRICK: The FPPC or our
21 Commission.

22 MR. HIGHT: All three.

23 ACTING CHAIRPERSON ACKERMAN: Are you happy with
24 the guidelines?

25 MR. HIGHT: Yes, we're happy.

1 ACTING CHAIRPERSON ACKERMAN: Anyone in the
2 audience on Item 43?

3 " Any questions from Commissioner?

4 COMMISSIONER MORGAN: Don't forget to file yours.

5 ACTING CHAIRPERSON ACKERMAN: We file ours under
6 our own offices, don't we, or do we have to file another
7 one here?

8 MR. HIGHT: No, just under your own office.

9 ACTING CHAIRPERSON ACKERMAN: Item 43 will be
10 deemed approved.

11 Item 44, I understand that's off calendar?

12 MR. TROUT: Yes, Mr. Chairman.

13 ACTING CHAIRPERSON ACKERMAN: Item 45, we save
14 the big ones for the end, don't we? We're going to get
15 told how much more or less revenue the State's going to
16 receive.

17 MR. TROUT: Mr. Thompson can give you the short
18 version or the long version, depending on how much you
19 don't want to know you want to know about.

20 ACTING CHAIRPERSON ACKERMAN: Mr. Thompson.

21 MR. THOMPSON: In summary, I think we can report
22 that for the first six months of the year, we had
23 \$267 million.

24 The downside, of course, is that we're going to
25 have to revise it for 1981-82 year down to \$470 million from

1 the previous \$490 million.

2 ACTING CHAIRPERSON ACKERMAN: That's \$30 million
3 down.

4 MR. THOMPSON: We're down \$20 million.

5 For the next year, '82-83, we're going to estimate
6 \$450 million, which is down from the \$510 million previously
7 given. It's down \$60 million.

8 And for '83-84, \$430 million.

9 The main reason for this decline, of course, is
10 oil pricing. On this wall over here to your right, you can
11 see kind of a historical thing of what we've been trying to
12 do as far as oil prices are going to be.

13 The one on the left shows you that. It's actual
14 oil prices in red for the Long Beach Unit. And the one on
15 the left, that broken green line, is where they started
16 estimating maybe 18 months ago, when things were looking
17 very rosey, we estimated at that time a 10 percent per year
18 increase in oil prices.

19 On that same curve, then, we came in with
20 revision, then that broken red line, and held it flat for
21 a fiscal year, and then started decreasing 10 percent per
22 year.

23 The one on the right is where we are now, and
24 we are hoping that crude oil prices will stay flat for the
25 next couple years.

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1 You see the trend in solid red is going down.
2 Crude oil prices could conceivably go below that, so this
3 could be an optimistic revenue estimate in that case.

4 ACTING CHAIRPERSON ACKERMAN: The Legislative
5 Analyst released his analysis yesterday. Did he include
6 those latest projections in that analysis, are you aware?

7 MR. THOMPSON: I would imagine he would not have
8 these incorporated. He didn't see it before the Governor's
9 Budget.

10 MR. TROUT: As far as I know, Mr. Chairman, the
11 figures were reported to the Department of Finance on
12 Wednesday, and the Analyst would not have had those numbers.

13 We, because of the Commission's scheduling and
14 the staff meetings, we haven't even looked at the Analyst's
15 book, even though we got it yesterday.

16 MR. THOMPSON: Our crude oil adjustment prices
17 are happening to us monthly, month by month, so we're
18 trying to adjust as fast as we can.

19 MR. TROUT: What the Commission is approving here
20 is the report of this revenue to the Legislature as required
21 by supplemental budget language.

22 You have an abbreviated report. The actual report
23 goes to the Legislative Analyst, has a lot of the back-up
24 data that the computer runs, and other kinds of things that
25 they have requested.

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1 COMMISSIONER MORGAN: When will that report
2 be available to the Legislature if we authorize it today?

3 MR. TROUT: If you authorize it today, it should
4 get out probably by the 10th of March. We're trying to
5 shoot for that, because that week is when we understand
6 our hearings are scheduled to start, that or the following
7 week.

8 ACTING CHAIRPERSON ACKERMAN: Probably be adviseable
9 for your own budget hearing to have that information
10 produced before then.

11 MR. TROUT: Yes, the Analyst also received
12 the information yesterday.

13 COMMISSIONER MORGAN: I'd like to simply encourage
14 the staff to get the information to the Legislature as
15 quickly as possible because of the impact on the budget
16 and the discussions that are taking place now with respect
17 to revenue needs.

18 EXECUTIVE OFFICER DEDRICK: Yes, we all
19 recognize that. We will do the best we can to get it there
20 earlier. I don't know how much printing and horsing around
21 is necessary at this point, but -- I don't mean that the
22 way it came out -- how much printing and putting together
23 is involved.

24 But the figures are firm for this report.

25 I take your point, and certainly we'll get it

1 to them as quickly as we possibly can.

2 ACTING CHAIRPERSON ACKERMAN: As a courtesy,
3 if they haven't already been notified by the Chairman,
4 the two Fiscal Committees ought to be made aware, otherwise
5 they get a call from the press corps. It's nice to have
6 the information in front of you.

7 COMMISSIONER MORGAN: Maybe you could give them
8 a short memo saying that a detailed report is being prepared
9 and will follow, but in summary this is the impact.

10 EXECUTIVE OFFICER DEDRICK: All right, we'll do
11 that.

12 COMMISSIONER MORGAN: On the budget as proposed.

13 EXECUTIVE OFFICER DEDRICK: We'll do that.

14 COMMISSIONER MORGAN: Thanks.

15 ACTING CHAIRPERSON ACKERMAN: Any other questions
16 from Commissioners on Item 45?

17 Anyone in the audience on Item 45?

18 Then we'll approve Item 45 and have the report
19 made to the Legislature.

20 Item 46, State Lands Commission matter of replacing
21 some existing regulations on exploration of Royalty Oil
22 Sales and Gas Leases.

23 Mr. Trout.

24 MR. TROUT: This is primarily the adoption of
25 regulations on exploration, royalty sales, oil and gas

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1 leases.

2 The only area of controversy on this has been
3 the seismic exploration activities, where we've had some
4 input from fishermen whose equipment has been damaged
5 occasionally by the activities of the seismic exploration
6 vessels.

7 Our staff has worked on that, and Dwight Sanders
8 of our Environmental Unit has been in contact with the
9 fishermen and, I understand, also representatives of
10 Chevron may want to say something on this item concerning
11 the seismic exploration activity.

12 EXECUTIVE OFFICER DEDRICK: We have present
13 today Mr. Zeke Grader of the Fishermen's Association who
14 may want to address you.

15 ACTING CHAIRPERSON ACKERMAN: I have a note from
16 Mr. Allan C. Moore, representing Chevron, U.S.A., that
17 he wishes to address the Commission.

18 Mr. Moore, welcome back. Did you receive
19 adequate notification of the calendar item this time?

20 MR. MOORE: Yes, I have. Thank you very much.

21 My name is Allan Moore. I'm with Chevron, U.S.A.

22 Chevron originally submitted comments on these
23 proposed regulations back in November of last year. I
24 think they were originally proposed in September. We're
25 referring to Articles 2.9, 3, 3.5, and 4.

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1 The Commission repropoed a new draft to the
2 regulations a month or two ago, and Chevron has submitted
3 two written comments today earlier on the redraft.

4 I just wanted to take the opportunity at this
5 public hearing to thank the Commission staff for their
6 attentiveness and responsiveness to all parties interested
7 in these regulations. They took the time to make sure
8 the public comments were received, and although we didn't
9 always agree substantively, they made sure that they
10 addressed all the issues thoroughly and very competently.

11 We thank them for that and are very appreciative.

12 I wanted to state very briefly that we have
13 previously opposed Section 2100 in comments, and those
14 comments are still on file. We would like to reserve those
15 arguments.

16 However, we do support the specific reference in
17 the current proposal to general permits, and we support the
18 current proposal's language.

19 We thank the Commission again, Commission staff,
20 for their attention to public response.

21 Thank you.

22 ACTING CHAIRPERSON ACKERMAN: Thank you very much,
23 Allan.

24 Claire, did you say there was another individual?

25 EXECUTIVE OFFICER DEDRICK: Yes. This is one of

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1 the gentlemen from one of the fishermen's organizations
2 who has been working with Commission staff on developing
3 some of these proposals.

4 ACTING CHAIRPERSON ACKERMAN: Sir, again, for
5 the record if you could state your name and title.

6 MR. GRADER: Yes, my name is Zeke Grader. I'm
7 the General Manager of the Pacific Coast Federation of
8 Fishermen's Associations.

9 Mr. Chairman, thank you. Our organization
10 represents some 21 different fishermen organizations in
11 California and Oregon, including the Santa Barbara
12 Commercial Fishermen.

13 This morning is the first time I've had an
14 opportunity to look at the regulations proposed, but on
15 brief review of those, I think there is within those the
16 opportunity to resolve some of the conflicts that some
17 of our fishermen have had with the seismic vessel operations
18 in State waters.

19 We've been working fairly diligently in federal
20 waters to try and resolve some of the conflicts, and
21 the communications network has been set up there, but there
22 will be some ongoing problems in the State waters.

23 I think these proposed regulations should remedy
24 that situation.

25 ACTING CHAIRPERSON ACKERMAN: Then you are

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1 pleased with the recommendations?

2 MR. GRADER: Yes, we are.

3 ACTING CHAIRPERSON ACKERMAN: Thank you.

4 Anyone else in the audience on this item?

5 Then without objection --

6 COMMISSIONER MORGAN: I had a question.

7 EXECUTIVE OFFICER DEDRICK: One more point.

8 In addition to working with the fishermen
9 organizations, of course, we'll be working with the
10 Department of Fish and Game to be sure that the permit
11 conditions satisfy all of the public trust requirements.

12 COMMISSIONER MORGAN: The gentleman who was
13 representing Chevron indicated opposition to Section 2100.
14 That section, as I read it, is the section that requires
15 a permit in order to conduct a survey, a geological survey,
16 on State lands.

17 Are you objecting to the requirement for a permit?

18 MR. MOORE: We originally submitted comments,
19 as I stated, back in November, where we didn't feel that
20 the total permit requirement was necessary. The Commission
21 staff, in their Statement of Reasons, has indicated
22 that they do have the authorization to require permits
23 in this area. So our position now would be that if permits
24 are going to be required, then we would agree with the
25 specific language in the proposal.

1 In other words, if we have to have a permit
2 requirement, then we agree with the proposal and the
3 way that it's proposed today.

4 COMMISSIONER MORGAN: And the staff feels that
5 a permit is required?

6 MR. HIGHT: Staff feels, MS. Morgan, that the
7 Commission has the authority to require permits.

8 ACTING CHAIRPERSON ACKERMAN: In other words,
9 on a case-by-case basis, the Commission can decide whether
10 or not a permit is required based upon the extent of a
11 particular application or project?

12 MR. HIGHT: Correct.

13 EXECUTIVE OFFICER DEDRICK: And may set
14 conditions on that permit.

15 That is the aspect that Mr. Grader was referring
16 to as satisfying their concerns.

17 ACTING CHAIRPERSON ACKERMAN: In other words,
18 the way I interpret that case-by-case basis, say Chevron
19 was making an application. They could make their point at
20 that time whether or not a permit was required?

21 MR. MOCRE: May I address the Commission?

22 It's been our understanding, working with the
23 staff, and the specific language I was supporting in this
24 regulation concerned the allowance of general permits,
25 not on a case-by-case basis. We worked with the staff

1 for months on these issues because, as delineated in our
2 comments and, I think, as the staff will indicate to you,
3 the nature of the geophysical survey business is one
4 of great transiency. These geophysical survey ships will
5 go up and down the California Coast, will shoot surveys
6 for various companies. They might come down from Alaska
7 or up from the Canal.

8 I think these are arguments that we've hopefully
9 worked out with the staff so that we do not need permits
10 on an every-case basis, but rather it would allow general
11 permits, where we could get a permit for a general area,
12 giving notification at a later date to all the fishermen
13 in the area, and assuring that all the objectives under
14 all permit requirements are followed closely, assuring that
15 whenever there is an accident out there with the fishermen,
16 that the State Lands Commission and any other interested
17 parties knows who was out there, why they were out there,
18 what time we were there, so that we are going to be held
19 responsible for that.

20 So we were trying to -- really, the only way we
21 could give our support to these regulations is if we could
22 have a general permit procedure rather than case-by-case
23 basis.

24 COMMISSIONER MORGAN: And there is a general
25 permit procedure now?

1 MR. MOORE: They have specifically provided for
2 general permits in the regulations, and that's what I meant
3 to support today.

4 COMMISSIONER MORGAN: Then you are not opposed
5 to Section 2100 at this time?

6 MR. MOORE: Well, we're going to work out the
7 general permit procedure in the next few months. We would
8 just like to reserve all our arguments.

9 We support the language that's proposed, yes.

10 COMMISSIONER MORGAN: Thank you.

11 In that case, I have no objection.

12 EXECUTIVE OFFICER DEDRICK: I'd like to clarify
13 something partly in my own mind.

14 Section 2101 would allow, would it not -- I don't
15 know which attorney to address this to -- the consideration
16 on a case-by-case basis if necessary. That's to say, if
17 there are specific cases which are really sensitive, it
18 would allow that kind of consideration. Or are you saying
19 that under Article 2100, the question that I have just raised
20 would be addressed in the general permitting situation?

21 MR. FABER: My name is Bob Faber. I'm with the
22 Commission staff.

23 The answer to your question is that under 2100,
24 the information is required with the anticipation of having
25 a general permit. But on a case-by-case basis, various

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1 permits are going to have various requirements, depending
2 on the type of impacts that they might have.

3 EXECUTIVE OFFICER DEDRICK: That was the
4 clarification I wanted to occur. That is how I understood
5 it in the briefings, and it was on that basis that I assured
6 the fishermen that they would have a good shot at review in
7 specific cases. Thank you very much.

8 ACTING CHAIRPERSON ACKERMAN: Any other questions
9 by Commissioners?

10 COMMISSIONER MORGAN: We're going to hear about
11 these in the Executive Officer's Report from time to time?

12 EXECUTIVE OFFICER DEDRICK: If you would like
13 to, certainly..

14 ACTING CHAIRPERSON ACKERMAN: I think that would
15 be a good idea.

16 COMMISSIONER MORGAN: Keep us posted, thanks.

17 ACTING CHAIRPERSON ACKERMAN: Anyone else in
18 the audience that wishes to address the Commission on Item 46?

19 Then without objection, Item 46 will be deemed
20 approved.

21 Item 47 is an Executive Session. I understand
22 that there are matters of litigation to discuss today, so
23 we will move to Item 47, and we'll have to clear the room
24 of all unauthorized personnel.

25 (Thereupon this meeting before the

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State Lands Commission was adjourned
at approximately 11:05 a.m.)

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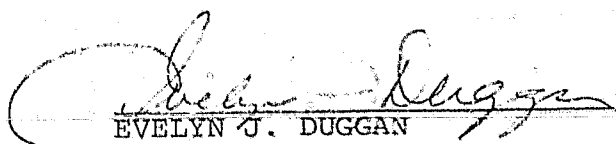
CERTIFICATE OF SHORTHAND REPORTER

1
2
3 I, EVELYN J. DUGGAN, a Shorthand Reporter of the
4 State of California, do hereby certify:

5 That I am a disinterested person herein; that
6 the foregoing Public Meeting before the State Lands
7 Commission was reported in shorthand by me, Evelyn J.
8 Duggan, a Shorthand Reporter of the State of California,
9 and thereafter transcribed into typewriting.

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

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 1/4 day of March, 1982.

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EVELYN J. DUGGAN
19 Shorthand Reporter
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