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MEETING

STATE OF CALIFORNIA
STATE LANDS COMMISSION

DEPARTMENT OF CONSUMER AFFAIRS
1020 N STREET
ROOM 102
SACRAMENTO, CALIFORNIA

ORIGINAL

TUESDAY, APRIL 27, 1982
10:15 A.M.

Eileen Jennings, C.S.R.
License No. 5122

APPEARANCES

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Commission Members:

Kenneth Cory, Chairperson
Susanne Morgan, representing Mary Ann Graves,
Director of Finance
David Ackerman, representing Mike Curb,
Lieutenant Governor

Staff Present:

Claire T. Dedrick, Executive Officer
James F. Trout, Assistant Executive Officer
Robert C. Hight, Chief Counsel
N. Gregory Taylor, Assistant Attorney General
Jane Smith, Secretary

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3436 AMERICAN RIVER DRIVE, SUITE A

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PROCEEDINGS

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CHAIRPERSON CORY: We'll call the meeting to order.
Are there any motions, corrections, or additions
to the Minutes of the last meeting?

Hearing none, we'll confirm the Minutes of the
March 23rd meeting.

We have a report of Executive Officer.

EXECUTIVE OFFICER DEDRICK: Yes, I signed a
letter of permission to the Fort Guijarros, I think, Museum
Foundation, in advance of a routine permit, to do
archaeological research and salvage operations at Ballast
Point, Point Loma in San Diego County. What they're going
to do is look for some ships and old tanks. There's a
necessity to do it rapidly, because apparently they didn't
know they needed a permit, to begin with, like much of the
country. But they have to do it while the sand level is
low and to make it easier for the diver. This is a hand
operation, they're not going to blast or anything.

They've applied for a salvage permit with us and
in the process of renewing their federal antiquities permit.

The Department of Fish and Game, San Diego Coast
Regional Commission, and the State Office of Historic
Preservation have no concerns. But, in any case, the approval

////

1 is contingent upon gaining appropriate agency approval
2 permits.

3 We don't think we'll have any significant
4 environmental impacts. There's a comment on an occasional
5 barnacle in the attached environmental summary. Any property
6 found, of course, will be the property of the state.

7 CHAIRPERSON CORY: Okay.

8 EXECUTIVE OFFICER DEDRICK: The Tahoe Public
9 Utility District, I executed a temporary right-of-entry
10 letter authorizing them to go into the water at Lake Tahoe
11 about a mile and a half south of Tahoe City in Placer County
12 for a period of 90 days to work on their intake replacement
13 pipeline.

14 There's a time problem with them, too. There's
15 a short period approved by the Department of Fish and Game
16 in which they can actually do the work.

17 The Negative Declaration has been prepared by
18 Tahoe City Utility District. And a Notice of Determination
19 is on file with the Secretary for Resources. And no
20 negative comments have been received from public agencies
21 or from the public by the staff.

22 That is all I have to say.

23 CHAIRPERSON CORY: Questions from Commissioners?

24 COMMISSIONER ACKERMAN: No.

25 CHAIRPERSON CORY: Staff Report on Coastal Matters.

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1 Mr. Golden.

2 MR. GOLDEN: Mr. Chairman, Members of the
3 Commission, the State Coastal Commission met in Los Angeles
4 April 20 through 23. Of major concern was the public
5 hearing on the Bolsa Chica Land Use Plan which lasted four
6 hours and was heavily attended.

7 The Commission found that the land use plan as
8 submitted by the County of Orange raised substantial issues in
9 practically all respects. The vote on the plan is expected
10 at the Southern California meeting in June.

11 Our staff testified at the hearing to explain the
12 nature of our title settlement agreement in 1973 which was
13 subject to some misinterpretation and confusion with
14 wetland issues.

15 That completes my report, Mr. Chairman. Did you
16 have questions?

17 CHAIRPERSON CORY: Questions from Commissioners?

18 COMMISSIONER ACKERMAN: No.

19 CHAIRPERSON CORY: Thank you. That movie about
20 your pond was good.

21 (Laughter.)

22 CHAIRPERSON CORY: The next item is the Consent
23 Calendar. They're the items preceded on the agenda with
24 the letter "C", C1 through C8.

25 If there's anybody in the audience that has any

1 objection to the proposed staff recommendation on those
2 items, they should say so now, because we will take all of
3 those items, without objection, in a group.

4 Without objection, the Consent Calendar will be
5 approved as presented.

6 COMMISSIONER MORGAN: Fine.

7 CHAIRPERSON CORY: Item 9., consideration of oil
8 and gas leasing proposals at Point Conception, Point
9 Arguello, Santa Barbara County

10 EXECUTIVE OFFICER DEDRICK: Yes, Commissioner,
11 the reason this item is on the agenda today is partly to
12 bring you up to speed on what we have been doing at the staff
13 level and also to give you an opportunity to consider the
14 activity for the next year, which would be reflected in the
15 budget which we are now before the Legislature on or with,
16 depending on which preposition you want to dangle.

17 Originally, the -- I guess two and a half years
18 ago the program envisioned doing a programatic EIR, which
19 is out in the public for review now and will be finalized
20 the -- the final date of comment is June 7th.

21 The EIR -- you gave me permission to extend the
22 commenting period from 45 to 60 days and to have two rather
23 than one hearing. The hearings are scheduled for this
24 Friday and May 15th in Santa Barbara. So, that is an
25 ongoing process.

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1 The original intension when the budget was
2 formulated two and a half years ago was to envision a
3 drilling program by the state.

4 In the period since the original budget was put
5 together, we have done a good deal of geoseismic work and
6 geophysical and geological interpretation work. We have --
7 and put out the EIR.

8 The Leg Analyst has asked that our budget for this
9 program not be reviewed until after the Commission has had
10 time to consider the issue. And today is the day you're
11 considering the issue.

12 The geological and geophysical work has identified
13 some structures. What I would propose to do is to get
14 Don Everitts, who is our Chief here, up to show you briefly
15 the information that we have to date and also the relevant
16 information that relates to prices that have been paid on
17 the federal OCS leases that are near or adjacent to the Point
18 Conception, Point Arguello-proposed leasing areas.

19 I think that we are still acquiring information
20 and I think that it is not appropriate at this time for you
21 to make a decision, because we don't have as complete data
22 as we will have later.

23 However, I think that it's important that you see
24 and review the information that we have to date.

25 Don, would you get your overlays and your maps.

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1 Don Everitts and Al Willaid.

2 CHAIRPERSON CORY: Give us a quick run-through
3 on this one.

4 MR. EVERITTS: The general areas over that map
5 over there, that should be given -- the color scheme on that
6 thing.

7 The blue areas are areas that we're looking at
8 for leasing in that general area. And the orange and gold
9 areas are some leases that are on to date for resumption
10 of drilling. The huge, proposed 40,000-acre piece is on
11 the left.

12 I think the thing is there's been an awful lot
13 of interest in the area as evidenced by existing leases in
14 the lease sales here in 1979, the OCS Sale 48 -- bid price --
15 cash bonus prices averaged \$2,000 an acre. In '81 the total
16 Sale 53 averaged like \$5,000 an acre. The lease, right-
17 hand area next to the gray area averaged \$10,000 per acre.
18 This particular black spot right there was a \$333 million
19 bid.

20 This indicated quite a bit of interest. Way back
21 in '68 the state tried to lease a piece here. And then we
22 had the oil spill and a big blowout and we withdrew the offer

23 Al has a -- incidentally, we put a new name to
24 this, the

25 EXECUTIVE OFFICER DEDRICK: I call it the rainbow

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1 isobuck map.

2 MR. EVERITTS: That's a chromoblock.

3 Now, here's a nice block map here. We've drawn
4 some contours on equal dollar values and tried to project
5 some values into State Lands. That's the dotted line.

6 The basis of all this, we did go and get some money
7 from the Legislature. We bought some seismic work. We did
8 some of our own. We've developed our own -- we've determined
9 there's probably six geophysical structures in the area on
10 State Lands. Obviously, we don't know what they're worth,
11 but we're ready to do something.

12 EXECUTIVE OFFICER DEDRICK: We're pursuing the
13 data. I think I should also point out that in June the
14 Secretary of the Interior will -- is proposing Lease Sale
15 68, which will include -- among other parcel -- the -- point
16 out the geological hazard parcel right next to our land.
17 And more financial information, I think, will be available
18 to us after that.

19 We also are trying to get access to the data on
20 existing federal leases. I think in a couple of months we'll
21 know more. You'll never know enough, but what we would
22 recommend is that we're -- is to approve a report which we
23 do not have prepared today but which we will bring to you
24 individually prior to getting your approval on essentially
25 what we've said today in more detail. And authorize us to

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1 transmit that report to the Legislature. We should have
2 that ready for you by Friday. There's a lot of last-minute
3 editing because numbers, as they have a habit of doing
4 when you're in a hurry, change on you.

5 And we would ask that you request the Legislature
6 to provide broad authority to the Commission in implementing
7 an oil and gas leasing program in the best interests of the
8 state.

9 I really feel that as time goes on in this short
10 time frame from, say, here to July or August, we will gain
11 substantially more information that will give you a better
12 base for making a leasing decision.

13 CHAIRPERSON CORY: To make sure I understand the
14 isoblock chart. The red lines --

15 EXECUTIVE OFFICER DEDRICK: Are the structures.

16 CHAIRPERSON CORY: -- are the indication of
17 structures.

18 MR. EVERITTS: That's the indication of structure
19 derived from the geophysical data we bought and ran our-
20 selves.

21 EXECUTIVE OFFICER DEDRICK: The green spots are
22 drilled wells.

23 Al, show the Commissioners where the two high-
24 producing Chevron wells are in the OCS.

25 CHAIRPERSON CORY: Those are what? The Santa Ynez?

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1 MR. EVERITTS: No, they're all the Arguello
2 fields. It's a new discovery, new discovery.

3 CHAIRPERSON CORY: What is the characteristic of
4 the oil there, do you know?

5 MR. EVERITTS: We know it's heavy gravity and high
6 sulfur.

7 CHAIRPERSON CORY: That's the Arguello?

8 EXECUTIVE OFFICER DEDRICK: Yes.

9 CHAIRPERSON CORY: So what else is new, huh?
10 Santa Ynez is further south?

11 MR. EVERITTS: It's further south and to the east.

12 CHAIRPERSON CORY: Okay.

13 EXECUTIVE OFFICER DEDRICK: Where Hondo is. And
14 then there are -- two wells have been drilled on that state
15 parcel.

16 Don, why don't you describe those down there?

17 MR. EVERITTS: Well, these were drilled back in
18 about 1965 when there were oil shows. And you can see, they
19 fell right on the structure that we -- they were probably
20 drilling that structure. They had the same information --
21 earlier information.

22 EXECUTIVE OFFICER DEDRICK: As you recall, the
23 state did not lease the adjacent parcel as planned, because
24 the Union blowout in federal waters occurred and the
25 moratorium that you've lifted.

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1 MR. EVERITTS: The 5,000-acre parcel line right
2 in there.

3 CHAIRPERSON CORY: What about Phillips? Do you
4 figure that structure goes on over to the Phillips?

5 MR. EVERITTS: It might or might now. That's one
6 of the things we're looking at in our proposed interim lease
7 sale.

8 CHAIRPERSON CORY: So, what you propose to do is
9 you will -- you've given us this information. You will be
10 circulating a written report, which I'd like to leave, if
11 any Commissioner has problems with that written report, you
12 should probably go ahead and notice a meeting right now for
13 as soon as you can have one. If anybody has any objections,
14 we'll have the meeting if we need to discuss it. If not,
15 we won't.

16 EXECUTIVE OFFICER DEDRICK: Yes, the report is
17 a supplement to the report that we've already issued bringing
18 in these data that were accumulated after that legislative --

19 CHAIRPERSON CORY: Recess it.

20 MR. HIGHT: Yes. Mr. Chairman, we need to recess
21 this meeting. We wouldn't have enough time to notice a
22 meeting.

23 CHAIRPERSON CORY: Okay.

24 COMMISSIONER MORGAN: Fine.

25 CHAIRPERSON CORY: All right.

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1 EXECUTIVE OFFICER DEDRICK: Thank you.

2 CHAIRPERSON CORY: Okay, Item 10. is reconsideration
3 of policy governing pier construction at Lake Tahoe.

4 Mr. Taylor.

5 MR. TAYLOR: Mr. Moory's language -- he wanted
6 in and I got here first -- he would suggest that you strike
7 the words, "or approve;" the third line on recommendations.

8 EXECUTIVE OFFICER DEDRICK: In Recommendation 1?

9 MR. TAYLOR: Yes. And that would make it possible
10 to continue to process anything that's been filed prior to
11 the moratorium date, which would be in conformity with what
12 the two regional planning agencies have done.

13 So, it would just be don't accept anything new.
14 You finish up whatever's in the house. And that would be
15 in accordance with existing policy.

16 CHAIRPERSON CORY: Okay, does everybody on our
17 staff agree with that? Is there anybody in the audience
18 on this item?

19 Without objection, as amended Item 10 is approved.
20 Item 11, approval of a General Lease, Sacramento
21 River for Hugh and Carol Turner.

22 EXECUTIVE OFFICER DEDRICK: Jim, would you bring
23 the Commission up to speed on this one?

24 MR. TROUT: Mr. Chairman, the staff has been at
25 the marina several times in the last few months. We have

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1 a new operator who has made significant progress in cleaning
2 up what had been a pretty ratty area.

3 The lease provides that if he doesn't clean it
4 up and maintain it in a safe and environmentally good
5 condition, then the lease may be terminated under the terms
6 of the lease.

7 CHAIRPERSON CORY: Is Mr. Turner here or his
8 representative?

9 Would you make sure he knows that if we approve
10 this, that we really mean that? Because this particular
11 marina under the prior ownership was something that should
12 have been closed up as a health hazard. I mean, it was
13 unbelievable.

14 MR. TROUT: Staff will make an appointment and
15 we'll meet with him on the site and convey these messages.

16 COMMISSIONER ACKERMAN: Where was this exactly?

17 CHAIRPERSON CORY: It's right at where I-5 crosses
18 the Sacramento River. It was known as, I think, Altamar
19 Marina.

20 COMMISSIONER MORGAN: Why is there such a
21 complicated rent schedule. Isn't this the one where there's
22 three percent of this and five percent of something else
23 or --

24 EXECUTIVE OFFICER DEDRICK: Yes.

25 COMMISSIONER MORGAN: -- or a minimum payment of

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1 \$1800. Is that the one?

2 EXECUTIVE OFFICER DEDRICK: Yes, that is correct.

3 COMMISSIONER MORGAN: Is this normal?

4 MR. TROUT: It's a fairly common process in the
5 rental and lease industry. It sometimes depends. Like in
6 hotels and so on, there's different rates for the bars, for
7 the restaurant, for retail sales of dress shops, for candy,
8 and things like that.

9 You either have a single, blanket rent or you can
10 have pieces that fit. Now, exactly on this one, we could
11 have Mr. Golden or Mr. Lynch explain exactly the schedule.
12 But it is a common device.

13 COMMISSIONER MORGAN: It just sounds like overkill
14 when the minimum rent is \$1800 a year to go to that level
15 of detail.

16 EXECUTIVE OFFICER DEDRICK: Would you like Mr.
17 Golden to explain the rationale for this rental fee? It
18 would be easy to do.

19 COMMISSIONER MORGAN: Well, if we're doing it --
20 if we're doing this -- Dick, if we're doing this for --

21 MR. GOLDEN: I'd like to have Bob Lynch, if I may,
22 since he's more intimately involved in it.

23 COMMISSIONER MORGAN: Do we expect to get a lot
24 more than \$1800 a year?

25 MR. GOLDEN: It depends upon the particular mix

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1 of sales in the lease. And that's why it's tailored in this
2 way. If it happens to skew another way, why it would be
3 injurious to the operator or to us how we mix his. If we
4 break it down this way, it comes out better.

5 MR. LYNCH: Over the last year, or two years, we've
6 gone to this. We feel that it's equitable and the operators
7 feel that it's equitable. We have quite a few of these on
8 the Sacramento River just like this.

9 EXECUTIVE OFFICER DEDRICK: What's the projected
10 revenue then, in fact?

11 MR. LYNCH: In the beginning, until it gets --
12 it's probably about \$2,000 to \$2,500. And then it will
13 graduate up. And percentage would follow, of course, with
14 this increase in growth.

15 EXECUTIVE OFFICER DEDRICK: So, it's a sort of
16 net profit operation.

17 MR. GOLDEN: He would share the net of the gross.

18 EXECUTIVE OFFICER DEDRICK: Is that an adequate
19 answer for you?

20 COMMISSIONER MORGAN: Yes, for now. It just seems
21 like overkill. I can understand doing it if you have, like
22 a Hyatt Regency or something like that. But where you have
23 a little operation that's not expected to return anything
24 in the beginning, you're spending more staff time making
25 sure the numbers are right.

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1 CHAIRPERSON CORY: Boilerplate, isn't it?

2 MR. LYNCH: Basically, yes.

3 MR. TROUT: They're in a self-reporting form --
4 our experience has been the operators like it because they
5 don't have to put this up-front minimum -- they don't have
6 to have the big rent up front.

7 COMMISSIONER MORGAN: Okay.

8 CHAIRPERSON CORY: Okay, without objection, Item
9 11 will be approved as presented.

10 Item 12 is approval for the setting of a revised
11 rental upon a four-acre lease in the Smith River, Del Norte
12 County.

13 Anybody in the audience on this one?

14 COMMISSIONER MORGAN: That's fine.

15 CHAIRPERSON CORY: Any objection?

16 Without objection, the item is approved.

17 Item 13, DWR wants a Notice of Proposed Use of
18 State Lands. And this is --

19 MR. HIGHT: This is for two fish streams, Mr.
20 Chairman.

21 CHAIRPERSON CORY: Two fish streams.

22 Okay, anybody in the audience on this one? Any
23 questions from Commissioners?

24 COMMISSIONER MORGAN: Yes, what's CVP mean?

25 EXECUTIVE OFFICER DEDRICK: Central Valley Project.

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1 COMMISSIONER MORGAN: Thank you.

2 CHAIRPERSON CORY: Claire Engle's claim to fame,
3 if anybody remembers.

4 Item 14, Fremont International Partners. I would
5 like to disqualify myself for this one and let Susie run
6 it.

7 COMMISSIONER MORGAN: And I'd like the staff
8 to explain this one. It sounds fairly complicated.

9 EXECUTIVE OFFICER DEDRICK: Who on the staff --

10 COMMISSIONER MORGAN: Who understands this?

11 MR. EVERITTS: Rick Ludlow.

12 EXECUTIVE OFFICER DEDRICK: Is Rick here?

13 MR. LUDLOW: I was afraid of this.

14 EXECUTIVE OFFICER DEDRICK: Why are you afraid
15 of this?

16 MR. LUDLOW: No, it's not as complicated as it
17 looks. There's about 70 pages of legal description attached
18 to the Calendar Item.

19 Basically what we have here is a large parcel of
20 land at the very southern end of Alameda County.

21 EXECUTIVE OFFICER DEDRICK: The map is pages 59
22 and 60, Commissioner. It's a good map.

23 COMMISSIONER MORGAN: Could you explain why it's
24 in the state's best interest to trade what are not equal
25 portions of property? What are we getting for the state

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1 that's in our best interests?

2 MR. LUDLOW: Basically what happens here when you
3 combine all the acres is we're going to be releasing whatever
4 interest we might have in 427 acres of this property in
5 return for an additional grant of 131 acres, followed by
6 another 267½ acres after that. So, it's well over 300
7 acres we're going to be receiving.

8 Now, in the 427-acre parcel which we're going to
9 be clearing, the actual state interest is much, much
10 smaller.

11 Basically, a firm identifiable state interest at
12 this time can be narrowed down to approximately 3 acres of
13 that. So, if you really look at it, we're giving up a firm
14 interest in 3 acres in return for initially -- an initial
15 grant of 131 with another 267 to follow -- or another 136
16 to follow.

17 The reason that there's a disparity in the acreage
18 is because of the disparity in the appraised value. The
19 3 acres are going to be used as a light industrial park.
20 And their appraised value approaches \$50,000. The land that
21 we are receiving because of restrictions put on it by the
22 City of Fremont -- or because of the nature of the land --
23 has a much lower appraised value, approximately \$2,000 an
24 acre.

25 EXECUTIVE OFFICER DEDRICK: The value to the state

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1 is that this will be a marsh restoration area. And, as you
2 know, the amount of -- the marshlands that supply the health
3 and life to San Francisco Bay were greatly diminished and
4 we're slowly restoring a few of them.

5 In addition to that, the increased title prism
6 that will flow over these lands when the dike is opened
7 will tend to scour out both Coyote Creek and Mud Slough,
8 which may then become navigational for recreational purposes.

9 But it's restoration really of wildlife habitat
10 and some of the natural bordering areas of San Francisco
11 Bay.

12 COMMISSIONER MORGAN: Okay.

13 MR. LUDLOW: And we are going to be receiving
14 initially 95 acres. The land we see is existing tidal
15 marsh and we're going to be creating more than 250 acres
16 of new tidal marsh in this project.

17 EXECUTIVE OFFICER DEDRICK: It's one that I
18 really -- I think the staff did a marvelous job on this.
19 And everybody seems to be happy. Nobody got hurt. And the
20 state gets some really excellent restored marsh from old
21 salt ponds. These people get their title clear and go ahead
22 with their industrial park. The City of Fremont gets the
23 tax base. And nobody went to court.

24 In fact, they have to go to court to quit claim
25 and the project proponents will be paying the legal fees.

1 It's all very friendly.

2 I think it's really a good example of the State
3 Lands Commission land settlement at its best -- she says
4 firmly.

5 COMMISSIONER MORGAN: Do you have any questions?

6 COMMISSIONER ACKERMAN: No.

7 COMMISSIONER MORGAN: Is there any objection from
8 anybody in the audience?

9 The item is approved. Thank you. Oh, you have
10 something.

11 MR. TAYLOR: I think the standard is value and
12 not acreage. And lesser land, if it's frontage road things,
13 may have a higher value than what we're giving up.

14 EXECUTIVE OFFICER DEDRICK: That's precisely the
15 case here.

16 MR. TAYLOR: Another thing to be taken into
17 consideration.

18 CHAIRPERSON CORY: Okay, Item 15, City of Hayward,
19 East Bay Regional Park, approval of a 49-year lease by the
20 City of Hayward and the State of California as joint lessors
21 of the 77-acre Hayward Land Bank to the East Bay Regional
22 Park.

23 Anybody in the audience on this item? Any
24 questions from Commissioners?

25 Without objection, Item 15 is approved.

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1 Item 16, approve the issuance of a patent for
2 40 acres, more or less, in Modoc County. This is a lost
3 patent?

4 MR. HIGHT: Correct, Mr. Chairman.

5 CHAIRPERSON CORY: Is there anybody in the
6 audience on Item 16?

7 COMMISSIONER ACKERMAN: Since 18 -- what?

8 MR. HIGHT: 1903.

9 CHAIRPERSON CORY: Any questions --

10 EXECUTIVE OFFICER DEDRICK: The last time was 1860.

11 CHAIRPERSON CORY: Without objection --

12 COMMISSIONER ACKERMAN: No.

13 CHAIRPERSON CORY: -- Item 16 is approved as
14 presented.

15 Item 17. This is informational for Executive
16 Officer. It authorized a dredging permit in the Colorado
17 River; is that correct?

18 EXECUTIVE OFFICER DEDRICK: Yes.

19 MR. HIGHT: Correct, Mr. Chairman.

20 EXECUTIVE OFFICER DEDRICK: In Riverside County.

21 CHAIRPERSON CORY: Any questions from Commissioners?

22 EXECUTIVE OFFICER DEDRICK: No.

23 CHAIRPERSON CORY: Without objection, accepted.

24 Item 18 is another dredging permit north of Needles
25 Riverside County. Are there any questions from Commissioners?

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1 Without objection, Item 18 is approved as
2 presented.

3 Item 19, assignment of a Geothermal Resources
4 Lease offered, I believe, to Aminoil. Anybody in the
5 audience on Item 19? Questions from Commissioners?

6 Without objection, 19 is approved as presented.

7 Item 20, competition bid leasing of geothermal
8 resources on five parcels in Mendocino and Lake Counties.
9 Is there anybody in the audience on this item? Questions
10 from Commissioners?

11 Without objection, Item 20 approved as presented.

12 Item 21, deferment of development drilling
13 requirement for Exxon.

14 Don, could you tell us why shouldn't they go ahead
15 and drill out according to their lease?

16 MR. EVERITTS: Well, one of the reasons for
17 drilling the well they're testing right now is to see
18 whether there were, in fact, any real requirements or needs
19 to, quote, "continue developing the lease."

20 They have to -- according to the lease, they have
21 to develop all of the productive acreage. We're not sure
22 whether this is really productive acreage or not. Certainly,
23 they could be required to keep on drilling. We're not sure
24 there's anything to drill for. And this is part of the whole
25 program.

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1 CHAIRPERSON CORY: If we have a requirement in
2 the lease, why aren't they complying with it? Why are we
3 extending it? That's what I don't understand.

4 MR. EVERITTS: Trying to determine whether there's
5 anything more to develop. We could down the road ask them --
6 we could force them to drill if they -- for example, you
7 denied this request, they'll be in default of the lease;
8 they'll have some period of time to cure that default.

9 Unfortunately, this particular lease I'm not sure
10 about. On the newer leases it's 120 days. This one is
11 an older lease. I'm not 100 percent sure.

12 CHAIRPERSON CORY: How long a deferral are we
13 talking about?

14 MR. EVERITTS: Beg your pardon? The deferral we're
15 talking about is a year with the right to change it or
16 terminate it every 60 days.

17 CHAIRPERSON CORY: Who can terminate?

18 MR. EVERITTS: The Commission.

19 CHAIRPERSON CORY: We can terminate every 60 days.

20 MR. EVERITTS: That's what we're recommending.

21 CHAIRPERSON CORY: I'm willing to go along with
22 it if you give us a report every 60 days as to whether or
23 not we should terminate it. Because I don't know why we
24 should keep doing it.

25 MR. EVERITTS: All right.

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1 CHAIRPERSON CORY: I mean, they ought to know
2 there's something there or not. If they want to give it
3 back, fine.

4 MR. EVERITTS: Staff thinks that's fair.

5 CHAIRPERSON CORY: Okay.

6 COMMISSIONER ACKERMAN: Fine, no problem.

7 CHAIRPERSON CORY: Without objection --

8 COMMISSIONER MORGAN: Fine.

9 CHAIRPERSON CORY: -- Item 21 is approved with
10 the understanding that they have to keep giving us bimonthly
11 reports.

12 Item 22, approval of an exploratory drilling
13 program for four exploratory wells in Ventura County for
14 Shell. Is there anybody in the audience on this item? Any
15 questions from Commissioners?

16 COMMISSIONER MORGAN: That's fine.

17 COMMISSIONER ACKERMAN: No.

18 CHAIRPERSON CORY: Without objection, Item 22 is
19 approved as presented.

20 Item 23, approval of resumption of offshore
21 exploratory drilling in Santa Barbara County for Texaco.
22 Is there anybody in the audience on this item? Questions
23 from Commissioners?

24 Without objection, Item 23 is approved as presented.

25 Item 24, award of "Royalty Oil Sales Contract,

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1 Huntington Beach Field," for Champlin. Anybody in the
2 audience on this item? Questions from Commissioners?

3 COMMISSIONER MORGAN: No.

4 COMMISSIONER ACKERMAN: No.

5 CHAIRPERSON CORY: Without objection, Item 24 is
6 approved as presented.

7 Item 25, appeal by Sunland Refining Corporation
8 of penalty provision of "Royalty Oil Sales Contract." These
9 are some late payments as I understand it --

10 EXECUTIVE OFFICER DEDRICK: Yes.

11 CHAIRPERSON CORY: -- in which a statute requires
12 us to put a 5 percent --

13 MR. HIGHT: Six percent.

14 CHAIRPERSON CORY: -- 6 percent penalty plus
15 interest.

16 MR. HIGHT: Correct.

17 EXECUTIVE OFFICER DEDRICK: We also have a letter
18 from --

19 COMMISSIONER ACKERMAN: We don't have any
20 discretion?

21 EXECUTIVE OFFICER DEDRICK: That's correct. That's
22 our problem. We're attempting to amend the statute in this
23 legislative session. And the bill is currently moving
24 through the Legislature to give you some discretion.

25 CHAIRPERSON CORY: That wouldn't solve this problem.

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1 MR. HIGHT: No.

2 EXECUTIVE OFFICER DEDRICK: It would not solve
3 this problem.

4 We have a letter from the Controller, Gail Lack,
5 of Sunland asking us to help them. And we would very much
6 like to do so.

7 So, the only thing we can think of to do is to
8 support their appeal before the Board of Control.

9 But if we get the statute, then we will be able
10 to treat people more fairly.

11 CHAIRPERSON CORY: Is there anybody in the
12 audience on this Item?

13 I would guess that the Board of Control claim that
14 this is their only --

15 COMMISSIONER MORGAN: Yeah.

16 CHAIRPERSON CORY: -- legal remedy.

17 COMMISSIONER ACKERMAN: That's a course of last
18 resort then?

19 EXECUTIVE OFFICER DEDRICK: That's correct.

20 CHAIRPERSON CORY: Without objection, please
21 inform Sunland of the limitations the statute has and we're
22 trying to change the statute and deal with them more
23 equitably in the future. And they can approach the Board
24 of Control. They might even find some people there that
25 they know.

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1 COMMISSIONER MORGAN: I'm not on that Board anymore,
2 but you are.

3 CHAIRPERSON CORY: How did you get off?
4 (Laughter.)

5 COMMISSIONER MORGAN: I changed jobs. You can't
6 change.

7 CHAIRPERSON CORY: Okay, Item 26, approval of a
8 Declaration of Pooling Agreement. This is for a -- creating
9 a unit in gas lease in Sacramento River, Sacramento and Yolo
10 Counties. Anybody in the audience on this item? Questions
11 from Commissioners?

12 Without objection, Item 26 is approved as
13 presented.

14 Item 27, request for approval of a two-year
15 Dredging Permit in Napa for Kaiser Steel Corporation. Is
16 there anybody in the audience on this item? Any questions
17 from Commissioners?

18 Without objection, Item 27 is approved as
19 presented.

20 Item 28, approval of a 10-year extension of
21 Dredging Permit to dredge 80,000 cubic yards annually,
22 Carniquez Strait, for Exxon. Anybody in the audience on
23 this item? Questions from Commissioners?

24 Without objection, Item 28 is approved as
25 presented.

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1 Item 29. We have the Plan of Development and
2 Operations and Budget, Long Beach Unit and the first
3 modification to be taken up simultaneously. And the first
4 modification, as I understand it, is where we beat them atop
5 the head and shoulders to force some changes upon them; is
6 that correct, Mr. Thompson.

7 EXECUTIVE OFFICER DEDRICK: Commissioners, the
8 reason the Commission staff could not review the budget
9 earlier was because of changes in the way the City of Long
10 Beach is handling the budget this year. Those changes are
11 definitely for the good. We are working toward a program
12 budgeting approach, a long-term, continuous field planning
13 program, and a long-term, continuous financial program.

14 What we would like you to do after you review these
15 items is, just as a matter of format, to approve both the
16 budget and the first modification simultaneously.

17 The budget as it came in was just under 30 percent
18 increased in expenses. And, as you know, revenues are
19 steadily going down. And we have proposed some modifications
20 in that expenditure program that Moose will tell you about.

21 I think probably the best thing to do is for Moose
22 and Wes to go through the elements of the budget and the
23 proposed first modification.

24 Go ahead, Moose.

25 MR. THOMPSON: All right, in the brown cover you

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1 have -- this is the budget. This is the one that's
2 \$253 million.

3 All right, of this money, then about \$45 million
4 is to drill new wells. We might show you the results of
5 some of our drilling in the past year here.

6 Normally we tend to get a payout in about the first
7 six months after the end of the budget year of expenditures
8 for drilling activities.

9 The first curve there is showing what the wells
10 are that we drilled in the fiscal year 1979-80. The red
11 area there, the expenditures for drilling for that particular
12 fiscal year. You see then, the fiscal year and then we go
13 flat. The bottom curve, then, is the return from the oil
14 produced in those wells. It also includes injection
15 wells and redrills. So you can see back in that year,
16 we recouped the money for drilling somewhere about five or
17 six months after the end of the year.

18 In the next year, then, the 1980-81 year, we spent
19 more money here; but, again, our return was a little faster.
20 You can see the red payout period in there. So they all
21 fit about the same pattern.

22 The next year is the current year we're in. Here
23 through February or March at those points there we projected
24 the expenditure for the drilling to be the top line and the
25 return on the oil produced the bottom. And again, they match

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1 about the same pattern. We would expect the same return
2 on these \$45 million-worth of expenditures for the next year.

3 In the investment side, we're proposing \$35 million
4 into this budget for field and well facilities. There's about
5 \$23 million in filling expansion in the new cellars.

6 CHAIRPERSON CORY: Question?

7 COMMISSIONER MORGAN: Yes.

8 What assurance do you have that this is an
9 efficient, effective operation?

10 MR. THOMPSON: Well, as far as the drilling is
11 concerned -- if you look at the next curve, the question
12 comes up now whether you're drilling wells or actually
13 draining other wells.

14 If you look at this curve, there had not been
15 any drilling or re-drilling since July 1st of 1979, we would
16 have followed the red line from earlier and then followed
17 that green course and would have gone into the future. Each
18 of the other lines is a result of the drilling and re-drilling
19 we did in those particular years. And the actual result
20 in barrels per day is the difference between the two. It
21 is also shown down below in the curves there, the dark blue
22 curve, the one for '80-81 and the dashed blue is for '81-82.

23 So, this is the activity that's actually supporting
24 the well, the oil rigging unit, and that is the payout.

25 In other words, if there were complete interference

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1 and we were merely drilling wells and taking oil away from
2 those other wells, then the curve would be following that
3 green path.

4 EXECUTIVE OFFICER DEDRICK: I think Commissioner
5 Morgan's question was more addressed to could you get more --
6 I mean, could the drilling program be operated more
7 efficiently so that the profit would be higher. Is that
8 not what you meant?

9 COMMISSIONER MORGAN: It's a combination. I mean,
10 I just -- I want some assurance from staff that they're
11 monitoring the expenditure program in relation to the revenue
12 program.

13 MR. THOMPSON: Well, we can do this to a point.
14 The drilling end of it, that's strictly the field contractor.
15 That's the day-to-day operator. And it's their expertise
16 you're depending on and also their particular monitoring
17 costs.

18 CHAIRPERSON CORY: But you are doing, from this
19 chart here -- if, in fact, they're spending money and you
20 aren't getting that spread that's shown on the little inset
21 chart on the bottom, then you'd be back here saying, let's
22 not believe these guys anymore, I would presume.

23 MR. THOMPSON: Also, that we have delegated to
24 the Exec Officer the approval of every well that's drilled
25 and redrilled and the program for that, in effect.

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1 So, if there's anything that happens about those
2 wells, the tendency for wells not to be paying out, then
3 the Exec Officer can control that.

4 So, as far as the drilling operation is concerned,
5 we have control over the selection of the wells. And
6 hopefully, then, the drilling operation is efficient. This,
7 again, is a difficult drilling operation because they're
8 all directionally-drilled wells.

9 COMMISSIONER ACKERMAN: You're also pleased, aren't
10 you, with the findings of the audit by Haskins and Sells,
11 which disclosed some recommendations which have been
12 followed up on as well --

13 MR. THOMPSON: Yes, I --

14 COMMISSIONER ACKERMAN: -- about the efficiency
15 of the operation.

16 MR. THOMPSON: Not only that, but I think the audit
17 collectively picks on the field contractor's office, the
18 city, and also your own staff together. And I think this
19 is, hopefully, where we're going.

20 EXECUTIVE OFFICER DEDRICK: We will be bringing
21 to you in July the results of the audit and recommendations
22 in regard to those results and also we hope the first shot
23 at a programatic budget for the following fiscal year.

24 Dennis Allen of the city is here, incidentally,
25 representing their position. And you might want to hear

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1 from him as to his position on the proposed modification.

2 CHAIRPERSON CORY: Are you happy with --

3 COMMISSIONER MORGAN: I'm fine with the
4 modification. We should proceed as long as staff continues
5 to monitor.

6 MR. THOMPSON: On some cases now on the expense
7 side, we have very little control over part of it. And that
8 is, for example, the electro expense.

9 CHAIRPERSON CORY: Did we join --

10 MR. THOMPSON: I think that everybody in California
11 that uses electricity is about in the same position as we
12 are. We happen to use more of it. You can see the rate
13 trend up there.

14 EXECUTIVE OFFICER DEDRICK: I think we will see
15 a flattening of that trend over the next two rate cases.
16 Edison's rate case application has been cut by a substantial
17 -- by themselves. They have reduced their rate case
18 application number by a substantial amount before the Public
19 Utilities Commission.

20 They have also filed for a reduction in energy
21 costs in their ECAC, which will go into effect along about
22 the first of July. So, though there probably will be an
23 increase, it won't be going up like that, the way it is on
24 that chart.

25 MR. THOMPSON: You can see what happened a year

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1 ago when rates got too high. We'd hope that would happen.

2 EXECUTIVE OFFICER DEDRICK: Well, the ECAC
3 reduction is because there's been a lot of gas available
4 and they've been burning gas instead of oil and they didn't
5 have oil that they had parked in ships off the coast of
6 Indonesia and all that kind of costs.

7 CHAIRPERSON CORY: Does Long Beach care to make
8 a comment? Or are you happy with what's happening? Do
9 you want to get into this fray or do you want to stay out?

10 MR. ALLEN: Well, I'll come down in front so that
11 everyone can hear me.

12 I'm Dennis Allen, representing the City of Long
13 Beach, Oil Department.

14 And we have gone over the budget as presented.
15 We've also worked with the State Lands Commission staff on
16 the changes that are being recommended. And we agree with
17 everything that Moose has said. So, we have no disagreements
18 with State Lands Commission at this point.

19 CHAIRPERSON CORY: Okay, then we'll keep cutting
20 deeper until we get one.

21 Without objection, then, the approval of the plan
22 and development operation and the first modification is
23 hereby adopted.

24 Item 30, we've got a potential loss of revenue
25 on a sell-off default, Long Beach Unit.

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1 MR. THOMPSON: That has been reversed now.

2 MR. TAYLOR: We receive word from Mr. Buchanan
3 and Mr. Park from the City Attorney that THUMS has agreed
4 to bear the cost with the stipulation that they have the
5 right to sue us over the issue. So, there has been no loss
6 to the state.

7 CHAIRPERSON CORY: Okay.

8 MR. TROUT: The surcharge over --

9 MR. TAYLOR: Oh, you're losing the surcharge,
10 but you're not losing the amount we were out to Lunday-Thagard.

11 CHAIRPERSON CORY: Questions?

12 Okay, Item 31, Notification of Intent by the
13 City of Long Beach to spend \$91,460 from its share of
14 tideland monies for a capital improvement to repair the
15 Belmont Pier Boat Landing floating docks. Anybody in the
16 audience on this item? Questions from Commissioners?

17 Without objection, Item 31 is approved as
18 presented.

19 Item 32, Long Beach is notifying us they're
20 spending \$114,000 from their share of the tidelands for a
21 beach area parking lot between 71st Place and 72nd Place.
22 Anybody in the audience on this item?

23 Without objection, Item 32 is approved as presented

24 Item 33, is being amended. The amount is not
25 \$132,500, but it's \$165,500.

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1 MR. THOMPSON: Yes, it came back and they need
2 a revision on it.

3 CHAIRPERSON CORY: But this is for stairways at
4 the beach at 3rd Place and 10th Place.

5 MR. THOMPSON: It does not change the scope.

6 CHAIRPERSON CORY: Scope is the same. Is there
7 anybody in the audience on this item? Questions from
8 Commissioners?

9 Without objection, Item 33 is approved as presented.

10 COMMISSIONER MORGAN: I have kind of a general
11 question about these.

12 Could the staff put together an explanation of --
13 or an example of -- or a description of an annual plan on
14 what happens with the City of Long Beach's share of tideland
15 revenues? I mean, are they operating on some kind of a
16 plan or do they just grab the money when they have money
17 sitting in the pot and come up with a project to fund it?

18 I don't want to take the time now, but I notice
19 we get projects occasionally. And I'd like a little better
20 perspective on what that pot is and how it's spent.

21 MR. THOMPSON: In other words, you want to know
22 how their tideland operating fund expenditures are planned?

23 COMMISSIONER MORGAN: Yes.

24 MR. THOMPSON: That's outside the Harbor District,
25 just the downtown city.

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1 EXECUTIVE OFFICER DEDRICK: Well, whatever they
2 do with it.

3 COMMISSIONER MORGAN: Yes, the city's share.

4 EXECUTIVE OFFICER DEDRICK: We will do that.

5 COMMISSIONER MORGAN: Thanks.

6 CHAIRPERSON CORY: Item 34 is San Diego LAFEO
7 has a boundary for the City of San Dieguito. And this is --
8 we're approving the landowner and the boundaries. Is there
9 anybody in the audience on this item? Any questions from
10 Commissioners?

11 Without objection, Item 34 is approved as presented

12 Item 35 is consent of State Lands Commission as
13 landowner to the proposed annexation, City of Del Mar. And
14 we have a letter that they're no longer concerned with this.
15 Is there anybody in the audience on this item? Any
16 questions from Commissioners?

17 Without objection, Item 35 is approved as presented

18 Item 36, approval of a Compromise Title
19 Settlement Agreement between State Lands and Marie Carter
20 and Ernest Voigt settling title disputes in Union City,
21 Alameda County. Is there anybody in the audience on this
22 item? Any questions from Commissioners?

23 Without objection, Item 36 is approved as presented

24 Item 37, authorization to file disclaimer in the
25 case of the U.S. of A. versus 9,740 acres, more or less,

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1 in Eastern District, Sacramento County. Anybody in the
2 audience on this item? Questions from Commissioners?

3 Without objection, Item 37 is approved as presented.

4 Item 38, disclaimer on 566.08 acres, more or less,
5 in Plumas County. Anybody in the audience on this item?
6 Questions from Commissioners?

7 Item 38 is approved as presented.

8 That completes our agenda.

9 Are there any further items to come before us?

10 MR. TAYLOR: Mr. Chairman, there's one item from
11 this morning. That was the fact that in December you
12 approved a settlement of a Morro Bay litigation, which is
13 the southerly portion of the waterfront of the city.

14 Due to delays and some further negotiations with
15 a couple of the landowners who weren't quite satisfied with
16 the deal, it will not be possible to make the closing date
17 of the 30th of this month. And, therefore, there will be
18 an item for your ratification on next month's meeting
19 extending the closing date by two months. But we wanted
20 to announce it to you today to get your acquiescence in
21 proceeding to close the transaction.

22 CHAIRPERSON CORY: Would you explain your button?

23 (Laughter.)

24 MR. TAYLOR: Part of our duties are cooperation
25 of single properties in Bolsa Chica.

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1 CHAIRPERSON CORY: And would you explain it to
2 us, please.

3 MR. TAYLOR: It says: "Let the Ocean In."

4 CHAIRPERSON CORY: Would the record reflect that
5 the Attorney General has gone overboard -- (laughter) --
6 in being pressed hard by the campaign. The staff is
7 buckling under the pressure.

8 COMMISSIONER ACKERMAN: Duly noted.

9 MR. TAYLOR: In fairness to the other side, the
10 Amigos have a button, too. I'll try to wear that next month.
11 Equal treatment.

12 Anyway, with your consent, we've got to go ahead
13 and process the --

14 CHAIRPERSON CORY: We don't have any choice do
15 we?

16 MR. TAYLOR: No, I don't think we do. But I just
17 wanted to make sure we have some continuity as far as the
18 city is concerned.

19 CHAIRPERSON CORY: Are there any items on Executive
20 Session?

21 MR. HIGHT: No, Mr. Chairman.

22 CHAIRPERSON CORY: We are not going to adjourn.
23 We are going to recess this meeting. And we'll be adjourned
24 at the Chair if we don't need to handle --

25 MR. TAYLOR: Could you set a time?

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1 EXECUTIVE OFFICER DEDRICK: We're trying to figure
2 one out. We've got Santa Barbara on the Point Conception
3 thing on Friday.

4 What time is the budget hearing before Assembly
5 Ways and Means on Monday, 9:00 a.m.? We're leaving at
6 10:30 --

7 MR. TROUT: Perhaps we could meet Friday morning.
8 Set it for Friday morning at 8:30. And we can reset it.

9 CHAIRPERSON CORY: We'll reconvene Friday morning
10 at 8:30 --

11 EXECUTIVE OFFICER DEDRICK: -- in your office.

12 CHAIRPERSON CORY: -- if there is a problem.

13 MR. HIGHT: In Finance Conference Room?

14 CHAIRPERSON CORY: Yes.

15 MR. HIGHT: So we can have a place.

16 CHAIRPERSON CORY: Okay.

17 All right, we stand in recess.

18 (Thereupon the meeting before the
19 State Lands Commission recessed at
20 11:00 o'clock a.m.)

21 --oOo--

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CERTIFICATE OF SHORTHAND REPORTER

1
2
3 I, EILEEN JENNINGS, a Certified Shorthand Reporter
4 of the State of California, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing State Lands Commission meeting was reported in
7 shorthand by me, Eileen Jennings, and thereafter
8 transcribed into typewriting.

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

12 IN WITNESS WHEREOF, I have hereunto set my hand
13 this 18th day of May, 1982.

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15
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