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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

MONDAY, FEBRUARY 28, 1983
1:30 P.M.

Ronald J. Peters
CSR License Number 2780

PETERS SHORTHAND REPORTING CORPORATION

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MEMBERS PRESENT

Mr. Kenneth Cory, State Controller, Chairman
Hon. Leo T. McCarthy, Lieutenant Governor
Mr. Del Pierce, representing Michael Franchetti,
Director of Finance

MEMBERS ABSENT

None

STAFF PRESENT

Dr. Claire Dedrick, Executive Officer
Mr. James F. Trout, Assistant Executive Officer
Mr. Robert Highc, Chief Counsel
Ms. Jane Smith, Secretary
Mr. W. M. Thompson, Manager, Long Beach Operations

ALSO PRESENT

Mr. Jan S. Stevens, Deputy Attorney General

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PROCEEDINGS

--003--

CHAIRMAN CORY: Are you ready to go to work?

I will call the meeting to order.

Are there any corrections or additions to the minutes of January 27th?

Without objection, we will confirm the minutes as presented.

And the Executive Officer?

EXECUTIVE OFFICER DEDRICK: No report today.

CHAIRMAN CORY: No report today. Lack of work in the last month, I notice.

(Laughter.)

CHAIRMAN CORY: The next item is the Consent Calendar.

These are the items on the agenda with the prefix "C", and they go "C1" through "C11".

If anyone in the audience has any disagreement with the proposed staff recommendation, if they would speak up now, because we are going to take them up in a single motion, all of those items?

No objections.

Questions from commissioners?

ACTING COMMISSIONER PIERCE: No.

LIEUTENANT GOVERNOR McCARTHY: No.

CHAIRMAN CORY: Without objection, the Consent Calendar will be adopted as presented.

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That takes us to Item 12, which is off calendar.
Item 13. This is a supplemental letter of
understanding to Thomas P. Raley for the Intent Lease, is
that correct?

EXECUTIVE COUNCILER DEDRICK: Yes, for the marina
part -- I mean the landing.

MR. STEVENS: The pier.

CHAIRMAN CORY: Okay, anybody on this?

Questions from commissioners?

Anybody in the audience on Item 13?

Without objection, the letter will be authorized
as requested.

Item 14. The staff is recommending that we
deny, without prejudice, an application on State property
on the Colorado River. The river lodge resort is the
applicant, a Mr. Glenn V. Drake.

Is there anybody in the audience on this item?

Questions from commissioners?

Without objection, Item 14, the proposed denial
is granted without prejudice.

Item 15, a request to approve and authorize the
execution of a BLA, number 230, between the Lands
Commission and the Moss Landing Harbor District, and
Phillip -- help me with this pronunciation -- Digirolamo
dba Moss Landing Fisheries, Incorporated.

Is there anybody in the audience on this item?

Questions of commissioners?

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LIEUTENANT GOVERNOR MCGARTHY: No.

CHAIRMAN CORY: Del?

ACTING COMMISSIONER PIERCE: No.

CHAIRMAN CORY: Okay. Without objection, the Boundary Line Agreement is approved as presented.

Item 16. This is an assignment and amendment of a fifteen-year General Lease for Marineland. Marineland currently has it and it is now a partnership of Hanna-Barbera Marineland.

EXECUTIVE OFFICER DEDRICK: That's right.

CHAIRMAN CORY: Anybody in the audience on this one?

Questions of commissioners?

Without objection, Item 16 is approved as presented.

Item 17. This is a request of the City of Redondo Beach to expend tidelands trust funds for the acquisition of privately owned lands to be developed as part of its harbor center for a hotel and other items.

Any questions from commissioners?

Anybody in the audience on this item?

Okay. Without objection, Item 17 is approved as presented.

Item 18. This is a report of actual revenues for the first six months in revenue estimates. Is someone here who is going to give us the details of this or what?

EXECUTIVE OFFICER DEDRICK: If you would like,

1 yes: Would you like Moose to come forward?

2 CHAIRMAN CORY: Moose, I think a little
3 explanation might be worthwhile to reassure us that we
4 are still in the ball park that we had assumed the downdraft
5 on oil prices and we are still okay.

6 MR. THOMPSON: Well, I think the entire story
7 on this is in that upper graph up there. It shows where
8 crude oil prices are going. That's the top red curve on
9 the upper graph. And you can see there, that starting
10 about in mid-81 crude oil prices started dropping down.
11 It stayed constant there at about \$24 through most '82.
12 We have had two crude oil price cuts this month already,
13 approximately two dollars.

14 We had guessed at a dollar cut in the previous
15 revenue estimates on January 1st and the cuts occurred
16 in February. We are now adding another dollar on these
17 revenue cuts for the '83-84 year. The timing on there
18 is just so that is in effect for the '83-84 year.

19 EXECUTIVE OFFICER DEDRICK: The total is three
20 dollars down.

21 MR. THOMPSON: It is a total of three dollars
22 down from the October of 1982 estimates.

23 CHAIRMAN CORY: Okay.

24 EXECUTIVE OFFICER DEDRICK: Yes.

25 CHAIRMAN CORY: Okay. And Saudi Light was
26 where, like thirty-two, when we were at twenty --

27 EXECUTIVE OFFICER DEDRICK: Twenty-five.

28 CHAIRMAN CORY: Yes, at the peak. Is that it?

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MR. THOMPSON: Well, the marker for light crude has always been at \$34 and it has never changed as far as the official price is concerned. And it was at \$34 back in the first part of '81. Then it started dropping and it was in at, say \$32 actual, even though the post is still fixed at thirty-four. Right now they probably have hopes that they can stop it at twenty-nine or twenty-eight.

But actually, North Slope crude, right now, is being laid down to Houston, we understand, for \$27, which would back into something then, back into Saudi at maybe \$25.50 or something like that. So where the real world is, as far as the marker posting, we don't know.

CHAIRMAN CORY: Your projections here for the '83-84 and '84-85, you are assuming another dollar drop --

MR. THOMPSON: For the '83-84 year.

CHAIRMAN CORY: And that would, if they are able to stabilize the Saudi at the twenty-eight or twenty-nine, then that is a valid projection. If it drops lower, are we likely to be looking at --

MR. THOMPSON: Yes.

CHAIRMAN CORY: And if it drops, as some are saying, in the nineteen to twenty-one dollar price, what kind of effect would that have on us, do you think?

MR. THOMPSON: Well, every dollar we go down is roughly \$25 million dollars.

CHAIRMAN CORY: But if the Saudi Light goes down from the twenty-eight, or twenty-nine, instead down to twenty, twenty-one --

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MR. THOMPSON: It is not linear as you go down. I am trying to guess. I would imagine that would be \$15 crude for us, just guessing.

CHAIRMAN CORY: Okay.

MR. THOMPSON: Sooner or later that market has to stabilize out. Right now the problem is you have productive capacity in the world up, say, 65 million barrels and you have got a market for a little over fifty.

CHAIRMAN CORY: Yes.

MR. THOMPSON: So something has to give in the market place, and that's what is happening. Where the bottom is, we don't know.

CHAIRMAN CORY: Questions?

LIEUTENANT GOVERNOR McCARTHY: No.

CHAIRMAN CORY: Del?

ACTING COMMISSIONER PIERCE: No.

CHAIRMAN CORY: Okay. Anything else, Moose?

MR. THOMPSON: No.

CHAIRMAN CORY: Okay. We will approve the report as presented in Item 18.

Item 19 is approval of crude oil sell-off. This is to advertise for bids on Parcel "A", correct?

EXECUTIVE OFFICER DEDRICK: That is correct.

CHAIRMAN CORY: Any questions commissioners? Anyone in the audience?

Without objection, approval of Item 19 is granted.

Item 20. The City of Long Beach has given intent to spend \$355,680 on a maintenance yard, and the

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1 staff doesn't have any trouble with this. Anybody in
2 the audience?

3 Questions from commissioners?

4 Without objection, Item 20 will be approved and
5 presented.

6 Item 21, the tenth modification of the 1982-83
7 Plan and Development of the Long Beach Unit. This is
8 just internal shifting of --

9 EXECUTIVE OFFICER DEDRICK: Actually it is just
10 a report on the actual revenue.

11 MR. THOMPSON: Of course, it will be badly out
12 of date as to the recent crude oil prices as far as any
13 net revenue is concerned.

14 EXECUTIVE OFFICER DEDRICK: It tells you what
15 would have happened six weeks ago. That is what you
16 wanted to know.

17 CHAIRMAN CORY: Does anybody have any concern
18 about why we are being told what would have happened six
19 weeks ago?

20 LIEUTENANT GOVERNOR McCARTHY: What use are we
21 supposed to put this report to, Mr. Chairman?

22 EXECUTIVE OFFICER DEDRICK: Moose, could you
23 come up on this one?

24 CHAIRMAN CORY: Well, I think this is because
25 of the nature of the spending, that we are, in essence,
26 spending off line of the General Fund. It is a method of
27 keeping Long Beach and the contractor honest as to where
28 the dough is going and that they are living up to their

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1 budget plan that we adopted at the beginning of the year.

2 MR. THOMPSON: This is one of the requirements
3 in the plan and budget, that there is a quarterly review
4 and report.

5 LIEUTENANT GOVERNOR McCARTHY: I see.

6 MR. THOMPSON: And the unfortunate thing is
7 that by the time it gets through the paper work and by
8 the time, first of all, they get the numbers which is late --

9 LIEUTENANT GOVERNOR McCARTHY: It is a little
10 outdated.

11 MR. THOMPSON: -- it is a little outdated,
12 especially when you get things like this happening.

13 LIEUTENANT GOVERNOR McCARTHY: You will catch
14 up with it in the next quarterly report?

15 MR. THOMPSON: Well, we have already put it in
16 the State revenue estimates which I think, to you, are
17 much more critical than reporting the unit.

18 LIEUTENANT GOVERNOR McCARTHY: Yes. Thank you.

19 CHAIRMAN CORY: Thank you.

20 Without objection, the tenth modification is
21 accepted.

22 Item 22, modification of the "Cooperative
23 Agreement for Water Injection Operations" in Wilmington.
24 This is to allow producing wells to be used for injection
25 purposes in some cases. Is that correct, Moose?

26 MR. THOMPSON: Yes. Actually, in the original
27 Cooperative Agreement, certain wells are specified to be
28 injectors. And in this case one of them failed.

1 mechanically, so instead of trying to spend the money to
2 redrill that one, they are substituting another well near
3 it.

4 CHAIRMAN CORY: Okay. Anybody in the audience
5 on this item?

6 Questions from commissioners?

7 Without objection, Item 22 is approved as
8 presented.

9 Item 23, determination of allowable subsidence
10 costs for \$236,202.65, pursuant to Chapter 138.

11 And this will close these accounts out, is that
12 correct?

13 MR. THOMPSON: For the year.

14 CHAIRMAN CORY: For the year. Is there anybody
15 in the audience on these items?

16 Questions of commissioners?

17 Without objection, Item 23 is approved as
18 presented.

19 Item 24 is a one-year Dredging Permit for a
20 million and a half cubic yards of material for Anaheim
21 Bay, Seal Beach. Is there anybody in the audience on
22 this one?

23 Questions from commissioners?

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

26 Item 25, Bear Creek Mining Company. This is a
27 geothermal prospecting permit for forty acres of sovereign
28 land in the Salton Sea, Imperial County.

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1 Anybody in the audience on this one?

2 Questions of commissioners?

3 Without objection, Item 25 is approved as
4 presented.

5 Item 26, extension of a Geothermal Exploratory
6 Permit for GRI. And this is Mendocino County, and the
7 extension is for what reason?

8 MR. THOMPSON: They want to drill three more
9 temperature gradient holes --

10 CHAIRMAN CORY: Yes.

11 MR. THOMPSON: -- to get more information.

12 CHAIRMAN CORY: Okay. Any questions of
13 commissioners?

14 Without objection, Item 26 will be approved as
15 presented.

16 Item 27. C. F. Braun and Company got a lease
17 from us on the Sacramento River bed down at Freeport and
18 they have drilled the hole, capped it as being
19 non-productive, didn't get into any of our property and
20 wished to quitclaim back their lease.

21 Is there anybody in the audience on this one?

22 Questions of commissioners?

23 Without exception, Item 27 will be approved as
24 presented.

25 Item 28, Jericho Dredging Company, to authorize
26 the issuance of a Dredging Permit of 25,000 yards at
27 Steamboat Slough at thirty cents a yard. Is there anybody
28 in the audience on this item?

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1 Questions of commissioners?

2 Without objection, the dredging permit is
3 granted.

4 Item 29. This is proposed action on Ernest Z.
5 Coker, who has requested a Prospecting Permit for sixty
6 acres of land in San Bernardino County.

7 Is there anybody in the audience on this item?

8 Questions from commissioners?

9 Without objection, Item 29, we will deny the
10 permit as recommended by the staff.

11 Item 30, Approval of a Prospecting Permit for
12 two years for borates and other minerals, excluding oil
13 and gas -

14 EXECUTIVE OFFICER DEDRICK: And geothermal.

15 CHAIRMAN COXY: -- and geothermal on 640 acres
16 in San Bernardino County.

17 Anybody in the audience on this item?

18 Questions of commissioners?

19 Without objection, Item 30 is approved.

20 Item 31 is the United States Department of
21 Agriculture, a Retrocession of Jurisdiction over Hunter-
22 Liggett at a portion of Los Padres in Monterey County.

23 Anybody in the audience on this?

24 Questions of commissioners?

25 Without objection, Item 31 is approved as
26 presented.

27 Item 32 is off calendar. Item 33 is off
28 calendar.

1 Item 34. The applicant is Ernest Hahn, Inc.,
2 which wishes to enter into a Land Bank settlement on a
3 title dispute on some property in Corte Madera in Marin
4 County, and the money will be used to purchase -- to put
5 into the land bank?

6 MR. HIGHT: Correct, Mr. Chairman, and in
7 accepting the money, you will be acting as the Land Bank
8 Fund Commissioners.

9 CHAIRMAN CORY: This is the new legislation?

10 MR. HIGHT: Correct.

11 CHAIRMAN CORY: Okay. Is there anybody in the
12 audience on this item?

13 Questions of commissioners?

14 Without objection, approval of the Compromise
15 Title Settlement is granted.

16 Item 35, Jimmy Genn, James L. Reading and Velma
17 M. Reading, approval of Compromise Settlement of four
18 acres of residential property in Vallejo, Solano County.

19 Anybody in the audience on this item?

20 Questions from commissioners?

21 Without objection, Item 35 is approved as
22 presented.

23 Item 36 is off calendar.

24 Item 37 is a request for the staff to hold
25 public hearings on modifying general leasing regulations.

26 Anybody in the audience on this?

27 Questions of commissioners?

28 Without objection, Item 37 is approved as

1 presented.

2 Any other business to come before the Commission?

3 EXECUTIVE OFFICER DEDRICK: None.

4 CHAIRMAN CORY: Commissioners?

5 ACTING COMMISSIONER PIERCE: No.

6 LIEUTENANT GOVERNOR McCARTHY: No.

7 CHAIRMAN CORY: Okay. We will allow the Governor
8 to go back to governing the State.

9 LIEUTENANT GOVERNOR McCARTHY: Thank you.

10 CHAIRMAN CORY: Keep up the good work.

11 (Thereupon the February 28th meeting of the
12 State Lands Commission was adjourned at 1:50 p.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, RONALD J. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing public meeting before the State Lands Commission was reported in shorthand by me, RONALD J. PETERS, and thereafter transcribed into typewriting under my direction.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of March, 1983.

Ronald J. Peters

RONALD J. PETERS
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