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MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, MAY 23, 1985

10:33 A.M.

Reported by:

Cathleen Slocum, C.S.R.
License No. 2822

MEMBERS PRESENT

1
2 Walter Harvey, Acting Chairperson,
representing Kenneth Cory, State Controller

3 Clifford Allenby, representing
4 Jesse R. Huff, Director of Finance

MEMBERS ABSENT

5
6
7 LEO T. McCarthy, Lieutenant Governor

STAFF PRESENT

8
9
10 Claire Dedrick, Executive Officer

11 James Trout, Assistant Executive Officer

12 Robert Hight, Chief Counsel

13 Jane Smith, Secretary

ALSO PRESENT

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16 David Judson, Deputy Attorney General

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P R O C E E D I N G S

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3 ACTING CHAIRPERSON HARVEY: The meeting of the
4 State Lands Commission will be in order.

5 The first item on our agenda if I can find it --
6 EXECUTIVE OFFICER DEDRICK: Confirmation of
7 minutes.

8 ACTING CHAIRPERSON HARVEY: Okay. Confirmation
9 of minutes of the meeting of April 25th.

10 Is there any correction or objection to the
11 minutes? If there are none, the minutes will be deemed
12 approved.

13 Report of the Executive Officer. Claire.

14 EXECUTIVE OFFICER DEDRICK: No report this
15 morning, Mr. Chairman.

16 ACTING CHAIRPERSON HARVEY: Fine. Thank you.
17 Calendar Items, Items C1 through C --

18 COMMISSIONER ALLENBY: 16 excluding 11 and 15.

19 ACTING CHAIRPERSON HARVEY: -- 16. Let's
20 exclude --

21 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, if I
22 may, the items that are off calendar this morning are
23 C11 and 15 and Items 22, 41, and 42 on the Regular Calendar.

24 ACTING CHAIRPERSON HARVEY: Okay. Without
25 objection, then, any reference to calendars involving more

1 than one item at a time will incorporate those exclusions.

2 Are there any objections to adoption of the
3 Consent Calendar?

4 Anybody want to speak on any of the items on the
5 Consent Calendar? No objection, no speakers, Consent
6 Calendar will be deemed accepted.

7 Item 17, Santa Catalina Island Company.

8 COMMISSIONER ALLENBY: Want to move that to the
9 end?

10 ACTING CHAIRPERSON HARVEY: Let's get rid of it.
11 I think that's what -- I understand there are some people in
12 the audience that want to speak on Item 17, Catalina
13 Island Company. Mr. John Longley, if you'll come forward,
14 please.

15 MR. LONGLEY: Mr. Chairman, my testimony is
16 going to be with Mr. Roger Woolley representing the
17 Santa Catalina Island Company. Would that be permissible,
18 sir?

19 ACTING CHAIRPERSON HARVEY: That's permissible.

20 EXECUTIVE OFFICER DEDRICK: Mr. Longley represents
21 the City of Avalon.

22 ACTING CHAIRPERSON HARVEY: Rudy Piltch, Director
23 of Planning and Vice President of the Island Company.

24 MR. PILTCH: I'm merely here to answer any
25 questions and I prefer our comments to be made by

1 Mr. Roger Woolley.

2 ACTING CHAIRPERSON HARVEY: Thank you, Mr. Pilch.
3 Norman D. Kuch, I believe, an attorney representing
4 the Edison Company.

5 MR. KUCH: Mr. Chairman, I will speak after
6 Mr. Woolley. Our matters are somewhat --

7 ACTING CHAIRPERSON HARVEY: You're going with
8 Mr. Woolley?

9 MR. KUCH: I will be speaking following
10 Mr. Woolley.

11 ACTING CHAIRPERSON HARVEY: Fine. Kenneth
12 Williams, an attorney representing the Island Company.

13 MR. WILLIAMS: Yes, I'll defer to Mr. Woolley.

14 ACTING CHAIRPERSON HARVEY: Thank you, sir.

15 Mr. Woolley, it looks like everybody's deferred to
16 you. It's your turn.

17 MR. WOOLLEY: I'm the only one that's left?
18 Do you want us to proceed or did you want a staff report
19 or anything else?

20 MR. HIGHT: Just a preliminary, Mr. Chairman.
21 We might say that we have been in negotiations with the
22 Island Company for some few months and the Island Company
23 and the city have I think been in meetings and discussions
24 the last day or so, and I think it would be helpful if
25 we know where they are in order to determine the best

1 course to proceed.

2 MR. WOOLLEY: Thank you, Mr. Chairman.

3 For the record, Roger Woolley, Box R, Rancho
4 Santa Fe speaking on behalf of the Island Company
5 and with me is the City Manager of the City of Avalon.

6 MR. LONGLEY: My name is John Longley.

7 MR. WOOLLEY: We have had extensive negotiations
8 for a settlement of the claim and we've reached what seeming-
9 ly is an accord here which we would suggest that the state
10 review and possibly vote upon today as well. As you know,
11 we have not definitely determined the amount of acreage
12 in issue. We have not definitely determined on a price.
13 The fact is that there is an appraiser who has been chosen
14 by the state now who will be working on it and our
15 settlement, if obtained here, would be conditioned upon
16 whatever valuation that appraisal effects. We would like
17 at that particular time as well as having the state have
18 exactly the same right to view his work at some stage before
19 a final figure is arrived at to protect the state's
20 position as well as our own.

21 ACTING CHAIRPERSON HARVEY: If I may, Mr. Woolley,
22 what you're saying then, the price involved in the
23 transaction will be determined by that appraisal and agree-
24 ment from two parties, basically.

25 MR. WOOLLEY: The secondary concern and issue is

1 that we protect certain properties that are the subject
2 of the negotiation at this particular point. The City of
3 Avalon is desirous of effecting a thorough study leading
4 to the possible construction of an airport affecting
5 certain of these properties. We have a great concern in
6 the sense that we have a tenant and a very useful entity
7 extracting rock which we feel to be very much a public
8 interest concern for the balance of the state and Southern
9 California in particular. So we have entered into an
10 understanding that has not as yet been defined in detail
11 but generally, and I'll ask Mr. Longley to speak to it,
12 is this, that whatever figure is determined and agreed upon
13 by the state and the Island Company will be in essence
14 escrowed for a period of approximating 30 months' time.
15 During this time the City of Avalon will proceed to determine
16 the potentials of an airport facility being created on
17 portions of the area in question here. A six-month
18 study or thereabouts will be completed I understand in
19 approximately that time to determine feasibility. The
20 balance of the period would be spent in actually acquiring
21 the funding for the acquisition of eight additional
22 acreage and, let alone, the construction of that airport.
23 The total period regardless of whether feasibility is
24 determined in six months or some time later would not
25 extend beyond 30 months. An additional point and

1 concern to us --

2 ACTING CHAIRPERSON HARVEY: Including this first
3 six months?

4 MR. WOOLLEY: Including the first six months.
5 So 30 months from this particular time the matter is
6 resolved one way or the other.

7 We have the concern and stipulation that
8 whatever is determined there, it will not in any way
9 destroy the utility of the quarry. The operating concern
10 that we have is that whatever feasibility is ascertained
11 or whatever construction later comes, that that quarrying
12 operation must continue without obstruction. The city
13 has agreed with us on that score. If, at the end of that
14 time, it's determined that an airport cannot be built on
15 that site, it is our understanding and request that the
16 monies that are in essence in escrow and the documents
17 and so forth be also tied up with that escrow would be
18 concluded, the monies paid to the State of California.
19 During this period perhaps we have not determined
20 whether the interest on those monies should go to whom
21 nor have we determined exactly what the Island Company
22 would be paying for the continuing quarrying operation
23 there during that 30 month period. Probably a 10 percent
24 figure of the total amount reached by the appraiser in his
25 work with both the Island Company and ourselves. That, in

1 essence, is where we are at this point. I'd ask Mr. Longley
2 to speak to affirm his understanding as being exactly that.

3 MR. LONGLEY: Yes, sir. I have with me today
4 the Mayor of the City of Avalon, Mr. George Scott, who's
5 in the audience. Basically what was outlined by Mr. Woolley
6 is my understanding. At the end of a 30-month period
7 at the quarry, the city could only act upon or enter in
8 discussion with the State Lands Commission to utilize that
9 for an airport site. if we get a grant offer from the
10 Federal Aviation Administration or if the city is able
11 to get language in some act of Congress authorizing money
12 for the construction of the airport or approving the
13 airport project. We also discussed briefly the Pebbley
14 Beach site. The 30 months would not run on this. However,
15 the Island Company did indicate that they would work in
16 good faith with us and not create barriers to an airport
17 development there.

18 This is I think substantially the understanding.
19 Is that correct, Mr. Mayor?

20 MAYOR SCOTT: Yes.

21 MR. WOOLLEY: So there may be no confusion, when
22 there's mention of the 30-month period not running on the
23 Pebbley Beach site, it's our position that the Pebbley
24 Beach site has nothing to do with any other proposed site.
25 We did extend their position to the city that we would

1 cooperate with them in providing materials that were
2 resultant from a previous study and work with them on any
3 advancement of that particular site at that particular
4 time, but that basically has no bearing on the running of
5 the 30-month period.

6 ACTING CHAIRPERSON HARVEY: I gather then someone
7 here -- you're speaking for the Island Company, you're
8 speaking for the City of Avalon. I assume that the
9 differences, if there are any, between the Island Company
10 and Avalon are resolved within the framework now of a
11 six-month period of time to complete feasibility studies,
12 permits, whatever else is necessary followed by a 24-month
13 period in which an airport, if it is to be constructed,
14 would be constructed or at least started or some such thing?

15 MR. HIGHT: Financing would be --

16 ACTING CHAIRPERSON HARVEY: Something done to make
17 it a positive thing as opposed to just extending time
18 indefinitely.

19 COMMISSIONER ALLENBY: Once you pass the six-month
20 period, it really becomes, assuming that it's feasible for
21 purposes of discussion, then the next 24 months would be
22 a function of getting financing from whatever source, whether
23 it be the federal government or however it's done to
24 actually initiate an airport. Is that everybody's under-
25 standing?

1 MR. LONGLEY: We understand that the 24-month,
2 the proof of the pudding in this case would be either
3 a grant offer from FAA or language in a law of Congress
4 indicating that the airport is approved and is authorized.

5 ACTING CHAIRPERSON HARVEY: On the feasibility
6 study would show the airport feasibility to be positive.
7 The 24-month period would be for the purpose of establish-
8 ing an absolute window during which something to really at
9 least start that airport. I don't think you're going to
10 finish building an airport in that 24-month window, but
11 there would be positive steps taken to assure that the
12 airport would be constructed. Is that what you're really
13 saying?

14 MR. WOOLLEY: Yes. The funding pertaining
15 to additional land acquisition and construction of the
16 facility would have to be committed at that 30-month
17 period. If not, then the public trust in essence would
18 terminate on the escrowed acreage.

19 ACTING CHAIRPERSON HARVEY: And the intention then
20 is to refer this I guess back to you for the appropriate
21 documents to be prepared. I understand that the
22 probability at this point is that we would use Kapiloff
23 Land Bank funds for the purpose of depositing the money
24 or acquisition. That's something that we can't do today
25 basically as I understand it anyway. As far as I'm concerned

1 Mr. Allenby, with your acquiescence, I would suggest that
2 Mr. Hight and the AG's office is here.

3 EXECUTIVE OFFICER DEDRICK: Mr. Judson.

4 ACTING CHAIRPERSON HARVEY: That we refer this
5 back to that staff to prepare the documents necessary to
6 bring before this Commission for approval essentially of
7 what we have laid out here in the agreement between the
8 Island Company and the City and whatever remarks you or
9 I may have put into this meeting and then bring those
10 documents. I would like to start the six-month window
11 today if we can.

12 There you go fellows. Let's get this thing off
13 dead center. So unless there's objection to starting that
14 window, I assume that we will be able to work out the
15 ABC details. Let's start the window --

16 COMMISSIONER ALLENBY: June 1st.

17 ACTING CHAIRPERSON HARVEY: -- start the window
18 June 1.

19 MR. WOOLLEY: Because June 1 is the request of
20 the city and we are in accord.

21 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, one
22 minor point which is really trivial, but to clear the
23 record, permits wouldn't be applied for until later in the
24 process, obviously until --

25 COMMISSIONER ALLENBY: You don't have--

1 ACTING CHAIRPERSON HARVEY: You don't have anything
2 to apply for.

3 EXECUTIVE OFFICER DEDRICK: That's correct.

4 ACTING CHAIRPERSON HARVEY: You have something,
5 Mr. Hight?

6 MR. HIGHT: I'm concerned with whether the
7 Edison Company --

8 ACTING CHAIRPERSON HARVEY: I was going to
9 come to that.

10 Before we vote on this thing, there were some
11 other requests. I have one from the Edison Company.
12 I have one -- I guess the Island Company is done.

13 Mr. Kuch.

14 MR. KUCH: Thank you, Mr. Chairman.

15 At the moment the Edison Company and the Island
16 Company will pretty much join together in the settlement
17 as far as the boundary disputes are concerned. Due to the
18 nature of the ownership which is a reversiory interest,
19 once that site is not used for electric generation,
20 it goes back to the Island Company. So I think they have
21 a very important stake in the decision.

22 The thing that I'm concerned with now is
23 we have an application pending for lease of the wharf and
24 during this 30-month period we would like to have that
25 lease pretty much or prior to the running of this 30-month

1 period have this lease executed or granted in some form.

2 ACTING CHAIRPERSON HARVEY: Prior to the
3 expiration or prior to the commencement?

4 MR. KUCH: Prior to the commencement.

5 ACTING CHAIRPERSON HARVEY: Prior to the
6 commencement, you're out of luck.

7 COMMISSIONER ALLENBY: Unless the staff has
8 already had some direction to do that.

9 ACTING CHAIRPERSON HARVEY: This is something
10 that's not before us.

11 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, may
12 I suggest that in the case of the Edison Company,
13 that any negotiations they have ongoing and the negotiations
14 would be partly with the Island Company and partly with
15 us, I presume. That those negotiations go forward without
16 prejudice.

17 ACTING CHAIRPERSON HARVEY: I was going to say
18 that.

19 EXECUTIVE OFFICER DEDRICK: The property is
20 then divided in some way or another that affects the lease,
21 then the lease should be modified to reflect that change.

22 MR. KUCH: We'd be willing to join with that
23 condition that if there's some change or modification
24 necessary in the description or even in the rental rate,
25 we could work that out at some subsequent date.

1 ACTING CHAIRPERSON HARVEY: I have no problem
2 with that.

3 COMMISSIONER ALLENBY: Is that all right with
4 the Island Company?

5 MR. WOOLLEY: Yes. I don't see any concern.
6 We're all right.

7 ACTING CHAIRPERSON HARVEY: Then that is something
8 that you will continue to work I guess with the Commission
9 staff to proceed post haste with.

10 Yes, sir.

11 MR. LONGLEY: Sir, will this have any effect
12 on the potential airport at Pebbley Beach?

13 ACTING CHAIRPERSON HARVEY: Pebbley Beach isn't
14 before us. The wharf lease is really not before us. I
15 don't see how two things that were not really even talking
16 about can be made a part of what we're actually doing.
17 I think that Mr. Kuch's agreement and Island Company's
18 agreement to proceed with the wharf, I would assume the
19 City of Avalon and the Island Company would go along on the
20 same basis on Pebbley Beach.

21 EXECUTIVE OFFICER DEDRICK: That was the intent
22 of my comments was that these things should be able to go
23 forward in the real world without prejudice to the actual
24 settlement.

25 ACTING CHAIRPERSON HARVEY: That is correct.

1 EXECUTIVE OFFICER DEDRICK: At the time of the
2 settlement the lease could be modified if necessary.

3 ACTING CHAIRPERSON HARVEY: Want to confirm,
4 however, in reiterating that the six-month window which
5 is the first one-fifth of the total 30-month window opens
6 on June 1.

7 MR. TROUT: Mr. Chairman, one thing it would do.
8 It would fix the boundary between the Island Company
9 property and the state property along the frontage of
10 Pebbly Beach and I think that really resolves one of the
11 difficulties. Then how the airport would fit into that
12 boundary is a wholly separate issue that would have to be
13 developed.

14 ACTING CHAIRPERSON HARVEY: Anybody else want
15 to speak on the matter before the Commission?

16 Do we need a motion or just an instruction?
17 I think you understand the instruction, Mr. Hight.

18 EXECUTIVE OFFICER DEDRICK: I think we understand,
19 Mr. Chairman.

20 ACTING CHAIRPERSON HARVEY: Yes, sir.

21 MR. LONGLEY: Would it be possible to stay at
22 this point at time processing of the lease on the wharf
23 for the initial six months?

24 ACTING CHAIRPERSON HARVEY: Why do we want to
25 do that?

1 MR. LONGLEY: To see how it fits with the airport.

2 MR. WOOLLEY: What bearing does it have?

3 ACTING CHAIRPERSON HARVEY: I don't know what
4 that does.

5 MR. HIGHT: It's not before us.

6 ACTING CHAIRPERSON HARVEY: You're asking again
7 for something that's really not before us. Mr. Kuch,
8 you understand what he wants to do?

9 MR. KUCH: I think I do, Mr. Chairman. I think
10 he's concerned about the wharf having some interference
11 with the construction of the airport; is that correct?

12 MR. LONGLEY: That's correct, sir.

13 MR. KUCH: I don't think that's a problem.

14 ACTING CHAIRPERSON HARVEY: I don't think the
15 Edison Company would stand in the way of construction
16 of an airport if there was going to be one. I can't
17 speak for you, but I don't think you would.

18 MR. KUCH: Well, the wharf's already in place,
19 Mr. Chairman. It's just a matter of having a right to use
20 it.

21 EXECUTIVE OFFICER DEDRICK: Well, it seems to me,
22 Mr. Chairman, that these are all matters that relate as
23 much to Avalon as they do to the Island Company and the
24 State Lands. I would suspect that this Commission would
25 do what it usually does, and that is if the situation

1 came down that the wharf was in the way of the airport,
2 we'd find another place to put a wharf because they've
3 got to have fuel to come ashore or there's no electricity for
4 Avalon. I mean, it's kind of a public interest thing.
5 My intent in the earlier comment was that those things
6 would be resolved when and if an airport site is selected,
7 if necessary. But that obviously the Edison Company needs
8 a place to bring fuel ashore. Obviously, Avalon and the
9 Island Company need electricity. If the airport goes,
10 then other leases would have to be modified, if necessary.

11 ACTING CHAIRPERSON HARVEY: If the airport
12 goes here, there's not going to be an airport at Pebbley
13 Beach. If the airport doesn't go here, we're not going
14 to move the wharf to Pebbley Beach. Seems to me that this
15 is the sort of -- I think the record is clear as to what
16 everybody intends to do here. We do not want to do anything
17 that prejudices any other negotiation or anything else
18 that's going on. We are merely commencing on an ultimate
19 resolution which at this point we seem to be in fairly
20 much accord with with respect to what we now are all
21 familiar with as the Catalina Island problem.

22 MR. WOOLLEY: I have one last quick question and
23 it's not quite been resolved. In the event the subject
24 acreage does go into this escrow period and the balance of
25 the boundaries will be determined well prior to the close of

1 the 30-month period, I understand.

2 MR. HIGHT: Yes.

3 EXECUTIVE OFFICER DEDRICK: At the end of the
4 six-month period presumably staff would report back to the
5 Commission on the conditions of the situation and that
6 I would think would include a recommendation on the issue
7 that you're concerned about. Is that your understanding,
8 Mr. Chairman, Mr. Commissioner?

9 ACTING CHAIRPERSON HARVEY: Okay.

10 MR. WOOLLEY: Thank you.

11 ACTING CHAIRPERSON HARVEY: You understand your
12 instructions, then?

13 MR. HIGHT: Yes.

14 ACTING CHAIRPERSON HARVEY: I don't think you
15 need a motion, do you?

16 The record is clear.

17 MR. HIGHT: The record is clear, but just for
18 formality we should have a motion.

19 ACTING CHAIRPERSON HARVEY: Fine.

20 COMMISSIONER ALLENBY: You have one.

21 ACTING CHAIRPERSON HARVEY: Without objection,
22 that motion has been adopted by this Board.

23 MR. WOOLLEY: Thank you, Mr. Chairman.

24 MR. KUCH: Thank you.

25 ACTING CHAIRPERSON HARVEY: Okay. Anyone else?

1 Item 18.

2 Before we proceed with Item 18, I have a feeling
3 that I want to disqualify myself. Is this the matter
4 involving Mr. Coyne, River View Marina?

5 EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.
6 This involves a minor amendment to a lease for the
7 purposes of erosion control and riprapping on the
8 River View Marina. Mr. Coyne is here if you want to hear
9 from him. However, if you're going to disqualify yourself,
10 Mr. Chairman, one vote doesn't do anything. So we would
11 put the matter over for a month.

12 ACTING CHAIRPERSON HARVEY: Before I really do,
13 if Mr. Coyne has something he wants to say -- I think he
14 knows why I am taking that position.

15 MR. COYNE: Mr. Chairman, I'm afraid I don't know.

16 EXECUTIVE OFFICER DEDRICK: Mr. Coyne, introduce
17 yourself for the record, please.

18 MR. COYNE: My name is Ed Coyne. I'm the
19 applicant in this case, the owner at River View Marina.

20 The proposal is to do a minor riprapping to
21 protect about a 400-foot stretch of the Sacramento River.
22 I don't know why you might want to disqualify yourself.

23 ACTING CHAIRPERSON HARVEY: Mr. Coyne, I had a
24 telephone conversation with you involving another matter
25 about five or six months ago if you'll recall.

1 MR. COYNE: Yes, sir.

2 ACTING CHAIRPERSON HARVEY: I have had some
3 other contact and conversation with a partner of yours
4 in either this or some other venture.

5 MR. COYNE: Another venture.

6 ACTING CHAIRPERSON HARVEY: And I did not walk
7 away particularly happy in my conversation with you.
8 I don't want, in the event -- I don't totally understand
9 this one yet. I would ask staff for an explanation and
10 their recommendation. But, you know, if at that point in
11 time my propensity was to go against granting the permit
12 that you're asking for, I don't want anything on the record
13 that would indicate that that association and that conversa-
14 tion I previously had with you was influencing what I am
15 doing here today.

16 MR. COYNE: I'd stipulate that you could make
17 an independent decision on this independent matter and
18 I'd like it to be heard.

19 ACTING CHAIRPERSON HARVEY: Lawyer have any
20 problem?

21 You don't understand the basis of what I said?

22 MR. HIGHT: I understand the basis of what
23 you said. I think given Mr. Coyne's stipulation, you
24 are free to either proceed or disqualify yourself.

25 ACTING CHAIRPERSON HARVEY: Do you want to

1 proceed?

2 MR. COYNE: Yes. I see you entirely independent,
3 sir.

4 ACTING CHAIRPERSON HARVEY: Let's go. You're
5 on.

6 MR. COYNE: I believe Claire Dédrick will make
7 the presentation.

8 EXECUTIVE OFFICER DEDRICK: Well, it's a fairly
9 straightforward situation. Staff recommends approval
10 of the riprap, of the amendment that will allow them to
11 go forward with the riprapping project. Earlier there
12 was some concern as to whether the environmental work had
13 been done correctly. We are satisfied, both legal staff
14 and environmental staff, are satisfied that the application
15 is in proper order and staff recommends approval.

16 COMMISSIONER ALLENBY: I move it.

17 MR. KILEY: I might add that upstream and
18 downstream in similar situations the Commission has not
19 in the not-too-distant-past approved similar kinds of
20 riprapping projects.

21 ACTING CHAIRPERSON HARVEY: Nothing in the
22 record that says we've ever done otherwise basically?

23 MR. KILEY: Not that I know of.

24 ACTING CHAIRPERSON HARVEY: Got a motion. Without
25 objection, then, the permit will be granted.

1 MR. COYNE: Thank you.

2 ACTING CHAIRPERSON HARVEY: Excuse me,

3 Recess one minute.

4 (Thereupon a brief recess was taken.)

5 ACTING CHAIRPERSON HARVEY: Back on the record.

6 Thank you, Mr. Coyne.

7 MR. COYNE: Thank you.

8 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, Number 19

9 involves the Pebble Beach Company. It's an amendment

10 of a general lease on a recreational pier for reconstruction

11 of that pier. There are some language changes that the

12 Pebble Beach Company would like to submit which staff

13 approves for the regulations of the operation of that pier

14 as a public pier.

15 ACTING CHAIRPERSON HARVEY: Anybody want to

16 speak on Item 19?

17 EXECUTIVE OFFICER DEDRICK: Jim has the --

18 MR. TROUT: I have the amended Exhibit A. If

19 you would simply approve the item with the amended Exhibit

20 A which is purely technical, no substantive changes.

21 We'll include that in the lease.

22 COMMISSIONER ALLENBY: Move.

23 ACTING CHAIRPERSON HARVEY: Without objection,

24 that will be the order.

25 Item 20, State of Arizona.

1 EXECUTIVE OFFICER DEDRICK: The State of
2 Arizona is applying for a 49-year general permit
3 public agency for a park on lands in the State of Arizona
4 owned by the State of California. We have also a minor
5 amendment to make on the language of this particular
6 lease. We'd like to add Resolution Number 3 which waives
7 fees. Jim --

8 MR. TROUT: You got it.

9 COMMISSIONER ALLENBY: Move it.

10 ACTING CHAIRPERSON HARVEY: Without objection,
11 that will be the order.

12 Item 21, John R. Cullinan.

13 EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.
14 This is a primary item of this calendar item is a suspension
15 of Commission consideration for further applications
16 for solid waste, for waste disposal permits for hazardous
17 waste until September 30th of this calendar year.
18 Combined in that item is a staff recommendation to deny a
19 core drilling permit. That is currently in-house and
20 Mr. Cullinan, I believe -- not Mr. Cullinan. Someone is
21 here to speak on the subject.

22 ACTING CHAIRPERSON HARVEY: Mr. Russell and
23 Mr. Laurie. You want to identify yourselves for the
24 record, please?

25 MR. LAURIE: Mr. Chairman, Robert A. Laurie,

1 attorney for the applicant.

2 EXECUTIVE OFFICER DEDRICK: Could you spell your
3 name, Mr. Laurie?

4 MR. LAURIE: L-a-u-r-i-e.

5 ACTING CHAIRPERSON HARVEY: I can give you the
6 slips afterwards if you would like these.

7 MR. LAURIE: With me, Mr. Chairman, is
8 Dr. Larry Russell, the Project Environmentalist Engineer.

9 Mr. Chairman, if I may, the application before
10 the Commission is for a core hole drilling project to
11 determine the feasibility of an earlier application to
12 lease lands under your control. That is the application.
13 There is a recommendation for denial. When we received
14 notice on the 14th, we immediately communicated with
15 staff and indicated our concern on purely a legal and
16 technical grounds about the short notice, but more
17 importantly as to this application we are convinced that
18 given sufficient time, and it won't take long, we can
19 have appropriate meetings with staff and give them the data
20 that they need in order to recommend approval of this
21 application. We therefore requested a continuance till
22 your June meeting.

23 ACTING CHAIRPERSON HARVEY: You want to continue
24 this one till June?

25 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, the

1 reason for the staff's recommendation for a denial is
2 based on the Commission's desire to suspend action
3 until the Legislature and the Executive Branch has had
4 time to act on policy. We therefore felt that it was
5 unreasonable to grant a permit, have people spend money
6 when there was no guarantee that the project as proposed
7 by the applicant would be able to go forward. They
8 would incur costs which could be used in a liability
9 action against the state. That's the staff's reason for
10 requesting denial of the permit.

11 ACTING CHAIRPERSON HARVEY: If I may, one,
12 it would be my position to, (a) -- let me back it up.
13 I don't want, if we avoid it, to deny your permit today,
14 nor do I really want to grant it. I think that the
15 position of this Commission is such that we want to
16 wait to see what the resolution within the Governor's
17 Office of the State Legislature is with respect to the
18 whole question of toxic waste management. I would be
19 willing to semi-grant your permit today personally --
20 I don't know what Mr. Allenby may feel -- on a number of
21 conditions, none of which I really think would be to your
22 benefit if you want to proceed. If, on the other hand,
23 you want to put this matter over for a June meeting,
24 I'm not even certain putting it over to June is going to
25 solve your problem. My guess is it's going to be more

1 like August or September before we're going to have any
2 true indication of what the legislative and state policy
3 is going to be.

4 COMMISSIONER ALLENBY: What kind of conditions
5 would you suggest?

6 ACTING CHAIRPERSON HARVEY: Well, if they want
7 to obtain all of the necessary permits to drill these
8 test holes, you know, the three-core drills or whatever
9 the heck they are, reimburse the Commission for any
10 expense it may have in reviewing documentation or preparing
11 documentation or whatever else it may do and stipulate
12 that no finding with respect to the results of those
13 core holes would have any prejudice or input with respect
14 to whatever action this Board may subsequently take,
15 I personally would say that you can satisfy all the local
16 people, whatever other permits or EIRs. I don't think you
17 need EIRs for this. If you want to go ahead, it's your
18 nickle and your money. If those results essentially come
19 up positive and it becomes the policy of this Board to
20 deny such applications, the positive findings of those
21 core holes will in no way prejudice the action of this
22 Board nor be used in any form against this Board.
23 If those test holes prove to be negative, I assume that
24 you would abandon the project anyway. So if you want to
25 spend your money for your own personal, private purpose --

1 have I made it clear enough? I wouldn't object. Go drill
2 your holes.

3 MR. LAURIE: Mr. Chairman, once again, we fully
4 understand staff's concerns regarding the project. This
5 is not a project that is going to be resolved in a matter
6 of days or months or weeks or perhaps years. The purpose
7 of this permit is to determine an immediate feasibility
8 so as to provide the applicant sufficient information as
9 to whether or not they should proceed.

10 ACTING CHAIRPERSON HARVEY: Mr. Hight, Mr.
11 Attorney General's Representative, is the record clear as
12 to the basis on which I would be willing to grant those
13 permits?

14 I want to make certain that this Board is
15 protected against the use of the results of those permits
16 against the steps that are taken to obtain those permits
17 and to drill those holes and in no way will be used against
18 the Board for whatever position this body might take
19 subsequently. I don't know how to say it much clearer
20 than that.

21 MR. HIGHT: I think the record is clear.

22 COMMISSIONER ALLENBY: I'll move it then.

23 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, before
24 you make a motion, we should delete the first recommendation,
25 the denial of the permit, and I should tell you that staff

1 is, as I think you understand, not ready to permit,
2 because the basic work hasn't been done. So if we
3 go forward with the permit with the conditions that you
4 have placed, we will be back before the Commission in June
5 with the conditions in place and the other conditions the
6 staff will require. Does that fit your -- meet your
7 approval?

8 ACTING CHAIRPERSON HARVEY: Fine.

9 COMMISSIONER ALLENBY: Fine.

10 EXECUTIVE OFFICER DEDRICK: So your motion then
11 would delete the first recommendation, denial of permit,
12 and adopt the other two.

13 ACTING CHAIRPERSON HARVEY: And adopt the other
14 two with the stipulation somehow into that record that I
15 have tried to make as clear as I could. You want to spend
16 your money, fellow, be my guest.

17 MR. LAURIE: Thank you, Mr. Chairman.

18 ACTING CHAIRPERSON HARVEY: Okay.

19 EXECUTIVE OFFICER DEDRICK: Item 23 --

20 ACTING CHAIRPERSON HARVEY: Item 22.

21 COMMISSIONER ALLENBY: It's off.

22 We're on 23.

23 EXECUTIVE OFFICER DEDRICK: Is off calendar.

24 ACTING CHAIRPERSON HARVEY: Item 23, Al Eames.

25 EXECUTIVE OFFICER DEDRICK: This is the denial

1 of an application for the continued use of a floating
2 residence in Georgiana Slough. Commissioners, the applicant
3 who is here and would like to speak has had a 20-year lease
4 with the Commission for maintaining the structure and
5 the lease stated that it would terminate without renewal.
6 Therefore, staff is recommending denial. The applicant
7 would like to speak and I'm sure you'd like to hear.

8 ACTING CHAIRPERSON HARVEY: I would like to hear,
9 but prior to the applicant speaking, has this Commission
10 adopted a policy with respect to house boats on waterways
11 and state lands?

12 EXECUTIVE OFFICER DEDRICK: The Commission has
13 regularly held the position, as does the Attorney General's
14 Office, that residential use of tidelands is not a public
15 trust use.

16 Mr. Hight, do you have anything to add to that?

17 MR. HIGHT: The staff and the Commission have
18 held the position -- I guess an answer to your specific
19 question is there any document, I think the answer is no.

20 ACTING CHAIRPERSON HARVEY: So the question is
21 really, although generally we have stated residential
22 use is not permissible, there's nothing that says that
23 that's really what the case is?

24 COMMISSIONER ALLENBY: The other issue is that,
25 I mean, this is not the only residence, whether it's a

1 house boat or whatever, that's on these things, and I think
2 it would be reasonable for the staff to do a study that
3 has long-term implications so that these people have
4 an understanding of what their actual standing is and what
5 the future looks like.

6 EXECUTIVE OFFICER DEDRICK: Yes, Commissioner.
7 What you say is true. There are at least 100 other
8 known structures. Staff would be happy to conduct an
9 investigation and if you choose to do so, we certainly
10 could grant an interim permit to this structure to protect
11 him during that study period and report back to the
12 Commission at a time that you choose.

13 ACTING CHAIRPERSON HARVEY: Mr. Eames, would you
14 like to come forward for a minute, please?

15 MR. EAMES: My name is Al Eames. I represent
16 myself and my wife.

17 ACTING CHAIRPERSON HARVEY: Mr. Eames, before you
18 go into your request, what you're asking for I gather
19 is a 10 or 20-year extension of the lease at this point?

20 MR. EAMES: Yes, sir.

21 ACTING CHAIRPERSON HARVEY: I think that from what
22 I heard from Mr. Allenby and my own position would be that
23 I think maybe we should extend the lease for a period,
24 but I don't think that period should be for ten or twenty
25 years. I think that this Commission and its staff needs

1 to adopt a firm policy and resolve the whole issue of
2 not only your house boat but the other somewhat over
3 100 problems involving exactly the same issue.

4 It would be my proposal that we extend your
5 lease for 18 months or two years, or some such thing.
6 Let's say we took a two-year extension of your lease
7 with an instruction to our staff to develop a report
8 on which this Commission could adopt a firm and stated
9 policy and resolve all of those problems. That if the
10 staff were able to complete this in between one year and
11 18 months, something like that, we could then shorten
12 the period of time so you would know what was going on
13 by maybe as much as six months. In other words, the
14 24 months could become 18, you could proceed as you are,
15 and I think --

16 COMMISSIONER ALLENBY: You could make it
17 24 months. The staff report could be within a year and
18 then it would be sometime to work out whatever needs to be
19 done.

20 EXECUTIVE OFFICER DEDRICK: Fine.

21 ACTING CHAIRPERSON HARVEY: The reason I bring
22 this up before you speak, Mr. Eames, is for the record
23 I don't think I personally would be prepared to go much
24 beyond that period.

25 I think this is another issue that needs to be

1 resolved. If you want to proceed on your request for
2 a 10 or 20-year lease, certainly you are free to do so.
3 You may convince us or convince me. I can't speak for
4 Mr. Allenby.

5 MR. EAMES: I'd like to request a 10-year.
6 We have complied with all the regulations. We've kept
7 up on the insurance that you requested. When we started
8 this 20 years ago our lease was running \$65 a year, and
9 now it's up to \$580 a year. We are on the tax -- we own
10 the property and we have a home on the land side and this
11 is a 20 by 30 foot structure. It doesn't have a bedroom.
12 There is kitchen facilities and bathroom facilities.
13 We have a septic tank on the land side with a pump that
14 pumps the effluent over the levee and we've kept up the
15 area. We have 150 feet on the water. We've kept up the
16 area by rocking the levee and keeping it green as far
17 as fire hazard.

18 ACTING CHAIRPERSON HARVEY: That's why I don't
19 want to throw you off of there to use boat language.
20 At the same time, what is the expiration date of the
21 original lease?

22 MR. KILEY: The original lease is expired, I
23 believe, right now, or it's going --

24 ACTING CHAIRPERSON HARVEY: He's known for
25 20 years that this lease was going to expire.

1 MR. KILEY: Right.

2 ACTING CHAIRPERSON HARVEY: And that there was
3 no obligation to renew under any circumstance. What I
4 am trying to do is if this Commission ultimately adopts
5 a policy that would permit you to remain there for another
6 ten or twenty years, I think at that point we would be
7 willing to enter into that sort of an extension. If the
8 policy becomes that the residential use will not be
9 tolerated period, then at least you've got a couple of
10 years and you will have at least the final six months
11 of that couple of years to know, hey, I'm going to have to
12 move this house boat.

13 MR. EAMES: I see.

14 ACTING CHAIRPERSON HARVEY: I would rather
15 grant personally a two-year extension to your lease with
16 that instruction to the staff than to deny your application
17 for extension of the lease.

18 MR. EAMES: And then at that time we can
19 reapply?

20 ACTING CHAIRPERSON HARVEY: You can do anything
21 you like.

22 COMMISSIONER ALLENBY: It would be based upon the
23 criteria. I would assume that the staff would have some
24 discussion with you and other land owners, because it
25 can't be just staff talking to itself in terms of because

1 we do have a problem in that there is an issue of public
2 interest and the staff really has to deal with that.
3 Generally public interest has meant the public has
4 access, the public can really deal with what are state
5 lands and in the process of establishing criteria, they'll
6 have to try to address the issue of can the public interest
7 test be met by allowing you and a number -- and you're
8 not the only one -- you and a whole variety of other
9 folks to maintain certain properties. If we grant an
10 extension of a lease, I think we are acting in good faith
11 to trying to deal with the specific issue and we're also
12 acting in good faith in trying to determine what and how
13 public interest really is served.

14 ACTING CHAIRPERSON HARVEY: I would like to do
15 something else as part of the instruction if it is
16 permissible, and I don't know whether we can. Since there
17 are 100 other properties involved, how many of those
18 properties also have their leases terminating within
19 this two-year window? What I'm really saying, is I don't
20 mind opening a two-year window. I would like, if we can,
21 to instruct the staff to have its report to the Commission
22 within 18 months.

23 EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.
24 I'm sure we can do that.

25 ACTING CHAIRPERSON HARVEY: That additional

1 six-month window that those people who will be affected
2 by adoption of that policy one way or another will have
3 an opportunity to at least seek some recourse against
4 it, make another application, whatever they decide themselves
5 they might want to do. I would also not like to let
6 the action taken with respect to Mr. Eames open the door to
7 a two-year extension of a lease that expires 23 months
8 from now.

9 EXECUTIVE OFFICER DEDRICK: Understood, Mr.
10 Chairman.

11 COMMISSIONER ALLENBY: But the issue before
12 us is Mr. EAMES.

13 ACTING CHAIRPERSON HARVEY: The issue before
14 us is Mr. Eames and we are resolving Mr. Eames' problem.
15 My suggestion would be a 24-month extension of the
16 existing lease under the terms and conditions the
17 staff would feel appropriate. I'm certain they would
18 get something together with Mr. Eames so that he doesn't
19 have to move his boat or pay exhorbitant amounts.

20 MR. KILEY: For the record, it would be a new
21 lease rather than an extension since the other one
22 expires by its terms.

23 ACTING CHAIRPERSON HARVEY: New lease.

24 EXECUTIVE OFFICER DEDRICK: We do have language,
25 Commissioners, that you could adopt today to eventuate what

1 you want to have happen and, Commissioner Allenby, certainly
2 we would contact everybody we know of and have discussions
3 with them, the people with such structures.

4 Possibly a public hearing. I'd like to have
5 a little time to come up with a plan for the study. The
6 staff would be very happy to conduct such a study.

7 ACTING CHAIRPERSON HARVEY: Can you do it within
8 18 months?

9 EXECUTIVE OFFICER DEDRICK: Yes, I believe so,
10 Mr. Chairman.

11 ACTING CHAIRPERSON HARVEY: Then I think we
12 understand.

13 COMMISSIONER ALLENBY: Do you want a motion?

14 MR. JUDSON: Mr. Chairman, excuse me.
15 Just for the record, as you know, the Attorney General's
16 Office has counseled on many occasions that exclusive
17 residential use of tide and submerged lands does not appear
18 to be consistent with the public trust. We have not had
19 a chance to review this particular item as proposed by the
20 Commission at this time. So we do not take a position on
21 it. We also do not take a formal position, but do not have
22 any objection to a study of this two-year window that
23 you're talking about, but I do want to make the record
24 clear that we are not taking a position on Mr. Eames.

25 ACTING CHAIRPERSON HARVEY: The record will so

1 note.

2 COMMISSIONER ALLENBY: Just, Mr. Eames, I mean,
3 it appears that we're not interested in having you stay
4 there, but I want to make it clear that the public trust
5 is a very difficult issue to deal with. In litigation
6 if there were litigation you would not be the one sued,
7 we would. Basically we would have trouble as the AG has
8 indicated and I think that's the area of concern that
9 we have. So we're not here in a condition to try to move
10 you away because we don't think you should be there or
11 do think you should be there, but there are legal problems
12 in terms of meeting the public trust.

13 MR. EAMES: I understand that recreational
14 use is acceptable on something like this.

15 ACTING CHAIRPERSON HARVEY: You may be absolutely
16 right and you may be absolutely wrong. I think that
17 what we are discussing now may be an individual situation.
18 I think that what we're suggesting is if you would agree,
19 we are willing to put this off for a long enough period
20 of time to permit us to adopt a policy that would apply
21 not only in your case but in every other case. It would
22 give the Attorney General the opportunity to give this
23 Commission whatever legal input it deems advisable with
24 respect to what this body may take in future situations.
25 Your case I'm certain is not identical with the other 100.

1 There may be some parts of it that are.

2 So without any prejudice to your situation but
3 certainly without any prejudice to our situation or to
4 the record embodying the comments of the representative
5 of the Attorney General's Office.

6 MR. EAMES: I'll agree to that.

7 ACTING CHAIRPERSON HARVEY: Thank you.

8 Do you need a motion?

9 COMMISSIONER ALLENBY: Got one.

10 ACTING CHAIRPERSON HARVEY: Without objection,
11 then, I think you understand what we want to accomplish.

12 MR. HIGHT: Mr. Chairman, just in order to
13 clarify the statements I made earlier regarding residential
14 use on trust lands, the Commission has taken that position
15 in numerous points but has never, focus has never been
16 as sharp as in this case. Well, there is not a set
17 policy document, and I want to make it clear that the
18 Commission has in numerous cases reiterated the fact
19 that residential use is an inconsistent trust use.

20 COMMISSIONER ALLENBY: The fact that there
21 isn't one allows us to do what we did.

22 EXECUTIVE OFFICER DEDRICK: That's correct.

23 MR. EAMES: All right. Fine. Thank you.

24 ACTING CHAIRPERSON HARVEY: Thank you, Mr. Eames.

25 Item 24, Chevron U.S.A.

1 EXECUTIVE OFFICER DEDRICK: Yes. Commissioners,
2 it is approval of a letter of authorization to drill a
3 test bore on tide and submerged lands. Staff would like
4 to change dates by one week. Other than that, with that
5 change we recommend approval.

6 COMMISSIONER ALLENBY: Move.

7 ACTING CHAIRPERSON HARVEY: Without objection,
8 that will be the order.

9 Item 25, Robert Hallmark and the City of
10 Trinidad.

11 EXECUTIVE OFFICER DEDRICK: This is approval
12 of authorization to execute a supplementary letter of
13 understanding pertaining to certain conditions under a
14 general lease commercial use in Trinidad Harbor.

15 COMMISSIONER ALLENBY: No objection. Move it.

16 ACTING CHAIRPERSON HARVEY: Without objection,
17 that will be the order.

18 Item 26, Union Oil Company, Item 27, Union
19 Oil Company, are they contiguous or some such thing?

20 MR. TROUT: They're two different --

21 EXECUTIVE OFFICER DEDRICK: They're two different --
22 go ahead, Mr. Trout.

23 MR. TROUT: Item 26 is for a geothermal lease
24 on the west side of the Salton Sea. It would be included,
25 if you approve, it would be included into a unit down there.

1 The terms are specified and we recommend approval.

2 ACTING CHAIRPERSON HARVEY: Without objection,
3 then, that will be the order.

4 Item 27.

5 MR. TROUT: It's a quitclaim deed for a Union
6 parcel in The Geysers.

7 ACTING CHAIRPERSON HARVEY: Without objection,
8 granted.

9 Item 28, City of Long Beach.

10 MR. TROUT: The ninth modification would be to
11 move money from within, from one budget category
12 to another without augmenting the budget of the operator
13 of the Long Beach unit. Moose can give you specifics
14 if you're interested, but the staff recommends approval.

15 COMMISSIONER ALLENBY: No objection.

16 EXECUTIVE OFFICER DEDRICK: This is merely
17 a shift.

18 ACTING CHAIRPERSON HARVEY: Without objection,
19 the application is granted.

20 If there's someone wants to speak on these while
21 I'm going by, holler out because we're going fairly
22 rapidly if we can.

23 Item 29, Edgington Oil Company.

24 MR. TROUT: Mr. Chairman, you might want to
25 consider Item 29, 30, 31, 33 and 34 as together. They

1 are all awards of royalty oil sales contracts. We
2 removed Item 32 for separate consideration because there's
3 a unique circumstance. The bonus we've gotten from these
4 royalty oil sales ran from 35 cents to about a dollar
5 and staff recommends approval.

6 ACTING CHAIRPERSON HARVEY: Before we take
7 all of those, one question with respect to Item 31. There
8 was prior question raised by the chairman whether or not
9 this Cal-Jet application had any involvement with an
10 entity known as Laujet?

11 EXECUTIVE OFFICER DEDRICK: Mr. Thompson will
12 speak to the question.

13 MR. THOMPSON: My name is Thompson, Extractive
14 Development. Al Willard has looked into this and he'll
15 comment on this.

16 MR. WILLARD: Yes. We've had several discussions
17 with Cal-Jet and it appears that there was a relationship
18 between Laujet Crude Oil Inc. which was merged into Cal-Jet.
19 The surviving company is Cal-Jet. They are in a good
20 financial condition. They have an outstanding \$20 million
21 line of credit.

22 ACTING CHAIRPERSON HARVEY: There is no separate
23 involvement. We are dealing strictly with Cal-Jet at this
24 point?

25 MR. WILLARD: That's correct.

1 MR. THOMPSON: That's the corporate structure
2 as we see it.

3 ACTING CHAIRPERSON HARVEY: You want to take,
4 then, Items 29, 30, and 31; is that correct?

5 EXECUTIVE OFFICER DEDRICK: And 33.

6 MR. TROUT: 33 and 34.

7 ACTING CHAIRPERSON HARVEY: And 33 and 34.

8 EXECUTIVE OFFICER DEDRICK: They're all royalty
9 oil sales and we recommend them.

10 ACTING CHAIRPERSON HARVEY: Without objection,
11 those are all adopted.

12 Let's go then to Item 32, MacMillan.

13 EXECUTIVE OFFICER DEDRICK: Mr. Thompson has
14 some comments.

15 MR. THOMPSON: Since this calendar item was
16 written, the statement of course is made in here that we
17 have reviewed the financial ability. Since that time we
18 have followed up and the operators do have some questions
19 about the financial status of this company. The
20 Commission of course receives the benefit of any bonus
21 we receive in additional revenue. There is a downside
22 that if any of these sell off contractors default on the
23 contract, then we have the potential of having to dispose
24 of oil at less than post and certainly loose the bonus.
25 So, therefore, we have two types of protection. We have

1 protection after the contracts start for the oil that the
2 contractor takes and has in his possession and hasn't paid
3 us for yet, that if he defaults from that then we have
4 a letter of credit or a bond to protect us from that.
5 We also then want a performance bond ahead of time before
6 that contract starts so that if they default before the
7 contract starts, then we have to go out on an emergency
8 basis and sell, that we're protected for any loss there.
9 This happens to be a case in which we have to give notice
10 180 days ahead of time to give the oil back. So, therefore,
11 we would then have a six-month period in which we would
12 have to dispose of this oil at some distress condition.
13 Mr. Williams is here. I think he has some proposals
14 that may protect the Commission in this respect and I
15 think you should hear from him.

16 ACTING CHAIRPERSON HARVEY: Mr. Williams.

17 MR. WILLIAMS: Thank you, Mr. Harvey. I'm
18 Kenneth Williams. I'm an attorney in Long Beach. I'm
19 representing MacMillan Oil Company today. MacMillan has
20 been on this contract for royalty oil at 690 barrels a
21 day and MacMillan's bid was 81.6 cents. The next bid
22 was Edgington which was 42.6 cents. There was about
23 \$114,000 difference over the life of the contract which
24 is a 14-month contract.

25 The MacMillan Oil Company has had this bid --

1 it's the Carpinteria field -- through the last year and
2 MacMillan has been in business a good, long time. They, as
3 other businesses that are in the independent refining
4 end, are having more difficult times these days and they
5 don't deny it but they are one of the survivors and they
6 plan to be around and keep surviving. They have always
7 made their oil contract payments and they have always made
8 their oil contract payments to the state. They plan to
9 continue doing so.

10 The proposal that we have for you to consider
11 today which I think is a good and business-like proposal
12 is that we will post the \$1 million bond on November 1st,
13 that is, \$1 million letter of credit on November 1st which
14 is two months prior to the commencement of this contract.
15 That we will post a bond in the meantime to guarantee that
16 we will post the letter of credit. The bond in the mean-
17 time will be \$160,000. We would need two weeks to post
18 the bond right now.

19 ACTING CHAIRPERSON HARVEY: I think that's a
20 reasonable proposal.

21 MR. THOMPSON: What we're saying here, by moving
22 it up another month, we then have 60 days if they
23 default on the contract to dispose of it. Plus the fact
24 they say they will put up \$160,000 bond which will extend
25 through the life of the contract.

1 MR. WILLIAMS: The bond would extend until
2 December 31.

3 ACTING CHAIRPERSON HARVEY: Until he has the
4 letter of credit in place. Once he's got a letter of
5 credit in place, --

6 MR. WILLIAMS: Until the letter of credit is in
7 place. The letter of credit replaces the bond.

8 ACTING CHAIRPERSON HARVEY: I don't know why
9 you need a bond if you have a letter of credit.

10 Yes, sir.

11 MR. LUDLOW: May I address this point? My
12 name is Rick Ludlow. I'm a staff counsel.

13 The letter of credit is not, although it would
14 be posted November 1st, it doesn't become effective until
15 January 1. That's why you need the bond.

16 ACTING CHAIRPERSON HARVEY: The bond is in place
17 until such time as the letter of credit becomes effective.

18 MR. LUDLOW: Right But the other point is this,
19 that the bond should guarantee performance under the contract
20 as additional security in addition to the letter of credit
21 and not just guarantee that they're going to post a letter
22 of credit.

23 ACTING CHAIRPERSON HARVEY: I don't think they
24 have any problem with that.

25 MR. LUDLOW: I don't think they should have any

1 problem with that.

2 MR. WILLIAMS: But the letter of credit goes
3 out when the bond comes in.

4 ACTING CHAIRPERSON HARVEY: The bond will remain
5 in place in effect --

6 MR. WILLIAMS: The bond goes out when the letter
7 of credit comes in. I'm sorry.

8 ACTING CHAIRPERSON HARVEY: That's correct.

9 EXECUTIVE OFFICER DEDRICK: As long as performance
10 is met.

11 MR. WILLIAMS: Yes.

12 COMMISSIONER ALLENBY: I have no objection.

13 ACTING CHAIRPERSON HARVEY: Without objection,
14 then.

15 MR. WILLIAMS: We'll have two weeks to post the
16 bond?

17 ACTING CHAIRPERSON HARVEY: Yes.

18 MR. WILLIAMS: Thank you.

19 ACTING CHAIRPERSON HARVEY: You can do it in that
20 time? Do you want three?

21 MR. WILLIAMS: Two is fine. That ought to give
22 me an extra week.

23 EXECUTIVE OFFICER DEDRICK: We got a motion on
24 that one?

25 ACTING CHAIRPERSON HARVEY: Item 35.

1 MR. TROUT: 35 is the City of Long Beach is
2 going to spend some of its own tideland oil revenues
3 for a downtown marina parking lot. Staff recommends
4 approval.

5 COMMISSIONER ALLENBY: No objection.

6 ACTING CHAIRPERSON HARVEY: Without objection,
7 that will be the order.

8 Item 36.

9 MR. TROUT: Twice a year the City of Long
10 Beach makes a horizontal and vertical control measurement
11 to see if there's any subsidence. This would approve
12 the cost for the year between July 1 '85 and June 30 '86.
13 Staff recommends approval.

14 ACTING CHAIRPERSON HARVEY: Without objection,
15 that will be the order.

16 Item 37.

17 MR. TROUT: Items 37 and 38 involve geophysical
18 survey permits in the delta area of Solano County around
19 Grizzly Island. They are going to be looking for some
20 oil. These are both the same kind of things in two
21 different areas, and we recommend approval.

22 COMMISSIONER ALLENBY: No objection.

23 ACTING CHAIRPERSON HARVEY: Without objection,
24 that will be the order.

25 Item 39.

1 MR. TROUT: 39 is a prospecting permit for
2 minerals other than oil and gas in Riverside County.
3 We recommend approval.

4 ACTING CHAIRPERSON HARVEY: Without objection,
5 that will be the order.

6 Item 40.

7 MR. TROUT: Item 40 just gives Norris
8 Oil Company a little more time to provide their
9 royalty payments and --

10 ACTING CHAIRPERSON HARVEY: Recommended by the
11 staff.

12 Without objection then, that will be the order.

13 Item 41 and 42 are removed from the agenda.

14 Item 43.

15 MR. HIGHT: 43, Mr. Chairman, is a disclaimer
16 in a lawsuit in the City of Oceanside. The Commission
17 has no interest in the land subject to that lawsuit.

18 COMMISSIONER ALLENBY: No objection.

19 ACTING CHAIRPERSON HARVEY: Without objection,
20 disclaimed.

21 Item 44.

22 MR. HIGHT: Item 44, Mr. Chairman, is the
23 assignment of an existing recreational pier permit for
24 Mr. Anolik and Bennett Realtors.

25 ACTING CHAIRPERSON HARVEY: Recommended by the

1 staff. Without objection, that will be the order.

2 Item 45.

3 MR. HIGHT: It's the retrocession of six acres
4 from federal jurisdiction to state jurisdiction of a
5 railroad spur outside of Mather Air Force Base. This
6 gives local police the authority to enforce local
7 regulations on the railroad spur.

8 ACTING CHAIRPERSON HARVEY: Without objection,--

9 COMMISSIONER ALLENBY: No beer drinking for the
10 kids.

11 ACTING CHAIRPERSON HARVEY: Anything else to
12 come before the Commission?

13 EXECUTIVE OFFICER DEDRICK: That's all,
14 Commissioners.

15 ACTING CHAIRPERSON HARVEY: We will stand
16 adjourned.

17 (Thereupon the meeting of the State
18 Lands Commission was adjourned at
19 11:35 p.m.)

20 --o0o--

CERTIFICATE OF SHORTHAND REPORTER

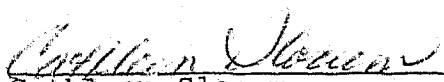
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I, CATHLEEN SLOCUM, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing meeting before the State Lands Commission of the State of California was reported in shorthand by me, Cathleen Slocum, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

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 18 day of June, 1985.


Cathleen Slocum
Certified Shorthand Reporter
License No. 2822