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MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 447
STATE CAPITOL
SACRAMENTO, CALIFORNIA

THURSDAY, SEPTEMBER 26, 1985
10:05 A.M.

ORIGINAL

Reported by:
Cathleen Slocum, C.S.R.
License No. 2822

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PANEL MEMBERS PRESENT

Lizabeth Rasmussen, representing Kenneth Cory, State
Controller, Acting Chairperson

Nancy Ordway, representing Jesse R. Huff, Director of Finance

Laura Schlietmann, representing Leo T. McCarthy, Lieutenant
Governor

STAFF PRESENT

Claire Dedrick, Executive Officer

James Trout, Assistant Executive Officer

Robert Hight Chief Counsel

Rick Ludlow, Staff Counsel

Jane Smith, Secretary

ALSO PRESENT

Dave Judson, Deputy Attorney General

N. Gregory Taylor, Deputy Attorney General

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ACTING CHAIRPERSON RASMUSSEN: Meeting come to order, please.

The first item of business is the minutes. Are there any questions, changes, corrections. Seeing no hands, and hearing no voices, the minutes are approved by consensus.

Miss Dedrick, you have the Executive Officer's report?

EXECUTIVE OFFICER DEDRICK: Yes, Commissioners. I have or will be issuing a public agency use permit, general permit to the City of Imperial Beach. The city has requested -- well, the permit is in existence. The city has requested that the construction date be amended to October 14th. We will bring the item to the Commission for final action on October 24th.

ACTING CHAIRPERSON RASMUSSEN: Can everyone hear --

EXECUTIVE OFFICER DEDRICK: That is all of the Executive Officer's report.

ACTING CHAIRPERSON RASMUSSEN: I don't know if your microphone's --

EXECUTIVE OFFICER DEDRICK: Oh, is my mike not on?

COMMISSIONER ORDWAY: Speak closer to it. We have a little wind tunneling effect going on.

ACTING CHAIRPERSON RASMUSSEN: They say they can

1 hear you, so --

2 EXECUTIVE OFFICER DEDRICK: Anyway, that's the full
3 extent of the EO report.

4 ACTING CHAIRPERSON RASMUSSEN: Any questions about
5 the Executive Officer's report?

6 We have several items that have been removed from
7 the calendar.

8 EXECUTIVE OFFICER DEDRICK: Excuse me, Commissioner,
9 before you start on that would you like to confirm the
10 minutes?

11 ACTING CHAIRPERSON RASMUSSEN: We did.

12 EXECUTIVE OFFICER DEDRICK: You did. Sorry.

13 COMMISSIONER ORDWAY: It was a good time.

14 ACTING CHAIRPERSON RASMUSSEN: It was one of our
15 better moves.

16 The following items are off the calendar today.
17 Items on the consent agenda, C1 (A), C2, C12 and on the
18 regular calendar, 16, 19, 20, 21, and 32. Did I miss any?

19 COMMISSIONER ORDWAY: I'll move C1 (B) through (H),
20 C3 through 11 and 13 and 14.

21 ACTING CHAIRPERSON RASMUSSEN: All right. Any
22 questions on any of these items on the consent agenda or
23 anyone wishing to speak on any of these items or have them
24 removed from the consent agenda? No. All right, then the
25 consent agenda is approved as presented.

1 You want to make a statement about the --

2 MR. HIGHT: Yes. For the record, the Lieutenant
3 Governor's Office will be sitting in a nonvoting capacity.

4 ACTING CHAIRPERSON RASMUSSEN: All right. Thank
5 you.

6 All right. The next item is Item 15.

7 EXECUTIVE OFFICER DEDRICK: Approval of a 30-year
8 general lease right-of-way use permit for a parcel of land in
9 San Bernardino County for the All American Pipeline Company
10 for an oil transmission pipeline. All of the work on that
11 has been, that's required has been done.

12 ACTING CHAIRPERSON RASMUSSEN: Are there any
13 questions on Item C 15 (sic.) or anyone wishing to address
14 the Commission?

15 COMMISSIONER ORDWAY: Motion.

16 ACTING CHAIRPERSON RASMUSSEN: Item C 15 (sic.) is
17 approved as presented.

18 EXECUTIVE OFFICER DEDRICK: This is approval of a
19 sublease and an amendment to a general permit for the City of
20 San Clemente for various detailed items of the general
21 permit. Consideration is the public benefit with the state
22 reserving the right to set a monetary figure if it is in the
23 public interest.

24 ACTING CHAIRPERSON RASMUSSEN: This is Item 17. Are
25 there any questions or comments or anyone wishing to address

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the Commission on this item?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: We have a motion.
Item 17 is approved as presented.

Item 18.

EXECUTIVE OFFICER DEDRICK: Item 18 is an approval of an amendment to the exchange agreement between Harwood Investment Company and the State Lands Commission which was approved in June of '85. We will add 144 acres of school land, an additional 88 acres of Harwood land. The values are equal.

ACTING CHAIRPERSON RASMUSSEN: Any questions?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: We have a motion.
Item 18 is approved as presented. Nineteen, 20 and 21 are off calendar.

Item 22.

EXECUTIVE OFFICER DEDRICK: This is a negotiated subsurface oil and gas lease in Solano County with the Hershey Oil Company.

ACTING CHAIRPERSON RASMUSSEN: Any questions on item 22?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: Item 22 has been moved and it is approved as presented.

1 Item 23.

2 EXECUTIVE OFFICER DEDRICK: Item 23 is a
3 recommendation for denial --

4 COMMISSIONER ORDWAY: Excuse me. Somebody's
5 standing.

6 EXECUTIVE OFFICER DEDRICK: --of an application for
7 Exploration Engineering, Inc. Someone appears to be
8 interested in speaking on this.

9 ACTING CHAIRPERSON RASMUSSEN: Yes. You wish to
10 address the Commission on the last item or Item 23?

11 MR. FINNILA: No. Item 23.

12 ACTING CHAIRPERSON RASMUSSEN: Twenty-three, all
13 right.

14 MR. FINNILA: My name is Al Finnilla and I'm the --

15 COMMISSIONER ORDWAY: Would you sit down please and
16 speak into the microphone so we can --

17 MR. FINNILA: My name is Al Finnilla. I'm the Vice
18 President of Exploration Engineering and I'm also a civil
19 engineer. And I have financed this project up to date and I
20 have expended somewhat around a half million dollars. The
21 reason I state this is because in the letter of denial of our
22 permit they claim that we were not diligent in trying to find
23 financing for the project. And I submit that we have been
24 very diligent and as an example we contacted Bunker Hunt and
25 spent a lot of money on him and then we found out that he was

1 financially unable to support the project. And then also we
2 had the litigation with the group of Mormons who financed the
3 drilling of the well for 1500 feet, and that took up a whole
4 year.

5 And during that time we contacted quite a number of
6 investors and they wouldn't have anything to do with the
7 project until the litigation was resolved.

8 After the litigation was resolved we did get ahold
9 of Catalytic Energy and they agreed to drill the well and do
10 a geothermal cogeneration plant on the geothermal part. And
11 the last meeting we were here, their application was denied
12 because they didn't have a certified check with them. I
13 believe that's the first time that the Commission ever
14 demanded a certified check for the full amount of the
15 project.

16 They have been very successful in obtaining
17 financing for other projects that they have done.

18 So in conclusion I want to state that the facts of
19 the case are that we did drill the well for 1500 feet and
20 when the well was drilled, that was the only well that was
21 ever drilled to that depth in the valley, and the geologists
22 from the interpretation of the log of that well could
23 determine features that they never could before, before the
24 well was drilled. And we did find a geothermal resource in
25 the well. We did get ahold of Catalytic Energy who would

1 develop the resource. Those have all happened in the past.

2 Now we have this product to show our determination.
3 We didn't stop there. We found a source for this geothermal
4 water and we distill the water and applied the water to
5 making what we call a Spa in the Bar. And we have Macy's and
6 Safeway Stores, they each want to buy at least 100 thousand
7 of these.

8 ACTING CHAIRPERSON RASMUSSEN: When did you make
9 that discovery?

10 MR. FINNILA: I'll show you.

11 ACTING CHAIRPERSON RASMUSSEN: Mr. Finnilla, when did
12 you make this discovery?

13 MR. FINNILA: Yes, Spa in the Bar.

14 ACTING CHAIRPERSON RASMUSSEN: When did you make the
15 discovery? When did you discover the mineral?

16 MR. FINNILA: We discovered the mineral quite
17 sometime ago, but the important part there was in discovering
18 a use for the mineral.

19 And here is a letter that I submitted.

20 ACTING CHAIRPERSON RASMUSSEN: We need you on the
21 microphone back there, please.

22 Does the staff have any response?

23 Are you finished, Mr. Finnilla?

24 MR. FINNILA: Yes, I'm through now.

25 ACTING CHAIRPERSON RASMUSSEN: All right. Thank

1 you.

2 Does the staff have a response?

3 EXECUTIVE OFFICER DEDRICK: Yes. Commissioners,
4 Moose Thompson who is as you know Chief of your Extractive
5 Division can speak to the points this gentleman has raised.

6 In regard to the question of the discovery of a
7 mineral which I think we would say is an asserted discovery,
8 applicant failed to notice the Commission as required under
9 its permit, prospecting permit within 90 days.

10 The discovery apparently was made quite a long time
11 ago and it was not announced until January of '85.
12 Apparently it was discovered in July of '82.

13 You have a legal memo before you by Carla Caruso
14 which covers some of the legal points in regard to the
15 violations of the prospecting permit. But Mr. Thompson is
16 over there and Mr. Willard will answer any of your questions.
17 Give you a brief rundown.

18 MR. THOMPSON: I think one of the issues here is
19 this is for extension of a geothermal lease, and I don't know
20 what this product he has here, but it has nothing to do with
21 a geothermal lease issuing.

22 We've had a lot of problems in the past. In fact, I
23 believe the State Hospital has requested that we not extend
24 or give any leases to Durkan.

25 COMMISSIONER ORDWAY: I think we have a Mr. McDonald

1 here.

2 ACTING CHAIRPERSON RASMUSSEN: Right. We have Craig
3 McDonald who's the Chief of Plant Operations at Sonoma State
4 Hospital. He's here and is prepared to speak if we should so
5 desire.

6 Does Mr. McDonald wish to?

7 MR. THOMPSON: So as far as the staff's concerned,
8 there never was a geothermal discovery made on this lease.

9 COMMISSIONER ORDWAY: The issue that we are
10 discussing is in fact a geothermal lease, not a mineral
11 lease?

12 MR. THOMPSON: That's right.

13 COMMISSIONER ORDWAY: With respect to the issue of
14 the certified check.

15 EXECUTIVE OFFICER DEDRICK: Yes.

16 COMMISSIONER ORDWAY: What has been the policy
17 on --

18 EXECUTIVE OFFICER DEDRICK: Our policy has been to
19 require them when the facts of the case make it a reasonable
20 thing to require. In this case the facts of the case very
21 clearly made it a very reasonable thing to require. But, Al,
22 would you like to speak to that?

23 COMMISSIONER ORDWAY: We have done this in the past?

24 MR. WILLARD: The issue at that time was under the
25 prospecting permit. They were seeking an extension of the

1 prospecting permit for an additional year, and one of the
2 considerations that the Commission was asking for was showing
3 that there was sufficient funds to actually go forward with
4 and deepen and complete the well that had been started.

5 The applicant was asked to come forward with some
6 good evidence that indeed they had the funding to complete
7 the well. I don't know that I recall any specific certified
8 check request, but we were asking for evidence of adequate
9 funding and they could not come up with that.

10 MR. THOMPSON: That was one of the terms of the
11 prospecting permit that they actually go in and prospect,
12 actually drill a well.

13 EXECUTIVE OFFICER DEDRICK: Commissioners, we always
14 require evidence of financial ability from any of our lessees
15 and that's included in the prospecting permits and in the
16 leases. We also always require money up front as required by
17 whatever the terms of the prospecting permits are.

18 We don't always require that in the form of a
19 certified check and in this instance I cannot say that we did
20 or did not require it in that form, but we always require
21 something, a bond, a letter of credit, cash, something that
22 fits the facts of the case.

23 MR. THOMPSON: I think the main issue here is that
24 we had a prospecting permit. The terms of that prospecting
25 permit was not met and all we are asking to do now is not to

1 give an extension or a lease.

2 ACTING CHAIRPERSON RASMUSSEN: I understand that
3 we've had kind of a history of problems on this, late rent
4 over the entire three or four year period of time w e --

5 MR. THOMPSON: That and very serious problems with
6 the hospital.

7 ACTING CHAIRPERSON RASMUSSEN: Are there any
8 questions? Commissioners or anyone else present wish to --

9 Mr. Finnila, did you have anything you'd like to
10 add?

11 MR. FINNILA: I still maintain that we fulfilled our
12 commitment. The well has been drilled and we also have a
13 product for the minerals that we found there.

14 MR. THOMPSON: I would question that. The well I
15 believe, as I recall, was supposed to go to somewhere around
16 6500 feet. The only thing that was done on the well was set
17 surface pipe at 1500 feet and was shutdown at that particular
18 time. There was a lot of litigation. This has been a very
19 awkward situation for us because we started an operation, the
20 rig was still over the well for many weeks after it was
21 completed and the hospital was very unhappy all during this
22 time.

23 ACTING CHAIRPERSON RASMUSSEN: Any questions?

24 What is the pleasure of the Commission?

25 COMMISSIONER ORDWAY: I'm going to move to deny the

1 application.

2 ACTING CHAIRPERSON RASMUSSEN: It's been moved to
3 deny per the staff's recommendation. Are there any other
4 comments or questions?

5 All right. The item is approved as presented by the
6 staff, and I'd like it made very clear that it's our
7 understanding that this lease is terminated and there is no
8 extension of the lease.

9 EXECUTIVE OFFICER DEDRICK: The prospecting permit,
10 yes, Commissioners.

11 ACTING CHAIRPERSON RASMUSSEN: Of the permit, right.

12 Thank you.

13 Item 24, please.

14 EXECUTIVE OFFICER DEDRICK: This is the
15 authorization for the cancellation of seven geothermal leases
16 which are currently held by GRI Exploration Corporation in
17 the Geysers and fields in Mendocino, Lake and Sonoma
18 Counties.

19 Commissioners, we received your permission and I
20 think it was July to give a 30-day notification that
21 termination, that the leases would be cancelled. In August
22 at your request GRI came in and made their case for not
23 cancelling the leases or at least presented their case as
24 lessees and at that time you deferred your action properly to
25 the appropriate time which is now and the staff recommends

1 that the leases at this point be cancelled.

2 COMMISSIONER ORDWAY: Has GRI requested any
3 extension?

4 EXECUTIVE OFFICER DEDRICK: To my knowledge, no,
5 Commissioner.

6 COMMISSIONER ORDWAY: Is there anybody here from
7 GRI?

8 ACTING CHAIRPERSON RASMUSSEN: We have two
9 requests --

10 COMMISSIONER ORDWAY: I just want to find out if GRI
11 is asking for an extension. Since the staff has not received
12 any communique, there is no one in the audience,
13 I assume we can take that to be they have not asked for an
14 extension.

15 EXECUTIVE OFFICER DEDRICK: That's correct,
16 Commissioner.

17 ACTING CHAIRPERSON RASMUSSEN: We do have two
18 requests to speak and one is from Mike Koester. Actually his
19 slip says that he is available to answer questions and
20 comment, if necessary. He's the Chief of Facilities Planning
21 at the Department of Developmental Services. And we also
22 have a request from Allan Littman.

23 EXECUTIVE OFFICER DEDRICK: Excuse me,
24 Commissioners, you might ask Mr. Koester whether he wants 23
25 or 24.

1 SECRETARY SMITH: Item 23. He's put the wrong
2 number on there.

3 ACTING CHAIRPERSON RASMUSSEN: Thank you.

4 Item 24, Allan Littman. Is Mr. Littman here?

5 MR. LITTMAN: Yes.

6 Good morning.

7 I'm Allan Littman. I'm a lawyer in San Francisco,
8 Pillsbury, Madison & Sutro. My client is M & T Corporation
9 and I need a few minutes just to tell you who they are.

10 COMMISSIONER ORDWAY: Could you get just a little
11 bit closer to the microphone?

12 MR. LITTMAN: Yes, of course.

13 EXECUTIVE OFFICER DEDRICK: Pull it over, Allan.

14 MR. LITTMAN: Ned Towne, Edward C. Towne, Jr.
15 prospected these lands in the early 60's. He and M & T had
16 leases for about 30,000 acres including this acreage.

17 In 1968 M & T signed an agreement with Aminoil in
18 which they turned over the leases including the prospecting
19 permits on these areas to Aminoil in exchange for and it was
20 an assignment reservation and agreement in exchange for 12
21 and half percent net profits interest with a specific proviso
22 that -- it was Signal Oil and Gas Company then --should
23 Signal wish to surrender any of the leases they would provide
24 M & T with 60 day's notice so that M & T could decide whether
25 it wanted to regain its own leases and rights.

1 Just incidentally, I know the State Lands Commission
2 has had a great difficulty in seeing that its geothermal
3 lands and interests are developed. I want you to know that
4 of the acreage that M & T has turned over to Signal, there
5 are presently over 350 megawatts of operating capacity and
6 that includes PG & E Unit 13, PG & E Unit 16, and SMUD Geo
7 Unit Number 1.

8 But to get back to this story, without our consent
9 whatever, in 1980 and 82, Aminoil which was the successor to
10 Signal entered into an agreement turning over these leases to
11 GRI.

12 You must remember that we were charged, M & T was
13 charged with the expenses of any geophysical, geochemical or
14 drilling work done on these leases which were issued by the
15 state at various times.

16 So we've actually been charged with that amount.

17 Now, in October or November, I forget which, of
18 1984, I went down to visit Mr. Thompson and asked him if we
19 could, as M & T, could negotiate with respect to these leases
20 because we were aware that they had not been developed and we
21 were very anxious to see that they were developed both in our
22 interest and in the state's interest.

23 I was received very courteously by Mr. Thompson and
24 he indicated some interest in that matter, but I was told
25 that he could not negotiate with us until after it had been

1 decided that GRI was not going to go ahead with the matter.

2 So I was patient about it and then I had the
3 privilege of seeing Ms. Dedrick in Sacramento on two
4 occasions and we also discussed the question. And I was told
5 by Ms. Dedrick that at some point we might be able to discuss
6 the matter.

7 I was led to believe, and I'm not asserting anything
8 heinous or anything, but I was led to believe that when the
9 negotiations with GRI proved unproductive, that we would then
10 have a fair opportunity to come in and operating under I
11 believe it's Section 39 of the leases which provide for
12 modifications, if necessary. But we would be able to see the
13 data and try to work out something with the state so that
14 these lands would be developed.

15 If you cancel these leases entirely today, we will
16 not have that opportunity and it's something we frankly have
17 relied upon.

18 I would respectfully suggest to you that the equitable
19 way to proceed would be to terminate GRI's interest under the
20 leases but to provide for a period of 60 days within which
21 representatives of M & T could negotiate with the State Lands
22 Commission staff as has been promised.

23 I think really that is something that we had been
24 led to believe we would have. If we had any idea that there
25 was going to be a total cutoff, we would have been in here at

1 the last hearing -- I happened to be up in Sacramento on that
2 day, so it would have been very easy for me --and I would
3 have presented this matter to you then.

4 I submit to you as a matter of elemental fairness we
5 ought to be given that opportunity.

6 ACTING CHAIRPERSON RASMUSSEN: Who gave you this
7 indication, who led you to believe that you would have this
8 opportunity?

9 MR. LITTMAN: Both Mr. Thompson and Ms. Dedrick.

10 EXECUTIVE OFFICER DEDRICK: I'd like to speak to
11 that. There was never any intention in my discussions with
12 Mr. Littman to make a commitment by the state, and I made it
13 very clear in those discussions that that was the case.

14 What I did say to Mr. Littman was that if in fact
15 you have rights in this lease, at the time the Commission
16 addresses whether or not to cancel them, I will be sure that
17 your rights are presented and you will have an opportunity to
18 speak.

19 In the interim staff and staff counsel, and I
20 believe the Attorney General's Office, although they wish and
21 I cannot speak for them, but certainly staff counsel has come
22 to the conclusion that M & T has no claim whatsoever on these
23 leases with the state, that is to say the leases which are
24 the state's property, which are the state's discretion
25 whether to grant or not or remain in the control of GRI. On

1 that item, that legal right, M & T has no claim.

2 Now, M & T may well have claims against GRI in other
3 ways that do not relate to the state's involvement, but I've
4 been assured by staff and by the staff counsels that they do
5 not have any rights here.

6 So that it is my recommendation, based on the
7 information provided me by our staff counsel, that in
8 cancelling GRI's leases, you neither endanger nor enhance any
9 concerns that M & T has. Certainly when those leases go out
10 to bid again which may well be what the Commission chooses to
11 do down the road, M & T would be free to bid on them.

12 COMMISSIONER ORDWAY: Would someone just refresh my
13 memory. When was this first calendared board cancellation of
14 the leases with GRI?

15 EXECUTIVE OFFICER DEDRICK: I believe it was July,
16 wasn't it, Moose?

17 COMMISSIONER ORDWAY: June or July.

18 EXECUTIVE OFFICER DEDRICK: It was July of this year
19 it was calendared. I can't remember exactly Allen, but I
20 think I met with you earlier than that.

21 MR. LITTMAN: We were actually on something else.

22 EXECUTIVE OFFICER DEDRICK: April or May. We were
23 talking about something else and at that time I told you that
24 we were not sure whether -- at that time the negotiations
25 were still ongoing with GRI. It was in about June that we

1 all came to the conclusion, including GRI, that we could not
2 negotiate changes in leases that had been awarded by the
3 bidding process, and there was no way we could solve GRI's
4 problem that way and the state's problem. And if the
5 Commission decided it was in the best interest of the state
6 to cancel those leases and start with the fresh slate, so to
7 speak, although that's a lousy choice of words, to be able to
8 re-examine the leases on the merits of today's facts and
9 decide whether or not to go out to bid on them.

10 As I said, I've been assured by staff counsel, I'm
11 sure Bob will be glad to speak to that if you wish, that that
12 does not in any way jeopardize M and T's claim against GRI or
13 its predecessors in interest.

14 COMMISSIONER ORDWAY: Mr. Taylor.

15 MR. TAYLOR: I would agree with Miss Dedrick that we
16 don't have any, the state has no contractual relationship
17 with M & T. What M & T's problem is is it feels it has a
18 right to reassert its interests in the lease as against GRI.
19 There may be some misunderstanding between everyone as to
20 where the past conversations were. I think what GRI is
21 really saying is it doesn't have any rights against the
22 state, but it wanted to have a right to substitute itself in
23 for GRI and talk to the state before GRI's rights were
24 terminated. That's disputed I understand between M & T and
25 GRI. I think it's a matter of discretion. I'm informed by

1 staff that there is, that there is no prejudice to any state
2 position by putting this over for 30 days, but it's also your
3 prerogative to go ahead and to terminate the rights at this
4 time.

5 I think basically what Mr. Littman is asking for is
6 an opportunity though to express M & T's, see what M & T can
7 work out with GRI and talk to the staff. I think they should
8 do that fairly quickly though because they have been aware of
9 this situation for sometime and apparently there has been a
10 misunderstanding or miscommunication.

11 COMMISSIONER ORDWAY: One question that, I don't
12 know, maybe it's only a hold for me. But if this was
13 calendar noticed two months ago for cancellation, why didn't
14 M & T do their 60 day thing then? I mean, we don't usually
15 calendar items that say we're going to cancel a lease and not
16 be serious about it.

17 MR. LITTMAN: There are three reasons actually.
18 Actually, if I may correct you Claire, we actually had our
19 first conversation in about December I think of 1984.

20 EXECUTIVE OFFICER DEDRICK: But Allen, at no time
21 did I represent --

22 MR. LITTMAN: No.

23 EXECUTIVE OFFICER DEDRICK: --to you that if you had
24 no legal rights in this lease that we would hold up action on
25 the lease for your benefit.

1 MR. LITTMAN: You certainly never made any such
2 statement. I concur with that. But what we do have --and I
3 take a little issue with my friend Greg Taylor on this,
4 too -- we had a legal right in a recorded document that the
5 state was well aware of. Now, what I'm saying is I think the
6 state had some kind of a duty to us to tell us, look, we're
7 going to, knowing that, we're going to cancel this lease and
8 we will sit down and negotiate with you. But instead what
9 the state told us, we're thinking of cancelling this lease as
10 respect to GRI and I we can't talk to you until we finished
11 with GRI. I've been saying, like the fellow in Pygmalion,
12 I'm willing to, I'm wanting to, I'm waiting to sit down and
13 talk to the state and every time I've tried to do it on these
14 particular leases, I've been told it's too early. Now,
15 you're going to tell me, I hope not, it's too late. And I
16 think it can't be both too early and too late.

17 By the way, as to our rights, it has been agreed
18 now, we have reached agreement with both Aminoil and its
19 successor Phillips, and GRI, that we do indeed have the right
20 to be notified whenever any leases are to be surrendered.
21 Everybody's agreed with that.

22 We don't want to get into litigation with GRI. What
23 we want to do is see if we can look at these leases and see
24 whether they can be developed for the mutual interest of the
25 state and my client. And I would respectfully ask you to

1 give us 60 days within which to do that.

2 EXECUTIVE OFFICER DEDRICK: Commissioners, I really
3 must protest. The implication that M & T and Mr. Littman
4 have ever had any agreement with me or with our staff counsel
5 or with Moose Thompson. We have not told him it's either too
6 early or too late. We have told him at the times that we met
7 in whatever the dates were, but they were last year, and I
8 mean last spring and perhaps earlier --I don't think that's
9 material -- that the leases were held by GRI. At the time
10 that he came to talk to us, we were in negotiations with GRI
11 and I told him that. I assured him that if he had a legal
12 right, it would be protected.

13 In no way has the state led Mr. Littman to believe
14 that he had a commitment or anything whatsoever from the
15 State Lands Commission staff except whatever rights he
16 legally holds which the state could legally honor. I have
17 been advised that there are no such rights. You have hear
18 the Attorney General agree with me.

19 COMMISSIONER ORDWAY: Can I just go back and see if
20 I can get my original question answered.

21 MR. LITTMAN: Sure.

22 COMMISSIONER ORDWAY: It's minor, but it's important
23 to me.

24 This was calendar noticed two months ago.

25 MR. THOMPSON: Actually in June.

1 COMMISSIONER ORDWAY: It was noticed in June for
2 the July meeting.

3 MR. THOMPSON: The extension was not issued in the
4 June meeting which was the triggering in starting of all of
5 it.

6 COMMISSIONER ORDWAY: So we have a period of time
7 here which seems to fit M & T's period of time and I just
8 would like to know why you didn't do something when we first
9 did the extension and have you had discussions in the last,
10 at that 60 day period with staff?

11 MR. LITTMAN: I have repeatedly and I did at the
12 very day that was involved, I saw Mr. Thompson and said, "We
13 would like to talk to you." And I said, "Please let us know
14 when we can talk to you." I have never been told that it's
15 all right to talk to you.

16 MR. THOMPSON: At that particular time he asked for
17 copies of the leases. Mr. Willard provided him those leases.
18 I saw Mr. Willard hand those to him in the lobby of the State
19 Lands building.

20 MR. LITTMAN: Well, members of the Commission, I
21 really am going to protest about this. I've seen Mr.
22 Thompson on three times and I don't want to impugn anybody's
23 integrity, but I was told that when they finished with their
24 negotiations with GRI and only then could they sit down and
25 talk to me. And I really have wanted to sit down and discuss

1 these very leases.

2 MR. THOMPSON: I must object. I'm like Claire here.
3 The initial contact in my office in Long Beach had to do with
4 M & T's concern over how their net profits arrangements were
5 going to be. I then set up a meeting because of his interest
6 with the Executive Officer. The main trust of the meeting we
7 had in Sacramento, Claire Dedrick, myself and Littman,
8 involved generally their relationship and their net profit.
9 Their concern at that time was the fact that they were
10 cascading earnings from one net profits to another net
11 profits which was part of the proposal that GRI had made to
12 us.

13 That was the gist of our conversation. I do not
14 recall these particular representations that there was
15 anything going as far as their negotiating any leases with
16 the state.

17 COMMISSIONER ORDWAY: Is M & T mentioned in any of
18 the GRI leases?

19 MR. THOMPSON: To the best of my recollection they
20 are not a party to any action that the State Lands Commission
21 had in regard to these leases. The original leases were
22 given by matching to the surface landowners on all I think
23 except one of them. There were later actions in which the
24 landowner then assigned those rights to I believe Aminoil or
25 MSR had another lease and to the best of my recollection or

1 the others can speak to this more specifically, M & T was not
2 a party to any of the people we gave leases to.

3 As to the representation that we should know every
4 party and every portion that is assigned to someone else, I
5 don't think that's our responsibility.

6 COMMISSIONER ORDWAY: My question was simply is M & T
7 in our, mentioned in our lease agreement with GRI?

8 MR. LITTMAN: It is not mentioned in your lease
9 agreement, but M & T had a 12 and a half percent interest in
10 the Aminoil lease.

11 COMMISSIONER ORDWAY: But isn't that GRI's
12 responsibility to deal with you and not the states? I mean,
13 I'm not lawyer. So I'm asking probably a very naive
14 question, but it would appear to me --

15 MR. LITTMAN: It is GRI's responsibility and the
16 problem is that GRI didn't fulfill its responsibility and we
17 wanted to try to do something about it and get the lease
18 developed and we have the right to take over that lease if
19 they weren't going to.

20 COMMISSIONER ORDWAY: Again, this is the non lawyer
21 asking. It would appear to me that we have contractual
22 arrangement or at least a lease arrangement with Company A.,
23 GRI in this case. You have --

24 MR. LITTMAN: No, you don't have anything with GRI.
25 You had it were Aminoil.

1 MR. THOMPSON: That was assigned to GRI. Our
2 relationship is now with GRI.

3 COMMISSIONER ORDWAY: Company A. is who we have an
4 arrangement with. You also have an arrangement with Company
5 A, but we don't have an arrangement with you.

6 MR. LITTMAN: That's a very common thing in the law
7 where somebody has noticed that another person has an
8 interest in that which their dealing with and it is you know
9 almost Hornbook law that the party, the lessor does have some
10 obligation in that respect where they're on notice.

11 I'm not really saying --I don't want to have a legal
12 argument about whether you are strictly legally required to
13 do what I think you should do. That's a matter for debate.

14 I'm saying in fairness, we, and in the interest of
15 the state as much as our own I think, we ought to have a
16 short period of time to take a look at these leases to see if
17 we will drill them.

18 Now, since we've been charged with a portion of
19 these payments all the time, I think we have a very sound,
20 equitable case to do that. That's what I've been wanting to
21 do for nine months to sit down with Mr. Thompson or his
22 designee and discuss those and other items related to the
23 development of the state geothermal leases which if you'll
24 forgive me have not been developed --

25 ACTING CHAIRPERSON RASMUSSEN: You made partial

1 payments on these leases to who?

2 COMMISSIONER ORDWAY: GRI.

3 ACTING CHAIRPERSON RASMUSSEN: To GRI?

4 MR. LITTMAN: Not GRI. We were charged from the
5 beginning with 12 and half percent of all of the expenses
6 that were incurred on these leases from the time they were
7 issued by the states.

8 ACTING CHAIRPERSON RASMUSSEN: By who, you were
9 charged by who?

10 MR. LITTMAN: By Signal because we were partners
11 with Signal and Aminoil and GRI in an agreement under which
12 where every dollar they expended we were charged 12 and half
13 cents on.

14 MR. THOMPSON: One of the reasons why this lease is
15 being cancelled is because the drilling commitment was not
16 fulfilled on these leases.

17 ACTING CHAIRPERSON RASMUSSEN: Any other questions?

18 MR. LUDLOW: Could I say something?

19 COMMISSIONER ORDWAY: Everybody else has. You may
20 as well join in.

21 MR. LUDLOW: My name is Rick Ludlow. I'm a staff
22 counsel with the Commission.

23 It's true that staff counsel has advised the
24 Executive Officer that with regards to the state, M & T has
25 no rights, and I believe that to be the correct legal

1 position.

2 So basically from our point of view what Mr. Littman
3 is asking you for is to exercise some discretion for him to
4 have an opportunity to investigate what business
5 possibilities there might be here.

6 However, assuming that you are to go along with him
7 and give him an extension and assuming that there was some
8 tentative agreement that seemed beneficial to the state, the
9 fact is that I don't know any way to implement it without
10 either, one, GRI agreeing to assign these leases or wait
11 until the litigation that they're probably either involved in
12 or headed for is resolved and God knows when that may be.

13 MR. LITTMAN: We have already resolved it.

14 MR. LUDLOW: Now, we talked with GRI, Jim, was it
15 two days ago, three days ago?

16 MR. HIGHT: Tuesday.

17 MR. LUDLOW: And they said that they had no
18 agreement and as far as they were concerned M & T had no
19 rights in these leases from their standpoint.

20 MR. LITTMAN: Can I be heard on that?

21 COMMISSIONER ORDWAY: Of course.

22 MR. LITTMAN: The fact of the matter is we reached
23 an agreement in principle with Phillips which is the
24 successor of Aminoil providing for a separate agreement with
25 GRI in August. It is due to close on Monday of next week.

1 We have been advised by Phillips that GRI has fully
2 accepted the obligation to notify M & T of any surrender of
3 any lease and give us the 60 day provision required in the
4 original lease and I can give you -- I'd like to do it in
5 confidence -- I can provide you with copies of the agreement
6 in principle that was signed just before I went on vacation
7 in August, I forget the exact date, I think the 17th or 18th,
8 and I'm sure we're going to close on Monday. I will give you
9 copies of those documents.

10 Now, the fact of the matter is we have, we will have
11 no dispute with GRI about this matter. They have accepted
12 our position and Amninoil has accepted our position, too. So
13 the idea that there's going to be extensive litigation is
14 really not fair. It's just not accurate.

15 MR. THOMPSON: I'd like to speak to the issue that's
16 before the Commission.

17 I think on the third or the fourth of this month the
18 default period in which they had a chance to cure the
19 default, this is GRI, expired. The decision before you now
20 is with GRI. They were given a default notice during that
21 period to cure. They did not cure. They have gone through
22 all the obligations.

23 Now it's a discretion at the commission as to
24 whether to finally cancel leases or not. I think that when
25 GRI was in here they told you the problem that has happened

1 to all geothermanl leases in this area. That the utilities
2 are not in position now to build generating plants and will
3 not be.

4 These particular leases are held with CCPA for
5 developing leases. Part of these leases that GRI holds, not
6 this particular seven, were submitted to CCPA to build a
7 plant and CCPA refused to build a plant. So there's no
8 consideration of any future plants being built in the area.
9 That's the reason that the whole default issue on these
10 leases is coming up. And I believe it's the commission's
11 intent that at sometime in the future when the geothermal
12 market improved that you would at that time go out for lease,
13 structure it as you wanted at that particular time,
14 consistent with the conditions at that time and do as we're
15 required under the competitive bidding situation.

16 COMMISSIONER ORDWAY: Wouldn't M & T be in a better
17 position just to let this lease cancel and make their own
18 arrangements with the state?

19 MR. LITTMAN: No, because we can't do that. The
20 fact of the matter is that most of your leases have varying
21 percentages of net profit. Some of them are as high as ninety
22 percent and that's why they haven't been developed at all.

23 Some of these leases are at a lower percentage.
24 They're 20, 27 percent in some cases. There may well be an
25 opportunity under the existing terms of the lease given the

1 geology of it to drill on it. You've got that information by
2 the way which we paid for and we haven't got yet. We'd like
3 to sit down look it over, talk to the representatives of the
4 state and see whether something can be worked out to drill
5 them.

6 MR. THOMPSON: I would like to speak to that now.

7 MR. LITTMAN: May I finish Mr. Thompson?

8 Now, Mr. Thompson brings in something else about
9 whether CCPA wants to build plants. Now, there you're
10 getting -- and I'm sure Moose is repeating exactly what GRI
11 says -- but you're getting a very partisan sort of set of
12 circumstances.

13 GRI is trying to develop other lands for CCPA up in
14 the northwest area of the Geysers and it is true that CCPA
15 turned down their third plant. They are not the only buyers
16 of steam in the area in any event.

17 There are other potential buyers and to assume on
18 the basis of whatever you heard from GRI that there's no
19 market for this steam, is really an assumption that nobody
20 should make. I don't think I'm asking for very much here.
21 I'm just asking for 60 days to talk to the Commission and
22 explore the matter. But I suppose I've said enough.

23 COMMISSIONER ORDWAY: Can I just ask one question.
24 Again this is a non lawyer question. You're supposed to be
25 closing on Monday with GRI. Supposedly you now have an

1 understanding or close to an understanding. Why aren't they
2 here to ask us to not cancel this?

3 MR. LITTMAN: GRI is not a very cooperative
4 organization as far as we are concerned. They are going to
5 sign the agreement we're told.

6 COMMISSIONER ORDWAY: Knowing that it means
7 nothing.

8 MR. LITTMAN: No. We have many other --No. No.

9 COMMISSIONER ORDWAY: This is just one piece of your
10 puzzle.

11 MR. LITTMAN: Exactly. They have agreed to be bound
12 by the provision in the agreement that requires them to give
13 us notice. The reason we put that in there is this kind of a
14 thing that if we, if the properties that we turned over
15 originally to Signal Oil and Gas Company were not going to be
16 developed by them, we wanted to develop them or at least have
17 the opportunity to develop them. That has been recognized by
18 the successor to Signal, Phillips, and it is being recognized
19 by GRI. All I'm really asking for is a fair shake from the
20 Commission I think. I don't think it costs the Commission a
21 thing to give me 60 days to negotiate.

22 ACTING CHAIRPERSON RASMUSSEN: I have just one
23 statement that I'd like to make. I can't see, I'm wondering
24 if putting this thing off for two weeks, 30 days, 60 days
25 whatever will resolve the problem. I think you're correct in

1 stating GRI has not been particularly cooperative and they
2 haven't been particularly cooperative with us either. And
3 the fact remains that all that aside, what we have sitting
4 here in front of us is a lease permit with these people, with
5 GRI. And I'm, I question whether putting off this action
6 will accomplish anything. Will we have anything resolved in
7 30 days?

8 MR. THOMPSON: Also this is nothing that the State
9 Lands staff can provide Mr. Littman.

10 We cannot provide him any data for wells drilled off
11 these leases. That's proprietary.

12 ACTING CHAIRPERSON RASMUSSEN: We would need some
13 cooperation from GRI and they have indicated to both the
14 state and to you what they are not going to cooperate. They
15 haven't provided information. They provided contrary
16 information and I just wonder with the whole thing rotating
17 on that particular point, what are we going to accomplish?

18 MR. LITTMAN: May I answer that. In the first place
19 I think you'd accomplish some fairness.

20 In the second place, GRI may not be willing to
21 cooperate voluntarily, but we were forced to file a lawsuit
22 against them and perhaps as a result of that lawsuit they
23 have decided to cooperate in another way to avoid that
24 lawsuit. So we are getting their agreement that they will
25 give us that, they will give us notice in all future cases.

1 ACTING CHAIRPERSON RASMUSSEN: Is this the lawsuit
2 that you said a few minutes ago didn't exist?

3 MR. LITTMAN: I said that we have settled the
4 lawsuit, therefore it doesn't exist.

5 Now, what I'm trying to say is that the, as to Mr.
6 Thompson's statement that they can't give us information,
7 we're entitled to that information, but you don't have to
8 decide that today. There will be no, nothing is going to be
9 drilled in the next two months on these leases. The state is
10 not going to loose anything by giving us a 60 day extersion.

11 MR. THOMPSON: I disagree and I think the legal
12 people will back us up that information from other leases can
13 not be shared with anybody except the lessee.

14 COMMISSIONER ORDWAY: So GRI would have to give you
15 the information, not us.

16 MR. THOMPSON: That's right.

17 MR. LITTMAN: We are entitled to it under the
18 agreement and we can get it, but you don't have to decide
19 that, either we get it or we don't get it within the 60 day
20 period. If Mr. Thompson is right, we won't get it and we'll
21 have to make a decision without the information. If Mr.
22 Thompson is wrong, as he may well be, I don't think he's a
23 lawyer, we will get it.

24 EXECUTIVE OFFICER DEDRICK: Mr. Thompson's advising
25 the Commission that the State Lands Commission does not have

1 the legal authority and is in fact barred by law from sharing
2 proprietary information with other sources.

3 We have several attorneys here and I'm sure that
4 they will speak to that if you wish their input. But I have
5 always been so advised and we have had many cases of this
6 type of thing arise in the time that I've been in office.

7 MR. LITTMAN: May I read you paragraph 20 of the
8 lease.

9 It says: After the confidentiality of a matter
10 provided that nothing herein shall prevent use or disclosure
11 of such information by the Commission in its discretion to
12 further the development of geothermal resources or to insure
13 a fair return to the state. And that's in the very lease, in
14 each of the leases that you're talking about.

15 I'll be happy to show it to you.

16 COMMISSIONER ORDWAY: Would one of our lawyers care
17 to speak to that?

18 MR. TAYLOR: I think there's two issues here. One
19 is whether --we can't give him as a member of the public the
20 information.

21 If he succeeds to the interests of GRI or shows that
22 he has a standing under GRI or GRI authorizes him to receive
23 the information, then he's entitled to ask us for it. That's
24 the situation. That's separate from the question of whether
25 you come in as a member of the public. And I take it that

1 what he's saying is that he believes he has those rights to
2 make the demand through GRI or to be substituted for GRI.

3 So I think both sides are right. One, we cannot
4 give proprietary information to anyone off the street and,
5 two, what he's saying is he is going to stand in the shoes of
6 GRI in some way and that therefore he'll be entitled to
7 receive the information.

8 MR. THOMPSON: But GRI in the meantime has not cured
9 the default. The lease is in default. The cure period has
10 gone through. You have reached the end of the string.

11 This is supposed to be the last action by the
12 Commission because you're the only people who can cancel a
13 lease or issue a lease. All the remedy time has passed.
14 Basically to do what is being proposed here you would have to
15 give an extension I think to GRI and GRI has not requested an
16 extension.

17 ACTING CHAIRPERSON RASMUSSEN: That's my problem is
18 that it's really a very simple problem that we have and that
19 is we have a lease with a particular party and they have not
20 fulfilled the obligations of that lease and all this other
21 stuff is coming into play here.

22 If we were to put this off for a period of time or
23 grant an extension, however it would have to work out, 30
24 days or whatever, and they were able to work out their
25 problems, what would the Commission, the staff have to do?

1 Would it just be a simple paper transfer to
2 straighten out the lease and move it to the new party, change
3 names on the documents? What is involved?

4 MR. THOMPSON: Depends on what the Commission
5 wanted at that time as far as satisfaction of the terms of
6 the original lease which went on for years and years and
7 years without being fulfilled. In other words, the drilling
8 obligations were not done.

9 MR. HIGHT: They would have to accept the leases
10 under the terms and conditions of the prior Commission
11 authorization to GRI and start the drilling term and I,
12 that's pure speculation at this point whether or not M & T
13 would even be in the position to do that.

14 All they're saying now is let us look at it and I
15 don't think they've even focused on the next issue which is
16 way down the road.

17 ACTING CHAIRPERSON RASMUSSEN: That's why I asked
18 the question is I wonder do we then have to go through a
19 process of evaluating their financial capabilities, whether
20 they're going to be able to do the work --

21 MR. HIGHT: You mean any counter offers that they
22 might have --

23 MR. THOMPSON: I hate to be simplistic, but you're
24 thinking about something that has not been proposed. GRI has
25 not proposed and has not requested any further extensions.

1 They have not moved to cure the default. The party that the
2 State Lands Commission deals with, GRI has had their say
3 before you. They have been given notice of the default.
4 They have not cured the default.

5 ACTING CHAIRPERSON RASMUSSEN: My point in asking
6 these questions is to kind of clarify for myself. I think,
7 it sounds to me that there is really nothing or very little
8 to be gained by granting an extension. I still --

9 MR. THOMPSON: I don't know how you grant an
10 extension to GRI who is the party involved here who has not
11 asked for an extension.

12 MR. LITTMAN: May I just address that and then I'll
13 be quiet and you decide what to do.

14 You know, that is really making obstacles where they
15 don't exist. This Commission can in its discretion take any
16 number of actions to continue this matter for 60 days, and we
17 would then have the answer to what will happen. Now, my
18 clients are very responsible people. M & T has been in
19 business for well over 35 years. It's not a paper
20 organization. It owns shopping centers as well as
21 geothermal --

22 ACTING CHAIRPERSON RASMUSSEN: I don't think anyone
23 is questioning that.

24 I'm just asking what would be the reward for you or
25 for the state?

1 MR. LITTMAN: That is what I want to explore within
2 the 60 days. We may well say that on Lease Number A or B we
3 would like to drill that and we'll drill that just as soon as
4 possible.

5 We may well say, look, we've looked them over and
6 they're not worth a darn, but all we are saying is please
7 give us the opportunity to do that and give us 60 days to do
8 it.

9 ACTING CHAIRPERSON RASMUSSEN: Any other questions?
10 What is the pleasure of the Commission?

11 COMMISSIONER ORDWAY: I still have to sit with the
12 fact that our lease is with GRI and so I will move the
13 cancellation of the seven leases.

14 ACTING CHAIRPERSON RASMUSSEN: The staff's
15 recommendation --

16 COMMISSIONER ORDWAY: Uh-huh.

17 ACTING CHAIRPERSON RASMUSSEN: The staff's
18 recommendation has been moved, and I concur, Item 24 is
19 approved as presented.

20 EXECUTIVE OFFICER DEDRICK: Item 25 Commissioners is
21 the approval of state participation in a Stockton Gas Unit
22 and extension of an initial drilling term for a unpoled
23 portion of the state leased lands in San Joaquin County.

24 ACTING CHAIRPERSON RASMUSSEN: Any questions on Item
25 25 or anyone wish to address the Commission?

1 COMMISSIONER ORDWAY: Motion.

2 ACTING CHAIRPERSON RASMUSSEN: It's been moved.

3 Item 25 is approved as presented.

4 Item 26.

5 EXECUTIVE OFFICER DEDRICK: Item 26 is a request for
6 a reduction in the amount of a letter of credit for a Royalty
7 Oil Sales contract with Huntway Refining Company in the
8 Elwood Field in Santa Barbara County.

9 ACTING CHAIRPERSON RASMUSSEN: Any questions on Item
10 26?

11 COMMISSIONER ORDWAY: Motion.

12 ACTING CHAIRPERSON RASMUSSEN: 26 has been moved.

13 26 is approved.

14 Item 27.

15 EXECUTIVE OFFICER DEDRICK: This is an approval of
16 an amendment to dredging permit for the Union Oil Company in
17 Humboldt Bay to allow the disposal of material and the
18 disposal of materials offshore at a Corp of Engineer site
19 with the usual monetary requirements. It doesn't go into
20 public dump.

21 ACTING CHAIRPERSON RASMUSSEN: Any questions?

22 Item 27 has been moved and approved.

23 Item 28.

24 EXECUTIVE OFFICER DEDRICK: Item 28 is the award of
25 a royalty oil sales contract. The successful bidder was

1 Anchor. It's from the Belmont offshore field. The price is
2 39 cents a barrel above the base price. That's the lowest
3 one we've had in a long time, but I think reflects the
4 decreasing price of oil in general right now. We have a
5 minimum 35 cent bid.

6 ACTING CHAIRPERSON RASMUSSEN: Any questions?

7 Item 28 is approved as presented.

8 Item 29.

9 EXECUTIVE OFFICER DEDRICK: Item 29 is a request for
10 approval of a compromise title settlement which involves
11 approximately 20,000 acres of land in San Francisco, in and
12 around San Francisco Bay in Alameda, San Mateo and Santa
13 Clara County. The party in question is Ideal Basic
14 Industries and Mr. Littman is the attorney representing Ideal
15 on this case. And I don't know that we have any other
16 appearances that I have seen so far.

17 ACTING CHAIRPERSON RASMUSSEN: Yes, I have one
18 request to speak and that's from Mr. Littman. Do you wish to
19 address the Commission on Item 29?

20 MR. LITTMAN: Only briefly to say that this matter
21 was negotiated over a period of many years by myself
22 principally for Ideal and with various members of the State
23 Lands Commission including my friend Jim Trout, Claire
24 Dedrick and Greg Taylor of the Attorney General's office.

25 It follows the settlement that was made on the west

1 side of the Bay, I think you heard that, the report that you
2 have about it is about as complete as you can have and in
3 this instance --

4 COMMISSIONER ORDWAY: I think people in the audience
5 are having a little bit of trouble hearing you. So while you
6 move closer to the mike, I'd like to say that I think the
7 settlement is most fine and most equitable and I think it
8 shows a lot of good work on the part of all parties involved
9 and I'd like to move Item 29.

10 ACTING CHAIRPERSON RASMUSSEN: I agree. Item 29 has
11 been moved.

12 COMMISSIONER ORDWAY: If you'd like to continue
13 speaking, you may.

14 ACTING CHAIRPERSON RASMUSSEN: Did you want to --

15 MR. LITTMAN: No.

16 EXECUTIVE OFFICER DEDRICK: It is a very important
17 settlement Commissioners.

18 There has been some misunderstanding as there
19 usually is among the public as to who owns what.

20 I will point out that as part of the settlement
21 Ideal has agreed to the public trust easement over lands
22 which are not currently below the mean high tide in the Bay
23 and the Commission has agreed not to exercise the public
24 trust without adequate notice to the Ideal Company in case
25 they have other uses.

1 The public hearings were held. Some members of the
2 public asked that we exercise the trust now. I wanted to
3 point out to you that a portion of the agreement requires the
4 Commission to hold off for a minimum of 90 days.

5 COMMISSIONER ORDWAY: So we have a little bit of
6 work to do before we can do that.

7 EXECUTIVE OFFICER DEDRICK: We have a great deal of
8 work to do before we're ready to hold a trust exercise.

9 ACTING CHAIRPERSON RASMUSSEN: Any other comments or
10 anyone wishing do address the Commission on this item?

11 Item 29 has been moved and is approved.

12 Thank you Mr. Littman.

13 MR. LITTMAN: Thank you.

14 ACTING CHAIRPERSON RASMUSSEN: Item 30.

15 EXECUTIVE OFFICER DEDRICK: Item 30 is a request for
16 authorization to settle a suit Campeau South Beach
17 Properties versus the State of California and the City and
18 County of San Francisco.

19 Mr. Hight should really be presenting these legal
20 items. We got into those before I noticed where I was.

21 MR. HIGHT: This is a settlement and it's a
22 complicated title problem. In essence the state will be
23 getting \$100,000 to go to the Kapiloff Land Bank in lieu of
24 their interest in this abandoned street.

25 COMMISSIONER ORDWAY: I'll move it.

1 ACTING CHAIRPERSON RASMUSSEN: Any questions on 30?
2 Item 30 has been moved and is approved.

3 Item 31.

4 MR. HIGHT: Item 31 is settlement of a condemnation
5 suit in the Carquinez Straits and in lieu of the Commission's
6 interest the Commission will be accepting land in Calaveras
7 County.

8 ACTING CHAIRPERSON RASMUSSEN: Any questions on 31?

9 COMMISSIONER ORDWAY: Motion.

10 ACTING CHAIRPERSON RASMUSSEN: Thirty-one has been
11 moved and is approved.

12 Thirty-two is off calendar.

13 Item 33.

14 MR. HIGHT: Thirty-three is an amendment to an
15 existing Commission authorization to the City of Huntington
16 Beach and the issuance of a lease to the Portofino Cove Patio
17 Homes Association. In essence the Commission will be
18 authorizing 14 recreational pier permits and in exchange will
19 be receiving some land that Mola currently owns which will be
20 made into a parking lot, and the additional area which the
21 Commission owns adjacent to that area will also be made into
22 a parking lot.

23 In addition, there is a problem of eel grass in the
24 main harbor and Mola will remove that eel grass and
25 transplant it to another location suitable to Department of

1 Fish and Game.

2 COMMISSIONER ORDWAY: Did you want to speak or just
3 want to be available for questions.

4 MR. VON ELTEN: Madame Chairman, members of the
5 Commission, I'm Peter Von Elten, Executive Vice President of
6 Mola Development.

7 I heartily support the staff's recommended action.
8 I know it's been a very long process. I'm very pleased with
9 the final result and I'd like to thank everybody that was a
10 part of that.

11 The only thing I'd like to bring to the Commission's
12 attention is that in three places in the calendar item for
13 Item 33 at Pages 2, 3 and 4 where reference is made to
14 Portofino Cove Patio Homes Association, there happens to be
15 two sub-associations of which the patio cove, Patio
16 Homeowners Association is one. The one that we're actually
17 asking the right of first refusal for is Portofino Cove
18 Condominium Association. I've discussed this with Mr. Hight
19 and it's just a technical matter.

20 MR. HIGHT: That's fine.

21 MR. VON ELTEN: I believe the spirit of the staff's
22 recommended action is that if the Portofino Cove Patio Homes
23 Association desires to assign the recreational pier permit to
24 the individual homeowner, they would have the right to do so.

25 With those exceptions, I will --

1 MR. HIGHT: For the record those are implicit I
2 think in the Commission's authorization.

3 MR. VON ELTEN: Now, Mr. Paul Cook, Public Works
4 Director of the City of Huntington Beach is here as the
5 application would pertain to the city and I believe he's
6 available for comments.

7 Thank you very much.

8 COMMISSIONER ORDWAY: Can we make sure that those
9 are explicit in it --

10 MR. HIGHT: Yes.

11 COMMISSIONER ORDWAY: And this clarifies it and with
12 that clarification, I'll move Item 33.

13 EXECUTIVE OFFICER DEDRICK: Recreational pier
14 permits need to be attached to an upland residence by law.

15 ACTING CHAIRPERSON RASMUSSEN: Are there any other
16 questions?

17 Item 33 is approved as presented with the
18 clarifications.

19 EXECUTIVE OFFICER DEDRICK: Item 34 is subventions
20 to cities and counties for the '85-'86 fiscal year. If
21 you're interested, you can see that under current law those
22 subventions are restricted to how many miles of park the city
23 or county has along the waterfront, and they aren't large
24 amounts of money.

25 COMMISSIONER ORDWAY: I'll move Item 34.

1 ACTING CHAIRPERSON RASMUSSEN: Thirty-four has been
2 moved. Are there any questions, comments?

3 Item 34 is approved as presented. The meeting is
4 adjourned.

5 (Thereupon, the meeting of the State Lands
6 Commission was adjourned at 11:09 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

1
2 I, Cathleen Slocum, a certified shorthand reporter
3 of the State of California, do hereby certify:

4 That I am a disinterested person herein; that the
5 foregoing meeting of the State Lands Commission was reported
6 by me, Cathleen Slocum, and herein after transcribed into
7 typewriting.

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

11 IN WITNESS WHEREOF, I have herein set my hand this
12 ___ day of October, 1985.

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17 *Cathleen Slocum*
18 Cathleen Slocum
19 Certified Shorthand Reporter
20 License No. 2822
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