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MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

THURSDAY, NOVEMBER 21, 1985
11:30 A.M.

ORIGINAL

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

MEMBERS PRESENT

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Kenneth Cory, State Controller, Chairperson

Jesse R. Huff, Director of Finance
Laura Schlichtmann, representing Leo T. McCarthy,
Lieutenant Governor

MEMBERS ABSENT

NONE

STAFF PRESENT

Claire Dedrick, Executive Officer

Robert Hight, Chief Counsel

James Trout, Assistant Executive Officer

Frederick Ludlow, Staff Counsel

Lance Kiley

Moose Thompson

Jane Smith, Secretary

ALSO PRESENT

Dave Judson, Deputy Attorney General

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PROCEEDINGS

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CHAIRPERSON CORY: We'll call the meeting to order.

Jess Huff is in route and will be here shortly.

We'll try to take care of some of the items beforehand.

First we have the confirmation of the Minutes of October 24th. Without any objections, they will be confirmed as presented and such will be the order.

We have a Report of the Executive Officer.

EXECUTIVE OFFICER DEDRICK: You have the report before you. Just to emphasize a couple of the items. The 10,000 foot well, the experimental well that's being done by the federal government on a piece of state lands at the Salton Sea has been spudded on September 23rd. This well should give us a good deal of information on the deep geothermal capacity of the Salton Sea area.

The other item I'd like to call to your attention is that the November net profits payments from the field contractors 80 percent share of Track 1 in Long Beach brings the total net profits payments to the field contractors, by the field contractor to over two billion dollars. From Track 1, the total net profits is now in excess of two and half billion. Is that correct, Moose?

CHAIRPERSON CORY: That's from the commencement of the --

1 EXECUTIVE OFFICER DEDRICK: That's correct.

2 MR. THOMPSON: Long Beach units.

3 EXECUTIVE OFFICER DEDRICK: From the commencement of
4 the units.

5 CHAIRPERSON CORY: I didn't notice any payments like
6 that this month.

7 EXECUTIVE OFFICER DEDRICK: Gee, you're hard to
8 please.

9 CHAIRPERSON CORY: Okay. We've got the Report of
10 the Executive Officer.

11 Next item we'll take up will be the consent
12 calendar. For those people in the audience, the consent
13 calendar has the letter "C" ahead of, preceding the number of
14 the calendar item and they go C-1 through 24, and we will
15 take those up in a single motion with the proposed staff
16 recommendation unless someone in the audience has a problem
17 with the proposed action. We have taken off calendar Item
18 C-3. So it will not be taken up. The other items, unless
19 there is some objection by someone in the audience, will be
20 taken up in a single motion. So if there is anyone here who
21 disagrees with the proposed staff recommendation, we'd like
22 to hear from you now.

23 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, could we
24 move C-18 to the regular calendar?

25 CHAIRPERSON CORY: Pardon me. C-18 is no longer on

1 the consent calendar. It will be taken up as a separate
2 item. So it is Item C-1 through 24 excluding 3 and 18.

3 Is there any other item that needs to be removed?

4 Without objection, the consent calendar will be
5 approved as presented, excluding 3 which is off calendar and
6 18 which is on the regular calendar. Okay.

7 We have a series of items. Mr. Elder is here. Mr.
8 Elder, you are here for --

9 ASSEMBLYMAN ELDER: 35.

10 CHAIRPERSON CORY: -- Item 33. So we would, I think
11 we should take that one up so you can get on with your
12 schedule and we can do our work without you observing us.

13 ASSEMBLYMAN ELDER: Two billion dollars, huh? Well,
14 that's a tidy sum of money and being Long Beach, of course,
15 they're more than anxious to share those revenues with the
16 people in Northern California if they'll just give us a
17 little water. The accidents of geology and geography are
18 such that we can't really control the equitable distribution
19 of those resources, but we all have needs.

20 I have Item 33 on agenda and I appreciate very much
21 the opportunity to address the Commission. I would like to
22 present to the Commission at this time letters from the Long
23 Beach oil royalty owners who are the property owners within
24 the area represented I believe on the map on the wall here in
25 the Long Beach area. These are known as the upland owners.

1 This is the portion of the oil field that's
2 generated the two billion dollars located under the land as
3 opposed to under the ocean. Since 1964 that portion of the
4 oil field was thought to represent approximately 11 percent
5 of the reserves in the field, and subsequent geological
6 information has suggested a figure somewhat less than that,
7 and the terms of the 1964 agreement, Chapter 138, require
8 that if that adjustment is made, it has to go back to 1964
9 and those people have to pay back any additional excessive
10 revenues that were paid them, and the terms of the agreement
11 also stipulate that pay back be in the form of a 50 percent
12 reduction in their future royalties. And that particular
13 provision is extremely burdensome now for these individuals
14 because the oil field is going to last I believe until the
15 year at least 2010, and therefore the 50 percent reduction is
16 no longer required as initially called for in the agreement.

2
17 We have time to recover any overpayment of these
18 individual property owners and these letters suggest support
19 for my AB 2568 which was signed into law this year, well, not
20 signed into law, actually became law this year. And that
21 bill provides for a reduction in that 50 percent payback
22 schedule to as low as ten percent which, of course, will
23 provide an opportunity for the state to receive its share
24 should that be determined to be appropriate.

25 These letters suggest support for AB 2568 and urge

1 the Commission to implement it which the staff report frankly
2 suggests take place. So I'm here frankly to support the
3 recommendations of staff and that 2568 be implemented.

4 I'd like to submit these letters from Long Beach oil
5 royalty owners who we've been able to identify which is a
6 very serious problem, by the way.

7 CHAIRPERSON CORY: That we're very glad to have in
8 the record to get those people identified.

9 It is the staff's recommendation that Commission
10 agree to consider the approval of a reduction in rate of
11 retroactive equity adjustments and that we authorize the
12 Executive Officer to contact the various parties to start
13 negotiating the collection of data and information that will
14 enable us to comply with the statute and to also direct the
15 Executive Officer to report back to the Commission on the
16 progress of the staff and we'd like to have at the next
17 meeting when you think you can conclude this whole thing so
18 everyone knows.

19 EXECUTIVE OFFICER DEDRICK: I would say not before
20 January. Let me ask Moose --

21 CHAIRPERSON CORY: Can you give us a report at the
22 January meeting as to when you will have this concluded?

23 EXECUTIVE OFFICER DEDRICK: Yes, we can do that, Mr.
24 Chairman.

25 MR. THOMPSON: This involves meeting with the City

1 of Long Beach. So it takes some time.

2 CHAIRPERSON CORY: But the January meeting you
3 should give us an estimate of when we can complete it. Not
4 that it's going to be completed in January, but we'll have a
5 time frame.

6 EXECUTIVE OFFICER DEDRICK: Yes.

7 MR. THOMPSON: More important, hopefully we'll get
8 a feeling from the participants who must approve the second
9 part of this. In other words, the Commission has taken
10 action, unless all the participants in the unit agree to it,
11 it would not become effective. So we're trying to get some
12 consensus to see if the participants would go along with the
13 move.

14 ASSEMBLYMAN ELDER: I might indicate for the record
15 that the Long Beach Unified School District is one of the
16 benefiting property owners as is of course the city of Long
17 Beach by virtue of its parks and streets in that area and any
18 public lands it owns. But the principle trust of this is
19 frankly not from them, but rather from the individual
20 property owners many of whom are in advanced years and with
21 these payments cut in some cases to zero because the 50
22 percent repayment schedule was not implemented in a timely
23 way, their checks have been reduced to anywhere from 20
24 percent of what they formerly were to zero percent. As for
25 some, this represented the amount of money necessary for them

1 to make retirement decisions. They're in a very difficult
2 circumstance.

3 Individuals who know and who can wait are in the
4 process of buying up these leases at bargain rates because no
5 payments are being received, recognizing over a two or three
6 year period they would resume at a level yet to be
7 determined. So individuals are being panicked, and I think
8 the Commission's position is totally, the staff
9 recommendation is totally consistent with the objects of the
10 bill as to provide these individuals with some relief in
11 their later years.

12 MR. THOMPSON: I think Assemblyman Elder has brought
13 up a point here that we're having trouble with and that is
14 the fact there's a working relationship between the working
15 interest owner and the royalty owner that is beyond what
16 happens in the unit, and those arrangements sometimes we're
17 going to have trouble in finding real assurance in any
18 benefit that you pass onto royalty owners actually ends up in
19 the royalty owner's hands.

20 CHAIRPERSON CORY: The statute does address itself
21 to that, does it not?

22 EXECUTIVE OFFICER DEDRICK: That is correct.

23 MR. THOMPSON: It puts the burden on the Commission
24 to make sure that happens.

25 ASSEMBLYMAN ELDER: But it would be clear to the

1 individual that the State of California has done everything
2 it can to ease the burden and that if, in fact, the burden is
3 not eased, then the responsibility lies with the oil
4 companies who are refusing to make a pass through.

5 CHAIRPERSON CORY: Okay. We have the item before
6 us. Any questions from Commissioners?

7 MR. TROUT: We just want to add that the Commission
8 at the headquarters office has also received communications
9 from the town lot owners urging this action and we have those
10 for the record, too.

11 CHAIRPERSON CORY: Anybody in the audience on this
12 item?

13 Without objection, Item 33 will be approved as
14 presented.

15 Thank you, Mr. Elder.

16 ASSEMBLYMAN ELDER: Thank you, Mr. Chairman.

17 CHAIRPERSON CORY: Thank you for taking the time out
18 of your schedule.

19 Item 25. This is extension of suspension of further
20 consideration of applications relating to the sighting of
21 hazardous waste management facilities on state lands in Inyo
22 County.

23 Is there anybody in the audience on this item?

24 Any questions of Commissioners?

25 Without objection, Item 25 will be approved as

1 recommended by the staff.

2 Item 26, approval of agreement between Exxon and
3 Atlantic Richfield to remove, Ellwood Pier in Santa Barbara,
4 to remove an abandoned well casing, two-thirds, one-thirds
5 split on the expenditures of that.

6 Any questions from Commissioners?

7 Anybody in the audience on this item?

8 Without objection, Item 26 will be approved as
9 presented.

10 Item 27. This is in accordance with a Memorandum of
11 Understanding with Department of Water Resources for a
12 recreational pier in Montezuma Slough, Solano County.

13 Any questions from Commissioners?

14 Anybody in the audience on this one?

15 Without objection, Item 27 is approved as presented.

16 Item 28, approval of a Letter of Authorization to
17 drill two test bore sites in tide and submerged lands one and
18 a half miles north of Point Conception, Santa Barbara County.
19 This is a request of coastal --

20 EXECUTIVE OFFICER DEDRICK: That is correct.

21 CHAIRPERSON CORY: --for Chevron to see about laying
22 the pipeline underground?

23 EXECUTIVE OFFICER DEDRICK: That's correct.

24 CHAIRPERSON CORY: Anybody in the audience on this
25 item?

1 Questions from Commissioners?

2 Without objection, Item 28 will be approved as
3 presented.

4 Item 29. This is an application of Robert and Leah
5 Forester. Recommended that we deny without prejudice the
6 application for use of state owned land. This is in the Napa
7 River.

8 Is there anybody in the audience on this item?

9 Any questions of the Commissioners?

10 Without objection, we will deny without prejudice
11 this application. Such will be the order.

12 Item 30, approval of a five year renewal of general
13 grazing lease from January 1, '86 on 440 acres of school land
14 three miles northwest of Santa Cruz, livestock grazing \$453
15 per annum.

16 Anybody in the audience on this item?

17 Questions of Commissioners?

18 Without objection, Item 30 will be approved as
19 presented.

20 Item 31 is a five year renewal of a general lease,
21 agricultural use, row crop in Santa Cruz County for \$8610 per
22 year.

23 Anybody in the audience on this item?

24 Questions of Commissioners?

25 Without objection, 31 will be approved as

1 presented.

2 Item 32, one year renewal of general lease,
3 agricultural use, for \$23,584 a year, Santa Cruz row crop
4 land.

5 Anybody in the audience on this item?

6 Questions from Commissioners?

7 Without objection, Item 32 will be approved as
8 presented.

9 Item 33, we've already taken care of.

10 Item 34 is off calendar. Is that correct?

11 EXECUTIVE OFFICER DEDRICK: That is correct.

12 CHAIRPERSON CORY: Item 35, consideration of
13 resolution, Hermosa Beach tidelands drilling, and we have
14 some people here from Hermosa Beach who want to speak on this
15 one.

16 Staff, will you give us a quick rundown on this item
17 while they're coming forward to talk to us? Who's going to
18 fill us in on Hermosa Beach's --

19 EXECUTIVE OFFICER DEDRICK: Mr. Trout, Jim, would
20 you?

21 MR. TROUT: Mr. Chairman, the City of Hermosa Beach
22 has a tideland grant in which the legislature has also
23 granted the minerals.

24 Hermosa Beach joins to the north Redondo Beach in
25 L.A. County. Redondo Beach currently is producing from state

1 lands pursuant to their grant. The City of Hermosa Beach has
2 asked the Commission to consider its request to offset the
3 drainage from Redondo Beach and develop the structure
4 offshore of the City of Hermosa Beach.

5 According to what the city has advised us, that a
6 significant percent of the citizens in the city rescinded a
7 prior no oil and gas development drilling ordinance and the
8 City Council has adopted an oil and gas leasing ordinance.

9 In effect, the Commission must take several steps.
10 The Commission is required to approve a resolution that sets
11 forth the terms and conditions of the lease, the time and
12 place for the bid opening and other matters.

13 The Commission also must make several findings. It
14 must make findings that there is oil and gas in the area in
15 which they propose to lease, that there is drainage from that
16 area and that leasing would be in the best interest of the
17 state. This also includes approval of the form of lease
18 proposed to be issued by the city.

19 One of the problems that appears to prevent action
20 by the Commission today and why we're recommending that you
21 defer it is that we do not have completion of the
22 environmental treatment as required by the California
23 Environmental Quality Act. The city has considered that
24 point, but we're not sure that it completely complies with
25 the terms of the act.

1 So what we're asking you to do today is to recognize
2 for the city that the application is in the shop, that you
3 defer any action on the item today, but thirdly that you
4 direct the staff to diligently work with the city to attempt
5 to resolve what differences we have and get back to you as
6 quickly as possible.

7 CHAIRPERSON CORY: Okay. Who wishes to speak first
8 from the city?

9 MR. BRUTSCH: I think I'll do that. My name is
10 Councilman Gary Brutsch and I'm from Hermosa Beach. I'd like
11 to speak in support of the project and I'd like to give you a
12 brief history of what has occurred.

13 In 1907 the State of California granted by deed to
14 the City of Hermosa Beach the right to recover hydrocarbons
15 in the submerged tidelands off its shore. In 1932 the people
16 of Hermosa Beach voted to prohibit any further drilling into
17 the tidelands. In 1984, by a vote of 4354 yes and 2961 no,
18 which is a significant number, the people of Hermosa voted to
19 allow an exception to the 1932 drilling prohibition.

20 The people voted favorably to allow the city to
21 drill into the tidelands from a site specific, the city owned
22 maintenance yard, located approximately one-half mile east of
23 the shoreline in an industrial area approximately 500 yards
24 from any residential structure.

25 The proceedings from this well must be specifically

1 used to acquire and maintain parks and open space,
2 specifically used to maintain parks and open space. The
3 question is what convinced the voters to allow hydrocarbon
4 recovery.

5 Number one, after Proposition 13 and a 17 percent
6 reduction of state and federal bailout monies, the City of
7 Hermosa Beach is experiencing a tremendous general fund
8 revenue shortfall necessitating reduction of staff and field
9 services.

10 Number two, the monies derived from hydrocarbon
11 recovery would give the city a source of income sufficient
12 to purchase and maintain presently available open space and
13 thereby free up general fund money. And this open space is
14 railroad right-of-way property. It's about 21 acres that
15 runs right through the middle of our town.

16 Number three, another mitigating factor is the
17 presence of 48, 48 offshore and 19 onshore wells located on
18 our southern border in Redondo Beach. Since 1956 these wells
19 have produced in excess of eight million barrels of oil and
20 nine million cubic feet of gas.

21 Gentlemen, this production represents millions of
22 dollars to the City of Redondo Beach and the tidelands fund.
23 The City of Hermosa Beach would like to exercise its right
24 under the tidelands trust and utilize hydrocarbon recovery
25 revenues to benefit its citizens as Redondo has.

1 I'm an environmentalist actively working to block
2 offshore oil drilling. However, I believe that with proper
3 environmental constraints, onshore oil drilling can be a
4 tremendous benefit to our citizens.

5 Gentlemen and ladies, the mandate is clear, my
6 constituents demand that we explore every means available to
7 bring new revenues into our city. In the spirit of
8 proposition 13 we do not support increased property taxes.

9 I respectfully submit that we have met the criteria
10 for onshore drilling as promulgated by your State Lands
11 Commission. I therefore respectfully request that you allow
12 our city to proceed with this project.

13 This project has gone beyond the bureaucracy.
14 The issue in Hermosa Beach is we do not have funds. We have
15 an opportunity to acquire some open space and we do not have
16 the money to buy that.

17 If you allow us to go forward and drill our wells,
18 the money will be used to acquire open space needed in a very
19 densely populated area.

20 Thank you very much.

21 CHAIRPERSON CORY: Questions from Commissioners?

22 Mr. Meyer, do you wish --

23 MR. MEYER: Yes. My name is Gregory T. Meyer,
24 City Manager for the City of Hermosa Beach and I wish to
25 make a brief statement urging that you enact the staff

1 recommendation that is before you today.

2 The City of Hermosa Beach is appearing before you to
3 request what we believe we are legally entitled to, the right
4 to drill for hydrocarbon recovery in the tidelands of Hermosa
5 Beach.

6 The city has been very upfront and direct about its
7 intentions and over many months of discussions with
8 Commission staff sought to develop a workable Request for
9 Proposal process. The City Council adopted its resolution of
10 intent to so proceed. We have retained competent legal
11 counsel and employed a geologist in order to insure that our
12 process is proper and that it adequately protects the rights
13 of all interested parties and of the environment.

14 All that we ask of the honorable Commission is
15 authorization to proceed with, number one, the Request for
16 Proposal process, number two, a full environmental impact
17 report process that would be coordinated with a successful
18 driller and, number three, proceed with developing an
19 appropriate lease document that adequately provides for both
20 state and city interests.

21 In the judgment of city staff, the recovery of
22 tidelands oil from the city corporate yard site can be done
23 legally and safely. The oil field has proven and bidders are
24 ready to respond. We are therefore prepared to proceed on
25 any reasonable basis pursuant to the Commission's direction.

1 Thank you, Mr. Chairman.

2 CHAIRPERSON CORY: Okay. I have one question. Do
3 you have any tax on extraction of oil, city tax?

4 MR. MEYER: At this point there is a small barrel
5 tax.

6 CHAIRPERSON CORY: How much is that per barrel?

7 MR. MEYER: It's approximately I believe five cents
8 a barrel. We do have some current wells, all that predate
9 the 1932 prohibition of drilling.

10 CHAIRPERSON CORY: Do you have any plans to increase
11 that?

12 MR. MEYER: The Council has considered it and has
13 taken no action at this time.

14 CHAIRPERSON CORY: At some point as this goes
15 through, that is one issue that at least I as one
16 Commissioner am going to be looking at in terms of if that is
17 used as a device to circumvent the trust, I would have some
18 problems with it.

19 I think the open space probably complies with the
20 trust doctrine. I'm not sure of that. The lawyers of the
21 Lands Commission and AG's office would have to deal with.
22 But I would prefer to have the proceeds of that impressed
23 with the public trust doctrine so it's for all of the people
24 of the state. Obviously the City of Hermosa Beach residents
25 would get much greater use, but if it's derived from the

1 tidelands property, the benefit should extend to people
2 generally in having that trust doctrine on there would be
3 helpful.

4 MR. BRUTSCH: Mr. Chairman, if I might, there's no
5 intent to deceive here. The issue here is solely for the
6 purpose of trying to develop our open space.

7 CHAIRPERSON CORY: I just wanted to put that on the
8 record so you knew and you have looked at the staff
9 recommendations. As I understand it, they want to go ahead
10 and proceed with completing the environmental documentation
11 and the staff is going to move with all alacrity --

12 MR. TROUT: Yes, sir.

13 CHAIRPERSON CORY: --if we approve this to get
14 Hermosa Beach's problem up or down in a way we can live with
15 it.

16 MR. TROUT: Yes, sir.

17 MR. BRUTSCH: We appreciate that support. This has
18 been a long process for us, about a year.

19 CHAIRPERSON CORY: Anybody in the audience on this
20 item?

21 Without objection then, the staff recommendation
22 will be approved as on items, three and four of the item.

23 MR. BRUTSCH: Thank you.

24 MR. MEYER: Thank you.

25 CHAIRPERSON CORY: Thank you very much for coming

1 up. We appreciate it.

2 Okay. Item 36 is request from Shell Western E & P
3 Inc. for deferment of drilling operations on a Ventura County
4 lease.

5 Is there anybody in the audience on this item?

6 Any questions from Commissioners? Without
7 objection, Item 36 will be approved as presented.

8 Item 37, disposing of subsidence cost. Since Long
9 Beach isn't subsidizing, we don't have to pay them anything.
10 Is that what we're --

11 MR. THOMPSON: No. As part of the settlement we
12 agreed to pay these costs.

13 CHAIRPERSON CORY: But this is something we've
14 already approved and it's just closing out the account, that
15 it was within budget.

16 MR. THOMPSON: This is an ongoing thing that's done
17 every year to see if there are any subsidence in the area.

18 CHAIRPERSON CORY: Is there anybody in the audience
19 on this item?

20 Questions from Commissioners?

21 Without objection, item 37 will be approved as
22 presented.

23 Item 38, notification to Long Beach of direct field
24 contractor sale off.

25 EXECUTIVE OFFICER DEDRICK: Mr. Chairman.

1 CHAIRPERSON CORY: This is an item in which there is
2 currently a minimum over bid requirement; is that correct?

3 EXECUTIVE OFFICER DEDRICK: That is correct.

4 CHAIRPERSON CORY: And the staff thinks maybe we
5 ought to eliminate that given the competitive environment.
6 Is that where we're at?

7 MR. THOMPSON: I believe the staff and the Attorney
8 General have come up with this particular recommendation.
9 Mr. Willard can speak to that. I don't know whether anybody
10 from the Attorney General can concur with that, but Willard
11 can speak to that now.

12 They are concerned at the present time that the
13 crude oil market is somewhat depressed and they have some
14 concerns over putting a minimum in and they can explain
15 these.

16 MR. WILLARD: Well, Al Willard, engineer with the
17 Long Beach office.

18 Our concern is that the recent bids that we've been
19 seeing in our sell offs have not been all that large. The
20 terms of this particular sell off is that we're asking for a
21 bid over the highest posted price in the field. The terms of
22 the Long Beach unit agreement is one of the average price in
23 those fields. And it can work out that actually a lower bid,
24 a negative bid could turn out to be a positive bid from the
25 sense of as comparing it with the terms of the Long Beach

1 unit agreement.

2 And we would recommend that the Commission retain
3 the discretion of obviously rejecting any bids that you
4 receive. When and if we receive bids, we'll report back to
5 you. If they're sufficiently low and it doesn't appear that
6 it's in your best interest to accept it, why you can reject
7 it. But not to place a minimum bid on the --

8 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, I'd like
9 to recommend that if you decide to go forward with this
10 change in policy which I have no real opinion on, that we do
11 it on a case by case basis. We won't see the results of this
12 for sometime.

13 CHAIRPERSON CORY: The only request before us is for
14 this particular sell off?

15 EXECUTIVE OFFICER DEDRICK: That is correct.
16 I'd just like to make that clear.

17 MR. THOMPSON: This is rather a complicated one and
18 we have to give long term notice on this and actually we do
19 not sell it off nor neither does the City of Long Beach.
20 Actually field contractor sells it off. It's kind of a very
21 left-handed arrangement.

22 EXECUTIVE OFFICER DEDRICK: I'd like staff to track
23 this one closely and report back to me and to you on what the
24 effects of this change in policy is.

25 CHAIRPERSON CORY: The fact that you had to ask that

1 here, do they sometimes not report back to you, Clare? Are
2 you telling us something?

3 EXECUTIVE OFFICER DEDRICK: I think that problem
4 arises in any organization, Mr. Chairman.

5 CHAIRPERSON CORY: Is there anybody in the audience
6 on this item?

7 Questions of Commissioners?

8 Without objection, Item 38 will be approved as
9 presented.

10 Item 39, modification deferment of drilling
11 operations on state oil and gas leases PRC 308, 309, 3120,
12 3242. These are just changing the actual well numbers; is
13 that correct, Moose?

14 MR. THOMPSON: You had a prior approval by specific
15 well numbers.

16 We're not going to drill one of those, so we need
17 your specific approval to change to another well number.

18 CHAIRPERSON CORY: Is there anybody in the audience
19 on this item?

20 Questions of Commissioners?

21 Without objection, Item 39 will be approved as
22 presented.

23 Item 40, approval of a compromise title settlement
24 agreement concerning 12 acres in San Carlos, San Mateo
25 County.

1 Anybody in the audience on this item?

2 Any questions of Commissioners?

3 MR. HIGHT: Mr. Chairman, in 40 and 41 we need to
4 note for the record that you are acting as trustees of the
5 Land Bank Trust Fund in addition to your capacity as Lands
6 Commissioners because we're accepting money in both items.

7 CHAIRPERSON CORY: So we are accepting that in both
8 capacities?

9 MR. HIGHT: Yes.

10 CHAIRPERSON CORY: And we want the record to clearly
11 show that?

12 MR. HIGHT: Correct.

13 CHAIRPERSON CORY: Did nimble fingers get both of
14 those capacities I hope so I don't have to repeat them?

15 Okay. Questions of Commissioners?

16 Anybody in the audience?

17 Without objection, Item 40 is approved as presented.

18 Item 41, compromise title settlement agreement in
19 which we are acting both as the Lands Commission and as
20 Trustee.

21 Anybody in the audience on the Item 41?

22 Any questions of Commissioners?

23 Without objection, Item 41 will be approved as
24 presented.

25 Item 42 is off calendar.

1 MR. TROUT: Mr. Chairman we still need to dispose of
2 Item 18 I believe.

3 CHAIRPERSON CORY: 18, C 18, pardon me. We're now
4 at C 18. This is a, there was a proposed dredging permit
5 which, as I understand it, the Executive Officer has not
6 signed or issued.

7 EXECUTIVE OFFICER DEDRICK: That's true. It is
8 within my discretion under your direction to issue permits
9 for under 10,000 cubic yards. And as it happens in this
10 instance, that letter was never issued. The applicant,
11 however, has carried out some of the dredging and deposited
12 spoils on the disposal site they proposed which is a marsh.

13 CHAIRPERSON CORY: Is there anybody in the audience
14 on this item? Yes, ma'am. Would you come forth and identify
15 yourself for us.

16 MS. SCHWARDE: I'm Dina Schwarde and I'm
17 representing Tahoe Keys Marina.

18 EXECUTIVE OFFICER DEDRICK: Could you pull the mike
19 a little closer to you.

20 MS. SCHWARDE: I'm Dina Schwarde and I'm
21 representing Tahoe Keys Marina.

22 CHAIRPERSON CORY: To help us since we've got it on
23 the tape, would you spell the last name?

24 MS. SCHWARDE: S-c-h-w-a-r-d-e.

25 CHAIRPERSON CORY: Okay. And what we have before us

1 is a request for a dredging permit or what specifically do we
2 have before us?

3 MR. TROUT: Mr. Chairman, you had an informative
4 item in which the Executive Officer was informing you that
5 she had signed the permit. Between the time the calendar
6 item was prepared and today we found that there were some
7 problems with the proposed permit and, therefore, it was not
8 signed.

9 In the meantime we have determined from, not only
10 from Tahoe Keys Marina, but from others that apparently the
11 dredging project has in fact been started and may have been
12 substantially carried out. And therefore, we wanted to
13 report that condition to you and let the applicant have a
14 chance to explain.

15 EXECUTIVE OFFICER DEDRICK: We are not asking you to
16 take action. In fact we recommend against taking action
17 today.

18 CHAIRPERSON CORY: Could you tell us what the status
19 is and how we got to where we are?

20 MS. SCHWARDE: All right. In August 25th I wrote a
21 letter to the State Lands Division requesting information on
22 the necessity of getting a permit to conduct some urgently
23 needed maintenance dredging in the channel that's the access
24 channel that goes into the marina from the lake.

25 I had gotten an exception from the federal court

1 injunction against the TIPA so that they would be able to
2 proceed since they felt that it was a matter of public health
3 and safety.

4 I went ahead and I've gotten five other permits. I
5 want you to know I'm not adverse to getting permits. This
6 operation had taken place before and in 1979 and I had not
7 been involved in that procedure at the time, and there was an
8 environmental document adopted or certified on it and waste
9 discharge requirements were adopted by the Regional Water
10 Quality Control Board.

11 So all those agencies concurred, the Army Corps,
12 Fish and Game, that the project could proceed. I left. I
13 went on a trip to Europe, but all my permits were in and when
14 I came back because we weren't going to proceed until after
15 we had received our State Lands permit. And when I came back
16 I hadn't heard any or the applicant, he didn't send it in or
17 anything. So it was like he knew that was the last thing
18 that had to be resolved.

19 So I sent it in and I spoke to Miss Martinez and she
20 said that it would be an administrative permit and that it
21 would be issued as soon as possible. I explained to her I
22 had another constraint and that is a grading deadline in the
23 basin. It's a moratorium against moving earth. And we had
24 built the berms around the disposal site, and if it, if the
25 berms should fail, we would have to bring in some heavy

1 equipment into that area which is not, it's pretty
2 environmentally sensitive and the TIPA would not appreciate
3 us doing that during the grading moritorium.

4 So I had those two constraints on me as far as
5 getting going.

6 We did not do it intentionally. It was my
7 understanding that we had been granted the permit and that's
8 the way I understood it and that it was in the mail. She
9 said the Army Corps permit's in the mail and I said yes, I
10 know. And as soon as I got that I jet packed that back down
11 to the Army Corps. She said your permit should be coming in
12 a few days.

13 We proceeded without receiving that permit which I
14 didn't quite understand. I just thought it was going to be a
15 letter and it was a fact that it was signed. So, I'm sorry.

16 CHAIRPERSON CORY: Is there -- the staff would like
17 to sit down and negotiate some resolution?

18 EXECUTIVE OFFICER DEDRICK: Yes, we would Mr.
19 Chairman. We have a problem with the disposal site in
20 question that has come up and we would like to facilitate
21 handling their problem, but we're going to need a few days to
22 do it. So we'll report back to you --

23 CHAIRPERSON CORY: The problem rests not with the
24 dredging site but the disposal?

25 EXECUTIVE OFFICER DEDRICK: That is correct as far

1 as I understand it. Is that correct, Lance?

2 MR. KILEY: Yes.

3 CHAIRPERSON CORY: If you would have time --

4 MS. SCHWARDE: Can I answer any questions?

5 CHAIRPERSON CORY: Well, I would guess it's probably
6 better, rather than take time in this formal a meeting just
7 to get the staff together with you at your earliest
8 convenience to try to get it resolved as to what we can do in
9 terms of the disposal site because I'm sort of reading
10 between the lines of what's said, but apparently there's a
11 problem for some reason of having put it where it's been put.

12 EXECUTIVE OFFICER DEDRICK: I think that is a
13 problem.

14 CHAIRPERSON CORY: Not having taken it from where
15 it's been taken.

16 EXECUTIVE OFFICER DEDRICK: That I think is correct.
17 But we certainly can begin the process again and using the
18 information we have and discuss it with --I missed your last
19 name.

20 MS. SCHWARDE: Schwarde.

21 CHAIRPERSON CORY: Thank you very much.

22 So there is no action required on this item?

23 EXECUTIVE OFFICER DEDRICK: Right.

24 CHAIRPERSON CORY: Okay. Is there anything else to
25 come before the Commission in this meeting?

1 EXECUTIVE OFFICER DEDRICK: No, sir.

2 CHAIRPERSON CORY: So what we should do is adjourn
3 this meeting and open another meeting; is that --

4 EXECUTIVE OFFICER DEDRICK: That's correct.

5 CHAIRPERSON CORY: --the wish of the staff and the
6 legal beagles here? Okay. We stand adjourned of the regular
7 meeting.

8 (Thereupon the Meeting of the State Lands
9 Commission was adjourned at approximately
10 11:30 a.m.)

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 hereinafter 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 12 day of December, 1985.

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17 Cathleen Slocum
18 Cathleen Slocum
19 Certified Shorthand Reporter
20 License No. 2822
21
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