

MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
Room 126

TUESDAY, DECEMBER

23, 1986

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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

ORIGINAL

STATE CAPITOL
ROOM 12G
SACRAMENTO, CALIFORNIA

TUESDAY, DECEMBER 23, 1986
10:15 A.M.

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

COMMISSIONERS PRESENT

Lizabeth Rasmussen, Chairperson, Commission Alternate
for Kenneth Cory, State Controller

Nancy Ordway, Commission Alternate
for Jesse R. Huff, Director of Finance

STAFF PRESENT

Claire T. Dedrick, Executive Officer

Robert Hight, Chief Counsel

Jack Rump, Assistant Chief Counsel

Lance Kiley, Chief, Land Management and Conservation Division

Dwight Sanders, Chief, Research and Planning Division

W. M. Thompson, Chief, Extractive Development Division

Lisa Beutler, Chief, Enforcement Section

Jane Smith, Commission Secretary

ALSO PRESENT

N. Gregory Taylor, Assistant Attorney General

Jan Stevens, Supervising Deputy Attorney General

I N D E X

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P R O C E E D I N G S

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CHAIRPERSON RASMUSSEN: Bring the meeting to order. This is the State Lands Commission. The first item of business is the minutes for the meeting of November 20, 1986. Are there any questions, additions for the minutes?

The minutes are approved as presented.

Ms. Dedrick, would you please present the Report of the Executive Officer.

EXECUTIVE OFFICER DEDRICK: No report today, Madam Chairman.

CHAIRPERSON RASMUSSEN: That's the kind of report we like.

EXECUTIVE OFFICER DEDRICK: Yes, I understand that.

CHAIRPERSON RASMUSSEN: The next item of business is the Consent Calendar. It's Items C1 through C13. These are items that have been deemed to be non-controversial. We'll take them up with one motion unless there is someone who would like to pull one of those items out for discussion separately.

COMMISSIONER ORDWAY: Motion.

CHAIRPERSON RASMUSSEN: The consent agenda has been approved as presented.

EXECUTIVE OFFICER DEDRICK: Madam Chairman, excuse me. There are some items that have been pulled from the

1 calendar. Would you like me to comment on those?

2 CHAIRPERSON RASMUSSEN: Yes.

3 EXECUTIVE OFFICER DEDRICK: They are Items 14, 15,
4 18, 23 and 27.

5 CHAIRPERSON RASMUSSEN: Did everyone hear that?

6 COMMISSIONER ORDWAY: Items 14, 15, 18, 23 and 24?

7 EXECUTIVE OFFICER DEDRICK: Twenty-three and 27. We
8 would also ask that Item 26 be put over to the end of the
9 calendar.

10 CHAIRPERSON RASMUSSEN: All right. That will be how
11 we will proceed then. Items 14 and 15 then are off the
12 agenda.

13 EXECUTIVE OFFICER DEDRICK: That's correct.

14 CHAIRPERSON RASMUSSEN: Our next item is Item 16.

15 EXECUTIVE OFFICER DEDRICK: Chairman, this is the --
16 Item 16 and 17 go to some extent together. The Item 16 is an
17 application by the River Bank Village and the River Bank
18 Holding Company for a lease on a parcel of land in the
19 Sacramento River adjacent to a lease they already hold.

20 Item 17 is an application for that same group to
21 lease a 50-foot parcel in which they are in a trespass.

22 We have received a letter from the people in charge
23 of this organization -- Tom Westley, specifically -- asking
24 for an extension or proposing a 90-day extension on the 884
25 date on Item 17. 884 runs on the 1st of January.

1 I suggest, Commissioners, that you accept that and
2 also accept an extension, if they will offer it, on the Item
3 16 and under those circumstances put over the items so that
4 we can negotiate a settlement.

5 CHAIRPERSON RASMUSSEN: All right, that's Items 16
6 and 17.

7 EXECUTIVE OFFICER DEDRICK: That is correct. That
8 would extend the 884 date on item -- I think you need to hear
9 from Mr. Westley to be sure that this still works.

10 CHAIRPERSON RASMUSSEN: Yes, I have a request here
11 from Mr. Westley, partner in the River Bank Holding Company
12 and River Bank Village. It states that he wishes to request
13 an extension of time to act on the application.

14 Did you wish to address the Commission?

15 EXECUTIVE OFFICER DEDRICK: That would be Item 17, I
16 think, which would put that one over for three months. We
17 thought it would probably also be a good idea if they're
18 willing to give us an extension in case we need it on the
19 Item 16.

20 CHAIRPERSON RASMUSSEN: These two items are related.
21 Mr. Westley.

22 MR. WESTLEY: That would be fine with us,
23 Commissioners.

24 COMMISSIONER ORDWAY: Move to put Items 16 and 17 on
25 a 90-day extension.

1 CHAIRPERSON RASMUSSEN: It's been moved and is
2 approved that these two items will be held, given a 90-day
3 extension.

4 EXECUTIVE OFFICER DEDRICK: That's all there is to
5 it.

6 Thank you, Mr. Westley.

7 MR. WESTLEY: Thank you very much.

8 CHAIRPERSON RASMUSSEN: Item 18 is off the agenda.
9 Item 19.

10 EXECUTIVE OFFICER DEDRICK: Item 19 is a five-year
11 rent review and approval of continuation of the rent with the
12 Santa Catalina Island Company on the piers and other
13 constructions at Isthmus Cove in Catalina Harbor.

14 CHAIRPERSON RASMUSSEN: Any questions on Item 19?

15 COMMISSIONER ORDWAY: Motion.

16 CHAIRPERSON RASMUSSEN: Item 19 is approved as
17 presented.

18 Item 20.

19 EXECUTIVE OFFICER DEDRICK: Item 20 is a letter to
20 authorize a continuation of a relatively low rent of \$550 a
21 year to Mr. Mel Wolf on his jojoba plantation for
22 continuation of one year.

23 CHAIRPERSON RASMUSSEN: Any questions on item 20?

24 COMMISSIONER ORDWAY: Motion.

25 CHAIRPERSON RASMUSSEN: Item 20 is approved as

1 presented.

2 Item 21.

3 EXECUTIVE OFFICER DEDRICK: Item 21 is the approval
4 of an amendment of a 30-year lease in Contra Costa County to
5 change the rental. Cannery Cove Marina, Inc.

6 COMMISSIONER ORDWAY: Motion.

7 CHAIRPERSON RASMUSSEN: Item 21 is approved as
8 presented.

9 Item 22.

10 EXECUTIVE OFFICER DEDRICK: Item 22 is an
11 authorization of a temporary reduction of insurance from
12 \$1 million to \$500,000. Again, we have a client here who is
13 having a very hard time meeting the Commission's insurance
14 requirements.

15 COMMISSIONER ORDWAY: Does that 500 provide enough
16 coverage?

17 EXECUTIVE OFFICER DEDRICK: It's the best we can do,
18 Nancy. It's what it was, Commissioner. What we are doing is
19 giving him an extension of that while he tries to get more
20 time in which to try to find the million dollars.

21 It's a general problem that's coming up more and
22 more frequently. As you know, we've discussed it briefly
23 with you. We have an in-house study ongoing.

24 COMMISSIONER ORDWAY: How long is temporary?

25 EXECUTIVE OFFICER DEDRICK: For another year.

1 MR. HIGHT: It's actually until he can get back to
2 us. We can make it for any time that we would like. We can
3 make it a time certain of six months or a year.

4 COMMISSIONER ORDWAY: I feel more comfortable with
5 six months. We can bring it back and review it then.

6 Move it at six months.

7 CHAIRPERSON RASMUSSEN: When is the staff report
8 going to be done?

9 EXECUTIVE OFFICER DEDRICK: Lance is in charge of
10 that.

11 MR. KILEY: The staff report should be in-house
12 circulating -- I would expect to have something to say to the
13 Commission by the January meeting.

14 CHAIRPERSON RASMUSSEN: All right.

15 EXECUTIVE OFFICER DEDRICK: I think that's a little
16 premature. I would say more likely it will be February. I
17 don't think we'll have that kind of review time in January,
18 Lance, but it's a good try.

19 MR. KILEY: I defer to your greater wisdom.

20 CHAIRPERSON RASMUSSEN: Item 22 is approved as
21 amended.

22 Item 23 is off the agenda.

23 Item 24.

24 EXECUTIVE OFFICER DEDRICK: This is an approval of a
25 sublease from Union Oil to the Point Pedernales Pipeline

1 Company for the pipeline that they are constructing from the
2 offshore to Lompoc.

3 CHAIRPERSON RASMUSSEN: Any questions on 24?

4 COMMISSIONER ORDWAY: Motion.

5 CHAIRPERSON RASMUSSEN: Item 24 is approved as
6 presented.

7 Item 25.

8 EXECUTIVE OFFICER DEDRICK: Item 25 is the approval
9 of a one-year Salvage Permit --

10 COMMISSIONER ORDWAY: Twenty-five was off.

11 EXECUTIVE OFFICER DEDRICK: No, 27 is off.

12 Item 25 is approval of a one-year Salvage Permit to
13 a person who wants to look for a stagecoach full of gold that
14 apparently sank in the Owens Lake a good many years ago.

15 COMMISSIONER ORDWAY: People really do that, huh?

16 EXECUTIVE OFFICER DEDRICK: Yes, ma'am.

17 COMMISSIONER ORDWAY: Hey, if he wants -- is it a he
18 or a she?

19 EXECUTIVE OFFICER DEDRICK: Malcolm D. Stewart I
20 think is --

21 COMMISSIONER ORDWAY: If Malcolm wants to go search
22 for a stagecoach of gold, far be it from us. I'll move it.

23 EXECUTIVE OFFICER DEDRICK: Thank you.

24 CHAIRPERSON RASMUSSEN: Item 25 is approved as
25 presented.

1 Item 26 we will take up after we've completed the
2 rest of the agenda.

3 Item 27 is off calendar.

4 So, that brings us to Item 28.

5 EXECUTIVE OFFICER DEDRICK: Item 28, Commissioners,
6 is a little bit complicated. At the last Commission meeting
7 you put out a package of Royalty Oil for bid with a 25-cent
8 minimum. No bids were received and at the time that the
9 notice of this meeting went out, that was all the knowledge
10 that staff had. Therefore, the notification is for the
11 return of Royalty Oil to the Union Oil Company.

12 In the interim we have been notified of a
13 possibility to negotiate a price over the 25-cent minimum.
14 Union Oil has given us an extension of an extra month, which
15 is the month of January, in order to work on this problem.

16 We would like you not to adopt the resolutions that
17 are in the calendar item, but to give us permission to try to
18 negotiate a price above the 25-cent minimum for this package
19 of oil, report back to you in the January meeting.

20 CHAIRPERSON RASMUSSEN: Any questions?

21 The oil market being what it is and changing
22 daily --

23 COMMISSIONER ORDWAY: Fluid.

24 CHAIRPERSON RASMUSSEN: Yes, fluid.

25 COMMISSIONER ORDWAY: I'll move your recommendation.

1 CHAIRPERSON RASMUSSEN: I think your recommendation
2 is a good one.

3 EXECUTIVE OFFICER DEDRICK: Thank you,
4 Commissioners.

5 CHAIRPERSON RASMUSSEN: Item 28 is approved as
6 amended.

7 Item 29.

8 EXECUTIVE OFFICER DEDRICK: Item 29 is consideration
9 of an agreement with the City of Long Beach to abandon the
10 Magnolia Drill Site, which is an old site for Parcel A that
11 is located in an area where the City has a chance to get a
12 very good, very productive lease for the tidelands for hotel
13 construction.

14 CHAIRPERSON RASMUSSEN: Questions on 29?

15 COMMISSIONER ORDWAY: You sort of pre-empted my
16 question. question was going to be: When they close down
17 the drill site, are they going to make it pretty?

18 EXECUTIVE OFFICER DEDRICK: Yes.

19 COMMISSIONER ORDWAY: They're going to build a
20 hotel?

21 EXECUTIVE OFFICER DEDRICK: Yes. It's that parcel
22 that's across the street from the Hyatt Regency, the large
23 empty parcel there.

24 COMMISSIONER ORDWAY: Of course, they need another
25 hotel.

1 EXECUTIVE OFFICER DEDRICK: That would make it a lot
2 more -- well, it's connected to the Convention Center. So,
3 they see it as very profitable.

4 COMMISSIONER ORDWAY: Motion.

5 CHAIRPERSON RASMUSSEN Item 29 is approved as
6 presented.

7 Item 30.

8 EXECUTIVE OFFICER DEDRICK: Item 30 is just a brief
9 report on the AB 2568, as the Commission has requested that
10 we report to you.

11 A meeting was held at which Mr. Trout and Moose
12 Thompson attended with the oil companies and the people from
13 the equity holders. All I can report at this point is that
14 the meeting was held, nobody killed anybody and we are
15 continuing to try to find a way to resolve the problem.

16 CHAIRPERSON RASMUSSEN: My, things are looking up.
17 Any questions on Item 30?

18 Item 30 is approved as presented.

19 Item 31.

20 EXECUTIVE OFFICER DEDRICK: Item 31 is the revenue
21 report to the Commission. As you can see, the number is up
22 from the last projection, which was \$82 million. We're up to
23 140 million; with an 87-88 current prediction of 120 million.

24 Mr. Thompson is here and if would you like him to
25 give you some more detail on the subject, I'm sure he'd be

1 happy to do so.

2 COMMISSIONER ORDWAY: OPEC futures were at 17
3 yesterday?

4 MR. THOMPSON: I didn't see this morning's paper.
5 But that's what they were yesterday, a little over \$17.

6 COMMISSIONER ORDWAY: When will that trickle down?
7 No pun intended.

8 MR. THOMPSON: There's really no correlation to
9 that. That's some degree of hedging or optimism on there.
10 At the same time that they were quoting the futures market at
11 \$17, the actual posted prices just went up from \$14 to \$15.

12 COMMISSIONER ORDWAY: Is there any indication when
13 they're going to try and put their squeeze on?

14 MR. THOMPSON: I just read the papers. Apparently
15 they're still trying to negotiate it. Apparently it seems to
16 me they're still trying to work on a RAC. The main problem
17 is just trying to get the oil back down enough in the
18 production rate.

19 They also have a storage problem that there's about
20 an extra 200 million barrels in storage. Even though they
21 cut back a million barrels a day, it takes time to soak it
22 up.

23 COMMISSIONER ORDWAY: I'll move the adoption of the
24 updated revenue estimates.

25 CHAIRPERSON RASMUSSEN: All right. It's better

1 news, but still not the best news. Item 31 is approved as
2 presented.

3 Item 32.

4 EXECUTIVE OFFICER DEDRICK: Item 32 is the Fifth
5 Modification of the Long Beach Plan and Budget, which
6 provides for the replacement of piping at one of the sites.

7 COMMISSIONER ORDWAY: Motion.

8 CHAIRPERSON RASMUSSEN: Item 32 is approved as
9 presented.

10 Item 33.

11 EXECUTIVE OFFICER DEDRICK: The Sixth Modification
12 which revises the economic projections of --

13 COMMISSIONER ORDWAY: I'll move 33 and 34, The Sixth
14 and Seventh Modifications.

15 EXECUTIVE OFFICER DEDRICK: Thank you.

16 CHAIRPERSON RASMUSSEN: Items 33 and 34 are approved
17 as presented.

18 Item 35 we need some additional language or
19 something here.

20 MR. HIGHT Yes, Madam Chairman. This morning we
21 have agreed upon -- staff and the representatives of the
22 Island Company have agreed upon a boundary line agreement and
23 lease-back and we would ask you to authorize the staff to put
24 that agreement into final form.

25 The terms are that we would agree on 30 acres at a

1 49-year lease and the first five-year rent at seven percent
2 of the appraised value.

3 CHAIRPERSON RASMUSSEN: I have two attendance sheets
4 here from Winfield Wilson, an attorney with the Santa
5 Catalina Company, and Roger Woolly, also with the Santa
6 Catalina Island Company. They're here to answer questions
7 and comment if necessary. Are there any questions?

8 COMMISSIONER ORDWAY: I have one question.

9 Roger, is that tentative agreement agreeable --
10 that's agreeable to the company?

11 MR. WOOLLY: Yes, Commissioner, if it's agreeable
12 and acceptable by you.

13 COMMISSIONER ORDWAY: I'll move it.

14 CHAIRPERSON RASMUSSEN: Item 35 is approved as
15 presented by Mr. Hight.

16 Item 36.

17 MR. HIGHT: Item 36 is the authorization to settle
18 litigation to a boundary line and a lease-back at the Beach
19 Club at Santa Monica.

20 COMMISSIONER ORDWAY: Motion.

21 CHAIRPERSON RASMUSSEN: Questions on 36?

22 Item 36 is approved as presented.

23 Item 37.

24 MR. HIGHT: Item 37 is the authorization to --

25 COMMISSIONER ORDWAY: Motion.

1 CHAIRPERSON RASMUSSEN: Item 37 is approved as
2 presented.

3 Item 38.

4 MR. HIGHT: Is authorization to execute contracts
5 for geohazards and consultant services.

6 CHAIRPERSON RASMUSSEN: Any questions on 38?

7 COMMISSIONER ORDWAY: Motion.

8 CHAIRPERSON RASMUSSEN: Item 38 is approved as
9 presented.

10 That brings us back to Item 26. Are we prepared to
11 discuss Item 26?

12 MR. HIGHT: Let's put it over.

13 CHAIRPERSON RASMUSSEN: You think you need some
14 additional time? You want to remove it from the calendar and
15 bring it up at a --

16 COMMISSIONER ORDWAY: Can we just put it to the
17 January meeting?

18 MR. HIGHT: Yes.

19 EXECUTIVE OFFICER DEDRICK: Yes, I think that's the
20 thing to do. We just haven't received word back on a
21 potential agreement.

22 CHAIRPERSON RASMUSSEN: There's no problems with our
23 AB 884 or any deadlines?

24 EXECUTIVE OFFICER DEDRICK: No, that one's okay.

25 COMMISSIONER ORDWAY: I have only one matter of

1 bus ness.

2 This being December and in a few weeks some new
3 people take office, this will be Libby's last meeting. I
4 just want to thank her for being a terrific Chair and
5 representing the Controller's Office so amiably. We'll miss
6 you.

7 CHAIRPERSON RASMUSSEN: Thank you. It's been a
8 pleasure. It really has. Thank you.

9 (Applause.)

10 COMMISSIONER ORDWAY: On that, I'll move to adjourn.

11 CHAIRPERSON RASMUSSEN: I'll second that.

12 (Thereupon the meeting of the State Lands
13 Commission was adjourned at 10:30 a.m.)

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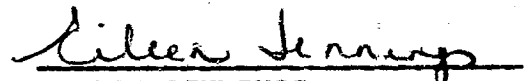
CERTIFICATE OF SHORTHAND REPORTER

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

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

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

12 IN WITNESS WHEREOF, I have hereunto set my hand this
13 7th day of January, 1987.

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19 EILEEN JENNINGS
20 Certified Shorthand Reporter
21 License No. 5122
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