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SUMMARY

MEETING OF THE CALIFORNIA LANDS COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 19, 1998

10:30 a.m.

1 World Way  
Board of Airport Commissioners  
Meeting Room  
Department of Airports  
Administration Building  
Los Angeles, California,

REPORTED BY:  
Lori D. Casillas,  
CSR No. 9869, RPR  
Our File No. 46694

1           COMMISSIONERS PRESENT:

2           KATHLEEN CONNELL, State Controller - Chair

3           MICHAEL FLORES, Lieutenant Governor's Office - Member

4           ROBIN DEZEMBER, Department of Finance - Member

5

6           STAFF PRESENT:

7

8           ROBERT HIGHT  
9           Executive Officer

10

11          PAUL THAYER  
12          Assistant Executive Officer

13

14          JACK RUMP  
15          Chief Legal Counsel

16

17          PAUL MOUNT  
18          Mineral Resources Management

19

20          SHARON SHAW  
21          Administrative Assistant II

22

23          STAFF SPEAKERS:

24

25          DAVE PLUMMER  
26          Public Land Manager

27

28          JEFF PLANCK  
29          Senior Engineer

30

31          REPRESENTING THE ATTORNEY GENERAL'S OFFICE:

32

33          DENNIS M. EAGAN  
34          Deputy Attorney General

35

36          PUBLIC SPEAKERS:

37

38          Bruce Spaulding

39

40

41

1 MS. CONNELL: I believe we will call the  
2 meeting to order. I like to begin meetings on time.

3 I'm calling the meeting to order and  
4 there are three representatives present this morning  
5 and all three are present.

6 The first item of business will be the  
7 adoption of minutes from our last meeting.

8 May I have a motion from one of the  
9 board members to approve the minutes?

10 MR. DEZEMBER: I move approval.

11 MS. CONNELL: Thank you. The motion has  
12 been moved.

13 Mr. Flores, do you want to second that?

14 MR. FLORES: I second that.

15 MS. CONNELL: There is a unanimous vote  
16 on that motion.

17 The next order of business will be the  
18 adoption of the consent calendar.

19 I call our executive officer Bob Hight  
20 to indicate which items have been removed from the  
21 consent calendar.

22 MR. HIGHT: Items C-77 and C-89 have  
23 been removed from the consent calendar and they will  
24 be heard at a later commission meeting.

25 MS. CONNELL: Is there anyone in the

1 audience today who wishes to speak on an item on the  
2 consent calendar?

3 Okay. If not, we will proceed with the  
4 vote.

5 May I have a motion on the consent  
6 calendar, please.

7 MR. DEZEMBER: Yes. I move it.

8 MR. FLORES: Second.

9 MS. CONNELL: It's been moved and  
10 seconded. That vote carries it unanimously.

11 That now takes us to the regular  
12 calendar Item 132. This is a Kapiloff Land Bank  
13 purchase of a parcel at the -- and you'll have to  
14 help me with the word --

15 MR. HIGHT: Cosumnes Preserve.

16 MS. CONNELL: -- Cosumnes River  
17 Preserve.

18 Mr. Hight, will you brief us, please.

19 MR. HIGHT: Yes, Madam Chair and  
20 commissioners.

21 Item 132 is the purchase with Kapiloff  
22 Land Bank of the parcel shown on the map in green in  
23 the Cosumnes River Preserve. The Cosumnes area is  
24 about 15 miles south of Sacramento off of  
25 Interstate 5.

1                   The Bureau of Land Management has  
2 started a few years ago with the acquisition of land  
3 along the entire river from the Sierras to the Delta.  
4 And it's their grand goal to develop this land for a  
5 habitat preservation and restoration.

6                   There are a number of partners and I'll  
7 name them, but they're all willing participants. All  
8 sellers are willing sellers. The farmers in the area  
9 are farming the land. And it's being used as a  
10 wildlife habitat.

11                   The partners are the Bureau of Land  
12 Management, The Department of Water Resources, The  
13 Wildlife Conservation Board, the County of  
14 Sacramento, The Nature Conservancy, The American  
15 Farmland and Trust, Sacramento Valley Open Space,  
16 Environmental Protection Agency, Bureau of  
17 Reclamation, U.S. Fish and Wildlife, National Fish  
18 and Wildlife Foundation and Ducks Unlimited.

19                   So this is an extremely --

20                   MS. CONNELL: Broad coalition.

21                   MR. HIGHT: -- broad coalition, yes.

22                   And in your blue folder you will find  
23 four pictures of the site as well as two letters of  
24 support from Senator Patrick Johnson and from Ducks  
25 Unlimited.

1                   The staff believes that this is a very  
2 exciting project. And we would be most happy to take  
3 you there when the time would be convenient.

4                   And with that, do you have any  
5 questions?

6                   MS. CONNELL: Let's sponsor a nature  
7 hike and picnic for the board members.

8                   MR. HIGHT: Yes.

9                   MS. CONNELL: Is there anyone in the  
10 audience who wants to speak on this item?

11                   Are there any comments from my fellow  
12 commissioners?

13                   MR. DEZEMBER: No.

14                   MR. FLORES: No.

15                   MS. CONNELL: Then may I have a motion  
16 on this item, please.

17                   MR. DEZEMBER: Yes, I move approval for  
18 the acquisition.

19                   MR. FLORES: Second.

20                   MS. CONNELL: It's moved and seconded.  
21 It's a unanimous vote. So recorded.

22                   Item 133. This concerns a settlement  
23 agreement at Mission Bay in San Francisco. And this  
24 will allow for the establishment of an expansion  
25 campus of the University of California at San

1 Francisco.

2 Again, Mr. Hight, will you give us  
3 details of this item?

4 MR. HIGHT: Yes, Madam Chair. I would  
5 like to ask Dennis Eagan with the Attorney General's  
6 office. He and Dave Plummer of staff and Blake  
7 Stevenson of staff have negotiated this rather  
8 complex transaction that is going to result in a very  
9 beneficial use. So I would like Dennis to explain  
10 it.

11 MS. CONNELL: Mr. Eagan, please.

12 MR. EAGAN: We have some graphic aids  
13 here. The first is an orientation oblique aerial  
14 photo. Some obvious landmarks are the Bay Bridge.  
15 This area right here just above Mission Creek Channel  
16 is the area of the new Giant's ball park/Pac Bell  
17 park, which is currently under construction.

18 This is Mission Creek Channel, which  
19 comes back in through here. And, again, Third Street  
20 coming across the left of the O'Doull Bridge and then  
21 down this way. The freeway coming in, the rail yards  
22 of Fourth and Townsend.

23 This is called the Mission Bay area  
24 because back in the 19th Century this area right in  
25 here was indeed a bay, was predominantly tide and mud

1 flats. And, of course, that included tide and  
2 submerged lands.

3 Now, for over 100 years this area has  
4 been filled. And it is no longer physically tide and  
5 submerged lands, but it gets history as tide and  
6 submerged lands. And, of course, that creates title  
7 issues concerning the existence of the public trust,  
8 which is why the State Lands Commission is involved.

9 The predominant private property owner  
10 in this area is Catellus Development Corporation.  
11 And they have, in conjunction with the city,  
12 developed a plan for developemnt of this area within  
13 the Mission Bay development area, so-called, which  
14 runs roughly around here, down here to 16th Street,  
15 dips below 16th in a few instances, and runs out  
16 almost to the bay, and then back up to north of the  
17 channel, several hundred acres of property.

18 In 1991 and 1992 state legislature  
19 passed enabling legislation allowing the title  
20 problems in this area to be cleared up. There was at  
21 that time a Mission Bay development plan that had  
22 been approved by the city and county of San Francisco  
23 with Catellus as the developer. It later developed  
24 that that plan became economically infeasible. And  
25 now we're at Plan B -- or Catellus is.



1                   And the principle element of Plan B is  
2 approximately a 43 acre area right in here just above  
3 16th Street and is slated for use as an expansion  
4 campus for the University of California at San  
5 Francisco. They're the anchor tenant, if you will,  
6 in this area.

7                   And this is a slightly more direct  
8 overview. Again, the area in orange is the Mission  
9 Bay development area which I described earlier. And  
10 then this area here is the 43 acre parcel, which is  
11 proposed for expansion as part of the UCSF campus.

12                   We're here today just on a portion of  
13 that, which is this so-called Block 24 area, which is  
14 right down in here. It's slightly larger. The  
15 shaded area of the university expansion campus is  
16 right in this area.

17                   The problem in terms of title in this  
18 area, in order for the university to get clear title,  
19 certain tideland streets which shoot through this  
20 area have to be closed and also any tideland trust  
21 issues have to be terminated. And that's where the  
22 State Lands Commission comes in.

23                   In 1997 the state legislature authorized  
24 the sale of state tideland streets in this area. And  
25 the eventual outcome of that authorization is an

1 agreement which is before you today for approval.

2 It has essentially two elements. Two  
3 groups of streets, if you will, that are going to be  
4 sold. One group to the city, the so-called city  
5 street parcels, which are here in purple within  
6 Block 24. And then the so-called state street sale  
7 parcels, which are going to be sold to Catellus. And  
8 they're in orange here, here, here, here, here, here.

9 The consideration for this sale of  
10 streets, under the legislation, is the conveyance of  
11 other privately owned property to the university for  
12 this phase of its campus expansion. There will be  
13 other phases that will come before the commission for  
14 approval of later agreements, but this is the first  
15 in line, if you will.

16 The commission has to determine that  
17 these streets are no longer useful for trust  
18 purposes. Staff recommends approval of that finding.  
19 They're cut off from access to the bay and have been  
20 filled for over 100 years. And the other remaining  
21 principle finding is that the value that's going to  
22 the university in terms of property equals or exceeds  
23 the value in the state street sale parcels that are  
24 being sold on the one hand to Catellus or to the  
25 city.

1                   And the staff has made a study of the  
2 appraisal in regard to that issue and has determined  
3 and recommended that the commission make a finding  
4 that the equal or greater value test is met.

5                   In brief outline, that's the plan. Here  
6 is a sketch, if you will, or a rendering of what the  
7 current development plan will look like at full build  
8 out. The Giant's ball park, of course, is not a part  
9 of the plan, but it's in the same area. It's  
10 adjacent. The university campus will be roughly in  
11 this area here, running down Third and 16th over and  
12 up in this area. Again, approximately 43 acres.

13                   And then the surrounding development,  
14 which will be the subject of a later exchange  
15 agreement, which will be coming before the commission  
16 probably within the next year.

17                   We have here a representative of the  
18 University of California at San Francisco, the vice  
19 chancellor Bruce Spaulding who would like to make a  
20 brief presentation to the commission concerning the  
21 campus expansion plans of the university.

22                   MS. CONNELL: I actually have two  
23 requests for presentations here today. Mr. Spaulding  
24 and Mr. Stimpson.

25                   Is Mr. Stimpson in the audience as well?

1 MR. STIMPSON: I'm right here. I'm  
2 available to answer questions.

3 MS. CONNELL: Why don't we begin with  
4 Mr. Spaulding then.

5 Bruce, can you come forward and  
6 introduce yourself by title for the record.

7 MR. SPAULDING: Of course. Thank you.

8 Good morning. I'm Bruce Spaulding and  
9 I'm the vice chancellor for the university  
10 advancement and planning at the University of  
11 California at San Francisco.

12 And I'm here today to thank you for  
13 considering this matter; to thank the staff for all  
14 the work that has gone on in bringing this before you  
15 today. And indicate that favorable consideration of  
16 this agenda item will enable the jump starting of a  
17 new exciting UCSF campus.

18 The University of California San  
19 Francisco is the largest non-governmental, meaning  
20 non-federal or state governmental, employer in San  
21 Francisco with 15 thousand employees. And an  
22 extremely vital health services campus, including a  
23 major research endeavor.

24 However, the University of California  
25 has been land locked for 20 years in its major

1       parnasis facility since the mid '70s due to  
2       agreements which were struck with the neighbors, the  
3       city, and the state. The University of California at  
4       San Francisco has not been able to expand beyond a  
5       very narrowly constrained boundary in the parnasis  
6       sites area of the city.

7                 In response to that, the city, the  
8       state, and the university planners have all got  
9       together and proposed a new major biomedical research  
10      campus at Mission Bay. This campus would be a total  
11      of 43 acres. The campus would ultimately, on the  
12      campus acreage itself, employ up to 8,000  
13      individuals.

14                And the land use concept that has been  
15      proposed by the city, Catellus, and agreed upon by  
16      the regents and the university, calls for an exciting  
17      biomedical research enterprise at the core of this 43  
18      acres surrounded by concentric zones.

19                And that first concentric zone would be  
20      an area to attract biotech R and D, research and  
21      development, which we anticipate will be a major  
22      economic shot in the arm to the city, in addition to  
23      the economic incentives that will come to the  
24      community in the bay area at large as a result of the  
25      UCSF expansion, per se.

1                   So UCSF would like to get going on this  
2 process. We have architects engaged for the first  
3 two buildings on Block 24, which is the matter before  
4 you today.

5                   One of those buildings is a major  
6 biomedical research facility with a budget currently  
7 of about 120 million dollars. The second facility is  
8 a slightly smaller -- but still quite significant --  
9 research facility with a budget of 99.5 million  
10 dollars. We have architects engaged in designing  
11 these buildings.

12                   We would love to break ground in 1999  
13 and start developing the full campus, which as I  
14 indicated, would be at build out 2.65 million square  
15 feet.

16                   And your favorable consideration of this  
17 matter today will enable us to begin this road that  
18 we, the campus and the community, have been awaiting  
19 impatiently, and some voters, for the last 20 years.

20                   Thank you.

21                   MS. CONNELL: Mr. Spaulding, may we  
22 direct some questions to you?

23                   MR. SPAULDING: Sure.

24                   MS. CONNELL: I have some and I'm sure  
25 the other board members may as well.

1                   Is this a quasi public facility we're  
2 building for U.C. San Francisco? It sounds to me  
3 like you're joint venturing with the private sector  
4 here.

5                   MR. SPAULDING: Not on the campus, per  
6 se. The buildings on the 43 acre parcel that's being  
7 conveyed by these various actions through the street  
8 transfers and the transfer of the Catellus  
9 properties, which are approximately 30 acres, will  
10 result in a core campus.

11                   On that core campus it's anticipated  
12 that those will be primarily regents owned and state  
13 owned facilities developed with a number of  
14 innovative financial approaches, but title to the  
15 land and fee will be transferred to the regents.

16                   MS. CONNELL: Okay. Let me just  
17 understand this: If title is going to be handled by  
18 the regents, we will always own the land, but we will  
19 be leasing through some kind of fee system the  
20 facilities themselves, the laboratory facilities? Is  
21 this similar to what we are doing at the University  
22 of San Diego?

23                   MR. SPAULDING: No. Actually there is a  
24 land use plan and they are two distinct -- if I  
25 could --

1 MS. CONNELL: Thank you.

2 MR. SPAULDING: We had this blown up for  
3 anyone in the audience. Am I audible if I proceed  
4 here?

5 MS. CONNELL: Is everyone able to hear  
6 Mr. Spaulding?

7 MR. SPAULDING: The concept in terms of  
8 the two uses that you focused in on are that the blue  
9 area in the center is the actual UCSF campus. And  
10 that will be developed primarily in more of a  
11 traditional state manner.

12 The area around it in the orange is an  
13 area that would be zoned by the city as an area for R  
14 and D and would be an area where there might be  
15 buildings that would be perhaps joint ventures with,  
16 let's say, pharmaceutical companies, biotech  
17 companies, and the university. But those would be on  
18 privately owned land. That's the current plan.  
19 Those would be in the abutting area.

20 So, for example, unlike the UCI model  
21 with Hitachi, the concept now is that the university  
22 would primarily be in control of the 43 acres. The  
23 joint ventures with private companies would acquire,  
24 through acquisition or through purchase or long-term  
25 lease, properties in the abutting zone from Catellus.



1 Or even perhaps abutting land owners outside the  
2 Catellus holdings. And that interactive ventures  
3 would be in that zone.

4 It is conceivable that some time in the  
5 future that the regents may determine that on their  
6 property within the 43 acres that there could be some  
7 sort of joint venture with a private company or an  
8 independent institute.

9 But at this time, the current plan to  
10 meet UCSF needs is a 2.65 million square foot program  
11 that accommodates the needs of the University of  
12 California faculty and the needs for expansion and  
13 consolidation for UCSF itself, not new ventures with  
14 the private sector.

15 MS. CONNELL: I just want to be clear on  
16 that.

17 Because I think it's important to your  
18 legal interpretation as well, Dennis, of "same or  
19 greater value " here.

20 If we're transferring through our action  
21 today, I want to make sure the beneficiary here is  
22 UCSF, and that we are not indeed giving property as a  
23 conduit through UCSF to private sector venture  
24 activities.

25 I mean I am totally supportive of the

1 venture activity for biomedical. That's the only way  
2 we're going to fund the biomedical excellence in  
3 California. But I want to just make sure that we're  
4 clear in the actions that we take who benefits from  
5 the transfer of those rights.

6 And I just want to indicate, again, then  
7 this is going to UCSF, and it is the intent at this  
8 time to use that primarily for academic and R and D  
9 activity for the university. Subsequent there may be  
10 some synergistic development around the boundaries of  
11 this particular designated parcel that would support,  
12 supplement and enhance, perhaps, the R and D work of  
13 the university.

14 Is that a correct statement, Bruce?

15 MR. SPAULDING: That's precisely  
16 correct. That's the plan. And that plan has been  
17 adopted formally by the regents in a long range  
18 development plan and a full California environmental  
19 impact report has begun reflecting that. So the  
20 title to the land and the activities within the 43  
21 acres would be exclusively regental actions for  
22 regental purposes. No private purpose.

23 MS. CONNELL: Are there questions of  
24 Mr. Spaulding? Robin, do you have questions?

25 MR. DEZEMBER: No, I don't have any.

1 MS. CONNELL: Michael, do you have any  
2 questions?

3 MR. FLORES: No.

4 MS. CONNELL: Thank you very much.

5 MR. SPAULDING: You're welcome.

6 MS. CONNELL: I do believe we had  
7 another individual.

8 Mr. Stimpson, did you want to answer any  
9 questions or provide any additional information at  
10 this point?

11 MR. STIMPSON: I'm just available for  
12 any questions, if there are any.

13 MR. HIGHT: Mr. Stimpson is from  
14 Catellus Development. And he's here in case there  
15 are any questions.

16 MS. CONNELL: Mr. Stimpson, I would like  
17 to ask a question to you about your future plans. If  
18 you could approach the podium, please.

19 MR. STIMPSON: Sure.

20 MS. CONNELL: Mr. Spaulding just went  
21 through what the intent was of the UCSF and the board  
22 of regents regarding their parcel of land.

23 What is the likelihood of receiving the  
24 kind of interests that was indicated by Mr. Spaulding  
25 in the surrounding orange areas of the map?

1                   Have you been actively soliciting  
2                   biomedical or pharmaceutical companies? And is there  
3                   an interest in this particular geographic area by  
4                   those companies?

5                   MR. STIMPSON: Let me answer. At this  
6                   point we're not actively soliciting joint venture  
7                   opportunities or leasing opportunities. We're in an  
8                   entitlement mode. We're just preparing the site for  
9                   development.

10                  We actually have, though, to answer the  
11                  question, we've gotten numerous calls from  
12                  pharmaceutical companies, biotech companies, and many  
13                  companies within the bay area whose roots were from  
14                  UCSF, who ended up going to Emeryville or to south  
15                  San Francisco or other places in the bay area who  
16                  would prefer to be closer to the university.

17                  So we have fielded many questions and  
18                  have spoken to people about the plan. And we feel  
19                  that there will be a significant interest as we get  
20                  through the entitlement and the predevelopment  
21                  process and into the actual marketing process, which  
22                  we would expect will begin next year.

23                  MS. CONNELL: If you don't use the  
24                  adjacent land for pharmaceutical companies, what do  
25                  you think might be a compatible use?

1 MR. STIMPSON: Well, the area is zoned  
2 as office and biotech, R and D. And it allows those  
3 types of uses. And so we would have the flexibility  
4 of providing office uses or research and development.  
5 And actually in some instances some retail uses as  
6 well.

7 The idea is this is a mixed use  
8 community and there would be a lot of opportunities  
9 for different types of uses to interact within the  
10 entire Mission Bay area.

11 MS. CONNELL: What is the density in  
12 this area?

13 MR. STIMPSON: I can tell you the  
14 different uses, and I think it might be -- rather  
15 than a density of 2.65 FAR. I'm not sure if that's  
16 helpful.

17 MS. CONNELL: That's the whole parcel?

18 MR. STIMPSON: Yeah. What we have in  
19 the yellow area is about 6,000 housing units,  
20 including 1,700 affordable housing units that would  
21 be built by the redevelopment agency on land that  
22 Catellus donated.

23 In the campus, as Bruce Spaulding  
24 mentioned, is 2.65 million square feet of R and D  
25 space for the university. And there will be about

1 5 million square feet of space in the Catellus  
2 property surrounding in the red -- or rust colored  
3 areas of 2.5 million square feet.

4 MS. CONNELL: Is Catellus serving as a  
5 developer of the property itself or as a land  
6 developer? In other words, will you be doing the  
7 actual construction of structures yourself or are you  
8 just serving as the person who has acquired the land,  
9 has gotten it permitted, and is selling off parcels?

10 MR. STIMPSON: We will take a whole  
11 range of roles. Let me distinguish, first of all,  
12 the university's property, we have -- the role we  
13 have on the university's property is to provide  
14 infrastructure around -- because this area, as you  
15 can tell from the aerial photos, is an old industrial  
16 area. It needs all new infrastructure, from the  
17 roads and sewers and everything else, and open space.  
18 And that's our function with respect to the  
19 university.

20 Whereas the university will be building  
21 the buildings on the campus. Surrounding the  
22 university we will be doing the land development,  
23 which includes putting in the infrastructure. And  
24 then there will be a variety of options for us.

25 We're a development company, so we will

1 be building some of the buildings, whether it's  
2 housing for rent or for sale or whether it's  
3 commercial. But we also will be selling some lots as  
4 well to make this site develop out in a timely  
5 manner.

6 And a lot of times, for pharmaceutical  
7 companies particularly, they may want to own a site.  
8 And so we would work with them to either do a  
9 long-term lease or to sell them a site or develop it  
10 for them on a lease basis.

11 MS. CONNELL: Thank you.

12 Are there any questions of Mr. Stimpson?

13 MR. DEZEMBER: No.

14 MR. FLORES: No.

15 MS. CONNELL: Thank you, sir.

16 MR. STIMPSON: Thank you.

17 MS. CONNELL: Now, I believe that we're  
18 ready at this point for a motion.

19 Can I receive a motion from one of the  
20 board members on this agenda item?

21 MR. FLORES: I move for approval.

22 MR. DEZEMBER: Second.

23 MS. CONNELL: It's been moved and  
24 seconded. And that's a unanimous note.

25 Now I believe we're now on Item 134 --

1 oh, excuse me.

2 Are there any other members of the  
3 audience -- I should have asked that before the  
4 vote -- who wanted to speak on this item? Thank you.

5 Item 134. This is an important item on  
6 the subsea well abandonment program in the Santa  
7 Barbara Channel. It seems every agenda we have Santa  
8 Barbara.

9 May we have a staff presentation on this  
10 item, please?

11 MR. HIGHT: Yes, Madam Chair. Paul  
12 Mount and Jeff Planck of the commissions' Long Beach  
13 operations will present this item.

14 MR. MOUNT: Good morning.

15 In the 1960's a number of subsea  
16 exploratory development wells were drilled in the  
17 Santa Barbara Channel. A number of these wells, 23  
18 to be exact, were never abandoned and they existed up  
19 until this project. At the direction of the State  
20 Lands Commission, six major oil companies had spent  
21 over 100 million dollars abandoning these wells.

22 Jeff Planck, our senior engineer in  
23 charge of this project, is going to give you a  
24 presentation and explain what this is all about.

25 MS. CONNELL: Thank you.



1                   Jeff?

2                   MR. PLANCK: Thank you, Paul.

3                   Good morning, Commissioners.

4                   This was an exciting project bringing  
5 together the best of government and business toward a  
6 common goal for the benefit of both.

7                   The acronym SWARS, stood for Subsea Well  
8 Abandonment and Rig Sharing. It began as a request  
9 from one oil company to remove some old equipment  
10 from one of the 1960 wells. And under the direction  
11 of the commission and staff it became an  
12 unprecedented project with six oil companies sharing  
13 one rig to abandon the 23 wells.

14                   This avoided piece meal environmental  
15 documentation and potentially a number of rigs, and  
16 saved considerable time and money required to abandon  
17 the wells.

18                   The six companies involved were Shell --  
19 which is now AERA -- Chevron, Phillips, Texaco, and  
20 Unocal. They formed a project management company to  
21 oversee this phase of the project. And as Paul said,  
22 committed over 100 million dollars to the project.

23                   The SLC staff identified 23 oil wells  
24 and various leases which were shut in and no longer  
25 producing. We stressed on the operators the

1 environmental and financial wisdom of taking care of  
2 all these wells at the same time.

3 The wells were originally drilled from  
4 mobile rigs, there was no associated platform. And  
5 the production flowed straight from the well head to  
6 shore through flow lines.

7 And it wasn't only the industry which  
8 would save time and money, but it was also the state,  
9 local and federal agencies which had interest in or  
10 permit approval over the project.

11 Under the lead of the commission the  
12 other agencies, The Coastal Commission, The Division  
13 of Oil and Gas, Fish and Game, Port of Quality  
14 Control Board, the local Santa Barbara County Energy  
15 Division, and APCD, and the federal agencies EPA, and  
16 Fish and Game, Wildlife, the Corp of Engineers, the  
17 Coast Guard, MMS all reviewed the IR and permitting  
18 effort.

19 It was quite an undertaking and a joint  
20 effort of the industry and government working in  
21 partnership to achieve a public trust goal.

22 The mission was well defined: Properly  
23 abandon these 23 wells and remove the subsea well  
24 heads and the associated flow lines and restore the  
25 ocean floor to its original condition. This was the

1 largest phase of this project and is the subject of  
2 this presentation.

3 MS. CONNELL: What was the time period  
4 on this?

5 MR. PLANCK: It occurred over -- it was  
6 programed for nine months and occurred over eight  
7 months.

8 MS. CONNELL: What --

9 MR. PLANCK: From August of 1997 to  
10 March of this year.

11 MS. CONNELL: Thank you.

12 MR. PLANCK: During the life of these  
13 wells, they collectively produced over 4 million  
14 barrels of oil and 140 billion cubic feet of gas  
15 without incident to the benefit of the state.

16 Geotechnical and biological surveys were  
17 done prior to bringing the rig in and a visual survey  
18 of the well heads showed that they had some close  
19 encounters with fishing nets. The well heads --

20 MS. CONNELL: What does that mean,  
21 "close encounters with fishing nets"?

22 MR. PLANCK: That means we had to remove  
23 a lot of fishing nets before we could do the work.

24 MS. CONNELL: So the close encounter was  
25 actually very intimate? Okay.

1                   MR. PLANCK: The well heads and the flow  
2 lines were cleaned of marine growth and the flow  
3 lines were disconnected from the well head prior to  
4 moving the rig in.

5                   The abandonment process was simple, but  
6 it was complicated by the age and neatness of each  
7 well head. Special tools and equipment had to be  
8 developed. The rig was positioned over each well and  
9 the well head was connected to the rig and --

10                  MS. CONNELL: Excuse me.

11                  Can every member of the audience see  
12 this? Is this screen positioned in a way that -- I'm  
13 afraid that this half of the audience is missing the  
14 presentation.

15                  Are you able to see? If you want to, in  
16 any case, move so that you can get the benefit of  
17 this.

18                  Go ahead, please, Jeff.

19                  MR. PLANCK: Okay. The process of  
20 abandoning the wells starts with moving the rig over  
21 the well head and attaching this conduit to the rig.  
22 On top of the conduit we put blow out preventers  
23 which form a closed system.

24                  Once the production pipe and equipment  
25 is removed from the well bore, the well bore is

1 filled with cement across the production zones.  
2 Various other steel and cement plugs were set in  
3 other geologically significant air holes as  
4 determined by the Division of Oil and Gas.

5 Each of the steel casings of the hole  
6 were cut and removed below the ocean floor and cement  
7 was placed over the stud to prevent any potential  
8 flow from below or around the pipe. These cement,  
9 steel and other plugs filled the entire hole. And  
10 after their surface plug was set, the well head was  
11 removed and less casing was cut below the sea floor.

12 MS. CONNELL: Kind of like a root canal?

13 MR. PLANCK: Very similar.

14 The wells were -- there wasn't really an  
15 average depth. The wells were drilled in up to 300  
16 feet of water and anywhere from, I think, 70 was  
17 shallowest. And some of these wells were in excess  
18 of two miles below the ocean floor in depths of over  
19 12,000 feet.

20 MR. FLORES: And you would fill the  
21 entire thing?

22 MR. PLANCK: We didn't fill it entirely  
23 with cement. But cement was placed across various  
24 geological structures which may have hydrocarbons in  
25 them. And there were also fluid plugs and steel

1 plugs.

2                   What the subsea well heads look like --  
3 this is one of the actual well heads back in the '60s  
4 sitting in the yard before installation. As you can  
5 see from the scale of the gentleman standing on the  
6 ladder, it was about 12 or 15 foot high.

7                   This was the average size of most of the  
8 well heads we're talking about. Although a couple  
9 were in excess 30 feet. They were rather large  
10 structures.

11                   Here is what the same well head looked  
12 like after decades on the ocean floor. Thanks to the  
13 corrosion protection system required by State Lands  
14 Commission regulations, the head was in great shape  
15 and literally could be used again. It also appears  
16 to have been a condominium of sorts for a bunch of  
17 sea life. You can see some of that wasn't totally  
18 cleared off.

19                   All the goals of the project were  
20 accomplished. The project was finished in 240 days,  
21 a month ahead of schedule, in spite of the El Nino  
22 weather delays we had. There were no spills or no  
23 other accidents of any sort.

24                   The commission staff monitored the work  
25 daily and observed adherence to the environmental

1 mitigation plan, the oil spill conditioning plans,  
2 and all of the other terms and conditions by the  
3 various permitting authorities.

4 The sites were surveyed prior to and  
5 after all the work, and video and written records  
6 were made to assure that there was little or no  
7 affect on the sea floor. And that all that would be  
8 left would be the brick foot prints in the sandy  
9 bottom. And that was all that was left behind.

10 MS. CONNELL: Extraordinary process.

11 Are there any questions by the members  
12 of the board?

13 MR. DEZEMBER: No.

14 MS. CONNELL: You know, actually I would  
15 think, Mr. Hight, that this might not be a bad  
16 presentation to make available on our web site if we  
17 could.

18 MR. HIGHT: Okay.

19 MS. CONNELL: And I think it would be  
20 something that we might want to send out to the  
21 science teachers in the schools in California.

22 My own children have just finished a  
23 sequence on oceans and tidelands and preserving  
24 quality of the oceans.

25 And I would think this kind of

1 information would be very helpful to the teachers in  
2 California. Particularly if they could draw down on  
3 the web site the photographs that you just showed us.

4 I mean the whole process of how you  
5 convert an oil well and then take it back out, I  
6 would think it would be a good source of information.

7 MR. HIGHT: We will try to do that.

8 MS. CONNELL: Any additional comments  
9 from the audience?

10 Then if not, I think there is no action  
11 required. Am I correct, Mr. Hight, on this item?

12 MS. CONNELL: Correct. This was just to  
13 inform you that we have successfully completed what  
14 we think is a rather significant project.

15 MS. CONNELL: Thank you. And I want to  
16 congratulate the staff and those who worked with us  
17 on it. This is obviously a priority of the community  
18 of Santa Barbara; certainly to the environmental  
19 community in California, in fact, all Californians  
20 that we were able to do this. It's an eye sore  
21 that's now been removed and successfully so.

22 And given our more recent history with  
23 the surfers in Santa Barbara and Ventura County, I'm  
24 sure that they're happy to see that these oil wells  
25 are also no longer present in the bay.



1                   Let us move on, if we may, to Item 136.  
2                   And this relates to the 60th anniversary of the  
3                   establishment of the State Lands Commission.

4                   Are we going to have a giant cake here,  
5                   Mr. Hight. Do you want to move forward on this item?

6                   MR. HIGHT: Yes. If we could just take  
7                   Item 135 for one second.

8                   MS. CONNELL: Certainly.

9                   MR. HIGHT: And I would like Paul  
10                  Thayer, assistant executive officer, to present that.

11                  MR. THAYER: Thank you.

12                  Like the last item, this is an  
13                  informational item that doesn't require any  
14                  commission action.

15                  What we wanted to bring to your  
16                  attention the federal award for permanent  
17                  streamlining that was recently given to the dredge  
18                  material management office in San Francisco. This  
19                  was an office that we're a partner in. And it  
20                  involves the five different agencies that regulate  
21                  dredging in the San Francisco Bay.

22                  Several years ago these agencies got  
23                  together, established this office to speed the  
24                  processing of these important projects, they are very  
25                  important to the reports in San Francisco.

1                   And basically what the office has done  
2                   is generated a single permit application that can be  
3                   used by all the different agencies. And the result  
4                   is that the whole process is better coordinated, both  
5                   between the agencies and with the applicant that is  
6                   doing the dredging.

7                   The award that was given is called the  
8                   Hammer Award. It is actually given by Vice President  
9                   Gore. And it's named interestingly enough after the  
10                  \$600 hammer that several years ago turned out that  
11                  that's how much money the Air Force was paying for  
12                  under federal contract for an ordinary hammer.

13                  MS. CONNELL: It must have been -- what  
14                  was it called?

15                  MR. THAYER: The Golden Fleece Award.

16                  MS. CONNELL: Yes. The Golden Fleece  
17                  Award.

18                  Was that Proxmyer?

19                  MR. THAYER: Proxmyer, yes.

20                  MS. CONNELL: Yes.

21                  MR. THAYER: This is only a \$6 hammer  
22                  that was given out.

23                  MS. CONNELL: Well, that's because the  
24                  Clinton/Gore administration has been cutting costs.  
25                  Government officials.

1 MR. THAYER: Absolutely. And that's, of  
2 course, the whole point of this award is to recognize  
3 that this office has hopefully cut cost, not only for  
4 federal and state agencies that participate in it,  
5 but for the outlook as well.

6 So I think it's a well-deserved award.  
7 Our executive officer and Mary How who worked on this  
8 project for us, were down in San Francisco to get  
9 this yesterday. And the general of the Corp  
10 represented it. And I think --

11 MS. CONNELL: Do you have your hammer  
12 with you today?

13 MR. HIGHT: They only gave one hammer.  
14 And the Corp decided that it would rotate amongst the  
15 various agencies. And since they had been  
16 instrumental in getting it, they took it.

17 So we will eventually get the hammer and  
18 we will bring it to a commission meeting. It's in a  
19 plaque about this big with a little signed thanks  
20 from the Vice President on it.

21 MS. CONNELL: Did it come with any nails  
22 or just a hammer?

23 MR. HIGHT: Just a hammer.

24 MS. CONNELL: That's a really cost  
25 efficient administration.

1 MR. THAYER: So anyway, we knew that  
2 product streamlining and red tape cutting has been a  
3 priority for the commission. And we wanted you to  
4 know that these efforts have been recognized by the  
5 federal government.

6 MS. CONNELL: Again, congratulations for  
7 the efforts of the State Lands Commission. I'm sure  
8 my fellow board members join me in that.

9 Now we will move on to our birthday  
10 party. And it's actually our anniversary rather than  
11 birthday party.

12 And, Mr. Hight, will you present the  
13 item?

14 MR. HIGHT: What we would like to do is  
15 just kind of previously highlight 60 years of the  
16 Lands Commission.

17 June 11th was the 60th year. The Lands  
18 Commission was created in 1938 as a result of some --  
19 I'll find a nice word -- some issues relating to oil  
20 and gas. And so with great wisdom, the legislature  
21 created the Lands Commission composed as it is today,  
22 Lieutenant Governor, The Controller, The Director of  
23 Finance to oversee all of the public's lands.

24 Actually, the entity that -- that job  
25 was originally done with the Surveyor General.

1 And through time it passed down to a number of other  
2 agencies and eventually came to the Lands Commission.

3 But currently the Lands Commission has  
4 jurisdiction over approximately 4 million acres of  
5 national navigable waters, the oceans, the lakes and  
6 streams of the state. 1,100 miles of shoreline, some  
7 570,000 acres of school land and another 760,000  
8 acres of minerals --

9 MS. CONNELL: Go through that again once  
10 more for the audience, because they are important  
11 statistics.

12 MR. HIGHT: 4 million acres of sovereign  
13 lands, which includes the ocean out three miles; all  
14 the navigable lakes, rivers and streams in the state.  
15 111 miles of coast line -- 1,100. It would be nice  
16 if we had that big of a coast.

17 570,000 acres of school land that we own  
18 surface and the fee, the minerals. And then another  
19 760,000 acres of school land that we have the mineral  
20 rights on.

21 The legislature, in their infinite  
22 wisdom, decided that it was a good idea to sell  
23 school lands. And so they started selling school  
24 lands. And then they realized we probably shouldn't  
25 sell this stuff, but we don't have the political

1 power to stop the sale, so they reserved the mineral  
2 rights back.

3 And then finally when the Lands  
4 Commission was created, by then the stuff that was  
5 any good was sold. Originally we had about 5 million  
6 acres of school lands. A number of the other states  
7 support their schools entirely with revenue from  
8 school lands. New Mexico does it entirely. The  
9 state of Washington almost does it entirely.

10 So we're -- we don't fall in that  
11 category. But in the last ten years we've produced  
12 60 million dollars of revenue for STRS for the  
13 retired teachers. The commission also has oversight  
14 responsibility over all of the ports. There are 70  
15 legislative grants to cities and counties in the  
16 state, ports of Los Angeles, Long Beach, San  
17 Francisco.

18 And the ports of L.A. and Long Beach  
19 alone produce about 200 billion dollars a year to  
20 California's economies.

21 Another item that we're really quite  
22 proud of is the Kapiloff Land Bank, which was created  
23 in 1982, which was the source of the revenue for the  
24 Cosumnes River Preserve.

25 Since that time we've purchased from the

1 bank about 14,000 acres of land that has been being  
2 used for parks, wetlands, open space, wildlife  
3 habitat. So with that mechanism, we're able to save  
4 land for future generations.

5 Another thing that the commission has  
6 been quite instrumental in was the establishment of  
7 the Keen Olympic Oil Spill Pollution and Prevention  
8 Act of 1991, which was the direct result of the  
9 Valdez oil spill. And it resulted in the initiation  
10 of the Office of Oil Spill Prevention in the  
11 commission which Gary Gregory is charged with.

12 A couple of other items of interest; the  
13 commission, along with the City of Long Beach,  
14 received a settlement of 320 million dollars from the  
15 oil companies for price fixing. In addition, we  
16 received about 6,000 thousand acres of  
17 environmentally significant land.

18 The commission has been involved in a  
19 fair number of lawsuits. The bulk which have  
20 been environmental protection. One of the most  
21 significant is the Mono Lake litigation, which  
22 resulted in saving Mono Lake so that the water level  
23 maintains at a level so as to preserve the lake.

24 In recent times the commission has been  
25 very active. And this commission has been

1 responsible for legislation in Congress to pay the  
2 state for its share of the Oak Hills Naval Petroleum  
3 Reserve. And the state ultimately will get 260  
4 million dollars provided we can get Congress to  
5 appropriate it each year for the next seven years.

6 So each year we will have a fight with  
7 tcongress, but we're hopeful that we will get the  
8 full 260 million dollars.

9 In addition, the California Desert  
10 Protection Act, which has allowed the commission to  
11 exchange out lands in the desert, the federal  
12 government, the Bureau of Land management will manage  
13 the California desert including the commissions'  
14 lands. And the commission will be able to exchange  
15 out lands of equal value.

16 We're working on a number of projects  
17 with BLM and we're hopeful to bring some of those to  
18 you soon.

19 Another major issue was the settlement  
20 in Bolsa Chica, whereby the commission acquired title  
21 to Bolsa Chica. And that process is now ongoing. We  
22 have hired an environmental consultant to do an EIR.  
23 And we should be coming to the commission sometime in  
24 the fall of next year with an approved concept plan  
25 for the development. There is about 11 different



1 alternatives for the development and we will see how  
2 the project works.

3 And last but not least, this commission  
4 has learned more about surfing than --

5 MS. CONNELL: A sport which I understand  
6 has low impact, so I might actually take it up soon.  
7 It's of special interest to me.

8 MR. HIGHT: And lastly, we have -- I'll  
9 come around so I won't trip over the things -- a  
10 senate resolution that Senator Jack O'Connell  
11 obtained which commends the commission for 60 years  
12 of good service. We will have three of these  
13 resolutions, but at the moment we only have one.

14 So Madam Chair --

15 MS. CONNELL: Thank you very much. I  
16 will proudly put it in my office. I'll share it with  
17 the other members of the board though so they can see  
18 what it looks like. This is better than cake. There  
19 is no caloric impact and you get to keep it and it  
20 never disappears. Very nice. Thank you very much.

21 Well, I just want to echo the  
22 accomplishments of the State Lands Commission. As  
23 you may know, members of the audience, that as  
24 controller I sit on 52 boards and commissions. So it  
25 is a broad portfolio that I serve as the chief

1 financial officer of. And one that I have always  
2 personally felt to be most satisfying is the State  
3 Lands Commission.

4 And have been able to fortunately attend  
5 every meeting of the State Lands Commission during my  
6 term in office. And hopefully will have the  
7 opportunity to do so in my next term in office as  
8 well.

9 I think the State Lands Commission is an  
10 exemplary example of how government can work  
11 positively to support something which is very  
12 important to the future generations of California,  
13 and that's land resources management.

14 The ability of this Lands Commission to  
15 create a positive and interactive relationship with  
16 the private sector is distinct in terms of my  
17 experience in government. We rarely have a  
18 controversy we can't resolve. We are rarely in a  
19 situation where we don't find a win/win parallel that  
20 enables us to conduct successful negotiations. And  
21 we have always been, I think, a champion of the  
22 environment in California.

23 I have the deepest respect for the staff  
24 members of the State Lands Commission and the work  
25 that they have done. It is always a pleasure to come

1 to these meetings. Even those meetings in which we  
2 have been briefed, Bob, on windsurfing in the  
3 Sacramento River; surfing in the coast of California;  
4 hiking in the mountains. I think we have had quite a  
5 number of interesting educational ventures in the  
6 course of my brief term on this commission.

7 I want to add my appreciation to members  
8 of the staff for contributing this generation of  
9 staff to the legacy of the 60 years of the Lands  
10 Commission.

11 MR. HIGHT: Thank you very much. And we  
12 thank you for your wisdom and your guidance.

13 MS. CONNELL: Robin, do you want to add  
14 anything?

15 MR. DEZEMBER: It would be very hard to  
16 follow that. That was very eloquent and certainly  
17 well deserved.

18 I think this is a testament; we have a  
19 three and a half or four inch thick agenda that's  
20 almost all consent. And I think that attests to the  
21 merits of the proposals that are contained in here,  
22 as well as the staff's ability to bring about those  
23 conclusions.

24 And I think I would just echo your  
25 words. They're excellent.

1 MS. CONNELL: Mike Flores?

2 MR. FLORES: Madam Chairman, I think you  
3 said it well.

4 MS. CONNELL: Well, I'm sorry we don't  
5 have any birthday cake or anniversary cake that we  
6 could share with the audience this morning. But we  
7 wouldn't want to be using our taxpayer dollars in  
8 frivolous ways.

9 Are there any other items to come before  
10 the commission this morning? Is there anyone else  
11 who wishes to be recognized by the commission prior  
12 to adjourning?

13 If not, then I'm going to adjourn the  
14 meeting and I'm going to ask that we clear the room.  
15 We need to go into closed session on some litigation  
16 matters. Thank you.

17 (Whereupon the proceedings were  
18 adjourned at 11:20 a.m.)

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1 STATE OF CALIFORNIA )  
2 COUNTY OF LOS ANGELES ) ss.

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I, Lori D. Casillas, CSR 9869, a  
Certified Shorthand Reporter in and for the state of  
California, do hereby certify:

That the foregoing proceeding was taken  
down by me in shorthand at the time and place named  
therein and was thereafter reduced to typewriting  
under my supervision; that this transcript is a true  
record of the testimony given by the witnesses and  
contains a full, true and correct report of the  
proceedings which took place at the time and place  
set forth in the caption thereto as shown by my  
original stenographic notes.

I further certify that I have no  
interest in the event of the action.

EXECUTED this 1st day of July,  
1998.

Lori D. Casillas

Lori D. Casillas, CSR, RPR