

- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, OCTOBER 28, 1982
10:00 A.M.

Nadine J. Parks
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION
3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

A P P E A R A N C E S

--o0o--

KENNETH CORY, State Controller, Chairman

SUZANNE MORGAN, representing MARY ANN GRAVES,
Director of Finance, Commissioner

DAVID ACKERMAN, representing MIKE CURB,
Lieutenant Governor, Commissioner

STAFF

Claire Dedrick, Executive Officer

R. C. Hight, Counsel

Greg Taylor

Dan Stevens

James F. Trout

June Smith, Secretary

Michael Valentine

W. M. Thompson

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

| | <u>Page</u> |
|----|-------------|
| 1 | |
| 2 | |
| 3 | 1 |
| 4 | |
| 5 | |
| 6 | |
| 7 | 2 |
| 8 | 16 |
| 9 | |
| 10 | |
| 11 | 16 |
| 12 | 16 |
| 13 | 16 |
| 14 | 17 |
| 15 | 18 |
| 16 | 19 |
| 17 | 19 |
| 18 | 19 |
| 19 | 20 |
| 20 | 20 |
| 21 | 21 |
| 22 | 22 |
| 23 | 22 |
| 24 | 22 |
| 25 | 23 |

| | <u>Page</u> |
|----|----------------------------|
| 1 | |
| 2 | Item 42 23 |
| 3 | Item 43 24 |
| 4 | Item 44 (Off calendar) |
| 5 | Item 45 24 |
| 6 | Item 46 26 |
| 7 | Item 47 26 |
| 8 | Item 48 27 |
| 9 | Item 49 27 |
| 10 | Item 50 38 |
| 11 | Item 51 38 |
| 12 | Item 52 42 |
| 13 | Adjournment 44 |
| 14 | Certificate of Reporter 45 |
| 15 | |
| 16 | |
| 17 | |
| 18 | |
| 19 | |
| 20 | |
| 21 | |
| 22 | |
| 23 | |
| 24 | |
| 25 | |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

--o0o--

CHAIRPERSON CORY: Call the meeting to order.
Any corrections or additions to the minutes of
the meetings of the 23rd and the 8th? Without objection,
the minutes will be confirmed as presented.

Executive Officer has a report.

EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.
We have a report. Briefly, we're still working on the
federal land exchange and there's an agenda item further
on that asks that you authorize the expenditure of
\$250,000 by the Executive Officer for the purpose of
getting federal lands. Other than that, everything is
pretty much the same.

CHAIRPERSON CORY: Questions from the
Commissioners?

MR. ACKERMAN: No.

CHAIRPERSON CORY: Okay. Or any suggestions?
The next item is the staff report on coastal matters.

EXECUTIVE OFFICER DEDRICK: No report.

CHAIRPERSON CORY: No report. Okay. We have
the consent calendar. These are the items in the yellow
pages of the calendar that have the letter "C" prefix
going C-1 through 17, with the exception of C-16, Subitem

B --

PETERS SHORTHAND REPORTING CORPORATION

3438 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8804

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

EXECUTIVE OFFICER DEDRICK: 1 through 21.

MR. TROUT: 1 through 21. There's a hole punched right through the C on that.

CHAIRPERSON CORY: Okay. Oh, I see. Pardon me. It goes C-1 through --

EXECUTIVE OFFICER DEDRICK: 21.

CHAIRPERSON CORY: -- 21, with the exception being 16-B, which has been removed.

If there is anybody in the audience that has any problem with the proposed staff report, they should let us know now, because these items are going to be taken up in one motion unless there is some objection to any of them. Is there any objection?

Without objection, said calendar is approved as presented.

Item 22 is off calendar.

Item 23 is the request to exercise a public trust easement over 206 acres at Albany Baylands. Is there anybody in the audience in opposition to this proposed exercising of the public trust?

MR. SMITH: Yes, Mr. Chairman.

CHAIRPERSON CORY: Come up and identify yourself.

MR. SMITH: Mr. Chairman, my name is Clay Smith. I'm an attorney appearing on behalf of the Santa Fe Land Improvement Company, the owner of the fee of the parcel

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 over which the proposed exercise of the public trust is to
2 be made.

3 We received the report of the Commission staff
4 only a few days ago. I think at this point what we would
5 like to do is have an opportunity to present proposed
6 alternative findings and conclusions, and also to present
7 our objections to the Commission's report -- the staff's
8 report in writing.

9 CHAIRPERSON CORY: Did Santa Fe testify at the
10 hearing on this matter?

11 EXECUTIVE OFFICER DEDRICK: No, they did not.

12 MR. CLAY: I believe written testimony was
13 submitted by Mr. Hall.

14 EXECUTIVE OFFICER DEDRICK: No testimony was
15 submitted. We gave them every opportunity. In fact, we
16 requested testimony from Santa Fe. The record shows Santa
17 Fe refused to testify.

18 CHAIRPERSON CORY: Given that record, why should
19 we wait?

20 MR. CLAY: Well, I may be confused, but it seems
21 to me, aren't you quoting in here from written testimony
22 submitted from Mr. Hall? I think your finding of fact --
23 proposed finding of fact --

24 EXECUTIVE OFFICER DEDRICK: I'm sorry. Mike,
25 would you --

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 CHAIRPERSON CORY: Well, I know we had a
2 hearing and Santa Fe chose not to testify.

3 MR. VALENTINE: Mr. Chairman, the representative was
4 present and chose not to. Mr. Hall, who's president of
5 Santa Fe Realty Company --

6 MR. SMITH: Santa Fe Land Improvement.

7 MR. VALENTINE: -- submitted what he called written
8 testimony, which was a two-page letter after the public
9 hearing.

10 EXECUTIVE OFFICER DEDRICK: That's correct.
11 I didn't see his testimony, I guess that's why I missed it.
12 It was a letter which you have.

13 CHAIRPERSON CORY: He proposed a meeting on
14 August 10th. And we sent back saying, "Yes, let's meet."
15 And we never heard from Santa Fe. Why should we wait?

16 MR. SMITH: Mr. Chairman, I can't speak to that
17 letter. I'm not aware of it. I suppose what we're asking
18 to do at this time is that regardless of the outcome of
19 the hearing, we're now proposing specific resolutions.
20 We believe that those resolutions, first of all, are not
21 entirely equitable. To be more blunt about it, we believe
22 they're unfair.

23 CHAIRPERSON CORY: Well, I think you're being
24 unfair or your client is that we hold hearings; we have
25 correspondence. They say they're going to meet and then we

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-0894

1 don't hear from you. And then you walk in and say, "Hey,
2 hold up. You're not being fair."

3 Now, the question --

4 MR. SMITH: Well, okay --

5 CHAIRPERSON CORY: Well, the arrogance of that
6 is beyond belief, sir.

7 MR. SMITH: Excuse me, Mr. Chairman. You don't
8 need to call me arrogant. I'm not attempting to be arrogant.

9 CHAIRPERSON CORY: The arrogance of the action
10 speaks for itself. It is arrogant.

11 MR. SMITH: And I don't mean -- I did not mean
12 to suggest and I don't mean to suggest now that the procedure
13 has been unfair.

14 My statement was, and I will stand by it, is the
15 proposed resolutions and conclusions and findings we believe
16 to be unfair to the fee owner of the property.

17 I think all we're asking for at this point is
18 an opportunity to present alternative resolutions for the
19 Commission's consideration.

20 CHAIRPERSON CORY: But you had that opportunity
21 and you rejected it. You chose not to testify when
22 specifically asked to at a hearing.

23 MR. SMITH: We did --

24 CHAIRPERSON CORY: You write a letter asking to
25 meet with us. We send you a letter back saying, "Come in

1 and meet." And you don't show up. You don't even bother
2 to answer the letter. Why should we wait?

3 MR. SMITH: May I ask to whom that letter was
4 directed? Because I have not been made aware of the
5 letter.

6 CHAIRPERSON CORY: Mr. Hall, I believe.

7 EXECUTIVE OFFICER DEDRICK: That's correct.

8 MR. SMITH: Well, I think, Mr. Chairman, that
9 you would agree that this is the first opportunity that
10 we have had to respond to these specific proposed
11 resolutions.

12 EXECUTIVE OFFICER DEDRICK: Here's a copy of
13 my letter to Mr. Hall. Mr. Chairman, the report has been
14 distributed to the public, including the Santa Fe Company,
15 for ten days. We have received no communication whatsoever
16 from Santa Fe since that time.

17 CHAIRPERSON CORY: Does the report deviate from
18 the subject matter and the general direction you were
19 headed at the hearing?

20 EXECUTIVE OFFICER DEDRICK: No.

21 CHAIRPERSON CORY: David?

22 MR. ACKERMAN: Were the staff recommendations
23 or suggestions for use of that property available at the
24 time of the public hearing so that the witnesses at least
25 would have a point of reference for comments?

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 EXECUTIVE OFFICER DEDRICK: Yes, Commissioner
 2 Akcerman. All of the testimony, without exception, at the
 3 hearing of some 30 odd people was all directed to the point
 4 that public trust needs of that area were strongest to
 5 preserve the water as open water and to go toward the
 6 foundation of the East Bay Shoreline Park. There was no
 7 exception to that. There were very strong statements from
 8 other communities requesting that the Commission go on
 9 to the other two communities -- Berkeley and Emeryville --
 10 to hold hearings there. But there was nothing -- the
 11 entire tenor of all of the testimony was toward the
 12 results of this report.

13 MR. SMITH: I'm sorry. Maybe I'm confused. Are
 14 you saying this report was available at the time of the
 15 public hearing?

16 EXECUTIVE OFFICER DEDRICK: No. The report is
 17 the result of the public hearing and the testimony received
 18 by the staff.

19 MR. SMITH: Okay.

20 EXECUTIVE OFFICER DEDRICK: The Commissioner's
 21 question was --

22 CHAIRPERSON CORY: See, what bothers me about
 23 this -- I get sick and tired of the business community
 24 beating me about the head and shoulders because I happen to
 25 be in government because we're always delaying things. We've

1 gone to public expense to hold hearings. The purpose of
2 it was for your client to be there and present his views.

3 And instead, your client chose not to.

4 MR. SMITH: Well, excuse me. Mr. Chairman, excuse
5 me again for interrupting you. You'd said that a number
6 of times and it appears to be incorrect. Mr. Hall was
7 there, I believe, and he submitted his testimony in
8 writing.

9 EXECUTIVE OFFICER DEDRICK: You're incorrect.

10 MR. SMITH: And it was accepted.

11 EXECUTIVE OFFICER DEDRICK: That was not
12 correct.

13 CHAIRPERSON CORY: That's not what happened.
14 That's not what the record shows. He was there. He
15 specifically was requested to make his comments and he chose
16 not to.

17 He submitted a letter which, in essence,
18 requests a meeting with the staff. That meeting -- that
19 letter was responded to by letter from the Lands
20 Commission saying, "Yes, let's meet." That letter was
21 never answered.

22 And now you come in and say, "Hey, let's wait."

23 MR. SMITH: No. We're not foot-dragging. We're
24 not asking you to wait for the purpose of delay.

25 CHAIRPERSON CORY: What's the wish of the

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8894

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Commission? You want to hear more testimony? Do you want to exercise the trust or do you want to put it over?

MR. ACKERMAN: May I ask --

MR. SMITH: Mr. Chairman, may I make one more brief --

CHAIRPERSON CORY: No. Go ahead, David.

MR. ACKERMAN: I'd just like to ask a question.

This is the first step in what will involve several other parcels of property running south along from Albany to Berkeley and Emeryville, through that area; am I correct?

EXECUTIVE OFFICER DEDRICK: It could be, Commissioner. It does not necessarily follow that if the Commission takes action today, that you would then go forward and take action on the other two areas. The public -- the people who have been supporting the establishment of an East Bay Shoreline Park, I'm sure, would like us to continue on. You're not committing yourself to that by taking this action. It's a logical thing to do.

MR. ACKERMAN: I share the Chairman's concern that we have been criticized for delaying items or prolonging problems. But, on the other hand, for a staff report to be available for just a period of ten days, I'm just concerned there might be a possible precedent-setting

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 action in this that will find other properties that the
2 public along that area and the property owners may not have
3 had adequate time to respond directly to the staff's
4 recommendations, having never seen those before.

5 EXECUTIVE OFFICER DEDRICK: I think we need
6 counsel's opinion. I'm a pretty good backroom barrister,
7 but not like --

8 MR. ACKERMAN: You want to comment?

9 MR. HIGHT: The ten days, Mr. Chairman, we felt
10 was adequate given the time frame involved. You know,
11 naturally --

12 CHAIRPERSON CORY: Adequate in what way? Because
13 it was basically what the original hearing was about, and
14 the thrust of the hearing? There were no surprises or
15 changes?

16 MR. HIGHT: Correct, Mr. Chairman.

17 MR. SMITH: For the record, we were certainly
18 surprised.

19 MR. ACKERMAN: One other question. I read the
20 staff's report last night. I noticed in the appendix --
21 there was one appendix in the report that indicated an
22 entire list of all those agencies and officials who
23 supported the project. Is there a similar list of
24 opposition.

25 MR. TROUT: There was no opposition except

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8994

1 Santa Fe.

2 MR. ACKERMAN: Was the Santa Fe Company the only
3 one that expressed opposition?

4 MR. TROUT: The only opposition is the -- we have
5 construed as such is the letter from Mr. Hall from Santa Fe.

6 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, in
7 addition to that -- I had forgotten -- we sent out a
8 special notice of this hearing today on October 12th
9 which contained the general conclusions of the report. Let
10 me give you a copy. That's more than ten days' notice on
11 the conclusions of the report.

12 MS. MORGAN: It seems to me that there's been
13 adequate time for input from Santa Fe as well as anyone
14 else who wanted to raise questions about the proposed
15 recommendations from the staff. And I think we ought to
16 take the next step and move this along. It's unfortunate
17 that they never raised any substantive issues in form that
18 could be discussed and considered, but they've had ample
19 opportunity to do that.

20 And I think it's time to go.

21 MR. ACKERMAN: May I ask one other question?
22 It involves the legal standpoint from you. If we take
23 action this morning on this item, does it set any
24 precedent for how the Commission acts on the other parcels
25 of property along San Francisco Bay? Because I believe --

PETERS SHORTHAND REPORTING CORPORATION

3438 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 if I'm correct -- that Santa Fe is also the fee owner of
2 those parcels as well. Am I correct?

3 EXECUTIVE OFFICER DEDRICK: Yes.

4 MR. TAYLOR: It would be a case by -- the
5 determination of an exercise of trust is on a case-by-case
6 basis. This is the third example since Marks vs. Whitney
7 where this Commission has exercised the trust. The first
8 was in Hayward. The second was at Morro Bay. And this is
9 the third.

10 And you're exercising your authority pursuant
11 to a procedure outlined by the Supreme Court in Marks vs.
12 Whitney that you have a retained title interest in this
13 property.

14 And also, in accordance with the decision of the
15 California Supreme Court in the 1930's, Newcom vs. the
16 City of Newport Beach, --

17 MR. TROUT: Santa Fe was part of it.

18 MR. ACKERMAN: Does that mean that there's no
19 precedent-setting action?

20 MR. TAYLOR: Yes.

21 CHAIRPERSON CORY: I was afraid to ask that
22 question.

23 MR. ACKERMAN: I was impressed.

24 (Laughter.)

25 MR. TAYLOR: The answer to that is that this

1 Commission has acted twice before on the exercise of the
2 trust in other areas. In each instance, in whether you
3 exercise the trust has been dependent upon an evaluation of
4 the facts and circumstances presented in that area.

5 So, one, this is not a new action for the
6 Commission to take. You've taken it twice before in the
7 term of this Commission.

8 And, secondly, what is done in other areas would
9 depend upon the results of public hearings and the desires
10 of the community, and the affected public agencies and
11 private parties, and the vote of this Commission.

12 MR. ACKERMAN: You're saying each one is a
13 separate issue?

14 MR. TAYLOR: That is correct. Right. And we
15 need a record for each one.

16 CHAIRPERSON CORY: And what we do from here in
17 terms of the exercising of the public trust is putting
18 people on notice that we believe it's needed for public
19 purposes and use. And any specific authorization to do
20 a project would be a project that would have other action
21 by this Commission or other governmental agencies; is that
22 not correct? So, this is not the end of it. It is just
23 making a strong statement?

24 MR. TAYLOR: Well, any action at this time --
25 the Commission could reconsider that action and how it

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-0894

1 deals with its property interests in subsequent meetings.
2 You could either reconsider that or it could change it,
3 or you could qualify it more. All you're doing in this
4 action is to freeze the use of this property as it is
5 currently. It's not to prohibit anything that is going
6 on there now. It's just saying that it is important for the
7 purposes listed in the report and in the calendar item,
8 and which were the subjects of the hearing, that it's
9 important that it remain -- that this area remains that way.

10 MR. ACKERMAN: Okay.

11 MS. MORGAN: I want to ask counsel, Mr. Smith,
12 if he had knowledge of the letter that was sent to the
13 staff?

14 MR. SMITH: You're talking about Mr. Hall's
15 letter?

16 MS. MORGAN: That's right.

17 Mr. Hall's letter from Santa Fe Realty, Inc.
18 And I have noticed in this particular paragraph that says,
19 "I would propose a meeting between the State Lands
20 Commission and Santa Fe to discuss potential uses of the
21 wetlands property. To ensure that such a meeting is
22 productive, it ought to be arranged before either the
23 Lands Commission -- " This is relating to the planning
24 process.

25 MR. SMITH: Yes, I was aware of the letter.

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 MS. MORGAN: Do you have any knowledge as to
2 why a meeting did not occur?

3 MR. SMITH: No, I don't. I don't have knowledge.
4 I have an understanding, an idea. My understanding is
5 because Mr. Hall did not believe that it would be
6 productive to meet with the Commission until they had
7 formalized their proposed conclusions and resolutions.

8 And we did not receive those proposed findings and
9 resolutions until a few days ago.

10 And, for the record, we do not believe we had
11 an adequate opportunity to suggest alternative proposed
12 conclusions and resolutions.

13 EXECUTIVE OFFICER DEDRICK: I guess for the
14 record, I should point out that the notice we have before
15 you is dated October 12th and sets forth the conclusions.

16 MS. MORGAN: Okay. This letter was in August.
17 What Mr. Smith says is very nice, but it's surprising
18 me that there was no followup to communicate his further
19 concerns the meeting would not be productive. And I move
20 the staff recommendation on this matter.

21 CHAIRPERSON CORY: All in favor signify by saying
22 aye.

23 MS. MORGAN: Aye.

24 MR. ACKERMAN: Aye.

25 CHAIRPERSON CORY: Opposed? That's disposed of.

PETERS SHORTHAND REPORTING CORPORATION

3455 AMERICAN RIVER DRIVE, SUITE
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 Item 24, approval of a 30-year general lease,
2 industrial, in Yolo County for Aminoil Terminals.

3 Anybody in the audience on this item? Questions
4 from the Commissioners? Without objection, Item 24 is
5 approved as presented.

6 Item 25 is off calendar.

7 Item 26 is off calendar.

8 Item 27 is a request to authorize solicitation
9 of bids on the Tidelands property at Anza Airport Park,
10 Burlingame. Anybody in the audience on this item?

11 Questions from the Commissioners?

12 MS. MORGAN: No.

13 MR. ACKERMAN: No.

14 CHAIRPERSON CORY: Without objection, Item 27 is
15 approved as presented.

16 Item 28, authorizes the Department of General
17 Services to include Mineral Estate in its Farmers Fair of
18 Riverside County, 46th Agricultural District Association.
19 Is there anybody in the audience on this item?

20 Questions of the Commissioners? Without
21 objection, Item 28 is approved as presented.

22 Item 29, approval of termination of six leases
23 and combining it into a new general lease for Southern Cal
24 Edison.

25 Anybody in the audience on this item? Questions

1 from the Commissioners?

2 Without objection, Item 29 is approved as
3 presented.

4 Item 30, proposed sale of royalty crude oil on
5 PRC 3120 and PRC 3242. It's a royalty sell-off. And my
6 question, I guess, is whether we should sell it off, and
7 if we do sell it off, should we put a minimum bid on it.

8 EXECUTIVE OFFICER DEDRICK: What's right?

9 CHAIRPERSON CORY: Questions from the
10 Commissioners?

11 MR. ACKERMAN: I still like the minimum bid.

12 MS. MORGAN: I do, too.

13 CHAIRPERSON CORY: What number do you want to put
14 in?

15 MR. ACKERMAN: 25 cents? 35?

16 EXECUTIVE OFFICER DEDRICK: 35 sounds good.

17 CHAIRPERSON CORY: Okay. I'm looking for -- where
18 are the oil men?

19 EXECUTIVE OFFICER DEDRICK: The oil men are in
20 the third row.

21 CHAIRPERSON CORY: There you are.

22 MR. THOMPSON: Well, if somebody doesn't think
23 it's worth 35 cents, then you'll get zero.

24 MR. ACKERMAN: Well, this one went for what, a
25 dollar thirty?

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 MR. THOMPSON: Crude.

2 MS. MORGAN: I'm not sure we ought to take --

3 CHAIRPERSON CORY: You could get 25 cents more
4 than you're getting?

5 MS. MORGAN: Who's playing this card game?

6 CHAIRPERSON CORY: I'd rather have a quarter than
7 nothing. I'd rather have 35 than nothing, but -- I mean,
8 I'm not --

9 MR. THOMPSON: Normally the processing fee is
10 somewhere around five to ten cents a barrel. And you're
11 getting into some risk taking less than that. You do have
12 some exposure, but you have a bond to cover for most of
13 the exposure.

14 CHAIRPERSON CORY: What's the minimum you want?

15 MS. MORGAN: 35.

16 MR. ACKERMAN: Let's try 35.

17 CHAIRPERSON CORY: The Commissioners say 35.
18 Is there anybody in the audience on this item other than the
19 staff?

20 (Laughter.)

21 CHAIRPERSON CORY: Okay. Without objection,
22 we'll go ahead with the proposed sale at a minimum bid of
23 35 cents.

24 MR. HIGHT: Do we hear 40?

25 (Laughter.)

CHAIRPERSON CORY: 35. Item 31, award of royalty

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8894

1 oil sales contract. The high bidder was Sunland Refining.

2 Is there anybody in the audience on this item?

3 Questions from the Commissioners? Without
4 objection, Item 31 will be approved as presented.

5 MR. ACKERMAN: Do we have a minimum on Item 31?

6 EXECUTIVE OFFICER DEDRICK: Yes. The minimum was
7 25 and the low bid was 25.5.

8 MR. ACKERMAN: But this was better oil though?

9 EXECUTIVE OFFICER DEDRICK: Yes. The range of
10 this was large. There were nine bidders ranging from there,
11 and the winning bid was a dollar and 3.7 cents.

12 CHAIRPERSON CORY: Okay. Item 32, award of
13 a compensatory gas agreement with TXO Production Corporation.

14 Anybody in the audience on this item? Any
15 questions from the Commissioners?

16 Without objection, Item 32 will be approved as
17 presented.

18 Item 33, award of a negotiated oil and gas
19 lease in Grizzly Island Wildlife Management Area. Is there
20 anyone in the audience on this item.

21 Questions of Commissioners? Without objection,
22 Item 33 is approved as presented.

23 Item 34, Chevron's request seeking deferment for
24 six months on drilling to do some exploratory work. Is that
25 point correct in reference to that item?

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 EXECUTIVE OFFICER DEDRICK: That's correct.

2 CHAIRPERSON CORY: Anybody in the audience on this
3 item?

4 Questions from the Commissioners?

5 Without objection, Item 34 is approved as
6 presented.

7 Item 35, deferment of drilling operations for
8 Texaco in Santa Barbara County. They likewise want to --

9 EXECUTIVE OFFICER DEDRICK: They're in the
10 process of getting a permit.

11 CHAIRPERSON CORY: So they've got an ARB permit
12 problem. We've got to get the guy over there to get that
13 permit. So, we've got to get his extension. Is there any
14 questions from anybody in the audience? Without
15 objection, Item 35 is approved as presented. Good luck.

16 Item 36, an amendment --

17 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, on
18 Item 36, as you remember, is the agreement to help the
19 University of Southern California out and amend their
20 geophysical permit. The document has not been signed by the
21 University people as yet. And I just wanted you to know
22 that. As far as I can see, there's no urgency to get this
23 out today. If you prefer to put it over, I'm sure there
24 will be no problem.

25 CHAIRPERSON CORY: All I can say is they've dealt

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 with me very honorably everytime they threw me out of
2 school.

3 (Laughter.)

4 CHAIRPERSON CORY: So, what can I say?

5 Anybody in the audience on this item?

6 MR. ACKERMAN: It could be approved conditionally
7 upon their signature?

8 EXECUTIVE OFFICER DEDRICK: We could hold it and
9 it wouldn't cause any problem.

10 MR. ACKERMAN: I mean, since we've got it, why
11 don't we approve it conditionally? If you've got problems,
12 we can always --

13 MS. MORGAN: We've seen it on the calendar time
14 after time and staff always refers to this as Morgan's
15 share of the ocean.

16 (Laughter.)

17 CHAIRPERSON CORY: Okay. We'll conditionally
18 approve Item 36.

19 Item 37, the termination of preferential applica-
20 tion of mineral prospecting permit of surface owners for
21 failure to complete the application, the unfilled
22 application of George H. Rodda, Jr. Anybody in the
23 audience on this item?

24 Questions from Commissioners? Without objection,
25 Item 37 to terminate the application is approved as

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 presented.

2 Item 38, approval of well abandonment for
3 Phillips in Santa Barbara County, Molino Offshore Field.
4 Is there anybody in the audience on this item?

5 Questions from the Commissioners? Without
6 objection, Item 38 is approved as presented.

7 Item 39 is an authorization for a dredging permit
8 of 680,000 cubic yards for Atkinson Marine and this is
9 San Diego?

10 MR. TROUT: San Diego Bay.

11 CHAIRPERSON CORY: Is there anybody in the
12 audience on this item? Questions of Commissioners?

13 Without objection, Item 39 is approved as
14 presented.

15 Item 40, we have an informative report of -- you're
16 submitting a report to the Legislature; is that right?

17 MR. TROUT: Yes.

18 EXECUTIVE OFFICER DEDRICK: We're required by the
19 Legislature to submit quarterly reports on the activities
20 in the Point Conception lease sale proposed program.

21 CHAIRPERSON CORY: Okay.

22 EXECUTIVE OFFICER DEDRICK: And this report is --
23 does not require your approval at this point. What we did
24 want to do was to let you know where things stand today.
25 Basically, we've spent about \$150,000 of the 425,000 that

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 was allocated in this year's budget. That money was spent
2 primarily for followup biological studies following the
3 public testimony both at hearings that I held and the
4 hearing that you held.

5 The proposal is if you decide that you do want to
6 go forward with the leasing, is to do some more
7 exploratory work in areas which in the future could be
8 available for leasing.

9 CHAIRPERSON CORY: Any questions from the
10 Commissioners?

11 MS. MORGAN: I think we should authorize staff
12 to file the report.

13 CHAIRPERSON CORY: All right. Proceed.

14 Okay. Item 41 is the fourth modification of the
15 plan of development and operations in Long Beach. Have any
16 questions from the Commissioners on that one?

17 MS. MORGAN: That's fine.

18 MR. ACKERMAN: No.

19 CHAIRPERSON CORY: We'll approve the fourth
20 modification. The fifth modification is back to the
21 drawing board as I understand it?

22 EXECUTIVE OFFICER DEDRICK: Correct.

23 CHAIRPERSON CORY: Somehow my sense of numerical
24 sequence is offended. Should we not change Item 42 to be
25 the fifth modification?

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894

1 MR. THOMPSON: It would upset the paperwork flow
2 and the consequences would be on your back. I'm sorry.

3 (Laughter.)

4 MS. MORGAN: You've been an accountant too long.

5 CHAIRPERSON CORY: I'm really having trouble
6 with having just approved the fourth. Now we have to
7 approve the sixth when there is no fifth. From what I've
8 observed of the oil industry it's in trouble when it doesn't
9 have a fifth.

10 (Laughter.)

11 MR. ACKEFMAN: We accept that one.

12 CHAIRPERSON CORY: Okay. Any questions on the
13 sixth?

14 MS. MORGAN: Move it.

15 CHAIRPERSON CORY: Without objection, Item 42 is
16 approved as presented.

17 Item 43 is approval of boundary line agreement
18 and authorization to settle a lawsuit; Humboldt, with
19 Louisiana Pacific on Samoa Peninsula. Anybody in the
20 audience on this item?

21 Questions of Commissioners? Without objection,
22 Item 43 is approved as presented.

23 44 is --

24 MR. HIGHT: That's off.

25 CHAIRPERSON CORY: Item 45. I cannot believe

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8894

1 this one. We're going to file a cross-complaint; is that --

2 MR. HIGHT: Correct, Mr. Chairman.

3 CHAIRPERSON CORY: Over the mineral rights under
4 the sewer plant.

5 MR. TROUT: Private parties are contending that
6 they have some mineral rights in that area. It's to assert
7 the State's interests.

8 CHAIRPERSON CORY: How much did the last lawsuit
9 in Eureka cost us? I mean, it's like Vietnam.

10 MR. TAYLOR: It was a bargain.

11 (Laughter.)

12 CHAIRPERSON CORY: I'm sure.

13 MR. TAYLOR: For what we got for the settlement,
14 it was a bargain.

15 CHAIRPERSON CORY: I will have to admit there was
16 a bargain after we got Greg involved. It was not too great
17 a bargain before when we had outside counsel on that. But
18 I'll have to give the Attorney General his --

19 MS. MORGAN: How was that? Was that Les Grimes'
20 career project?

21 MR. ACKERMAN: It still is.

22 (Laughter.)

23 CHAIRPERSON CORY: Anybody in the audience on
24 Item 45? Questions from Commissioners? Without objection,
25 we authorize you to do aerial bombardment. Don't go to the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

mainland.

Item 45 is approved.

Item 46, authorize settlement of litigation with Anne L. Salmen, aka Houk on the Verona property.

Anybody in the audience on this? Questions from the Commissioners?

Without objection, Item 46 is approved as presented.

Item 47, requesting authorization for acceptance and recordation of a grant deed in Menlo Park.

This deals with World College West and the East Bay Regional Park District on some property there. Questions from the audience on this item?

MR. TAYLOR: Mr. Chairman, in addition to the recommended action, any action of the Commission should also be subject to the approval of the condition of title. There's a couple of matters in the title reports that haven't been resolved yet. And we think we have to resolve those so we're in conformity with Section 6307 which requires that we obtain the minerals as part of such an exchange.

With that proviso --

CHAIRPERSON CORY: We'll amend the staff recommendation to have -- subject to -- satisfactory title approval by staff.

MR. TAYLOR: That's correct.

1 CHAIRPERSON CORY: We will then approve Item 47
2 with that change in condition. Without objection, that
3 shall be the order.

4 Item 48, authorization to contract for public
5 hearings on cession of jurisdiction on what, three different
6 Lava Beds National Monument, Whiskeytown Unit and Point
7 Reyes National Seashore, and Pinnacles National Monument.

8 Anybody in the audience on this item?
9 Without objection, the authorization to contract the
10 hearings is granted.

11 Item 49, this is a request by California Geothermal,
12 Inc. for issuance of a prospecting permit. And, Mr.
13 Brady.

14 MR. TAYLOR: Mr. Chairman, with regard to this
15 item, we wish to advise you that the time for reconsidera-
16 tion of this matter has expired. The matter has been
17 calendared as an accommodation to Mr. Brady, a longtime
18 associate, member of the staff, and other prominent
19 positions in other agencies in the State. But we would
20 respectfully state that it's too late to reconsider this
21 matter. And whatever Mr. Brady has to say to you is a
22 matter of the Commission's courtesy to allow him to make a
23 statement.

24 CHAIRPERSON CORY: Mr. Brady, exercise your
25 courtesy with alacrity.

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95823
TELEPHONE (916) 383-3801

1 MR. BRADY: Mr. Chairman, I'd first like to
2 thank you for the opportunity to appear here.

3 One of my first items was a concern about something
4 in the calendar items, specifically this meeting. My
5 presentation here has been recommended to you by the staff
6 to mean nothing.

7 And the basic reason is that apparently my time
8 for reconsideration has elapsed. Well, the problem we have
9 with that position is a very simple one. We were never
10 notified that we had any rights that were going to be taken
11 away from us. And we wouldn't be here today at all. Mr.
12 Chairman, if the staff would have told us at any time
13 that they had, in fact, notified Alaskan Geothermal, as
14 they're now called; they changed their name recently, that
15 their rights were going to be affected by this Commission
16 several years ago.

17 In fact, there are memos within the Commission's
18 own records indicating that they did not communicate any
19 of this information to Alaskan, even though Alaskan was
20 having communications on a sporadic, but nevertheless,
21 having communications with Commission staff.

22 We're asking you to right a wrong that was done
23 to Alaskan several years ago.

24 As I've outlined in my letter of April 15th, 1982,
25 which I understand has been made part of the record; is

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3801

1 that correct?

2 MR. HIGHT: Correct.

3 MR. BRADY: Simply, the points we've outlined
4 there I won't belabor the point. The classification of
5 certain lands in a known geothermal resources area was
6 done in direct violation, in my opinion. And I have not
7 heard any direct response to my letter. In fact, the
8 staff's said they're not even going to respond to my
9 letter, the April 15th letter. It's, in fact, in direct
10 violation of the due process rights for lack of any notice
11 as compared to some of the notices given to S.P. -- lack of
12 any notice that, in fact, rights were going to be affected.
13 by this Commission at any time.

14 What we would like from the Commission first and
15 foremost is an order requiring the staff to respond to our
16 April 15th, 1982 letter. The letter is very simple.
17 It outlines the legal position. It would be the legal
18 position that would be followed presumably if this matter
19 was ever taken to litigation. I don't want to have to do
20 that. I've said that numerous times to Mr. Hight. I
21 would just like an answer to the letter. It appears the
22 only way to get an answer from the staff, though -- unless
23 you order them to do it, would be to have to sue you. I
24 don't want to do that. You're concerned about the Eureka
25 litigation. I am, too. That was expensive. I watched

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SANTA MONICA, CALIFORNIA 95026
TELEPHONE (916) 383-3601

1 that one myself.

2 We would like a response to our April 15th letter.
3 We think it outlines a legal position which clearly allows
4 you to issue a -- either a noncompetitive lease or
5 prospecting permit. The essence of our position has been
6 set forth in the April 15th letter.

7 I also have -- in case there's any question
8 about notification from this Commission -- I have copies
9 of a memo written to your file by Mr. Don Hoagland indicating
10 exactly what I've outlined in my letter. I received this
11 after I wrote my letter and it supports entirely every
12 point that I've outlined in it.

13 And I'd like to just quote one or two sections
14 from it for your consideration or I can just hand it to
15 you so you can incorporate it into the record at your
16 discretion. It has been compared to your file company and
17 they are accurate.

18 Your guidance on that one at all?

19 MR. TAYLOR: Whatever you want to do.

20 MR. BRADY: I would ask that it be incorporated
21 in the record. It's a memo to the file dated October 13th,
22 1981, file reference W-9649.

23 CHAIRPERSON CORY: How did you come by a copy
24 of it?

25 MR. BRADY: Public records.

1 CHAIRPERSON CORY: So you requested the copy?

2 MR. BRADY: Copy of the original file. I
3 received a copy of the original file for Alaskan. At that
4 time they were known as California Geothermal. It didn't
5 look like I had everything, so I went in and was handed
6 a copy of the complete original file and I found this
7 memo after I had requested -- they had requested a
8 complete copy of the file.

9 MS. MORGAN: How big was the complete file?

10 MR. BRADY: An inch and a half, maybe an inch.

11 MS. MORGAN: And you got this one document --

12 MR. BRADY: That's lot more than that, but this
13 document summarizes the essence of the problem.

14 MS. MORGAN: Okay.

15 MR. BRADY: If you want to incorporate the
16 entire record into the file -- or the whole file into this
17 record, that's fine.

18 MS. MORGAN: I think the file is the record.

19 MR. GRADY: I don't know if it's been
20 incorporated, but I would like to be considered.

21 CHAIRPERSON CORY: Can anybody tell us if that
22 is a copy of something that's in our file?

23 MR. HIGHT: It appears to be, yes.

24 CHAIRPERSON CORY: Okay. So we have a copy of
25 the thing here.

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-0601

1 MR. TAYLOR: If you want to include it as part
2 of the record --

3 CHAIRPERSON CORY: The record of what? This
4 hearing?

5 MR. TAYLOR: This conversation.

6 CHAIRPERSON CORY: This is an informational
7 item, there is no record -- I mean --

8 MR. BRADY: Well, I believe I stated earlier the
9 point of contention is that it's rather odd to ask a
10 matter to be brought to the Commission and that the staff
11 recommended to the Commission -- if I can quote it from the
12 last paragraph of the calendar item, "... that any
13 Commission decision to allow oral or written
14 presentations on this matter does not constitute a waiver
15 of any rights of the State of California acting by and
16 through the State Lands Commission, nor does it constitute
17 a review, opinion, reconsideration of the permit
18 application, admission of fact, or (even) consideration of the
19 merits of the claims put forth by California Geothermal,
20 Inc."

21 I would simply ask that the matter be brought to
22 your attention and that you do consider what has, in fact,
23 occurred to Alaska. They've been done dirty by your sta
24 That's the position that we'd like you to rectify by (a),
25 a response to the letter that have and that I have in

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 205
SACRAMENTO, CALIFORNIA 95626
TELEPHONE (916) 383-3601

1 in front of us -- all those facts and circumstances --
2 which haven't been responded to except with bravado and
3 some stonewalling.

4 And all I want is an answer to that letter to
5 decide whether we should go forward -- whether you need to
6 go forward and change what the staff told you to do
7 several years ago which, in our opinion, was wrong.

8 MR. TAYLOR: Mr. Chairman, there are several
9 points which perhaps should be brought up. The first is
10 that when a person applies for a prospecting permit, the
11 statute in effect at the time of the application
12 provided that it was subject to the fact that the State at
13 any time prior to the issuance of the lease could classify
14 the property as KGRA, known geothermal resources, and that
15 would terminate their permit -- or their permit
16 application if it hadn't been completed.

17 The Commission, pursuant to that authority,
18 in 1978, exercised that interest. There was no activity
19 or response from the people who are now asking to take some
20 action or to reconsider this matter from '78 until '81
21 when the Commission contacted somebody about to whom to
22 return the money.

23 I think there was a question of diligence on
24 behalf of these people. I don't think that we heard from
25 them for some years prior to 1978. But that will be a

1 question that will be derived from the files.

2 CHAIRPERSON CORY: The question before us, as I
3 understand it, is that we are beyond any time that the law
4 contemplates of us having the ability to deal with the
5 request. That's the way you started the --

6 MR. TAYLOR: I believe that's it.

7 CHAIRPERSON CORY: So there's not a whole lot
8 that we can do at this point in time from what you're
9 telling us.

10 MR. TAYLOR: That's correct.

11 MR. BRADY: Before we go on --

12 CHAIRPERSON CORY: And we are listening to
13 Mr. Brady's tale that something less than meritorious
14 activity on the part of the staff has occurred apparently
15 sometime when Mr. Brady was on the staff, but he wasn't
16 associated with it.

17 MR. BRADY: That is correct.

18 CHAIRPERSON CORY: So we are aware of that, but
19 our lawyers inform us that there's really not a whole lot,
20 if the allegation were true, we can do about that without
21 going back and unwinding, conduct hearings, go back through
22 and unwind the known geothermal --

23 MR. TAYLOR: -- resources determination.

24 CHAIRPERSON CORY: And that was all publicly
25 noticed and done?

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 MR. TAYLOR: It was.

2 MR. BRADY: And that is the position that the
3 staff has. I have on numerous times asked them, "Did you
4 notify these people?" And the answer's come back, "No,"
5 everytime.

6 CHAIRPERSON CORY: But the question is we have
7 statutory requirements to comply with of notification;
8 there were published notices. And if you had an interest
9 in the subject matter as a lessee, you should be watching
10 what the Commission's doing. We don't really meet behind
11 closed doors.

12 MR. BRADY: The point is that that superseded your
13 statutory obligations and constitutionally required direct
14 notification rather than reading the mail. And that's
15 the problem. It does require direct notification. Counsel's
16 not responded to that assertion. They're saying mail
17 notice is fine, or general publication notice is fine, but
18 I don't think that's what the law says. But he hasn't
19 even responded to that.

20 MR. TAYLOR: I don't know if there was any require-
21 ment to notice. Under the circumstances the person took
22 subject to a right of the State to terminate that interest
23 by finding a KGRA problem. If this Commission reconsiders
24 this matter, you may be faced with a group of people who
25 are potential bidders on this parcel of property because it

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3607

1 is one of the few parcels of property where the State
2 owns the surface as well as the minerals and the geysers.

3 And so the Commission is presented with some
4 sort of --

5 MS. MORGAN: Well, this is noticed as an
6 informational item for the Commission. You told us
7 that we are without jurisdiction to act in this matter. It
8 seems to me, Mr. Brady, if you expect the Commission to
9 take some action, you have to overcome that hurdle.

10 MR. BRADY: I don't know the basis for his
11 jurisdictional assertion. I really do not. I've never
12 been told that, that I have something to respond to.

13 CHAIRPERSON CORY: The burden of proof is upon
14 you, Mr. Brady. I wish you well on it.

15 MR. TAYLOR: There are two problems. One of
16 them is that the determination of the Commission was made
17 on November the 27th, 1978. This is 1982. Even assuming
18 when he first made the letter back to us at that time --
19 The time to reconsider that determination -- the time to
20 set it aside in an action by this Commission has expired
21 under any of the applicable statutes some time ago.

22 MR. BRADY: That's your position, Counsel, even
23 though there was no notification --

24 MR. TAYLOR: That's one of a number. I'm not
25 conceding that no notice was provided you or how. I don't

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3801

1 know on that question.

2 MR. ACKERMAN: What can we do?

3 CHAIRPERSON CORY: The lawyers tell us we can't
4 do anything. We're aware of the information. It seems to
5 me Mr. Brady has a client that has a problem. And if we
6 want to reconcile it, we'd have to start conducting
7 hearings to set aside the known geothermal. And, as I
8 recall that, the facts will not very well support that.

9 MR. BRADY: That's a question that we have
10 raised also, Mr. Chairman.

11 CHAIRPERSON CORY: It's my opinion it was a
12 valid decision. And there were hearings held on that
13 subject. If we're going to come to another conclusion
14 to get out of the dilemma we're in given where we are,
15 I don't think there's much more to do. We're aware of the
16 problem and in the process that's where we are.

17 I don't see what we can do, Mr. Brady. We appreci-
18 ate having the information brought to our attention and --

19 MR. BRADY: You won't even direct the staff to
20 respond to the letter in hopes we can find out what the
21 basis of the staff's position is in response to my letter,
22 so at least I'd have a preliminary step to figure out --

23 CHAIRPERSON CORY: I think the record is clear
24 on what the lawyers have told us. And it makes sense to
25 me. I understand it. I don't think anything else needs to

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95828
TELEPHONE (916) 383-3601

1 be done at this point in time. So, I thank you, Mr. Brady.

2 MR. BRADY: Thank you, members of the Commission.

3 CHAIRPERSON CORY: Item 50. This is authority
4 to execute a contract for consultant services on the
5 proposed exchange of property with the Federal Government.
6 You're not going to execute this unless you get some
7 indication that's an option for us.

8 EXECUTIVE OFFICER DEDRICK: That's correct.

9 CHAIRPERSON CORY: Anybody in the audience on
10 this item? Questions from Commissioners? Without objection,
11 Item 50 is approved as presented.

12 Item 51, amendment to an existing lease with
13 Owen Company, Burlingame, change of the term of the lease
14 from 49 years to to 25 years. What happens to the
15 amount of money? It's paid over a shorter period of
16 time or it is decreased?

17 EXECUTIVE OFFICER DEDRICK: It's the same
18 annual rental. This piece of property is a public access
19 parcel. Jim Trout is personally knowledgeable on that.

20 MR. TROUT: Yes. The money remains the same
21 except that we have an opportunity to increase it at an
22 earlier point in time. And I think there's an inconsistency
23 between the summary and the calendar item. It should be
24 49 years to 24 years rather than 25 years.

25 CHAIRPERSON CORY: 24. Okay. Any questions from

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 363-7601

1 anybody in the audience? Questions from the Commissioners?

2 MS. MORGAN: I had a question to ask of the
3 staff as to why we didn't when we were in the midst of
4 negotiations, apply the normal standard to the rent?

5 MR. TROUT: This is. This is part of an
6 option package and agreement that were put together. And
7 this is to allow the development of a piece of privately
8 owned property. And this piece of land that's involved
9 here is a right-of-way along the canal and Sanchez Lagoon
10 in Burlingame. The applicant, or the lessee, has agreed
11 to pay the rent and maintain the property. And for -- due
12 to tax reasons, and I don't know what they are, the
13 applicant just wants the term of the lease reduced. That's
14 a benefit to the State in that we get a 25-year earlier
15 shot at the revised rent. It was done on the basis of
16 standard.

17 MS. MORGAN: Thank you.

18 EXECUTIVE OFFICER DEDRICK: This is not
19 something they're making money on. This is a strip of
20 public access which they are renting as part of their
21 lease on another parcel, paying us rent on it and maintaining
22 it for public access purposes.

23 MS. MORGAN: Why are they doing it?

24 MR. TROUT: Well, it's --

25 MS. MORGAN: It was probably a condition --

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. TROUT: Yes. BCDG is part of it. And this access is part of an exchange agreement from the Anza Shareholders Liquidating Trust. We acquired this --

CHAIRPERSON CORY: You're talking about the Morgan Ocean Seas Act. Let's talk about the Trout Special Memorial.

MR. TROUT: I'll keep doing it till I get it right.

CHAIRPERSON CORY: Liquidating Trust, you'll be the absolute world's leading expert on the Anza Liquidating -- whatever it is. Your question's resolved. I just --

MS. MORGAN: It sounds like the staff is happy!

CHAIRPERSON CORY: We want to make sure you're happy.

MS. MORGAN: Not entirely. It seems to me that the leaseholder would not have asked to renegotiate if he didn't get some benefit from it. And in the midst of negotiations we should have applied the current standards for the lease than the old standards, getting paid faster.

MR. TROUT: It's only been in effect three months. I mean, it is current.

MS. MORGAN: The five-year rent review.

MR. TROUT: No, not on this one. Part of the negotiated deal in the option was there would be a fixed

1 term. The rent is fixed for three separate periods.

2 CHAIRPERSON CORY: And his benefit, though,
3 whatever his cost is, he can write that cost over 24
4 years rather than -- write it off for 24 years rather than
5 49.

6 MR. ACKERMAN: Accelerated write-off.

7 MR. TROUT: But there is an accompanying
8 advantage to the State in that the deal we entered into in
9 July is now better because instead of having a fixed
10 rent that goes out for 49 years, we now have a fixed rent
11 that only goes 24 years.

12 MS. MORGAN: I guess the question I should have
13 asked in July was why we were getting fixed rent without a
14 five-year annual review.

15 MR. TROUT: Well, because that has been
16 consistent with the Commission's policy. This area they
17 cannot use. They can't make money out of it. I mean, it's
18 a public access, as Miss Dedrick said, a public access
19 corridor.

20 MS. MORGAN: Okay. You win.

21 CHAIRPERSON CORY: Never concede that to the
22 staff. Never.

23 MS. MORGAN: Those were good answers, Jim.

24 MR. TROUT: I hope they're right.

25 MS. MORGAN: Wait a minute.

1 CHAIRPERSON CORY: Is there any further
2 questions on this lease? Without objection, approved as
3 presented.

4 Agnes Mulhern, Catalina Conservancy, Santa
5 Catalina Island Company wishes an opportunity to speak.
6 My God, why?

7 MS. MULHERN: As you haven't heard enough
8 already. Just merely to ask the Commission whether or
9 not the decision has been made with respect to what the
10 timetable is that we can look forward to.

11 CHAIRPERSON CORY: No. There's a hearing going
12 on --

13 MS. MULHERN: I'm aware of that.

14 CHAIRPERSON CORY: -- and to my knowledge, we're
15 not in a position to deal with that question. We'll deal
16 with it with as much speed as possible. If there is some
17 smoking gun that comes out of that hearing, that might
18 alter the time frame. But I think it's inappropriate to
19 try to guess or prejudge the outcome of those hearings.
20 We're trying to make sure that everybody has exhausted
21 themselves on this project. It appears to be coming close
22 to a conclusion. I certainly hope so.

23 MS. MULHERN: All right.

24 CHAIRPERSON CORY: And we would hope to deal with
25 it rather quickly. I had hoped to have it behind us by now.

PETERS SHORTHAND REPORTING CORPORATION

3450 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8884

1 MS. MULHERN: May I ask a question?

2 CHAIRPERSON CORY: Sure.

3 MS. MULHERN: Is there a hope of completing it
4 before the end of the year?

5 CHAIRPERSON CORY: Hope springs eternal.

6 MS. MULHERN: Okay.

7 MS. MORGAN: That was last year.

8 MS. MULHERN: Yes. That's the point. Thank you.

9 CHAIRPERSON CORY: We're trying. But I think it
10 would be inappropriate to say at this point before those
11 hearings are concluded. If somebody discovered some merit
12 in those hearings, then we're going to have to respond
13 to that discovery.

14 MS. MULHERN: Thank you.

15 MR. TAYLOR: We may.

16 MS. MULHERN: Thank you.

17 CHAIRPERSON CORY: Okay.

18 MR. HIGHT: DeLorean cars at the bottom of the
19 ocean.

20 CHAIRPERSON CORY: Filled with what? Water
21 soluble, I think.

22 Is there anything else to come before the
23 Commission? All right. We stand adjourned until -- what's
24 the date?

25 EXECUTIVE OFFICER DEDRICK: The next regular

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A

SACRAMENTO, CALIFORNIA 95825

TELEPHONE (916) 972-8884

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

meeting, scheduled meeting. We have a meeting scheduled for the 29th. We may ask you to schedule one earlier if something changes.

CHAIRPERSON CORY: Okay. We're adjourned.
(Thereupon the hearing was adjourned at 11:00 a.m.)

---o0o---

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8594

CERTIFICATE OF SHORTHAND REPORTER

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify;

That I am a disinterested person herein; that the foregoing hearing before the State Lands Commission of the State of California was reported in shorthand by me, Nadine J. Parks, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of November, 1982.

Nadine J. Parks

Nadine J. Parks
Shorthand Reporter