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MEETING

STATE LANDS COMMISSION

STATE OF CALIFORNIA

STATE CAPITOL

ROOM 447

SACRAMENTO, CALIFORNIA

THURSDAY, MARCH 6, 1986

10:01 A.M.

ORIGINAL

Reported by:

Cathleen Slocum, C.S.R.
License No. 2822

MEMBERS PRESENT

1
2 Elizabeth Rasmussen, Acting Chairperson, representing
Kenneth Cory, State Controller

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

4
5 Susan Wallace, representing Leo T. McCarthy,
Lieutenant Governor

MEMBERS ABSENT

6
7 NONE

STAFF PRESENT

8
9
10 Claire Dedrick, Executive Officer

11 Robert Hight, Chief Counsel

12 James Trout, Assistant Executive Officer

13 Lance Kiley

14 W. M. Thompson

15 Jane Smith, Secretary

ALSO PRESENT

16
17
18
19 Dave Judson, Deputy Attorney General

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PROCEEDINGS

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3 ACTING CHAIRPERSON RASMUSSEN: Call the meeting to
4 order.

5 This is the State Lands Commission regular meeting.
6 The first item of business is the confirmation of the minutes
7 of the meeting of January 23rd and the special meetings on
8 February 13th and February 14th.

9 COMMISSIONER ORDWAY: Motion.

10 ACTING CHAIRPERSON RASMUSSEN: There's a motion.
11 Are there any questions or corrections to the minutes?
12 Hearing none, the minutes are approved by consensus.

13 Item two is the report of the Executive Officer.

14 COMMISSIONER ORDWAY: For the record Mr. Hight could
15 you indicate who's voting this morning?

16 For the record, Mr. Hight --

17 ACTING CHAIRPERSON RASMUSSEN: Would you like to
18 indicate to Mr. Hight who's voting this morning?

19 COMMISSIONER ORDWAY: Mr. Hight, I always vote.

20 MR. HIGHT: For the record, Lizabeth Rasmussen will
21 be sitting in a non-voting capacity and --

22 COMMISSIONER ORDWAY: And chairing the meeting for
23 us.

24 MR. HIGHT: -- and chairing the meeting for us.

25 ACTING CHAIRPERSON RASMUSSEN: Thank you for

1 bringing that up.

2 Item two, the report of the Executive Officer.

3 EXECUTIVE OFFICER DEDRICK: No report this morning,
4 Commissioner.

5 ACTING CHAIRPERSON RASMUSSEN: All right. Item
6 three is the consent agenda Items C-1 through C-14.

7 I have received a request to speak from Ronald King
8 on Item C-2. So I think we should pull that item and put it
9 on the regular agenda.

10 COMMISSIONER ORDWAY: I will move Item --

11 ACTING CHAIRPERSON RASMUSSEN: And C-13 is off the
12 agenda.

13 COMMISSIONER ORDWAY: Unless there are any requests
14 from the audience or any additional comments from staff, I
15 will move Item C-1, C-2 through 12, and C-14, C-3 through
16 through 12.

17 ACTING CHAIRPERSON RASMUSSEN: Are there any
18 questions on any of those items, anyone that wishes to
19 address the Commission on these items?

20 If not, they will be approved as presented. Hearing
21 none, that is the order.

22 Item C-2.

23 EXECUTIVE OFFICER DEDRICK: Excuse me, Commissioner.
24 On the regular calendar, Item 18 is off calendar.

25 ACTING CHAIRPERSON RASMUSSEN: Right. Thank you.

1 Mr. Elder is here, Assemblyman Elder from Long Beach
2 to take up Item 25. So we'd like to take that item up first,
3 if this is a good time for Mr. Elder.

4 Nice to see you again.

5 ASSEMBLYMAN ELDER: Well, thank you very much. I'm
6 still verticle. I'm a little under the weather. I
7 appreciate you taking me up out of order. I don't --really
8 I'm basically here to receive information rather than to
9 impart it. So if you would have your staff proceed as they
10 normally do.

11 ACTING CHAIRPERSON RASMUSSEN: All right,

12 MR. THOMPSON: As I talked to you earlier this
13 morning, Assemblyman Elder, we have received four letters
14 back, two by the same person, since the last meeting and the
15 one from Armstrong Petroleum, I guess the first letter they
16 were objecting to the bill itself as we interpret the letter
17 and the second one I guess they're going along with the bill
18 with, application with certain reservations.

19 The letters from ARCO and Union are pretty much the
20 same tone. We now have a problem that they want to be
21 reimbursed for the cost of administering, passing the funds
22 on to royalty interest owners.

23 Right now we don't understand how that would be
24 done. I don't know whether that would require some bill
25 through the Assembly to appropriate money for it or what it

1 would be. We'll have to do some legal research on that. We
2 still haven't heard from two or three of the non-operating
3 contractors in Track 1 and several other working interest
4 owners in the town lot.

5 ASSEMBLYMAN ELDER: What would be the impact of the
6 change in oil prices that were -- how is the current
7 reduction in oil prices likely to affect the field as it
8 relates to this issue?

9 MR. THOMPSON: It will extend the pay back period
10 because in effect you're really paying back in past dollars
11 owed. So the less valuable each barrel of oil is the longer
12 it takes to pay that back which in that particular case then
13 places the state in a little more jeopardy in extending the
14 pay back time and a little more risk exposure to the state.
15 Of course the actual royalty of the interest owners will be
16 cut just like all people because the oil price drop.

17 ASSEMBLYMAN ELDER: The amount that's owed in those
18 cases is a fixed amount for each royalty owner, but since
19 they'll be receiving payments from cheaper oil, therefore,
20 lower payments, it will take longer to pay off that sum of
21 money; is that true?

22 COMMISSIONER ORDWAY: That's correct.

23 MR. THOMPSON: That's the second step that I really
24 can't comment because the way that the working interest owner
25 pays the royalty owner is a lease issue, not a Long Beach

1 Unit contract issue. Under the Long Beach contract we only
2 talk to the working interest owner, and that pay back will be
3 deferred because the value of the product will be less per
4 barrel to pay back the dollar amount, yes.

5 ASSEMBLYMAN ELDER: The State Lands Commission
6 basically has implemented the requirements of AB 2568.

7 MR. THOMPSON: And the City of Long Beach.

8 ASSEMBLYMAN ELDER: And Long Beach. So that the
9 only impediment to having the benefits of that bill inure to
10 the royalty owners is the willingness or lack of willingness
11 on the part of the unit operators to pass it through; is that
12 true?

13 MR. THOMPSON: The working interest owners that are
14 interested, yes.

15 ASSEMBLYMAN ELDER: And so far we have been
16 underwhelmed by their reaction.

17 MR. THOMPSON: I think that's a good
18 characterization of it.

19 ASSEMBLYMAN ELDER: So as far as the City of Long
20 Beach and the State of California is concerned and the
21 royalty owners, we did the best we could given the
22 circumstances.

23 MR. THOMPSON: And we're going to continue to try
24 and we'll put it on next month and report back to you then as
25 we have this month.

1 ASSEMBLYMAN ELDER: But the decline in oil prices
2 tends to extend the length of pay back period in any event.

3 MR. THOMPSON: Yes, but there have been certain
4 parcels that have been paying out as if going along and also
5 on a fairly short term basis still at only a matter of
6 months.

7 ASSEMBLYMAN ELDER: All right. I guess we've
8 provided the legal framework for this to go forward. It
9 seems that the state is willing, the City of Long Beach is
10 willing and of course townlot owners are willing, it's just a
11 question of the people who are actually producing out of the
12 field being not only willing but actually doing something and
13 it seems at this point that they're not.

14 So I think we've more narrowly defined where the
15 concern should be expressed as far as the town lot people are
16 concerned and that is with the working interest owners and
17 not with the public agencies that they pay taxes to.

18 MR. THOMPSON: Thank you.

19 ACTING CHAIRPERSON RASMUSSEN: Thank you, Mr. Elder.

20 Any other questions?

21 ASSEMBLYMAN ELDER: Thank you very much.

22 COMMISSIONER ORDWAY: I'll move Item 25.

23 ACTING CHAIRPERSON RASMUSSEN: Item 25 is an
24 information item. There is no action required. We
25 appreciate you coming by.

1 ASSEMBLYMAN ELDER: Thank you.

2 ACTING CHAIRPERSON RASMUSSEN: Let's return to Item
3 C-2 that was removed from the consent agenda and take that up
4 at this time.

5 EXECUTIVE OFFICER DEDRICK: Yes, Commissioners.
6 Mr. Kiley, Chief of the Land Management and Conservation
7 Division will present this item.

8 MR. KILEY: C-2 is a lease for an area opposite an
9 area called Kings Island Lagoon or Kings Island which is down
10 in the Delta area. It's, just for general location, down not
11 too far from Tracy and it's near the Clifton Court Forebay
12 which is a part of the State Water Project.

13 The island itself is a natural berm that appeared in
14 around the channel of the old, well, it's called Old River
15 which is part of the old channel of the San Joaquin River in
16 the old days and there are various cuts around the channel
17 that were done by dredgers during the 1800's, and there is an
18 area which we believe was illegally filled out just south of
19 King Island that's abutting the area around Clifton Court
20 Forebay. And we propose to lease that to some people for
21 recreational facilities of various kinds.

22 Mr. King has come in and talked to the staff on one
23 occasion and probably talked to them by phone on numerous
24 occasions and he contests our ownership of this.

25 As we understand it, Mr. King doesn't claim to have

1 any record title interest in any part of this parcel, but he
2 is involved in some litigation which could possibly,
3 conceivably affect the title to the parcel.

4 So with that I'll let him present his side of the
5 story. We do believe based on the information that we have
6 that the state owns this parcel. Everything we have seen to
7 date leads us to believe that we own this parcel.

8 ACTING CHAIRPERSON RASMUSSEN: All right. Thank
9 you.

10 Mr. King.

11 MR. KING: Thank you. I'm not sure how to start
12 with this. I disagree with a number of things --

13 COMMISSIONER ORDWAY: Mr. King, why don't you start
14 by giving your name for the record.

15 MR. KING: Ronald King.

16 COMMISSIONER ORDWAY: Thank you.

17 MR. KING: He's calling it San Joaquin River and
18 it's not. It's Old River. He's 20 miles off base there.

19 The berm in the center of the river was formed
20 naturally by the river. It's there since I can remember. I
21 have pictures of my mother standing on that berm pregnant
22 with me. I was almost born there.

23 My father and my grandfather died on this island.
24 We have been on this property for almost a half a century.

25 The river has changed its course through time. In

1 the early 1800's the river ran several hundred feet to the
2 south of where it runs now. The center of the river being
3 the county line. That's the true basis for my argument
4 because I believe the county line, everything on that side of
5 the San Joaquin County, and we've been paying taxes on that
6 property for half a century. That gives me adverse
7 possession against it if it is in fact yours which I don't
8 think it is.

9 These are all items that are subject to a lot of
10 discussion and argument. I believe it's mine.

11 ACTING CHAIRPERSON RASHUSSEN: Do you have any
12 documentation? Have you been able to provide --

13 MR. KING: I'm in a very precarious position due to
14 the short notice involved in this. I was informed of this
15 meeting less than 24 hours ago. I was informed originally
16 that it would be postponed.

17 COMMISSIONER ORDWAY: Given that you have had short
18 notice, we do have a regular scheduled meeting of the Lands
19 Commission on the 24th I believe of this month, the 24th or
20 25th, 24th. Why don't we put this item over until then and
21 give you some time to provide information to staff.

22 We would probably ask given the amount of time that
23 staff would need to work it up that you have any type of
24 documentation, proof of ownership or whatever documents you
25 have to staff no later than the 15th of March. Would that

1 provide you --

2 MR. KING: Could I have a little more time than
3 that, please.

4 COMMISSIONER ORDWAY: I believe we have to act on
5 this item prior to the 26th or 27th of this month. So in
6 order to do that we would have to do that at the 24th
7 meeting.

8 MR. KING: Okay.

9 EXECUTIVE OFFICER DEDRICK: 884 runs at the end of
10 March. So the staff would need time to review it. We'd be
11 happy to put it over and review any documentation Mr. King
12 has. We've asked for such documentation in the past I
13 believe. If we can get the documentation in, we'll be happy
14 to look at it and be prepared to give you our best judgment
15 at the next Commission meeting.

16 MR. KING: That's acceptable then.

17 COMMISSIONER ORDWAY: I would move then that this
18 item be put over without prejudice until the 24th.

19 ACTING CHAIRPERSON RASMUSSEN: That will be the
20 order then.

21 MR. KING: And I would receive notice of that?

22 COMMISSIONER ORDWAY: Public notice goes out ten
23 days before and I assume that during the intervening time
24 you'll be dealing with staff to provide documentation and
25 conversation and answering any questions that staff may

1 have.

2 MR. KING: I'm still waiting on the file from the
3 State Lands Commission on the entire piece of property.

4 That's part --

5 EXECUTIVE OFFICER DEDRICK: Let me suggest,
6 Commissioner, that today before you leave, Mr. King, that you
7 go to the State Lands Commission Office at the end of this
8 meeting with our people and get together today and determine
9 what documentation, give you what documentation you feel you
10 need, determine what documentation we would need to recognize
11 if it's there, your claim, and make sure that those documents
12 are in the State Lands Commission working office by the
13 fifteenth of the month so that the state would have time to
14 review it. But if you go in today, I think that staff would
15 be happy to sit down with you and settle any communication
16 problems we may have.

17 MR. KING: Thank you. I like that. That sounds
18 very productive. Thank you again.

19 COMMISSIONER ORDWAY: You're welcome.

20 ACTING CHAIRPERSON RASMUSSEN: Let's move to the
21 rest of the regular calendar.

22 Item 15, please.

23 I understand we have some additional language on
24 this item.

25 EXECUTIVE OFFICER DEDRICK: Yes. The Holland and

1 Mercurio is the applicant and this is for, we must recede,
2 remove a Commission's former action and change it to take
3 care of some facts which apparently we weren't aware of at
4 the time.

5 Mr. Kiley has information that will present the item
6 and also some suggested language changes that have been
7 negotiated in the last few days.

8 MR. KILEY: There are some disputed ownership
9 questions over this pier. It's a pier on Lake Tahoe and the
10 original intent of the staff was to lease it to the person
11 who was immediately adjacent littoral owner and during the
12 intervening period two other parties have come forward and
13 claimed that they had an interest in the pier.

14 We have worked out language, non-prejudicial
15 language for the permit with the attorneys for the parties
16 who are objecting which we think is going to be acceptable to
17 everybody. Unless somebody here wishes to have it read into
18 the record, it's probably not necessary.

19 We think it's acceptable to all the parties. It was
20 drafted by, substantially drafted by the two parties who were
21 objecting.

22 We have made one minor change to it to limit it only
23 to those two parties who are immediately adjacent to this
24 pier and as far as I know that's going to be okay with
25 everybody.

1 The two things, one of them is just a
2 non-prejudicial clause saying that the permit is not
3 prejudicial to their rights and cannot be used in a court
4 action regarding their rights. The other one is basically a
5 commitment by the Commission to amend the permit should
6 either of these two parties acquire by a final judgment in a
7 court of competent jurisdiction the right to use this pier,
8 and the Commission would then amend that and authorize that
9 amendment.

10 ACTING CHAIRPERSON RASMUSSEN: Are there any
11 questions of Commissioners? Anyone wishing to address the
12 Commission on this item?

13 Need your name and who you represent for the record,
14 please.

15 MR. KAMINSKI: Bruce Kaminski, attorney for George
16 Montgomery, one of the owners of the pier whose name will not
17 appear on the permit.

18 I would like to hear the language that is going to
19 officially go in the permit. Although we did help draft the
20 language, I understand that Dave Hadly, counsel for the
21 Commission had a couple of word changes that I heard about
22 but haven't --

23 MR. KILEY: That he did. I didn't realize that you
24 were here Mr. Kaminski. Let me read it to you.

25 The first paragraph is unchanged. The second

1 paragraph would read: "This permit shall be amended by the
2 State Lands Commission to include as co-permittees either of
3 the immediately adjacent littoral property owners who shall
4 establish ownership, use or other rights in the pier either
5 by the final judgment by a court of final jurisdiction or by
6 agreement with Holland and Mercurio."

7 I would probably add one other thing in here to make
8 it say either or both of the immediately adjacent owners. Is
9 that acceptable to you?

10 MR. KAMINSKI: Is it clear from the record that my
11 client and Mr. Balsdon's group are the immediately adjacent
12 littoral owners?

13 MR. KILEY: It is now.

14 MR. KAMINSKI: That's fine with me.

15 ACTING CHAIRPERSON RASMUSSEN: You're comfortable
16 with that language then?

17 MR. KAMINSKI: I would just say that for the record
18 that Mr. Montgomery and Mr. Lean, counsel for the Balsdon
19 group, officially protest the issuance of the permit to the
20 Holland and Mercurio group since the three groups together
21 own the pier, but we have worked out some language which
22 would, which is acceptable to us since the Commission has
23 decided that it must issue a permit at this time.

24 MR. KILEY: The staff feels that the Commission
25 should have some kind of a permit out here to cover itself

1 with liability insurance if for no other reason. This pier
2 does exist. It sits out there with nothing at the present
3 time and we believe that it needs some kind of permitting
4 action.

5 ACTING CHAIRPERSON RASMUSSEN: All right. I'm
6 comfortable with that. Any questions?

7 COMMISSIONER ORDWAY: I'll move it with the amended
8 language.

9 ACTING CHAIRPERSON RASMUSSEN: All right. It's been
10 moved and deemed approved by consensus.

11 Thank you very much.

12 Item 16.

13 EXECUTIVE OFFICER DEDRICK: Item 16 is request to
14 amend some previous findings and revise the land description
15 on the location of the All American Pipeline as it approaches
16 the old channel of the Colorado River in Riverside County.

17 ACTING CHAIRPERSON RASMUSSEN: Any questions on Item
18 16?

19 COMMISSIONER ORDWAY: Motion.

20 ACTING CHAIRPERSON RASMUSSEN: Item 16 has been
21 moved.

22 EXECUTIVE OFFICER DEDRICK: Item 17, I'm going to
23 ask Mr. Trout to give you the detail on this item. Selden
24 Perry is the applicant.

25 MR. TROUT: Mr. Perry needs to dredge the channel in

1 front of his marina and has asked for a ten-year permit. We
2 wanted to combine the dredging with a marina lease. We
3 weren't able to do that within the time he needs to do his
4 dredging.

5 Mr. Perry has since the publication of the calendar
6 agreed to a one year one thousand yard permit and it is
7 exempt from CEQA under Class 4 maintenance dredging. So that
8 we would ask the Commission to instead of the action in the
9 recommendation, that the Commission find that the project is
10 categorically exempt and authorize the issuance of a one year
11 dredging permit.

12 EXECUTIVE OFFICER DEDRICK: The Commission should
13 understand that as a rule the Executive Officer, it is felt, has
14 the authority to issue small dredging permits that are under the
15 CEQA limit, that are therefore exempt from CEQA so that they are
16 ministerial and normally we would have done that in this
17 instance except that the property wasn't under lease.

18 Since it is on the calendar and before you and to
19 make everything neat, I would prefer that you take the action
20 that Mr. Trout has described.

21 COMMISSIONER ORDWAY: Motion.

22 ACTING CHAIRPERSON RASMUSSEN: Any other questions
23 or concerns?

24 EXECUTIVE OFFICER DEDRICK: Thank you.

25 ACTING CHAIRPERSON RASMUSSEN: Item 17 is approved

1 as presented.

2 Item 19 is off the calendar and I understand that
3 Item 20 perhaps should be taken before Item 19.

4 EXECUTIVE OFFICER DEDRICK: Yes, I think so. Item
5 20 is the request for your approval of the acceptance of
6 seven quitclaim deeds to geothermal parcels in the Geysers.
7 Item 19 is the reduction of the bond to Geothermal Resources
8 Inc. as a result of having given up seven parcels. And I
9 appreciate it if you'd take the action in that order, Item 21
10 and then Item 19.

11 COMMISSIONER ORDWAY: Motion.

12 ACTING CHAIRPERSON RASMUSSEN: Are there any
13 questions on 20 then? Moved. Item 20 is approved as
14 presented.

15 Item 19.

16 COMMISSIONER ORDWAY: Motion on 19.

17 ACTING CHAIRPERSON RASMUSSEN: Questions on 19? 19
18 is approved as presented.

19 Item 21.

20 EXECUTIVE OFFICER DEDRICK: Item 21 is a request by
21 the Metropolitan Water District for an exemption from the
22 competitive bid procedure for the leasing of subsurface oil
23 and gas on property where both the surface and the minerals
24 are owned by the Metropolitan Water District.

25 ACTING CHAIRPERSON RASMUSSEN: Any questions on Item

1 21?

2 COMMISSIONER ORDWAY: Motion.

3 ACTING CHAIRPERSON RASMUSSEN: Item 21 is approved
4 as presented.

5 Just for a second I think on Item 17 I made the
6 statement that it was approved as presented and that's
7 probably not actually correct.

8 EXECUTIVE OFFICER DEDRICK: That's correct, you were
9 not correct.

10 ACTING CHAIRPERSON RASMUSSEN: I'm correct that I
11 was incorrect. So it was moved as amended and I'd just like
12 to clarify that for the record. It was approved as amended.

13 Item 22, please.

14 EXECUTIVE OFFICER DEDRICK: This is Southern
15 California Edison Company, a modification to the State's
16 right of surface entry and for mineral reservation on some
17 land in San Bernardino County.

18 ACTING CHAIRPERSON RASMUSSEN: Any questions on 22?

19 COMMISSIONER ORDWAY: Motion.

20 ACTING CHAIRPERSON RASMUSSEN: 22 is approved as
21 presented.

22 Item 23.

23 EXECUTIVE OFFICER DEDRICK: Item 23, Ocean Front Oil
24 Company, acceptance of a quitclaim lease for an oil and gas
25 lease in Orange County.

1 ACTING CHAIRPERSON RASMUSSEN: Any questions on 23?

2 COMMISSIONER ORDWAY: Motion.

3 ACTING CHAIRPERSON RASMUSSEN: 23 is approved as
4 presented.

5 Item 24.

6 EXECUTIVE OFFICER DEDRICK: Item 24 are the actual
7 revenues for the first six months of '85-'86 and the
8 estimates for '85-'86, '86-'87 and '87-'88.

9 Mr. Thompson is most up to speed on this daily
10 changing number and with your permission I'd like him to
11 present the item.

12 ACTING CHAIRPERSON RASMUSSEN: Please proceed.

13 MR. THOMPSON: I think the numbers there are
14 self-explanatory. I think the most graphic way of showing it
15 though is probably in one of these curves.

16 COMMISSIONER ORDWAY: Excuse me, Moose, but my
17 packet has Exhibit A unavailable at the time of print.

18 EXECUTIVE OFFICER DEDRICK: I apologize
19 Commissioners, we should have given those first thing this
20 morning. I thought I had.

21 MR. THOMPSON: I almost got away with it, didn't I?

22 COMMISSIONER ORDWAY: Came real close.

23 ACTING CHAIRPERSON RASMUSSEN: Give us just a minute
24 to look these over.

25 Not particularly encouraging is it?

1 EXECUTIVE OFFICER DEDRICK: No.

2 ACTING CHAIRPERSON RASMUSSEN: Do you have any
3 questions?

4 COMMISSIONER ORDWAY: What do you indicate are the
5 losses for '86-'87?

6 MR. THOMPSON: I think we were right around \$400
7 million.

8 EXECUTIVE OFFICER DEDRICK: The projection, current
9 projection prior to today is \$425 million, the projection as
10 of today is a \$185 million of revenue. I have to do the
11 arithmetic.

12 COMMISSIONER ORDWAY: 240 million.

13 EXECUTIVE OFFICER DEDRICK: Yes.

14 ACTING CHAIRPERSON RASMUSSEN: By the way, if
15 there's anyone in the audience that has not received this, we
16 do have copies of this available for anyone who's interested.

17 EXECUTIVE OFFICER DEDRICK: Of course, the '87-'88
18 revenue estimates are down proportionately.

19 This is, the assumptions are listed in the from
20 seven or eight assumptions upon which this is based.

21 MR. THOMPSON: Again, to get back, I think the
22 easiest way to show this graphically is to realize that this
23 is a drop in revenue per barrel and in cost per barrel in
24 Long Beach Unit which is a major part.

25 In February crude oil price was \$22.05. For

1 February it is going to be \$18.50. Our postings for March
2 1st are \$13.45. So you can see this drop and what you're
3 looking at is your net profits between the black line and the
4 red line. So it's more, change in the revenue is more than
5 just a change in oil prices because you're looking at this
6 net profit point.

7 These revenue estimates are based on \$13.00. We do
8 not know where bottom is as far as product prices or crude
9 oil prices.

10 EXECUTIVE OFFICER DEDRICK: Moose, excuse me, the
11 court reporter cannot hear you. Could you -- I don't know
12 what you can do about it.

13 MR. THOMPSON: I don't think there's any point in
14 going over this. Basically we're looking at the difference
15 between the change in crude oil prices against fixed
16 operating costs in the Long Beach Unit.

17 EXECUTIVE OFFICER DEDRICK: Commissioners, for your
18 information also revenue to the State Teachers' Retirement
19 System will also be depressed. As you can see those figures
20 for geothermal revenues which were projected at about 11.3
21 million for this year are now projected at seven million.
22 The reason for that is that the contract price for
23 geothermal, for electricity produced from geothermal steam,
24 as part of its formula, is dependent to some extent on the
25 price of oil which is used for the generation of electricity.

1 So that's a direct cost relationship. The depression
2 therefore is also due to the decrease in the price of oil.

3 ACTING CHAIRPERSON RASMUSSEN: And the State
4 Teachers' Retirement System is aware of projections?

5 EXECUTIVE OFFICER DEDRICK: They will be as of
6 today. We do not -- that's right, we release this to no one
7 until this Commission accepts the figures.

8 ACTING CHAIRPERSON RASMUSSEN: All right.

9 MR. THOMPSON: Just to give you an idea here, part
10 of this formula for the steam pricing is fossil fuel prices
11 and we understand right now that some of the utilities are
12 looking at buying low sulfur Indonesian crude for around \$12,
13 \$13, \$14 a barrel and pressuring the gas suppliers come down
14 to around a little over \$2 a mcf for gas. So this will have
15 a definite impact on steam sale prices.

16 EXECUTIVE OFFICER DEDRICK: One other thing I'd
17 like to reiterate which Moose did point out to you is that we
18 don't know that this is over yet.

19 COMMISSIONER ORDWAY: When do you plan on giving us
20 another revenue estimate?

21 EXECUTIVE OFFICER DEDRICK: We can give you revenue
22 estimates on a regular basis and once a week will not be
23 impossible at all.

24 COMMISSIONER ORDWAY: Could I ask probably for the
25 purposes of this Commission that we take action or that we

1 have another official revenue estimate at our April meeting?

2 EXECUTIVE OFFICER DEDRICK: Yes, you may.

3 COMMISSIONER ORDWAY: So that it can than be sort of
4 on the record as part of the May revision.

5 EXECUTIVE OFFICER DEDRICK: Certainly.

6 MR. THOMPSON: Clare, the Legislative Analyst is
7 asking us for a revised one by April 15. Does the Commission
8 want to clear that before we turn it over to the Legislative
9 Analyst?

10 COMMISSIONER ORDWAY: I would like the Commission to
11 act on anything before it goes public. So whatever the
12 appropriate date -- I don't know when the April meeting is.

13 EXECUTIVE OFFICER DEDRICK: Can I get back to you?
14 The April meeting will be after that, but we will have a
15 March meeting and -- wait a minute, this is the March
16 meeting.

17 COMMISSIONER ORDWAY: The March meeting at the end
18 of the month is, it is only a couple of weeks away. So I'm
19 not sure how much additional information --

20 EXECUTIVE OFFICER DEDRICK: What I think we could
21 do, Commissioners, is to hold a special meeting if necessary
22 to approve the figure that we'll be required to give the
23 legislature on the 15th of April.

24 COMMISSIONER ORDWAY: We're being requested to give
25 the legislature; right?

1 EXECUTIVE OFFICER DEDRICK: Yes.

2 MR. THOMPSON: And we will also advise you in the
3 March meeting as to any crude oil price changes in the
4 meantime that will affect us.

5 COMMISSIONER ORDWAY: Fine.

6 ACTING CHAIRPERSON RASMUSSEN: Any other questions?

7 All right. Item 24 is approved as presented then, accepted.

8 Item 25 we've already discussed.

9 Item 26, please.

10 EXECUTIVE OFFICER DEDRICK: Item 26 is a, the staff
11 is recommending a rejection of a request for the extension on
12 a drill-by date on a geothermal lease of the MSR public power
13 agency in the Geysers. You have a request from the vice
14 president of SAI Engineering representing MSR to speak.

15 ACTING CHAIRPERSON RASMUSSEN: All right. Mr.
16 Wazlaw. I need your name and who you're representing for the
17 record, please.

18 MR. WAZLAW: My name is James Wazlaw. I'm with SAI
19 Engineers, Incorporated.

20 We are in the midst and the final throes of
21 negotiating with the MSR Public Power Agency to be the
22 sublessees of their geothermal leases in the Geysers. What
23 we will do as sublessees will be to develop the geothermal
24 leases and to build and operate some small power plants on
25 the leases.

1 We are within, within a month or so of closing on
2 the sublease agreements. Just as a bit of a background, SAI
3 has power sales agreements with PG&E for up to 50 megawatts
4 of electricity. We currently have transmission line
5 allocations for 20 megawatts of that 50 and we're awaiting
6 the additional 30 megawatts.

7 Lease 6398 is in close proximity to one of our power
8 plant sites and we feel that it could be valuable to us to
9 supply one of those plants in the future.

10 What we have done is to offer the staff some
11 information in return for considering a lease extension to
12 6398. The information consists of some deep well log
13 information from lands south of the 6398. We feel that this
14 information may be valuable to the staff during the valuation
15 of federal-state indemnity land swap programs.

16 In addition we have some reservoir information on
17 6398 that we just developed in the past month. We request an
18 extension to the lease.

19 ACTING CHAIRPERSON RASMUSSEN: All right. Thank you
20 Mr. Wazlaw.

21 Any questions?

22 COMMISSIONER ORDWAY: I have a couple of questions.
23 I have just a summary of the terms of your lease. You went
24 into lease on March 24th of '83 and you had three years to
25 put in an exploratory well which I assume has not been done

1 to date?

2 MR. WAZLAW: That's correct.

3 COMMISSIONER ORDWAY: That could have reasons. But
4 one of the other provisions was that you were to submit
5 annually a plan of development and operation. According to
6 the information that I have here that's not been done.

7 MR. WAZLAW: That's correct.

8 COMMISSIONER ORDWAY: So I'm sort of hard pressed to
9 give an extension to a lease when the terms of the lease have
10 not been complied with. I can -- there probably are reasons
11 for not being able to drill within the three year period, but
12 I am hard pressed to see why there are reasons why you can't
13 talk to us once a year and tell us what's happening. So I am
14 not real receptive to extending a lease.

15 MR. WAZLAW: The only thing I can say to that is
16 that the MSR Public Power Agency was progressing rather
17 rapidly with geothermal development in the area on their own.

18 COMMISSIONER ORDWAY: Did they ignore other
19 provisions of leases that they had?

20 MR. WAZLAW: I don't know.

21 MR. THOMPSON: I'd like to comment on that. In your
22 calendar Item 19, this is a wrap up of some GRI leases and
23 part of that was the geothermal lease PRC 5903 which was also
24 issued to MSR in the past. They did no drilling on that and
25 assigned it on to GRI and GRI did not drill and therefore you

1 took the action to quitclaim that lease also. So their
2 action in the past on other leases has not been to drill.

3 MR. WAZLAW: I'd like to add that the, a little
4 summary of the MSR program over the past few years. MSR is a
5 public power agency. They had embarked on a geothermal
6 development program of their own on the Geysers. They
7 drilled three wells about three miles south of the lease in
8 question. One of those wells is commercial. One was a
9 producer but not in commercial quantities. Since MSR
10 conducted that geothermal development program, they joined
11 with another agency, the Central California Power Agency.
12 That agency dealt in some much larger acreages and some much
13 larger projects.

14 As we understand it, the MSR Public Power Agency has
15 decided to remain with the Central California Power Agency in
16 future geothermal developments. That's why they had no
17 further interest in these other --

18 MR. THOMPSON: I would like to point out that MSR is
19 part of CCPA. CCPA was offered geothermal steam development
20 prospects for area number three and CCPA declined those. So
21 it seems to me that we do not have a positive direction
22 towards development.

23 COMMISSIONER ORDWAY: I'm looking exclusively at
24 this calendar item and not at any other and you have yet to
25 convince me that there is a good reason to give you another

1 six months --

2 MR. WAZLAW: Well, one of the things.

3 COMMISSIONER ORSWAY: --when the terms of the lease
4 that you've been under for three years have not been complied
5 with.

6 MR. WAZLAW: That's correct.

7 MR. THOMPSON: And it would not be possible I don't
8 think even if you extended the six months for a well to be
9 drilled any sooner than two to three years from now even if
10 they were willing to drill a well.

11 MR. WAZLAW: What the extension would do would be to
12 give us some time to come to you with a program of either
13 unitization or other such option.

14 MR. THOMPSON: But in the meantime you'd have to go
15 through the EIR process for the well and you'd have to go
16 through for roads and everything like that. So you're not
17 looking at drilling a well for quite a few years down the
18 road?

19 MR. WAZLAW: Not in six months, that's for certain.

20 MR. THOMPSON: Or not even in several years?

21 MR. WAZLAW: I don't know. I'd like to add if I
22 could that the SAI engineers subsidiary SAI Geothermal is the
23 only developer in the Geysers that is a nonutility developer
24 and it is the only developer in the Geysers with a PG&E
25 Standard Offer 4 that would allow it to sell electricity to

1 PG&E at favorable rates.

2 We don't think that there are any developers
3 operating in the Geysers right now that have that ability to
4 sell electricity, therefore to build a power plant or to use
5 state steam. We think that we're close to the only company
6 willing to do that in the Geysers in the near future.

7 COMMISSIONER ORDWAY: I'd like to ask a
8 clarification from staff if they can answer it. This lease
9 terminates March 24th, 1986. Should it terminate on that
10 date is there anything that would prevent this company from
11 applying for a new lease under new terms?

12 MR. THOMPSON: At the particular time when it's
13 reissued for lease, yes.

14 EXECUTIVE OFFICER DEDRICK: We would more likely put
15 this lease and the others that have been recently quitclaimed
16 up for bid and so there is nothing that would prohibit this
17 company from bidding at that time.

18 ACTING CHAIRPERSON RASMUSSEN: There's nothing here
19 that would keep this company from participating in a
20 future --

21 EXECUTIVE OFFICER DEDRICK: That's correct.

22 MR. WAZLAW: As it turns out, MSR and then SAI
23 Geothermal will acquire the right to the surface with the
24 landowner of this property. If it were to go out to bid,
25 it's quite likely SAI would be the only bidder on it.

1 MR. THOMPSON: And that brings up the real issue we
2 have here. It seems unrealistic to the staff that the
3 landowner has the right for evergreen right of second choice
4 in there. If they don't comply with it the first lease term
5 we think they should never have another chance at it. We'll
6 try and take care of this legislatively, but the Commission
7 may be faced with this in the future. We don't think that
8 just because you have the surface landowner and come in and
9 match a bid the first time that you can go back a second and
10 third and fourth time and still sit on these and have that
11 exclusive right.

12 COMMISSIONER ORDWAY: Currently that is legal?

13 EXECUTIVE OFFICER DEDRICK: Currently the law.

14 Well --

15 MR. THOMPSON: Not exactly.

16 EXECUTIVE OFFICER DEDRICK: Currently the law says
17 that there is a matching provision. The question as to how
18 many times you can match has never been clarified.

19 COMMISSIONER ORDWAY: I'm going to move to deny this
20 request for a six month extension.

21 ACTING CHAIRPERSON RASMUSSEN: The staff's
22 recommendation is being moved. Are there any other questions
23 or concerns? I agree wholeheartedly with the comments that
24 Miss Ordway has made and Item 26 is approved as presented by
25 the staff and the request for the extension is denied.

1 MR. WAZLAW: Thank you.

2 ACTING CHAIRPERSON RASMUSSEN: Thank you. Item 27
3 is an information item.

4 EXECUTIVE OFFICER DEDRICK: Item 27 is deferment of
5 drilling operations for Chevron Corporation on State oil and
6 gas leases in Santa Barbara County along the channel.

7 ACTING CHAIRPERSON RASMUSSEN: Item 27, are there
8 any questions? Item 27 is accepted as an information item.
9 Item 28, please.

10 EXECUTIVE OFFICER DEDRICK: This is approval of a
11 nonexclusive geological survey permit on tide and submerged
12 lands under the jurisdiction of the Commission under our
13 normal permit program for geophysical exploration. Geo 3 is
14 the applicant.

15 ACTING CHAIRPERSON RASMUSSEN: Any questions or
16 comments on Item 28?

17 COMMISSIONER ORDWAY: Motion.

18 ACTING CHAIRPERSON RASMUSSEN: Item 28 is approved
19 as presented.

20 Item 29.

21 EXECUTIVE OFFICER DEDRICK: Is the Bucks, Mr. Harley
22 and the Stephens for approval of four prospecting permits for
23 minerals other than oil, gas and geothermal, sand and gravel
24 in Imperial County. This is normally hard rock minerals.

25 ACTING CHAIRPERSON RASMUSSEN: Any questions on Item

1 29?

2 COMMISSIONER ORDWAY: Motion.

3 ACTING CHAIRPERSON RASMUSSEN: 29 is approved as
4 presented.

5 Item 30.

6 EXECUTIVE OFFICER DEDRICK: Mr. Hight will carry the
7 legal items.

8 MR. HIGHT: Item 30 is the authorization by the City
9 of Eureka to terminate some sovereign interests in a 1.7 acre
10 parcel of land. In return the city will pay 62,000 into a
11 trust fund which is to be used to buy land that will be
12 subject to the trust. The area now is high and dry, so it is
13 not useful for trust purposes.

14 ACTING CHAIRPERSON RASMUSSEN: All right. Any
15 questions on 30? 30 is approved as presented.

16 Item 31.

17 MR. HIGHT: Is an annexation by the City of Redding
18 to an area along the Sacramento River. We have no known
19 opposition to that annexation.

20 EXECUTIVE OFFICER DEDRICK: In this instance the
21 Commission approves the --

22 MR. HIGHT: The description and consents as property
23 owners.

24 COMMISSIONER ORDWAY: So what we are doing is
25 basically verifying the description?

1 MR. HIGHT: Approving the legal sufficiency of the
2 description and approving as property owner along the
3 Sacramento River of --

4 COMMISSIONER ORDWAY: With the ultimate decision
5 obviously for annexation being their local LAFCO?

6 MR. HIGHT: Correct.

7 COMMISSIONER ORDWAY: Motion.

8 ACTING CHAIRPERSON RASMUSSEN: All right. No
9 questions, no further questions, Item 31 is approved as
10 presented.

11 Item 32, please.

12 MR. HIGHT: Item 32 is the consent of the Commission
13 for the annexation of an area across from the City of
14 Anderson on the Sacramento River to the City of Anderson. As
15 you'll recall, the Commission previously approved the legal
16 sufficiency of the description and this item is directed to
17 the Commission's consent as landowner. I think the City of
18 Redding and some other people are here to speak on this item.

19 ACTING CHAIRPERSON RASMUSSEN: Thank you. I have
20 one notice here from Thomas Hart and Dan Mankins that they
21 are here to respond to staff and any concerns that are
22 raised. This is from the City of Anderson.

23 Are there any questions or comments that anyone
24 would like --

25 COMMISSIONER ORDWAY: I would like to just --

1 MR. McNEIL: I'm here from the City of Redding.

2 COMMISSIONER ORDWAY: Would you like to make a
3 statement.

4 MR. McNEIL: Yes. Yes, I would.

5 ACTING CHAIRPERSON RASMUSSEN: We need you to come
6 forward to the microphone, please. We need your name and who
7 you represent, please.

8 MR. McNEIL: My name is Walt McNeil. I'm a Deputy
9 City Attorney for the City of Redding.

10 I would just like to make a statement for the record
11 that the City of Redding opposes the request for annexation
12 by the City of Anderson and respectfully requests that the
13 State Lands Commission deny their consent to this request.

14 I have submitted extensive written opposition to
15 this request. I don't think it would be fruitful to review
16 every point that was brought out in that written opposition
17 because it is so extensive. Maybe I could just comment on
18 the staff's, what appears to be the staff's approach to the
19 issues here and recap the salient points of my argument
20 against this request.

21 It would appear that the staff has considered
22 whether or not the City of Anderson will adequately protect
23 the state's public trust interest in the river channel
24 itself, but has decided not to consider the purpose or
25 motives of the annexation nor to consider the effect on the

1 adjacent properties to the river channel. The City of
2 Redding's concern in this regard I think is obvious when the
3 facts are known.

4 Almost one-third of the total annexation area that
5 is involved in this matter and probably a mile out of the two
6 and half miles of river shoreline are tied up in property
7 that the City of Redding is currently in the process of
8 purchasing for a wastewater treatment facility. It's a
9 wastewater treatment facility that would be located directly
10 across from the City of Anderson.

11 An environmental impact report has been prepared on
12 this. It is currently the subject of some ongoing litigation
13 as to whether or not the environmental impact report is
14 adequate. Nonetheless, that's what the controversy centers
15 on.

16 It's the City of Redding's contention that it is
17 appropriate for the State Lands Commission to consider the
18 effect of the annexation on the adjacent properties and what
19 is planned and intended for those properties in terms of the
20 planning and land uses by the City of Anderson and the land
21 uses proposed by the City of Redding.

22 I'd like to point out three items in terms of the
23 possible impact on the adjacent lands. One is that the City
24 of Anderson has pre-zoned this property. That pre-zoning
25 would become effective immediately upon approval of the

1 ultimate annexation by the LAFCO Commission.

2 That pre-zoning has done two things. It has
3 eliminated the county's General Plan classification of
4 greenway along border areas on the river where riparian
5 habitat is located and where I would submit that the public
6 trust easement that this Lands Commission is concerned with
7 extends.

8 If that pre-zoning takes effect upon annexation
9 you're looking at the possibility of potential development in
10 the area located in riparian habitat where the public trust
11 interest lies.

12 The second point I'd like to make is that a portion
13 of this area is currently located within an airport specific
14 plan. The Redding Municipal Airport is about a mile, mile
15 and half north of this area and the impact area for the
16 airport dips into the river and part of the area that you're
17 considering today. And if the airport master plan
18 consultant's recommendations are followed, the planning area
19 will be expanded to include the entire section of river that
20 you're considering today.

21 My concern on behalf of the City of Redding is that
22 the City of Anderson has by its pre-zoning demonstrated its
23 disregard for the airport specific plan. They have increased
24 the densities in this area and it demonstrates a lack of
25 concern for appropriate planning for the areas immediately

1 adjacent to the river that is subject to your request.

2 The third point I'd like to make about the effect on
3 adjacent lands is that the City of Redding is currently in
4 the process of purchasing this property that makes up about a
5 mile of the river bank. If this annexation request is
6 approved and the City of Redding purchases the property that
7 we're looking at for a wastewater treatment facility, in
8 effect you're going to have shore zone and riparian habitat
9 in the jurisdiction of the City of Redding controlled by the
10 City of Redding with the City of Anderson having jurisdiction
11 over the section of the riverbed immediately adjacent to it.
12 As I want to bring out in a second, that's going to be
13 eminently hostile jurisdiction.

14 From a planning standpoint, I don't think it makes
15 sense to separate that shore zone and riparian habitat that
16 would be in Redding's jurisdiction from the jurisdiction over
17 the river channel that you're considering placing in the
18 hands of Anderson.

19 Part of my purpose in being here today is to request
20 that if you do not deny the request in whole, that you at
21 least consider carving out, if you will, that section of the
22 river immediately adjacent to the property that the City of
23 Redding is acquiring.

24 I think that under the Government Code which defines
25 the general purposes of what the Lands Commission is to do

1 and looking at these requests, it is completely appropriate
2 for you to consider the effects of the annexation on adjacent
3 lands and on the potential boundaries and jurisdictions of
4 other cities that are in that immediate vicinity.

5 Now, our second basis for opposing this I think is
6 the essential motive behind the annexation. It's our view
7 that the annexation is in itself simply a vehicle to oppose
8 the siting of a wastewater treatment facility. It's the
9 belief of the City of Anderson that by annexing this
10 territory, by taking over jurisdiction of this area, that
11 they can prevent the City of Redding to locating a regional
12 wastewater treatment facility at this location.

13 I've I think demonstrated at length in the written
14 opposition that was submitted, that the ordinary
15 considerations that go into an annexation request simply
16 aren't present in this case. What you have is an annexation
17 that's being used as a maneuver in conjunction with a lawsuit
18 to prevent a wastewater treatment facility from being built.

19 I would request that the Lands Commission not take
20 sort of a tunnel vision view of these issues and look only at
21 the river channel. I would ask that you examine the motives
22 of the annexation request and the effects of the annexation
23 on the adjacent lands in considering whether or not to
24 approve or deny this request.

25 ACTING CHAIRPERSON RASMUSSEN: All right. Miss

1 Ordway has some questions.

2 COMMISSIONER ORDWAY: Just to refresh my memory, a
3 question of staff. When we consent as landowners, what are
4 the guidelines that we look at?

5 MR. FOSSUM: Well, as the property owner your
6 primary concern would be what's in the best interests of the
7 state in managing these properties. Whether the City of
8 Anderson can provide the kind of police power protections to
9 the property better than the County of Shasta would.

10 The items when we draft a calendar item, staff, the
11 entire staff reviews it, the planning unit, the management
12 unit, the legal unit and the boundary people all review those
13 items to see whether or not they in fact reflect staff's
14 belief that this is in the best interests of the state to
15 consent to such a change in police power authority.

16 In this instance we have a portion of the Sacramento
17 River adjacent to this already within Anderson's
18 jurisdiction. The main part of the downtown Anderson is a
19 stone's throw almost from this area and the river.

20 The City of Redding is a number of miles, the main
21 part of the City of Redding at least is quite a few miles to
22 the north. There is an area that Redding has annexed at
23 their airport that stretches a great deal to the south and
24 within a mile of the area that's proposed for annexation
25 here. However, LAFCO has taken the position, and it's been

1 the staff of LAFCO's position for a number of years that this
2 is properly within the sphere of influence of the City of
3 Anderson.

4 COMMISSIONER ORDWAY: That's not what I'm asking.
5 You answered my question. In my three years of sitting on
6 the Lands Commission I have never known the Lands Commission
7 to be myopic. I have, however, watched them struggle through
8 some very difficult questions of trying to be appropriate as
9 to what their own jurisdiction is. Local governments are
10 responsible for land use decisions. It is not the
11 responsibility of this Commission. What we are responsible
12 for is protecting the lands that we have jurisdiction over.

13 This, any action we take today should we approve the
14 staff recommendation would not obviously be the final action
15 and I think your local LAFCO are the people that you need to
16 be dealing with.

17 As a landowner, I mean, I have no problem consenting
18 to have Anderson look over our interests there. And LAFCO,
19 Shasta County LAFCO will decide whether or not that's going
20 to finally happen.

21 ACTING CHAIRPERSON RASMUSSEN: I would add that we
22 can't act on the basis of some future plans that are plans
23 only and really have not come to any fruition at all.

24 MR. McNEIL: If I could respond to that. I have
25 tried to find whatever legislative authority or legal

1 authority there is that defines the scope of what it is that
2 you should consider.

3 COMMISSIONER ORDWAY: We do have rather broad based
4 authority, I will admit to that. However, when one looks at
5 other provisions of the law, particularly those that deal
6 with land use decisions, you don't see listed that the State
7 Lands Commission is sort of on the top of that list. I've
8 always been led to believe, unless my knowledge of government
9 is wrong, that truly is local government's responsibility.

10 I have opposed legislation that has wanted to put
11 unique parcels of it in the property of the state or in some
12 way overriding locals. I think that's a proper local
13 responsibility.

14 MR. McNEIL: I was only going to point out the
15 reason I believe you had this authority was that in
16 Government Code Section 56108 it does refer to some, your
17 ability to look beyond simply just protecting your own
18 proprietary interest in the public lands. It does say:
19 However, in the interest of insuring an orderly and equitable
20 pattern of offshore boundaries, the State Lands Commission
21 may establish angles and other courses for each offshore
22 boundary it deems necessary considering any regularity of the
23 shoreline, other geographical features, the effect of
24 incorporation or annexation of the offshore or submerged
25 lands on the uplands of the city or proposed city and

1 adjoining territory and the existing and potential boundaries
2 of other cities and of unincorporated communities.

3 And my only point is we're looking at an annexation
4 request that is going to have effect on, if not existing, the
5 potential boundaries of the City of Redding which is a mile
6 out of the two and half miles of the shoreline.

7 MR. FOSSUM: If I could respond to that, I think the
8 staff has done that. In looking at the boundaries as we've
9 approved them last month here, we looked at the particular
10 descriptions to see whether or not they would provide an
11 equitable pattern of annexation. There have been problems in
12 waterways in the past where boundaries have gone down the
13 middle of a waterway, for example, and you have two different
14 jurisdictions trying to determine what's the best way to
15 police a particular waterway and that has caused problems.

16 In this instance, to some degree, the fact that the
17 existing annexation boundaries for Anderson go at one point
18 along the bank and at another point in the middle, it seems
19 to be appropriate the staff believes to put the entire bed of
20 the Sacramento River at this location adjacent to Anderson
21 using Anderson's police power jurisdiction. Just as
22 coincidentally Redding's has now been added to the north of
23 Redding, certain areas have been included in Redding's
24 jurisdiction.

25 Your comment that, on the consideration of the

1 effect on the adjacent lands, whereas the State Lands
2 Commission's jurisdiction does only reach to the bed of the
3 river, we do look at the impacts that are taking place
4 adjacent to there. We are very concerned what goes on there,
5 but our final decision that has to be made by the Commission
6 is whether this particular annexation is in the state's best
7 interest not the adjacent property owners.

8 In this instance we've, the staff has felt that
9 Anderson would take care of this property and police it in a
10 much greater, show greater concern over the property because
11 of its proximity to the city.

12 You did also mention that the planned development by
13 Anderson in their pre-zoning would allow more intense
14 development of the area than the current riparian habitat,
15 but I think that the planning by the City of Redding to put a
16 wastewater treatment plant is also a development that would
17 have an impact on that riparian habitat as well.

18 We can't control that. We are concerned, but we
19 can't control other people's property interests.

20 ACTING CHAIRPERSON RASMUSSEN: All right. Are there
21 any other questions of Mr. McNeil.

22 Does the City of Anderson wish to make any
23 statements or respond in any way?

24 MR. HART: Only if there are any questions from the
25 Commission.

1 ACTING CHAIRPERSON RASMUSSEN: All right, thank you.
2 Any questions, concerns?

3 COMMISSIONER ORDWAY: I'll move Item 32.

4 ACTING CHAIRPERSON RASMUSSEN: Item 32 is moved as
5 presented by the staff and is approved as presented by the
6 staff.

7 Item number 33. Thank you all.

8 EXECUTIVE OFFICER DEDRICK: It's an authorization to
9 amend the interagency agreement between the State Lands
10 Commission and the State Teachers' Retirement System.

11 COMMISSIONER ORDWAY: Who's going to present this?
12 I'm sorry, I didn't get a chance to read this. Would someone
13 present it?

14 EXECUTIVE OFFICER DEDRICK: Bob, would you --

15 MR. HIGHT: The State Teachers' Retirement System
16 has requested our assistance in evaluating various gas
17 properties in Texas and we had a \$25,000 contract and
18 it has now been amended. The Teachers' Retirement
19 will seek to amend it to 70,000 to augment that
20 investigation.

21 ACTING CHAIRPERSON RASMUSSEN: They are paying us?

22 MR. HIGHT: Right.

23 EXECUTIVE OFFICER DEDRICK: That's correct. The
24 Teachers' Retirement System is paying us to have our auditors
25 and oil and gas engineers review properties owned by the

1 State Teachers' Retirement System.

2 COMMISSIONER ORDWAY: How long will that take?

3 EXECUTIVE OFFICER DEDRICK: Well, they've been at
4 it for how long?

5 MR. HIGHT: I don't have a good feel for it, but I
6 would think another six months. Mark Meier who is the
7 attorney working on it will --

8 MR. MEIER: Mark Meier. This is considered to be
9 an ongoing management proposal for as long as STRS will be
10 owning that property. This particular agreement only goes to
11 the end of the fiscal year however.

12 COMMISSIONER ORDWAY: And you report back to who on
13 what?

14 MR. MEIER: We report to the STRS Board.

15 ACTING CHAIRPERSON RASMUSSEN: If I can jump in
16 here, the purpose of this was to have some expertise in the
17 oil and gas land management aspects and have someone look at
18 these properties and report back to the State Teachers'
19 Retirement System as to their value and what the State
20 Teachers' Retirement System might want to do with these
21 properties, whether they want to sell them or dispose of
22 them. So this may be the end of it after this particular
23 part of the contract or it may be ongoing with the State
24 Lands Commission participating in the management of these
25 lands somewhat.

1 MR. MEIER: State Lands staff does have expertise
2 that STRS does not have.

3 COMMISSIONER ORDWAY: Could we have a report back on
4 this in a couple of months?

5 EXECUTIVE OFFICER DEDRICK: Yes. Be happy to do
6 that Commissioner.

7 ACTING CHAIRPERSON RASMUSSEN: Any other questions?

8 All right. Item 33 is approved. And that completes
9 the agenda of the regular meeting and the regular meeting is
10 adjourned.

11 (Thereupon the Meeting of the State Lands
12 Commission was adjourned at 11:00 a.m.)

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