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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, AUGUST 20, 1986
10:10 A.M.

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

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COMMISSIONERS PRESENT

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

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

Jock O'Connell, Commission Alternate
for Leo T. McCarthy, Lieutenant Governor

STAFF PRESENT

Claire T. Dedrick, Executive Officer

James Trout, Assistant Executive Officer

Robert Hight, Chief of Litigation

Don Everitts, Deputy Chief, Extractive Development

Dwight Sanders, Chief, Research and Planning

Lance Kiley, Chief, Land Management and Conservation

Jane Smith, Commission Secretary

ALSO PRESENT

Jan Stevens, Supervising Deputy Attorney General

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PROCEEDINGS

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3 CHAIRPERSON RASMUSSEN: I think we're ready to begin
4 here. This is the regular meeting of the State Lands
5 Commission.

6 The first order of business is to note that Mr. Jock
7 O'Connell will be sitting in a voting capacity for the
8 Lieutenant Governor and I will be sitting in a non-voting
9 capacity for the Controller.

10 If anyone wishes to address the Commission on any
11 item, there is a little half-page form that we would like you
12 to fill out and leave with the secretary here.

13 The first real order of business item is
14 confirmation of the minutes. Were there any questions on the
15 minutes of the meeting of July 24th?

16 The minutes are approved.

17 The second item on the agenda is the Report of the
18 Executive Officer.

19 EXECUTIVE OFFICER DEDRICK: Commissioners, I've
20 never really discussed this with you, but as a matter of
21 practice I have not been, as you've noticed, making Executive
22 Officer's Reports for some time.

23 The reason I have not done that is that the items
24 which have in the past been used in the Executive Officer's
25 Reports I've been putting on the calendar as informational

1 items for you. Therefore, I'm not making them and I have
2 never asked you whether you like that or not. So, I thought
3 today maybe I should. If I have something really big to tell
4 you, I'll tell you. But if you'd prefer to go back to the
5 Executive Officer format, I will.

6 COMMISSIONER ORDWAY: I sort of like having the
7 informational items.

8 EXECUTIVE OFFICER DEDRICK: I thought you'd get more
9 information in a more manageable way that way.

10 CHAIRPERSON RASMUSSEN: I think that also helps our
11 communication with the public, because those items then
12 appear on our agenda.

13 EXECUTIVE OFFICER DEDRICK: Are noticed, right. I'm
14 glad you feel that way. That is what I had in mind, but I
15 apologize for never having discussed it with you. It kind of
16 evolved. I do not have an Executive Officer's --

17 COMMISSIONER ORDWAY: Evolution is frequently
18 fruitful.

19 EXECUTIVE OFFICER DEDRICK: Well, it's a good thing,
20 isn't it?

21 CHAIRPERSON RASMUSSEN: Don't tell the apes that.

22 I should note, also, that there's six items that
23 have been taken off the calendar, off the agenda. Those are
24 items 14, 15, 21, 33, 34, and 35.

25 The next item of business is the Consent Calendar.

1 These are Items C1 through C13 and they have been deemed to
2 be relatively non-controversial and we will take them up as
3 one unless there is someone who would like to pull any of
4 those items out for discussion.

5 Seeing no hands, no comments, the consent agenda is
6 approved by consensus.

7 That brings us to Item 16.

8 EXECUTIVE OFFICER DEDRICK: Commissioners, Item 16
9 is a termination of an existing lease and the installation of
10 a new lease -- approval of a new lease and the assignment of
11 the new lease to a new lessee on a parcel of land in Seal
12 Beach in Orange County. It's just barely in Orange County.

13 This is an area we've been trying to get developed.
14 At any rate, this is a parcel that we've been trying to get
15 to this stage for a long, long time. There have been a lot
16 of people who have worked on it.

17 At any rate, it's not a controversial item at this
18 point. If you'd like more information on it, we'd be happy
19 to put that on.

20 CHAIRPERSON RASMUSSEN: Are there any questions on
21 Item 16, comments?

22 Sixteen is approved as presented.

23 Item 17, please.

24 EXECUTIVE OFFICER DEDRICK: Item 17 is approval of a
25 ten-year lease between the City of Eureka and Eureka

1 Redevelopment Agency for the purpose of a building yard for
2 constructing offshore oil platforms.

3 CHAIRPERSON RASMUSSEN: Questions on 17?

4 Seventeen is approved as presented.

5 Item 18.

6 EXECUTIVE OFFICER DEDRICK: Item 18 is approval of
7 an amendment to a general lease to Naomie King which would
8 protect the legal rights of those who are protesting her
9 right to have a lease.

10 CHAIRPERSON RASMUSSEN: I wondered where the name
11 for the island came from.

12 EXECUTIVE OFFICER DEDRICK: You mean Bra's Island?

13 CHAIRPERSON RASMUSSEN: Yeah.

14 EXECUTIVE OFFICER DEDRICK: All I can say is Mr.
15 Trout is blushing, but silent.

16 CHAIRPERSON RASMUSSEN: That question doesn't really
17 deserve an answer.

18 COMMISSIONER ORDWAY: You're sort of an interesting
19 shade of red, Mr. Trout.

20 CHAIRPERSON RASMUSSEN: Item 18 is approved as
21 presented.

22 Item 19.

23 EXECUTIVE OFFICER DEDRICK: Item 19. This is the
24 Wine Valley co-tenancy. Approve an extension of the
25 construction limiting date on a marina in the Napa River.

1 CHAIRPERSON RASMUSSEN: Questions on 19?
2 Nineteen is approved as presented.
3 Item 20.

4 EXECUTIVE OFFICER DEDRICK: The County of Riverside.
5 Approval for the staff of State Lands and the Attorney
6 General to issue a patent for some fragments -- small
7 inholdings in land held by Riverside County.

8 CHAIRPERSON RASMUSSEN: Questions on 20?
9 Twenty is approved as presented.
10 Twenty-one is off calendar
11 Item 22.

12 EXECUTIVE OFFICER DEDRICK: Item 22, TXO. It's
13 approval of the issuance of negotiated subsurface oil and gas
14 lease in the Sacramento River Channel on lands that are
15 surrounded by leases held by TXO.

16 CHAIRPERSON RASMUSSEN: Questions on 22?
17 Twenty-two is approved as presented.
18 Item 23.

19 EXECUTIVE OFFICER DEDRICK: Twenty-three, Fargo
20 Resources. Approval of extension of a permit to prospect for
21 minerals other than oil, gas and geothermal in San Bernardino
22 County.

23 CHAIRPERSON RASMUSSEN: Questions on 23?
24 Twenty-three is approved as presented.
25 Item 24.

1 EXECUTIVE OFFICER DEDRICK: Twenty-four, Draco
2 Mines-New Colosseum Mines. Acceptance of a quitclaim deed on
3 a prospecting permit in San Bernardino County.

4 CHAIRPERSON RASMUSSEN: Questions on 24?

5 Approved as presented.

6 Item 25.

7 EXECUTIVE OFFICER DEDRICK: Utah International.
8 Approval of extension of a permit to prospect for minerals
9 other than oil and gas in Riverside County. And geothermal.

10 CHAIRPERSON RASMUSSEN: Questions on 25?

11 Twenty-five is approved as presented.

12 Item 26.

13 EXECUTIVE OFFICER DEDRICK: Item 26 is our
14 legislatively required semi-annual report on the monitoring
15 of subsidence and seismic hazards. Don Everitts is here to
16 point out for you on the record the current status of the
17 non-subsidence.

18 MR. EVERITTS: Justice prevails as usual. For 21
19 years we've continued to have no subsidence. We've had
20 uplifts, which is nine foot of uplift right here. As much as
21 nine foot of uplift here. The only subsidence at all is .1
22 foot, just a little over an inch, in 21 years off here on the
23 Island Grissom area. So, we're right as usual.

24 (Laughter.)

25 COMMISSIONER ORDWAY: Do we have to drain the

1 uplift? We're allowed to make the land go higher, we're just
2 not allowed to let it go any lower.

3 EXECUTIVE OFFICER DEDRICK: The uplift is okay. The
4 modesty of the staff is outstanding, as I'm sure you
5 recognized.

6 COMMISSIONER ORDWAY: Can we use the nine feet of
7 increase to mitigate subsidence? Can we bank this?

8 MR. EVERITTS: Talk to APCD about that.

9 COMMISSIONER ORDWAY: The Attorney General thinks
10 it's amusing.

11 MR. STEVENS: It's very positive.

12 COMMISSIONER ORDWAY: Keep up the good work. No pun
13 intended.

14 (Laughter.)

15 CHAIRPERSON RASMUSSEN: Item 26 is approved as
16 presented.

17 Item 27.

18 EXECUTIVE OFFICER DEDRICK: Item 27. This is an
19 informative item requested by the Commission on the status of
20 continued deferment of drilling on Chevron leases in Santa
21 Barbara County.

22 CHAIRPERSON RASMUSSEN: Questions on 27?
23 Twenty-seven is approved as presented.

24 Item 28.

25 EXECUTIVE OFFICER DEDRICK: Twenty-eight is again an

1 informative item, the current status of the implementation of
2 Mr. Elder's Bill 2568 on equity. The short answer is nothing
3 has happened. The long answer you've read, I'm sure.

4 CHAIRPERSON RASMUSSEN: All right, thank you. I'm
5 sure Mr. Elder would ordinarily be here. But with things
6 being the way they are in the Legislature, he's not here.

7 EXECUTIVE OFFICER DEDRICK: Commissioners, the
8 public is concerned. I think that we do well by putting the
9 existing status on every month so that you're informed and
10 that the people who are equity holders are aware that the
11 Commission continues to be aware of the situation and
12 continues to work on it.

13 CHAIRPERSON RASMUSSEN: All right, thank you.
14 There's no action required on that item.

15 EXECUTIVE OFFICER DEDRICK: None.

16 CHAIRPERSON RASMUSSEN: Item 29.

17 EXECUTIVE OFFICER DEDRICK: Item 29 is the report of
18 the actual revenues from the tidelands and from geothermal
19 for the fiscal year 85-86 and the projected revenues for
20 86-87, 87-88.

21 COMMISSIONER ORDWAY: More good news, I assume.

22 EXECUTIVE OFFICER DEDRICK: Yes, ma'am. It's
23 wonderful news. The actual revenues were 425,381,000 from an
24 estimated 465 million, which isn't all that awful considering
25 that half the year is where the price really dropped on us.

1 The proposed revenues are extremely low -- 82
2 million for 86-87 and 89 million for 87-88. There's two and
3 a half pages of assumptions attached to that and I know that
4 you understand the difficulties of trying to project at this
5 point.

6 The assumptions are based on the beginning prices of
7 8.10 in Long Beach and 5.75 in Elwood. There has been an
8 increase in posted price since this calendar item was
9 written, which may mean anything. The price is currently
10 9.10 at Long Beach and 6.40 at Elwood. There is no better
11 way that we can tel. you what's going on, as I'm sure you
12 understand.

13 COMMISSIONER O'CONNELL: Would you characterize
14 these as being the most conservative reasonable figures?

15 EXECUTIVE OFFICER DEDRICK: Yes, they're
16 conservative within a reasonable range.

17 COMMISSIONER O'CONNELL: And that the likely events
18 in the next few months would, if anything, result in these
19 figures increasing rather than decreasing.

20 EXECUTIVE OFFICER DEDRICK: We certainly hope so.

21 COMMISSIONER ORDWAY: Only if you believe that the
22 price of oil is going to increase.

23 EXECUTIVE OFFICER DEDRICK: The figure last year of
24 the 465 million was a conservative estimate. Last year's
25 figure of 465 million was a conservative estimate based on

1 the information at that time. No one knew the price of oil
2 was going to take a dive in December. All I can say is
3 they're the most reasonable figures that we can come up with
4 with the current state of knowledge. They are not inflated
5 in either direction.

6 COMMISSIONER O'CONNELL: Is staff interested in a
7 pool?

8 EXECUTIVE OFFICER DEDRICK: I don't know. That's a
9 good question. Mr. Thompson, Moose, is in Russia right now.

10 COMMISSIONER O'CONNELL: Negotiating.

11 COMMISSIONER ORDWAY: Negotiating.

12 COMMISSIONER O'CONNELL: And you're going to
13 Shanghai, is this true?

14 EXECUTIVE OFFICER DEDRICK: I'm planning on it.

15 COMMISSIONER ORDWAY: Thank you, I think.

16 EXECUTIVE OFFICER DEDRICK: Yeah, right.

17 CHAIRPERSON RASMUSSEN: It would have been better to
18 do the subsidence report, the good news as small as it is,
19 after the bad news.

20 EXECUTIVE OFFICER DEDRICK: Should I have done it
21 that way?

22 CHAIRPERSON RASMUSSEN: Yeah.

23 EXECUTIVE OFFICER DEDRICK: Oh, okay.

24 CHAIRPERSON RASMUSSEN: As a little pick-me-up for
25 Nancy.

1 EXECUTIVE OFFICER DEDRICK: The little bit of
2 pick-me-up good news is Item 30, which is, again, the
3 approval of the final report on the closing statement of the
4 Long Beach plan and budget. That you know all about, I'm
5 sure. The point is that the expenses are drastically reduced
6 and we will be coming in with Item 31 which we'll tell you
7 about, which is just informative, with another modification
8 in September for a further reduction. That's the good news.

9 COMMISSIONER ORDWAY: Is the tracking to what we had
10 discussed back in June and July?

11 EXECUTIVE OFFICER DEDRICK: Yes.

12 CHAIRPERSON RASMUSSEN: We should note for the
13 record that we did approve Item 29.

14 EXECUTIVE OFFICER DEDRICK: I'd like you to approve
15 Item 30. I sort of went through three in a hurry here.

16 CHAIRPERSON RASMUSSEN: Any questions on 30?

17 Thirty is approved as presented.

18 Thirty-one is an information item.

19 EXECUTIVE OFFICER DEDRICK: Right. Thirty-one is
20 the information item that we will be in with another
21 reduction in expenses proposed on that account in September.

22 CHAIRPERSON RASMUSSEN: All right, thank you.

23 Item 32.

24 EXECUTIVE OFFICER DEDRICK: Thirty-two is a request
25 for reduction in the amount of letter of credit on a royalty

1 oil sales contract for Huntway Refining Company as a result
2 of the decreased price of oil.

3 CHAIRPERSON RASMUSSEN: Questions on 32?

4 Thirty-two is approved.

5 Items 33, 34 and 35 are off calendar. That brings
6 us to Item 36.

7 EXECUTIVE OFFICER DEDRICK: Item 36, Mr. Hight -- I
8 wish I hadn't started this mister stuff -- Bob is going to
9 talk about the legal items.

10 COMMISSIONER ORDWAY: Hight is going to talk about
11 Hyatt?

12 MR. HIGHT: Yes. Item 36 is the approval of a land
13 bank and you'll also be acting as land bank trustees to
14 settle any Commission interests in a 9.1 acre parcel in San
15 Francisco.

16 CHAIRPERSON RASMUSSEN: Any questions on 36?

17 Thirty-six is approved as presented.

18 Item 37.

19 MR. HIGHT: Thirty-seven is cession of concurrent
20 criminal jurisdiction to the Oakland Army Base for five
21 years. We held a hearing and nobody came. Nobody cared.

22 CHAIRPERSON RASMUSSEN: Suppose we held a hearing
23 and no one came.

24 Item 37 is approved as presented.

25 Item 38.

1 EXECUTIVE OFFICER DEDRICK: Is the authorization for
2 the staff in cooperation with the City of Emeryville to
3 conduct a public trust hearing in Emeryville concerning a
4 grant to Emeryville.

5 CHAIRPERSON RASMUSSEN: Any questions on 38?

6 COMMISSIONER ORWAY: Wait a minute, I have a
7 question. What parcel of state land is that? Is this where
8 all the statues are?

9 EXECUTIVE OFFICER DEDRICK: Partly. Except for the
10 fact that the parcels -- that the statues are on tidelands
11 that are the dry part of the tide and the trust will cover
12 that area and then on out onto the water, the trust exercise.
13 But then the sculptures are also on a parcel next to it
14 that's in the city limits of the City of Oakland.

15 COMMISSIONER ORWAY: Oakland.

16 CHAIRPERSON RASMUSSEN: Any other questions or
17 comments?

18 Item 38 is approved as presented.

19 Is there any other business to come before the
20 Commission this morning?

21 COMMISSIONER ORWAY: Move to adjourn.

22 EXECUTIVE OFFICER DEDRICK: That's it.

23 CHAIRPERSON RASMUSSEN: We have a special meeting
24 next Tuesday possibly.

25 EXECUTIVE OFFICER DEDRICK: Possibly.

1 CHAIRPERSON RASMUSSEN: At 8:00 a.m.

2 EXECUTIVE OFFICER DEDRICK: Did I do that to you?

3 CHAIRPERSON RASMUSSEN: Eight a.m. is the closed
4 session, 8:30 is the public hearing.

5 EXECUTIVE OFFICER DEDRICK: What? Jane.

6 CHAIRPERSON RASMUSSEN: Straighten this out, Jane.

7 MS. SMITH: I think we noticed it for 8:00 in case
8 we needed that time. But the meeting will be at 9:30 and
9 10:00. Because we didn't know what time at the time we sent
10 out the notice.

11 EXECUTIVE OFFICER DEDRICK: We didn't know when we
12 would have two Commissioners is what she's trying to say
13 without actually putting it in words.

14 COMMISSIONER O'CONNELL: When will we be informed?

15 MS. SMITH: Tomorrow.

16 COMMISSIONER ORDWAY: Whenever we show up at the
17 meeting.

18 EXECUTIVE OFFICER DEDRICK: Well, as far as I know,
19 tomorrow.

20 CHAIRPERSON RASMUSSEN: It's my understanding the
21 action may be dependent on some activities in the
22 Legislature.

23 EXECUTIVE OFFICER DEDRICK: That bill is out of the
24 Assembly.

25 MR. HIGHT: We'd have time -- we will inform you.

1 EXECUTIVE OFFICER DEDRICK: Monday is a holiday is
2 the problem. So, we'll let you know.

3 What we really need to know though is only when two
4 Commissioners will be present. That's all you're concerned
5 about for the time, isn't it, Jane. So, if two of you are
6 available at 9:30 -- we need Nancy and one of the other of
7 you two very important and essential individuals.

8 CHAIRPERSON RASMUSSEN: We'll work that out.

9 COMMISSIONER ORDWAY: It's nice to be functional. I
10 think we do it at 8:00. Did we notice it for Fox and Goose
11 for breakfast?

12 CHAIRPERSON RASMUSSEN: If there's no other business
13 to come before the Commission, the meeting is adjourned.
14 Thank you.

15 (Thereupon the meeting of the State Lands
16 Commission was adjourned at 10:25 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of September, 1935.


EILEEN JENNINGS
Certified Shorthand Reporter
License No. 5122