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REGULAR MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 447
STATE CAPITOL
SACRAMENTO, CALIFORNIA

THURSDAY, AUGUST 20, 1987
10:20 A.M.

Nadine W. Parks
Shorthand Reporter

ORIGINAL

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MEMBERS PRESENT

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2
3 Leo T. McCarthy, Lieutenant Governor, Chairman
4 Jesse R. Huff, Director of Finance, Commissioner
5 Jim Tucker for Gray Davis, State Controller, Commissioner
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STAFF PRESENT

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10 Claire Dedrick, Executive Officer
11 James F. Trout, Assistant Executive Officer
12 Robert C. Hight, Chief Counsel
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Sue Breece, Executive Secretary

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P R O C E E D I N G S

--oOo--

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3 CHAIRMAN MC CARTHY: Good morning, ladies and
4 gentlemen. This is a meeting of the State Lands Commission.
5 My name is Leo McCarthy. I'm the Chair.

6 Sitting on my right is Commissioner Jesse Huff,
7 Director of Finance. On my left, Commissioner Jim Tucker,
8 who is representing the Controller here.

9 I'd like to mention at the outset that there were
10 some items that are off calendar. They are C-5, then
11 15, 17, 22, and 25.

12 Any of you who are here on those items, please
13 know they will not be taken up today.

14 Minutes of the last meeting? We'll go through
15 this. Any corrections? All right. They're approved.

16 All right. First item.

17 COMMISSIONER HUFF: Mr. Chairman, I suspect
18 there are some people here, probably attorneys, who are
19 curious about the outcome of the vote on at least one
20 item that had been discussed publicly and discussed today
21 in the Executive Session. That would pertain to a
22 potential lawsuit.

23 CHAIRMAN MC CARTHY: The State Lands Commission
24 in Executive Session voted two to one to pursue a lawsuit
25 against the Secretary of Interior Hodel's five-year plan.

1 Either Commissioners want to make any comment
2 on that action?

3 COMMISSIONER HUFF: I think I would. I think
4 I must object very strongly to the course the Commission's
5 considering and pursuing. I think basically that we have
6 a weak -- potential for a very weak lawsuit. I think that
7 the National Environmental Policy Act has a statute of
8 limitations that has already run, that being 30 days; that
9 the OCS Lands Act has a process spelled out in it that, as
10 far as I can determine, is being followed.

11 The Federal Supreme Court has, in fact, approved
12 this process in the last five-year plan. What we are
13 discussing really is that the five-year plan is only a
14 plan. It's only a plan document. There will be and has
15 to be in the process a further EIS considerations prepared
16 on each step as it becomes operational.

17 I think this circumvents the process. The
18 Governor has made extensive comments on the five-year plan
19 and has forwarded those to Interior. Interior -- the
20 Department of Interior has responded to all of those
21 comments. In fact, the Department of Interior has agreed
22 to deletions, which is really the first time that such
23 agreements have been obtained from Interior.

24 And I'm afraid that a frivolous lawsuit at this
25 time may, in fact, jeopardize negotiations that are

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1 continuing in this process. And again, the process is one
2 that is spelled out in law and has long been observed.

3 Finally, I think that this action and the
4 premature announce that was made yesterday could be
5 considered a violation of the open meeting law of this
6 State, at least in spirit if not in the letter.

7 The law says that we cannot discuss matters
8 except in a properly noticed meeting. In fact, it
9 appears that the decision was made 24 hours in advance
10 of the meeting. I'm a member of the State Lands Commission.
11 As far as I can tell, my vote counts in all these matters.
12 I didn't receive these materials until yesterday.

13 CHAIRMAN MC CARTHY: I would make these comments.
14 The State Lands Commission is a party under Federal and
15 State law to the review process in the implementation of
16 the OCS law. And we quite properly may bring this
17 lawsuit.

18 I suppose whether there's justification in the
19 lawsuit is in the eye of beholder or the satisfaction each
20 of us may have with how Secretary Hodel or the Federal
21 Government has addressed concerns of innumerable California
22 citizens who have testified in public hearings and --
23 through the mail and any number of ways -- with Federal
24 officials on how we achieve a balance between oil drilling,
25 management of coastal resources, and environmental

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1 concerns. We all travel around California, and I encounter
2 pervasive across-the-board dissatisfaction with Hodel's
3 answer. Many people two years ago -- and I was one of
4 them -- appeared as a witness in a series of hearings that
5 Secretary Hodel held throughout California.

6 At that time, he'd been negotiating with members
7 of the California delegation. They had reached a
8 tentative -- and I emphasize tentative -- compromise of
9 150 tracts off the coast that would be appropriate for
10 drilling, while recognizing other areas as environmentally
11 sensitive.

12 It was quite appropriate to amend, even in
13 substantial ways, that tentative accord that was reached
14 after months of discussions between Hodel on the one side
15 and our congressional delegation on the other side.

16 Instead, what happened, of course, is that
17 Secretary Hodel walked away from that tentative
18 compromise and now his five-year proposal goes
19 lopsidedly to the side of oil drilling.

20 We suggest there is a dual set of important
21 policies that we want to pursue here: oil drilling where
22 it makes sense and protection of environmentally sensitive
23 areas of the coast. And we don't think that the Hodel
24 proposal achieves that. Obviously, many members of the
25 California delegation in Congress don't believe that either

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1 because they fight yet for moratoriums to attach conditions
2 to budget authorization items. And so we feel this is a
3 very open and entirely appropriate way.

4 Now, final comment. The reference to the
5 Open Records Act. I'm somewhat familiar with that Act. I
6 authored laws extending it when I was in the Legislature.
7 And what was said at the press conference yesterday was
8 clearly articulated: There was going to be a State Lands
9 Commission meeting today and the attempt would be made
10 to put this matter for a vote. I don't think the position
11 stated yesterday by either Controller Davis or by myself
12 are a surprise to anyone, and in any manner inconsistent
13 with these long series of public statements we've been
14 making on these related matters on this subject for
15 several years.

16 Commissioner Tucker, did you want to make any
17 comment?

18 COMMISSIONER TUCKER: Just briefly. I think a
19 couple of things were left out by Mr. Huff's statement.

20 First of all, as Lieutenant Governor McCarthy
21 indicated, the Lands Commission has long, publicly, taken
22 a position in opposition to the proposed plan, including
23 letters of objection written by the Controller, written
24 by the Lieutenant Governor.

25 The action today of the Lands Commission was

1 the result of a recommendation by the Attorney General
2 that this lawsuit must be filed in order to protect
3 California's coast. That was an obligation, in effect,
4 that the Lands Commission is concerned about protecting
5 our coastline.

6 And finally, I think it's important to note
7 that the reason the Lands Commission had to act in this
8 area is because of the failure of the Governor to really
9 provide the kind of leadership California needs on this
10 issue.

11 The Governor's decided to side with the
12 administration, with the Secretary of the Interior, rather
13 than with the interests of Californians and the interest
14 of the California coastline. That's the reason that the
15 Lands Commission has had to act. This is an action that
16 should have been taken by the Governor and by the other
17 agencies in the administration that are concerned about
18 this issue in conjunction with the Lands Commission. But
19 the Lands Commission has had to take the leadership on
20 this. And I think that's an important point to note.

21 Finally, the suggestion that, well, this is only
22 a plan and it shouldn't be challenged, because it's only
23 a plan, there's a long ways to go -- I think that's the
24 deficiency in this. It isn't a plan. It isn't anything,
25 other than, let's lease those pieces of property. And

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1 then we'll see, according to Secretary Hodel, what happens.
2 We'll see what the implications are, and we'll work all
3 this out as we go down the line.

4 That's not good government, not intelligent
5 planning, and the Lands Commission has indicated by its
6 action that it doesn't want to be part of it.

7 CHAIRMAN MC CARTHY: Thank you. If we may proceed
8 to the file. The consent calendar is 1 through 12, minus
9 5, which is pulled.

10 Any questions? All right. The consent calendar
11 is acted upon.

12 13.

13 EXECUTIVE OFFICER DEDRICK: Item 13 is a -- the
14 applicant is Standard Pacific L.P. It's an authorization
15 as both the State Lands Commission and the School Land
16 Bank Trustee, in this stance, Commissioners, to tell and
17 subsequently issue a patent to this company for a 1.17
18 acre parcel of land for a road right-of-way, which will
19 allow that company to build a road which will give the
20 State Lands access to a parcel that is part of the
21 School Land Trust area where we do not now have access.

22 CHAIRMAN MC CARTHY: Questions by either
23 Commissioners? From the audience? Any question about
24 this? Approved. Item 14.

25 EXECUTIVE OFFICER DEDRICK: All right. Item

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1 14, Mr. Robert Shamblin. This is a staff recommendation
2 to deny the application for a new lease for the continued
3 use of sovereign lands for residential purposes.

4 CHAIRMAN MC CARTHY: Any questions by the
5 Commissioners? From the audience? Approved. The
6 recommendation's approved. Item 16.

7 EXECUTIVE OFFICER DEDRICK: This is First South
8 Savings Association, recognition of First South Savings
9 as a lessee on Leases 6504, 05, and 06, as a result of its
10 having foreclosed on its loan to the Burlingame Joint
11 Venture, the State's former tenant on the De Anza landfill
12 in Burlingame in San Mateo County.

13 CHAIRMAN MC CARTHY: Questions from the
14 Commissioners? From the audience? All right. That's
15 approved. Item 18.

16 EXECUTIVE OFFICER DEDRICK: Item 18 is
17 consideration of proposed cogeneration facility. Staff
18 recommends that we ask the city to put to bid a proposal
19 for a power purchase contract to see if there's someone
20 out there who wants to cogenerate at Wilmington Field.

21 CHAIRMAN MC CARTHY: Any questions from members
22 of the Commission? From the audience? All right.
23 Recommendation is approved. 19.

24 EXECUTIVE OFFICER DEDRICK: 19, request for
25 authority to put out a proposal for crude oil sale on

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1 several leases in Los Angeles, Orange, and Santa Barbara
2 Counties. That's royalty oil sales, excuse me.

3 CHAIRMAN MC CARTHY: Questions from the
4 Commissioners? From the audience? Recommendation is
5 approved. 20.

6 EXECUTIVE OFFICER DEDRICK: The Termo Company,
7 approval of issuance of negotiated subsurface lease on
8 93 acres of land in the bed of the Sacramento River in
9 Butte and Glenn Counties. The applicant is the adjacent
10 leaseholder.

11 CHAIRMAN MC CARTHY: Questions from the
12 Commission? From the audience? That's approved as
13 recommended. 21.

14 EXECUTIVE OFFICER DEDRICK: 21, Southern Desert
15 Gold Corporation, approval of an extension of a permit
16 to prospect for minerals other than oil, gas, and
17 geothermal in Riverside County.

18 CHAIRMAN MC CARTHY: Questions from the
19 Commission? From the audience? 21 is approved. 23.

20 EXECUTIVE OFFICER DEDRICK: Item 23, the United
21 States Geological Survey, applicant, to do some groundwater
22 monitoring and sampling in Inyo County to see -- looking
23 for an area that would be suitable for a high-level nuclear
24 waste dump.

25 CHAIRMAN MC CARTHY: Any questions from the

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1 Commissioners? Questions from the audience? Approved as
2 recommended. 24.

3 EXECUTIVE OFFICER DEDRICK: 24 is the City of
4 Laguna Beach. It's the consideration of consent from
5 the property owner, State Lands, for the City of Laguna
6 Beach to annex tide and submerged lands near the city
7 in Orange County.

8 CHAIRMAN MC CARTHY: Questions from the
9 Commission? From the audience? Approved as recommended.
10 26.

11 EXECUTIVE OFFICER DEDRICK: 26 is an informational
12 report on negotiations that the Commission's staff has
13 been carrying out with the Sheriff's Office and various
14 property owners in the area of Sarah Court in Carmichael
15 along the American River.

16 Staff proposes to come to boundary line
17 agreements with the adjacent property owners and to
18 propose that the Commission approve a lease to the County
19 of Sacramento for the management of the property.

20 CHAIRMAN MC CARTHY: Any questions from the
21 Commission?

22 EXECUTIVE OFFICER DEDRICK: You don't need to
23 take any action on that.

24 CHAIRMAN MC CARTHY: Any questions on the
25 information? Thank you for the information. All right.

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1 27.

2 EXECUTIVE OFFICER DEDRICK: 27, we ask you to
3 accept a report of the School Land Management recommenda-
4 tion that the staff has prepared and give us the authority
5 to deliver that report to the State Teachers' Retirement
6 System.

7 CHAIRMAN MC CARTHY: Any questions from members
8 of the Commission? Anybody in the audience interested
9 in this report? Thank you very much for the information --
10 for the recommendation.

11 Next item.

12 EXECUTIVE OFFICER DEDRICK: The next item are
13 the revenues for the Fiscal Year 86-87 from the tidelands
14 oil and from the geothermal operations on School Land,
15 and the estimated revenues for 87-88, and 88-89.
16 Do you --

17 CHAIRMAN MC CARTHY: Any comments on these
18 estimates?

19 All right. Commissioner Tucker?

20 COMMISSIONER TUCKER: Where the estimate goes
21 down in 88-89, is that a reduction in production or is
22 that an assumption as to price?

23 EXECUTIVE OFFICER DEDRICK: Mr. Thompson, would
24 you respond, please?

25 MR. THOMPSON: Actually, it's a reduction in

1 rate and assumption in price. And there's some
2 nonreoccurring items that come up in the 87-88 that won't
3 be in there. For example, the \$26 million settlement
4 for the windfall profits tax suit won't be repeated.
5 And there will be an equity change that won't be carried
6 over into 88-89.

7 CHAIRMAN MC CARTHY: Anything further?

8 EXECUTIVE OFFICER DEDRICK: That's it.

9 CHAIRMAN MC CARTHY: This Commission meeting
10 is over. Thank you very much.

11 (Thereupon the meeting was
12 adjourned at 10:40 a.m.)

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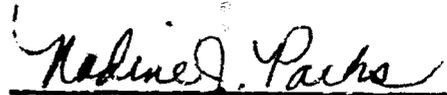
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CERTIFICATE OF SHORTHAND REPORTER

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 meeting before the State Lands Commission was reported in shorthand by me 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 19th day of September, 1987.


Nadine J. Parks
Shorthand Reporter

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