

MEETING OF THE  
CALIFORNIA STATE LANDS COMMISSION

TRANSCRIPT OF PROCEEDINGS

City of Santa Monica  
City Hall Council Chambers  
1685 Main Street  
Santa Monica, California

July 11, 1997  
11:15 A.M.

REPORTED BY:  
Hope Alwardt,  
CSR No. 10095  
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APPEARANCES:

COMMISSION MEMBERS PRESENT:

GRAY DAVIS  
Lieutenant Governor  
Chairman

KATHLEEN CONNELL  
State Controller  
Member

STATE LANDS COMMISSION STAFF PRESENT:

ROBERT C. HIGHT, Executive Officer  
JACK E. RUMP, Chief Counsel  
RICK LUDLOW, Senior Counsel  
PAUL B. MOUNT, Chief, Land Management Division  
SHARON SHAW, Administrative Assistant II

ATTORNEY GENERAL'S OFFICE PRESENT:

DENNIS M. EAGAN, Deputy Attorney General

1 PROCEEDINGS

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5 MR. DAVIS: We're bringing the meeting  
6 of July 11th of the State Lands Commission to order.  
7 I notice the absence of a quorum, but I believe we  
8 can operate as a subcommittee until the controller  
9 arrives.

10 And in that capacity, I'd like to ask  
11 our executive officer to brief us on the issue that  
12 is before us in open session, which is the  
13 retrocession of Treasure Island. Then we can  
14 commence that discussion and presumably we will have  
15 a quorum in time to take action on that.

16 MR. HIGHT: Thank you, Mr. Chairman.

17 Item No. 80 is the retrocession of  
18 criminal and civil jurisdiction at Treasure Island.

19 As you know, the military is closing  
20 out about 20 military bases throughout California.  
21 12 of those contain sovereign land. And in this  
22 case, when the military leaves the base, they return  
23 the base to California jurisdiction. And so this  
24 item is the approval of the return of Treasure Island  
25 to the jurisdiction of the State of California. In

1 other words, California's police power and criminal  
2 laws would apply to this base. And this is something  
3 that is agreed upon by the navy and by the city.

4 The city -- you have a letter in the  
5 blue folder. It's inside your binder -- from the  
6 city basically saying that they approve of this  
7 retrocession.

8 MR. DAVIS: And the retrocession  
9 involves the use of the city's police powers in the  
10 application of state laws?

11 MR. HIGHT: Yes.

12 And there's a major advantage to, I  
13 think, the citizens of California as a whole in  
14 having California law applied to them as compared  
15 with federal law just because I think due process  
16 provisions are a little better than California law.

17 MR. DAVIS: Is the San Francisco Police  
18 Department prepared to allocate the resources  
19 necessary to fulfill those responsibilities?

20 MR. HIGHT: Yes, they are. And the  
21 exact date for the switchover has not been negotiated  
22 but it will be very soon.

23 MR. DAVIS: Are there any --

24 (Controller Connell enters the  
25 meeting.)

1 MR. DAVIS: I see that the controller  
2 is arriving.

3 MS. CONNELL: Rolling in so to speak.

4 MR. DAVIS: Good morning.

5 MS. CONNELL: Good morning to you.

6 I'm happy to see this meeting room is  
7 wheelchair accessible.

8 MR. DAVIS: It gives you new  
9 appreciation for the Americans With Disabilities Act.

10 MS. CONNELL: Yes. Well, I'm going to  
11 publish my own list of those places that don't meet  
12 the code, including all the movie theaters and  
13 restaurants in L.A. that fail to be sensitive.

14 MR. DAVIS: It's your personal  
15 experience they are not up to code.

16 MS. CONNELL: That's right. I have new  
17 constituency to support.

18 MR. DAVIS: We are just operating as a  
19 subcommittee discussing the item before us in open  
20 session, which is the retrocession of Treasure  
21 Island. We've just begun to talk about the  
22 implications of that. Bob Hight was assuring us that  
23 the city was prepared to assume police powers to  
24 enforce the laws of the city and the State of  
25 California on Treasure Island.

1                   I'm just about to ask whether or not  
2     there was any navy personnel or any civilian  
3     personnel operating on Treasure Island now.

4                   MR. HIGHT:   There are still navy  
5     personnel there.  And as soon as this action is  
6     approved, they will start to phase out of navy police  
7     power.  And the exact date of that I have tried to  
8     get from the city yesterday but it's still in  
9     negotiation.  But it would be in the next several  
10    weeks that the navy military presence for police  
11    power will leave and the city will take over for  
12    police power purposes.

13                  MR. DAVIS:  Does that mean that the  
14    MP's will no longer be in charge of enforcing order  
15    and ordinances on the base itself?

16                  MR. HIGHT:  That's correct.

17                  Until the title to the land comes back  
18    to California, the military will still have  
19    concurrent jurisdiction, although they do not intend  
20    to have a police force there.  The city will take  
21    over all of those duties.

22                  MR. DAVIS:  So when you go on the base,  
23    the city -- it will be a city official that waves you  
24    on and --

25                  MR. HIGHT:  Correct.

1 MR. DAVIS: This will be interesting.  
2 MR. HIGHT: It will be a major change.  
3 MR. DAVIS: Certainly will be.  
4 MR. HIGHT: Because Treasure Island has  
5 been a military installation since the mid-thirties.  
6 MR. DAVIS: And approximately how many  
7 people are there now? How many -- total of military  
8 and civilian personnel?  
9 MR. HIGHT: They are winding down, and  
10 my guesstimate is less than a hundred left. They had  
11 an official closing ceremony about three weeks ago at  
12 which point everybody started leaving the base. And  
13 so it will take a process of winding down.  
14 MR. DAVIS: Do you have any questions?  
15 MS. CONNELL: No.  
16 MR. DAVIS: Well, first, let's take the  
17 roll to establish a quorum and then we can act on  
18 this item.  
19 MS. SHAW: Controller Connell?  
20 MS. CONNELL: Present.  
21 MS. SHAW: Governor Davis?  
22 MR. DAVIS: Present.  
23 The quorum is present, so we are  
24 officially constituted.  
25 MR. HIGHT: And, Mr. Chairman, for the

1 record, let me state that there are some items pulled  
2 from the agenda, and we will also take up the  
3 executive session at the end of this session.

4 Item C24, C26, C34, C56, C72, C29, C14,  
5 and C70 will not be heard today and will be heard at  
6 a future date.

7 MR. DAVIS: Then I would also like to  
8 pull Item 79 largely for discussion purposes but we  
9 don't intend to act on it today.

10 MR. HIGHT: Okay.

11 MR. DAVIS: Thank you.

12 All right. Let's first approve the  
13 minutes of the previous meeting, the May 12th  
14 meeting, if I could have a motion on that.

15 MS. CONNELL: I move approval of the  
16 minutes.

17 MR. DAVIS: All right. The minutes  
18 being unanimously adopted.

19 Now let's act on the consent calendar  
20 as described to us by executive officer Bob Hight.

21 MS. CONNELL: I move the consent  
22 calendar as described by our executive officer.

23 MR. DAVIS: All right. I concur.  
24 That's unanimously adopted.

25 That leaves before us the directive



1 session of --

2 MS. CONNELL: 79.

3 MR. DAVIS: Well, it leaves before us  
4 79, which we'll get to after we finish the  
5 retrocession of Treasure Island.

6 Is there anyone from the public that  
7 would like to comment positively or negatively on the  
8 transfer of police powers from the navy to the City  
9 of San Francisco and the transfer of applicable law  
10 from navy code to the State of California?

11 (No response.)

12 MR. DAVIS: Hearing none, is there a  
13 motion to approve the retrocession?

14 MS. CONNELL: I move the approval.

15 MR. DAVIS: All right. That's  
16 unanimously approved as well.

17 MS. CONNELL: I love these meetings  
18 where we have no opposition. It's so rare for me in  
19 public service.

20 MR. HIGHT: We work very hard to  
21 produce that.

22 MS. CONNELL: It's so rare, I might  
23 add, in the City of Santa Monica chambers.

24 (Laughter.)

25 MS. CONNELL: It's particularly ironic.

1 No offense to the leaders of Santa Monica.

2 MR. DAVIS: It takes a lot of good  
3 staff work to make it easy for us.

4 All right. Let's discuss Item 79.

5 MR. HIGHT: I'll ask Mr. Mount, who is  
6 in charge of the Commission's Long Beach oil and gas.

7 Go ahead, Paul.

8 MR. MOUNT: Good morning,  
9 Commissioners.

10 Item 79 is a considered approval on  
11 proposed development plan for oil and gas leases  
12 PRC 2199, PRC 2894, and 2890 -- 2920.1 to drill gas  
13 wells from Gaviota to Santa Barbara County.

14 This is a project, the lease was  
15 assigned last year to Molino Energy. As part of this  
16 item, one of the calendar items, we transferred part  
17 ownership, 40 percent, to Benton Oil and Gas. That's  
18 calendar Item 73, which is on the consent calendar.

19 Let me show you a little background of  
20 this project.

21 (Slides being shown.)

22 MR. MOUNT: It's located off the Santa  
23 Barbara coast across from Gaviota, the Chevron  
24 Gaviota gas plant. You can see it there.

25 That Chevron Gaviota gas plant is a

1 consolidated site approved by the County of  
2 Santa Barbara. It's one of two. The other being  
3 Lost Forest Canyon.

4 It's between Santa Barbara and Point  
5 Conception -- or Point Arguello actually. And you  
6 can see in the yellow part, those are the leases  
7 we're talking about.

8 (Next slide) This is an expanded view.  
9 Again, there's the Molino site. The Gaviota plant is  
10 right here. These are the three fields we're  
11 interested in and drilling to and producing gas from.

12 (Next slide) This is a plan view of the  
13 site. The area in green here is the existing  
14 facilities. These are the gas plants that exist.

15 The area that's surrounded by red is  
16 area approved as consolidated site by the County of  
17 Santa Barbara. The area in blue is the proposed  
18 Molino drill site.

19 (Next slide) This is an aerial view.  
20 The coast is at the bottom of the picture. The  
21 Gaviota gas plant is up here. And to the right over  
22 here and a little bit off of this picture is where  
23 the gas well drilling will occur.

24 (Next slide) This is a picture of where  
25 the drilling will occur. This is a drill rig

1 superimposed over the landscape to give you an idea  
2 what it might look like. Highway 101 is just over  
3 the ridge here. And it's barely visible from the  
4 freeway.

5 MS. CONNELL: What's the height of that  
6 tower?

7 MR. MOUNT: Approximately 150 feet.

8 MS. CONNELL: How much of it would be  
9 visible from the highway?

10 MR. MOUNT: About two-thirds.

11 MS. CONNELL: Thank you.

12 MR. MOUNT: This is just a  
13 cross-section. Here is the rig that will be drilling  
14 offshore under the ocean floor. They will not get in  
15 the water at all. All the drilling will occur on  
16 land and will occur down into these areas.

17 It's a five-year project. It's within  
18 the approved consolidated oil and gas planning area.  
19 The onshore drilling is using extended reach drilling  
20 technology. It's a three phased project with peak  
21 gas production about 60 million cubic feet a day. We  
22 can get as high as -- it's going to be designed to go  
23 as high as 250 to 300 billion cubic feet recoverable.

24 We'll process at the approved Gaviota  
25 processing facility. And it's also backed by a

1 strong international company, Benton Oil.

2 Just to tell you a little about Benton  
3 Oil, it was established in '88. They have  
4 international operations in Venezuela, Russia, and  
5 China. They are listed on the New York Stock  
6 Exchange. They have oil reserves worth 448 million  
7 dollars. Their annual revenue is about 165 million  
8 per year. Their corporate headquarters is in  
9 Carpinteria, and they are a proven operator overseas.

10 There are a lot of mitigations related  
11 to this project mostly through the EIR, approved by  
12 the County of Santa Barbara. These are just some of  
13 the mitigation measures they are required to take.

14 One of the most important is the  
15 Gaviota tarplant mitigation plan. There's a Gaviota  
16 tarplant endangered plan in the area, and it's going  
17 to be gathered, the seeds will be collected and  
18 replanted elsewhere, plus the parts of the area that  
19 still have tarplant will be maintained and actually  
20 enhanced. So they are going to do a lot to improve  
21 the development of the tarplants in the area.

22 Here's some more mitigation measures  
23 that were approved by the county (next slide):

24 Potential revenue of 85 million to the  
25 state and revenue sharing 17 million to the County of

1 Santa Barbara.

2 MS. CONNELL: How does that compare to  
3 other projects of this nature?

4 MR. MOUNT: This is unique in that it's  
5 a gas only project. Most of our projects are oil  
6 projects. Generally, the state could reap a hundred  
7 million dollar revenue or greater.

8 But because we're only developing gas,  
9 our revenue take is a little less. This will be the  
10 first project that we've shared revenues with the  
11 county like this. So they will participate in our  
12 money.

13 Some of the oil fields offshore, if  
14 they were developed, could have the potential for  
15 several hundred million dollars. So this is  
16 relatively small.

17 MS. CONNELL: Thank you.

18 MR. MOUNT: That is my presentation.

19 MR. DAVIS: Is the formula which  
20 determines the revenues to the State different for  
21 gas than oil?

22 MR. MOUNT: Same formula, straight  
23 royalty.

24 MR. DAVIS: So it's just the field is  
25 smaller or the anticipated --

1 MR. MOUNT: The field is smaller.

2 MR. DAVIS: Now, you mentioned that  
3 Benton is a proven operator overseas. Have they  
4 drilled off the coast of California before?

5 MR. MOUNT: No, to my knowledge they  
6 have not. It is strictly overseas operations to this  
7 point.

8 MR. DAVIS: But you have no doubt about  
9 their competence?

10 MR. MOUNT: I have no doubt about it.  
11 They've drilled a lot of wells in Venezuela. I  
12 believe they've drilled some near lakes as well. And  
13 there's a lot of areas they have drilled that were  
14 sensitive areas, let's put it that way.

15 MS. CONNELL: Why was there a decision  
16 made to share with the county in this circumstance?

17 MR. MOUNT: That was by a law that was  
18 passed last year, a bill carried by -- was it  
19 O'Connell, Senator O'Connell?

20 MR. HIGHT: No, it was Senator Mattie.

21 MR. MOUNT: Mattie.

22 And 20 percent of our revenues go to  
23 the counties where a offshore drilling requires an  
24 onshore facility, a new onshore facility, then we  
25 then share state revenues.

1 MR. DAVIS: I know some of us are  
2 fighting to get the counties a piece of the action  
3 for a long time because they get 100 percent of the  
4 environmental degradation and in the past very little  
5 of the revenues.

6 Does that law apply to offshore  
7 drilling or just onshore drilling, the Mattie bill?

8 MR. MOUNT: It applies to drilling from  
9 onshore to offshore or drilling from where we're  
10 being -- it's just generally onshore to offshore.

11 MR. HIGHT: It applies to new  
12 developments.

13 MS. CONNELL: It's not retroactive.

14 MR. MOUNT: No. No.

15 MR. DAVIS: But if we were to site for  
16 some reason additional offshore drilling --

17 MR. MOUNT: Yes.

18 MR. DAVIS: -- the counties would  
19 benefit?

20 MR. MOUNT: That's correct.

21 MR. LUDLOW: Any new offshore  
22 development --

23 MR. MOUNT: From an onshore site.

24 MR. LUDLOW: It could be up to the  
25 platform.









