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SUMMARY

MEETING OF THE CALIFORNIA LANDS COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 19, 1998

10:30 a.m.

1 World Way
Board of Airport Commissioners
Meeting Room
Department of Airports
Administration Building
Los Angeles, California,

REPORTED BY:
Lori D. Casillas,
CSR No. 9869, RPR
Our File No. 46694

1 COMMISSIONERS PRESENT:

2 KATHLEEN CONNELL, State Controller - Chair

3 MICHAEL FLORES, Lieutenant Governor's Office - Member

4 ROBIN DEZEMBER, Department of Finance - Member

5

6 STAFF PRESENT:

7

8 ROBERT HIGHT
9 Executive Officer

10

11 PAUL THAYER
12 Assistant Executive Officer

13

14 JACK RUMP
15 Chief Legal Counsel

16

17 PAUL MOUNT
18 Mineral Resources Management

19

20 SHARON SHAW
21 Administrative Assistant II

22

23 STAFF SPEAKERS:

24

25 DAVE PLUMMER
26 Public Land Manager

27

28 JEFF PLANCK
29 Senior Engineer

30

31 REPRESENTING THE ATTORNEY GENERAL'S OFFICE:

32

33 DENNIS M. EAGAN
34 Deputy Attorney General

35

36 PUBLIC SPEAKERS:

37

38 Bruce Spaulding

39

40

41

1 MS. CONNELL: I believe we will call the
2 meeting to order. I like to begin meetings on time.

3 I'm calling the meeting to order and
4 there are three representatives present this morning
5 and all three are present.

6 The first item of business will be the
7 adoption of minutes from our last meeting.

8 May I have a motion from one of the
9 board members to approve the minutes?

10 MR. DEZEMBER: I move approval.

11 MS. CONNELL: Thank you. The motion has
12 been moved.

13 Mr. Flores, do you want to second that?

14 MR. FLORES: I second that.

15 MS. CONNELL: There is a unanimous vote
16 on that motion.

17 The next order of business will be the
18 adoption of the consent calendar.

19 I call our executive officer Bob Hight
20 to indicate which items have been removed from the
21 consent calendar.

22 MR. HIGHT: Items C-77 and C-89 have
23 been removed from the consent calendar and they will
24 be heard at a later commission meeting.

25 MS. CONNELL: Is there anyone in the

1 audience today who wishes to speak on an item on the
2 consent calendar?

3 Okay. If not, we will proceed with the
4 vote.

5 May I have a motion on the consent
6 calendar, please.

7 MR. DEZEMBER: Yes. I move it.

8 MR. FLORES: Second.

9 MS. CONNELL: It's been moved and
10 seconded. That vote carries it unanimously.

11 That now takes us to the regular
12 calendar Item 132. This is a Kapiloff Land Bank
13 purchase of a parcel at the -- and you'll have to
14 help me with the word --

15 MR. HIGHT: Cosumnes Preserve.

16 MS. CONNELL: -- Cosumnes River
17 Preserve.

18 Mr. Hight, will you brief us, please.

19 MR. HIGHT: Yes, Madam Chair and
20 commissioners.

21 Item 132 is the purchase with Kapiloff
22 Land Bank of the parcel shown on the map in green in
23 the Cosumnes River Preserve. The Cosumnes area is
24 about 15 miles south of Sacramento off of
25 Interstate 5.

1 The Bureau of Land Management has
2 started a few years ago with the acquisition of land
3 along the entire river from the Sierras to the Delta.
4 And it's their grand goal to develop this land for a
5 habitat preservation and restoration.

6 There are a number of partners and I'll
7 name them, but they're all willing participants. All
8 sellers are willing sellers. The farmers in the area
9 are farming the land. And it's being used as a
10 wildlife habitat.

11 The partners are the Bureau of Land
12 Management, The Department of Water Resources, The
13 Wildlife Conservation Board, the County of
14 Sacramento, The Nature Conservancy, The American
15 Farmland and Trust, Sacramento Valley Open Space,
16 Environmental Protection Agency, Bureau of
17 Reclamation, U.S. Fish and Wildlife, National Fish
18 and Wildlife Foundation and Ducks Unlimited.

19 So this is an extremely --

20 MS. CONNELL: Broad coalition.

21 MR. HIGHT: -- broad coalition, yes.

22 And in your blue folder you will find
23 four pictures of the site as well as two letters of
24 support from Senator Patrick Johnson and from Ducks
25 Unlimited.

1 The staff believes that this is a very
2 exciting project. And we would be most happy to take
3 you there when the time would be convenient.

4 And with that, do you have any
5 questions?

6 MS. CONNELL: Let's sponsor a nature
7 hike and picnic for the board members.

8 MR. HIGHT: Yes.

9 MS. CONNELL: Is there anyone in the
10 audience who wants to speak on this item?

11 Are there any comments from my fellow
12 commissioners?

13 MR. DEZEMBER: No.

14 MR. FLORES: No.

15 MS. CONNELL: Then may I have a motion
16 on this item, please.

17 MR. DEZEMBER: Yes, I move approval for
18 the acquisition.

19 MR. FLORES: Second.

20 MS. CONNELL: It's moved and seconded.
21 It's a unanimous vote. So recorded.

22 Item 133. This concerns a settlement
23 agreement at Mission Bay in San Francisco. And this
24 will allow for the establishment of an expansion
25 campus of the University of California at San

1 Francisco.

2 Again, Mr. Hight, will you give us
3 details of this item?

4 MR. HIGHT: Yes, Madam Chair. I would
5 like to ask Dennis Eagan with the Attorney General's
6 office. He and Dave Plummer of staff and Blake
7 Stevenson of staff have negotiated this rather
8 complex transaction that is going to result in a very
9 beneficial use. So I would like Dennis to explain
10 it.

11 MS. CONNELL: Mr. Eagan, please.

12 MR. EAGAN: We have some graphic aids
13 here. The first is an orientation oblique aerial
14 photo. Some obvious landmarks are the Bay Bridge.
15 This area right here just above Mission Creek Channel
16 is the area of the new Giant's ball park/Pac Bell
17 park, which is currently under construction.

18 This is Mission Creek Channel, which
19 comes back in through here. And, again, Third Street
20 coming across the left of the O'Doull Bridge and then
21 down this way. The freeway coming in, the rail yards
22 of Fourth and Townsend.

23 This is called the Mission Bay area
24 because back in the 19th Century this area right in
25 here was indeed a bay, was predominantly tide and mud

1 flats. And, of course, that included tide and
2 submerged lands.

3 Now, for over 100 years this area has
4 been filled. And it is no longer physically tide and
5 submerged lands, but it gets history as tide and
6 submerged lands. And, of course, that creates title
7 issues concerning the existence of the public trust,
8 which is why the State Lands Commission is involved.

9 The predominant private property owner
10 in this area is Catellus Development Corporation.
11 And they have, in conjunction with the city,
12 developed a plan for developemnt of this area within
13 the Mission Bay development area, so-called, which
14 runs roughly around here, down here to 16th Street,
15 dips below 16th in a few instances, and runs out
16 almost to the bay, and then back up to north of the
17 channel, several hundred acres of property.

18 In 1991 and 1992 state legislature
19 passed enabling legislation allowing the title
20 problems in this area to be cleared up. There was at
21 that time a Mission Bay development plan that had
22 been approved by the city and county of San Francisco
23 with Catellus as the developer. It later developed
24 that that plan became economically infeasible. And
25 now we're at Plan B -- or Catellus is.

1 And the principle element of Plan B is
2 approximately a 43 acre area right in here just above
3 16th Street and is slated for use as an expansion
4 campus for the University of California at San
5 Francisco. They're the anchor tenant, if you will,
6 in this area.

7 And this is a slightly more direct
8 overview. Again, the area in orange is the Mission
9 Bay development area which I described earlier. And
10 then this area here is the 43 acre parcel, which is
11 proposed for expansion as part of the UCSF campus.

12 We're here today just on a portion of
13 that, which is this so-called Block 24 area, which is
14 right down in here. It's slightly larger. The
15 shaded area of the university expansion campus is
16 right in this area.

17 The problem in terms of title in this
18 area, in order for the university to get clear title,
19 certain tideland streets which shoot through this
20 area have to be closed and also any tideland trust
21 issues have to be terminated. And that's where the
22 State Lands Commission comes in.

23 In 1997 the state legislature authorized
24 the sale of state tideland streets in this area. And
25 the eventual outcome of that authorization is an

1 agreement which is before you today for approval.

2 It has essentially two elements. Two
3 groups of streets, if you will, that are going to be
4 sold. One group to the city, the so-called city
5 street parcels, which are here in purple within
6 Block 24. And then the so-called state street sale
7 parcels, which are going to be sold to Catellus. And
8 they're in orange here, here, here, here, here, here.

9 The consideration for this sale of
10 streets, under the legislation, is the conveyance of
11 other privately owned property to the university for
12 this phase of its campus expansion. There will be
13 other phases that will come before the commission for
14 approval of later agreements, but this is the first
15 in line, if you will.

16 The commission has to determine that
17 these streets are no longer useful for trust
18 purposes. Staff recommends approval of that finding.
19 They're cut off from access to the bay and have been
20 filled for over 100 years. And the other remaining
21 principle finding is that the value that's going to
22 the university in terms of property equals or exceeds
23 the value in the state street sale parcels that are
24 being sold on the one hand to Catellus or to the
25 city.

1 And the staff has made a study of the
2 appraisal in regard to that issue and has determined
3 and recommended that the commission make a finding
4 that the equal or greater value test is met.

5 In brief outline, that's the plan. Here
6 is a sketch, if you will, or a rendering of what the
7 current development plan will look like at full build
8 out. The Giant's ball park, of course, is not a part
9 of the plan, but it's in the same area. It's
10 adjacent. The university campus will be roughly in
11 this area here, running down Third and 16th over and
12 up in this area. Again, approximately 43 acres.

13 And then the surrounding development,
14 which will be the subject of a later exchange
15 agreement, which will be coming before the commission
16 probably within the next year.

17 We have here a representative of the
18 University of California at San Francisco, the vice
19 chancellor Bruce Spaulding who would like to make a
20 brief presentation to the commission concerning the
21 campus expansion plans of the university.

22 MS. CONNELL: I actually have two
23 requests for presentations here today. Mr. Spaulding
24 and Mr. Stimpson.

25 Is Mr. Stimpson in the audience as well?

1 MR. STIMPSON: I'm right here. I'm
2 available to answer questions.

3 MS. CONNELL: Why don't we begin with
4 Mr. Spaulding then.

5 Bruce, can you come forward and
6 introduce yourself by title for the record.

7 MR. SPAULDING: Of course. Thank you.

8 Good morning. I'm Bruce Spaulding and
9 I'm the vice chancellor for the university
10 advancement and planning at the University of
11 California at San Francisco.

12 And I'm here today to thank you for
13 considering this matter; to thank the staff for all
14 the work that has gone on in bringing this before you
15 today. And indicate that favorable consideration of
16 this agenda item will enable the jump starting of a
17 new exciting UCSF campus.

18 The University of California San
19 Francisco is the largest non-governmental, meaning
20 non-federal or state governmental, employer in San
21 Francisco with 15 thousand employees. And an
22 extremely vital health services campus, including a
23 major research endeavor.

24 However, the University of California
25 has been land locked for 20 years in its major

1 parnasis facility since the mid '70s due to
2 agreements which were struck with the neighbors, the
3 city, and the state. The University of California at
4 San Francisco has not been able to expand beyond a
5 very narrowly constrained boundary in the parnasis
6 sites area of the city.

7 In response to that, the city, the
8 state, and the university planners have all got
9 together and proposed a new major biomedical research
10 campus at Mission Bay. This campus would be a total
11 of 43 acres. The campus would ultimately, on the
12 campus acreage itself, employ up to 8,000
13 individuals.

14 And the land use concept that has been
15 proposed by the city, Catellus, and agreed upon by
16 the regents and the university, calls for an exciting
17 biomedical research enterprise at the core of this 43
18 acres surrounded by concentric zones.

19 And that first concentric zone would be
20 an area to attract biotech R and D, research and
21 development, which we anticipate will be a major
22 economic shot in the arm to the city, in addition to
23 the economic incentives that will come to the
24 community in the bay area at large as a result of the
25 UCSF expansion, per se.

1 So UCSF would like to get going on this
2 process. We have architects engaged for the first
3 two buildings on Block 24, which is the matter before
4 you today.

5 One of those buildings is a major
6 biomedical research facility with a budget currently
7 of about 120 million dollars. The second facility is
8 a slightly smaller -- but still quite significant --
9 research facility with a budget of 99.5 million
10 dollars. We have architects engaged in designing
11 these buildings.

12 We would love to break ground in 1999
13 and start developing the full campus, which as I
14 indicated, would be at build out 2.65 million square
15 feet.

16 And your favorable consideration of this
17 matter today will enable us to begin this road that
18 we, the campus and the community, have been awaiting
19 impatiently, and some voters, for the last 20 years.

20 Thank you.

21 MS. CONNELL: Mr. Spaulding, may we
22 direct some questions to you?

23 MR. SPAULDING: Sure.

24 MS. CONNELL: I have some and I'm sure
25 the other board members may as well.

1 Is this a quasi public facility we're
2 building for U.C. San Francisco? It sounds to me
3 like you're joint venturing with the private sector
4 here.

5 MR. SPAULDING: Not on the campus, per
6 se. The buildings on the 43 acre parcel that's being
7 conveyed by these various actions through the street
8 transfers and the transfer of the Catellus
9 properties, which are approximately 30 acres, will
10 result in a core campus.

11 On that core campus it's anticipated
12 that those will be primarily regents owned and state
13 owned facilities developed with a number of
14 innovative financial approaches, but title to the
15 land and fee will be transferred to the regents.

16 MS. CONNELL: Okay. Let me just
17 understand this: If title is going to be handled by
18 the regents, we will always own the land, but we will
19 be leasing through some kind of fee system the
20 facilities themselves, the laboratory facilities? Is
21 this similar to what we are doing at the University
22 of San Diego?

23 MR. SPAULDING: No. Actually there is a
24 land use plan and they are two distinct -- if I
25 could --

1 MS. CONNELL: Thank you.

2 MR. SPAULDING: We had this blown up for
3 anyone in the audience. Am I audible if I proceed
4 here?

5 MS. CONNELL: Is everyone able to hear
6 Mr. Spaulding?

7 MR. SPAULDING: The concept in terms of
8 the two uses that you focused in on are that the blue
9 area in the center is the actual UCSF campus. And
10 that will be developed primarily in more of a
11 traditional state manner.

12 The area around it in the orange is an
13 area that would be zoned by the city as an area for R
14 and D and would be an area where there might be
15 buildings that would be perhaps joint ventures with,
16 let's say, pharmaceutical companies, biotech
17 companies, and the university. But those would be on
18 privately owned land. That's the current plan.
19 Those would be in the abutting area.

20 So, for example, unlike the UCI model
21 with Hitachi, the concept now is that the university
22 would primarily be in control of the 43 acres. The
23 joint ventures with private companies would acquire,
24 through acquisition or through purchase or long-term
25 lease, properties in the abutting zone from Catellus.

1 Or even perhaps abutting land owners outside the
2 Catellus holdings. And that interactive ventures
3 would be in that zone.

4 It is conceivable that some time in the
5 future that the regents may determine that on their
6 property within the 43 acres that there could be some
7 sort of joint venture with a private company or an
8 independent institute.

9 But at this time, the current plan to
10 meet UCSF needs is a 2.65 million square foot program
11 that accommodates the needs of the University of
12 California faculty and the needs for expansion and
13 consolidation for UCSF itself, not new ventures with
14 the private sector.

15 MS. CONNELL: I just want to be clear on
16 that.

17 Because I think it's important to your
18 legal interpretation as well, Dennis, of "same or
19 greater value " here.

20 If we're transferring through our action
21 today, I want to make sure the beneficiary here is
22 UCSF, and that we are not indeed giving property as a
23 conduit through UCSF to private sector venture
24 activities.

25 I mean I am totally supportive of the

1 venture activity for biomedical. That's the only way
2 we're going to fund the biomedical excellence in
3 California. But I want to just make sure that we're
4 clear in the actions that we take who benefits from
5 the transfer of those rights.

6 And I just want to indicate, again, then
7 this is going to UCSF, and it is the intent at this
8 time to use that primarily for academic and R and D
9 activity for the university. Subsequent there may be
10 some synergistic development around the boundaries of
11 this particular designated parcel that would support,
12 supplement and enhance, perhaps, the R and D work of
13 the university.

14 Is that a correct statement, Bruce?

15 MR. SPAULDING: That's precisely
16 correct. That's the plan. And that plan has been
17 adopted formally by the regents in a long range
18 development plan and a full California environmental
19 impact report has begun reflecting that. So the
20 title to the land and the activities within the 43
21 acres would be exclusively regental actions for
22 regental purposes. No private purpose.

23 MS. CONNELL: Are there questions of
24 Mr. Spaulding? Robin, do you have questions?

25 MR. DEZEMBER: No, I don't have any.

1 MS. CONNELL: Michael, do you have any
2 questions?

3 MR. FLORES: No.

4 MS. CONNELL: Thank you very much.

5 MR. SPAULDING: You're welcome.

6 MS. CONNELL: I do believe we had
7 another individual.

8 Mr. Stimpson, did you want to answer any
9 questions or provide any additional information at
10 this point?

11 MR. STIMPSON: I'm just available for
12 any questions, if there are any.

13 MR. HIGHT: Mr. Stimpson is from
14 Catellus Development. And he's here in case there
15 are any questions.

16 MS. CONNELL: Mr. Stimpson, I would like
17 to ask a question to you about your future plans. If
18 you could approach the podium, please.

19 MR. STIMPSON: Sure.

20 MS. CONNELL: Mr. Spaulding just went
21 through what the intent was of the UCSF and the board
22 of regents regarding their parcel of land.

23 What is the likelihood of receiving the
24 kind of interests that was indicated by Mr. Spaulding
25 in the surrounding orange areas of the map?

1 Have you been actively soliciting
2 biomedical or pharmaceutical companies? And is there
3 an interest in this particular geographic area by
4 those companies?

5 MR. STIMPSON: Let me answer. At this
6 point we're not actively soliciting joint venture
7 opportunities or leasing opportunities. We're in an
8 entitlement mode. We're just preparing the site for
9 development.

10 We actually have, though, to answer the
11 question, we've gotten numerous calls from
12 pharmaceutical companies, biotech companies, and many
13 companies within the bay area whose roots were from
14 UCSF, who ended up going to Emeryville or to south
15 San Francisco or other places in the bay area who
16 would prefer to be closer to the university.

17 So we have fielded many questions and
18 have spoken to people about the plan. And we feel
19 that there will be a significant interest as we get
20 through the entitlement and the predevelopment
21 process and into the actual marketing process, which
22 we would expect will begin next year.

23 MS. CONNELL: If you don't use the
24 adjacent land for pharmaceutical companies, what do
25 you think might be a compatible use?

1 MR. STIMPSON: Well, the area is zoned
2 as office and biotech, R and D. And it allows those
3 types of uses. And so we would have the flexibility
4 of providing office uses or research and development.
5 And actually in some instances some retail uses as
6 well.

7 The idea is this is a mixed use
8 community and there would be a lot of opportunities
9 for different types of uses to interact within the
10 entire Mission Bay area.

11 MS. CONNELL: What is the density in
12 this area?

13 MR. STIMPSON: I can tell you the
14 different uses, and I think it might be -- rather
15 than a density of 2.65 FAR. I'm not sure if that's
16 helpful.

17 MS. CONNELL: That's the whole parcel?

18 MR. STIMPSON: Yeah. What we have in
19 the yellow area is about 6,000 housing units,
20 including 1,700 affordable housing units that would
21 be built by the redevelopment agency on land that
22 Catellus donated.

23 In the campus, as Bruce Spaulding
24 mentioned, is 2.65 million square feet of R and D
25 space for the university. And there will be about

1 5 million square feet of space in the Catellus
2 property surrounding in the red -- or rust colored
3 areas of 2.5 million square feet.

4 MS. CONNELL: Is Catellus serving as a
5 developer of the property itself or as a land
6 developer? In other words, will you be doing the
7 actual construction of structures yourself or are you
8 just serving as the person who has acquired the land,
9 has gotten it permitted, and is selling off parcels?

10 MR. STIMPSON: We will take a whole
11 range of roles. Let me distinguish, first of all,
12 the university's property, we have -- the role we
13 have on the university's property is to provide
14 infrastructure around -- because this area, as you
15 can tell from the aerial photos, is an old industrial
16 area. It needs all new infrastructure, from the
17 roads and sewers and everything else, and open space.
18 And that's our function with respect to the
19 university.

20 Whereas the university will be building
21 the buildings on the campus. Surrounding the
22 university we will be doing the land development,
23 which includes putting in the infrastructure. And
24 then there will be a variety of options for us.

25 We're a development company, so we will

1 be building some of the buildings, whether it's
2 housing for rent or for sale or whether it's
3 commercial. But we also will be selling some lots as
4 well to make this site develop out in a timely
5 manner.

6 And a lot of times, for pharmaceutical
7 companies particularly, they may want to own a site.
8 And so we would work with them to either do a
9 long-term lease or to sell them a site or develop it
10 for them on a lease basis.

11 MS. CONNELL: Thank you.

12 Are there any questions of Mr. Stimpson?

13 MR. DEZEMBER: No.

14 MR. FLORES: No.

15 MS. CONNELL: Thank you, sir.

16 MR. STIMPSON: Thank you.

17 MS. CONNELL: Now, I believe that we're
18 ready at this point for a motion.

19 Can I receive a motion from one of the
20 board members on this agenda item?

21 MR. FLORES: I move for approval.

22 MR. DEZEMBER: Second.

23 MS. CONNELL: It's been moved and
24 seconded. And that's a unanimous note.

25 Now I believe we're now on Item 134 --

1 oh, excuse me.

2 Are there any other members of the
3 audience -- I should have asked that before the
4 vote -- who wanted to speak on this item? Thank you.

5 Item 134. This is an important item on
6 the subsea well abandonment program in the Santa
7 Barbara Channel. It seems every agenda we have Santa
8 Barbara.

9 May we have a staff presentation on this
10 item, please?

11 MR. HIGHT: Yes, Madam Chair. Paul
12 Mount and Jeff Planck of the commissions' Long Beach
13 operations will present this item.

14 MR. MOUNT: Good morning.

15 In the 1960's a number of subsea
16 exploratory development wells were drilled in the
17 Santa Barbara Channel. A number of these wells, 23
18 to be exact, were never abandoned and they existed up
19 until this project. At the direction of the State
20 Lands Commission, six major oil companies had spent
21 over 100 million dollars abandoning these wells.

22 Jeff Planck, our senior engineer in
23 charge of this project, is going to give you a
24 presentation and explain what this is all about.

25 MS. CONNELL: Thank you.

1 Jeff?

2 MR. PLANCK: Thank you, Paul.

3 Good morning, Commissioners.

4 This was an exciting project bringing
5 together the best of government and business toward a
6 common goal for the benefit of both.

7 The acronym SWARS, stood for Subsea Well
8 Abandonment and Rig Sharing. It began as a request
9 from one oil company to remove some old equipment
10 from one of the 1960 wells. And under the direction
11 of the commission and staff it became an
12 unprecedented project with six oil companies sharing
13 one rig to abandon the 23 wells.

14 This avoided piece meal environmental
15 documentation and potentially a number of rigs, and
16 saved considerable time and money required to abandon
17 the wells.

18 The six companies involved were Shell --
19 which is now AERA -- Chevron, Phillips, Texaco, and
20 Unocal. They formed a project management company to
21 oversee this phase of the project. And as Paul said,
22 committed over 100 million dollars to the project.

23 The SLC staff identified 23 oil wells
24 and various leases which were shut in and no longer
25 producing. We stressed on the operators the

1 environmental and financial wisdom of taking care of
2 all these wells at the same time.

3 The wells were originally drilled from
4 mobile rigs, there was no associated platform. And
5 the production flowed straight from the well head to
6 shore through flow lines.

7 And it wasn't only the industry which
8 would save time and money, but it was also the state,
9 local and federal agencies which had interest in or
10 permit approval over the project.

11 Under the lead of the commission the
12 other agencies, The Coastal Commission, The Division
13 of Oil and Gas, Fish and Game, Port of Quality
14 Control Board, the local Santa Barbara County Energy
15 Division, and APCD, and the federal agencies EPA, and
16 Fish and Game, Wildlife, the Corp of Engineers, the
17 Coast Guard, MMS all reviewed the IR and permitting
18 effort.

19 It was quite an undertaking and a joint
20 effort of the industry and government working in
21 partnership to achieve a public trust goal.

22 The mission was well defined: Properly
23 abandon these 23 wells and remove the subsea well
24 heads and the associated flow lines and restore the
25 ocean floor to its original condition. This was the

1 largest phase of this project and is the subject of
2 this presentation.

3 MS. CONNELL: What was the time period
4 on this?

5 MR. PLANCK: It occurred over -- it was
6 programed for nine months and occurred over eight
7 months.

8 MS. CONNELL: What --

9 MR. PLANCK: From August of 1997 to
10 March of this year.

11 MS. CONNELL: Thank you.

12 MR. PLANCK: During the life of these
13 wells, they collectively produced over 4 million
14 barrels of oil and 140 billion cubic feet of gas
15 without incident to the benefit of the state.

16 Geotechnical and biological surveys were
17 done prior to bringing the rig in and a visual survey
18 of the well heads showed that they had some close
19 encounters with fishing nets. The well heads --

20 MS. CONNELL: What does that mean,
21 "close encounters with fishing nets"?

22 MR. PLANCK: That means we had to remove
23 a lot of fishing nets before we could do the work.

24 MS. CONNELL: So the close encounter was
25 actually very intimate? Okay.

1 MR. PLANCK: The well heads and the flow
2 lines were cleaned of marine growth and the flow
3 lines were disconnected from the well head prior to
4 moving the rig in.

5 The abandonment process was simple, but
6 it was complicated by the age and neatness of each
7 well head. Special tools and equipment had to be
8 developed. The rig was positioned over each well and
9 the well head was connected to the rig and --

10 MS. CONNELL: Excuse me.

11 Can every member of the audience see
12 this? Is this screen positioned in a way that -- I'm
13 afraid that this half of the audience is missing the
14 presentation.

15 Are you able to see? If you want to, in
16 any case, move so that you can get the benefit of
17 this.

18 Go ahead, please, Jeff.

19 MR. PLANCK: Okay. The process of
20 abandoning the wells starts with moving the rig over
21 the well head and attaching this conduit to the rig.
22 On top of the conduit we put blow out preventers
23 which form a closed system.

24 Once the production pipe and equipment
25 is removed from the well bore, the well bore is

1 filled with cement across the production zones.
2 Various other steel and cement plugs were set in
3 other geologically significant air holes as
4 determined by the Division of Oil and Gas.

5 Each of the steel casings of the hole
6 were cut and removed below the ocean floor and cement
7 was placed over the stud to prevent any potential
8 flow from below or around the pipe. These cement,
9 steel and other plugs filled the entire hole. And
10 after their surface plug was set, the well head was
11 removed and less casing was cut below the sea floor.

12 MS. CONNELL: Kind of like a root canal?

13 MR. PLANCK: Very similar.

14 The wells were -- there wasn't really an
15 average depth. The wells were drilled in up to 300
16 feet of water and anywhere from, I think, 70 was
17 shallowest. And some of these wells were in excess
18 of two miles below the ocean floor in depths of over
19 12,000 feet.

20 MR. FLORES: And you would fill the
21 entire thing?

22 MR. PLANCK: We didn't fill it entirely
23 with cement. But cement was placed across various
24 geological structures which may have hydrocarbons in
25 them. And there were also fluid plugs and steel

1 plugs.

2 What the subsea well heads look like --
3 this is one of the actual well heads back in the '60s
4 sitting in the yard before installation. As you can
5 see from the scale of the gentleman standing on the
6 ladder, it was about 12 or 15 foot high.

7 This was the average size of most of the
8 well heads we're talking about. Although a couple
9 were in excess 30 feet. They were rather large
10 structures.

11 Here is what the same well head looked
12 like after decades on the ocean floor. Thanks to the
13 corrosion protection system required by State Lands
14 Commission regulations, the head was in great shape
15 and literally could be used again. It also appears
16 to have been a condominium of sorts for a bunch of
17 sea life. You can see some of that wasn't totally
18 cleared off.

19 All the goals of the project were
20 accomplished. The project was finished in 240 days,
21 a month ahead of schedule, in spite of the El Nino
22 weather delays we had. There were no spills or no
23 other accidents of any sort.

24 The commission staff monitored the work
25 daily and observed adherence to the environmental

1 mitigation plan, the oil spill conditioning plans,
2 and all of the other terms and conditions by the
3 various permitting authorities.

4 The sites were surveyed prior to and
5 after all the work, and video and written records
6 were made to assure that there was little or no
7 affect on the sea floor. And that all that would be
8 left would be the brick foot prints in the sandy
9 bottom. And that was all that was left behind.

10 MS. CONNELL: Extraordinary process.

11 Are there any questions by the members
12 of the board?

13 MR. DEZEMBER: No.

14 MS. CONNELL: You know, actually I would
15 think, Mr. Hight, that this might not be a bad
16 presentation to make available on our web site if we
17 could.

18 MR. HIGHT: Okay.

19 MS. CONNELL: And I think it would be
20 something that we might want to send out to the
21 science teachers in the schools in California.

22 My own children have just finished a
23 sequence on oceans and tidelands and preserving
24 quality of the oceans.

25 And I would think this kind of

1 information would be very helpful to the teachers in
2 California. Particularly if they could draw down on
3 the web site the photographs that you just showed us.

4 I mean the whole process of how you
5 convert an oil well and then take it back out, I
6 would think it would be a good source of information.

7 MR. HIGHT: We will try to do that.

8 MS. CONNELL: Any additional comments
9 from the audience?

10 Then if not, I think there is no action
11 required. Am I correct, Mr. Hight, on this item?

12 MS. CONNELL: Correct. This was just to
13 inform you that we have successfully completed what
14 we think is a rather significant project.

15 MS. CONNELL: Thank you. And I want to
16 congratulate the staff and those who worked with us
17 on it. This is obviously a priority of the community
18 of Santa Barbara; certainly to the environmental
19 community in California, in fact, all Californians
20 that we were able to do this. It's an eye sore
21 that's now been removed and successfully so.

22 And given our more recent history with
23 the surfers in Santa Barbara and Ventura County, I'm
24 sure that they're happy to see that these oil wells
25 are also no longer present in the bay.

1 Let us move on, if we may, to Item 136.
2 And this relates to the 60th anniversary of the
3 establishment of the State Lands Commission.

4 Are we going to have a giant cake here,
5 Mr. Hight. Do you want to move forward on this item?

6 MR. HIGHT: Yes. If we could just take
7 Item 135 for one second.

8 MS. CONNELL: Certainly.

9 MR. HIGHT: And I would like Paul
10 Thayer, assistant executive officer, to present that.

11 MR. THAYER: Thank you.

12 Like the last item, this is an
13 informational item that doesn't require any
14 commission action.

15 What we wanted to bring to your
16 attention the federal award for permanent
17 streamlining that was recently given to the dredge
18 material management office in San Francisco. This
19 was an office that we're a partner in. And it
20 involves the five different agencies that regulate
21 dredging in the San Francisco Bay.

22 Several years ago these agencies got
23 together, established this office to speed the
24 processing of these important projects, they are very
25 important to the reports in San Francisco.

1 And basically what the office has done
2 is generated a single permit application that can be
3 used by all the different agencies. And the result
4 is that the whole process is better coordinated, both
5 between the agencies and with the applicant that is
6 doing the dredging.

7 The award that was given is called the
8 Hammer Award. It is actually given by Vice President
9 Gore. And it's named interestingly enough after the
10 \$600 hammer that several years ago turned out that
11 that's how much money the Air Force was paying for
12 under federal contract for an ordinary hammer.

13 MS. CONNELL: It must have been -- what
14 was it called?

15 MR. THAYER: The Golden Fleece Award.

16 MS. CONNELL: Yes. The Golden Fleece
17 Award.

18 Was that Proxmyer?

19 MR. THAYER: Proxmyer, yes.

20 MS. CONNELL: Yes.

21 MR. THAYER: This is only a \$6 hammer
22 that was given out.

23 MS. CONNELL: Well, that's because the
24 Clinton/Gore administration has been cutting costs.
25 Government officials.

1 MR. THAYER: Absolutely. And that's, of
2 course, the whole point of this award is to recognize
3 that this office has hopefully cut cost, not only for
4 federal and state agencies that participate in it,
5 but for the outlook as well.

6 So I think it's a well-deserved award.
7 Our executive officer and Mary How who worked on this
8 project for us, were down in San Francisco to get
9 this yesterday. And the general of the Corp
10 represented it. And I think --

11 MS. CONNELL: Do you have your hammer
12 with you today?

13 MR. HIGHT: They only gave one hammer.
14 And the Corp decided that it would rotate amongst the
15 various agencies. And since they had been
16 instrumental in getting it, they took it.

17 So we will eventually get the hammer and
18 we will bring it to a commission meeting. It's in a
19 plaque about this big with a little signed thanks
20 from the Vice President on it.

21 MS. CONNELL: Did it come with any nails
22 or just a hammer?

23 MR. HIGHT: Just a hammer.

24 MS. CONNELL: That's a really cost
25 efficient administration.

1 MR. THAYER: So anyway, we knew that
2 product streamlining and red tape cutting has been a
3 priority for the commission. And we wanted you to
4 know that these efforts have been recognized by the
5 federal government.

6 MS. CONNELL: Again, congratulations for
7 the efforts of the State Lands Commission. I'm sure
8 my fellow board members join me in that.

9 Now we will move on to our birthday
10 party. And it's actually our anniversary rather than
11 birthday party.

12 And, Mr. Hight, will you present the
13 item?

14 MR. HIGHT: What we would like to do is
15 just kind of previously highlight 60 years of the
16 Lands Commission.

17 June 11th was the 60th year. The Lands
18 Commission was created in 1938 as a result of some --
19 I'll find a nice word -- some issues relating to oil
20 and gas. And so with great wisdom, the legislature
21 created the Lands Commission composed as it is today,
22 Lieutenant Governor, The Controller, The Director of
23 Finance to oversee all of the public's lands.

24 Actually, the entity that -- that job
25 was originally done with the Surveyor General.

1 And through time it passed down to a number of other
2 agencies and eventually came to the Lands Commission.

3 But currently the Lands Commission has
4 jurisdiction over approximately 4 million acres of
5 national navigable waters, the oceans, the lakes and
6 streams of the state. 1,100 miles of shoreline, some
7 570,000 acres of school land and another 760,000
8 acres of minerals --

9 MS. CONNELL: Go through that again once
10 more for the audience, because they are important
11 statistics.

12 MR. HIGHT: 4 million acres of sovereign
13 lands, which includes the ocean out three miles; all
14 the navigable lakes, rivers and streams in the state.
15 111 miles of coast line -- 1,100. It would be nice
16 if we had that big of a coast.

17 570,000 acres of school land that we own
18 surface and the fee, the minerals. And then another
19 760,000 acres of school land that we have the mineral
20 rights on.

21 The legislature, in their infinite
22 wisdom, decided that it was a good idea to sell
23 school lands. And so they started selling school
24 lands. And then they realized we probably shouldn't
25 sell this stuff, but we don't have the political

1 power to stop the sale, so they reserved the mineral
2 rights back.

3 And then finally when the Lands
4 Commission was created, by then the stuff that was
5 any good was sold. Originally we had about 5 million
6 acres of school lands. A number of the other states
7 support their schools entirely with revenue from
8 school lands. New Mexico does it entirely. The
9 state of Washington almost does it entirely.

10 So we're -- we don't fall in that
11 category. But in the last ten years we've produced
12 60 million dollars of revenue for STRS for the
13 retired teachers. The commission also has oversight
14 responsibility over all of the ports. There are 70
15 legislative grants to cities and counties in the
16 state, ports of Los Angeles, Long Beach, San
17 Francisco.

18 And the ports of L.A. and Long Beach
19 alone produce about 200 billion dollars a year to
20 California's economies.

21 Another item that we're really quite
22 proud of is the Kapiloff Land Bank, which was created
23 in 1982, which was the source of the revenue for the
24 Cosumnes River Preserve.

25 Since that time we've purchased from the

1 bank about 14,000 acres of land that has been being
2 used for parks, wetlands, open space, wildlife
3 habitat. So with that mechanism, we're able to save
4 land for future generations.

5 Another thing that the commission has
6 been quite instrumental in was the establishment of
7 the Keen Olympic Oil Spill Pollution and Prevention
8 Act of 1991, which was the direct result of the
9 Valdez oil spill. And it resulted in the initiation
10 of the Office of Oil Spill Prevention in the
11 commission which Gary Gregory is charged with.

12 A couple of other items of interest; the
13 commission, along with the City of Long Beach,
14 received a settlement of 320 million dollars from the
15 oil companies for price fixing. In addition, we
16 received about 6,000 thousand acres of
17 environmentally significant land.

18 The commission has been involved in a
19 fair number of lawsuits. The bulk which have
20 been environmental protection. One of the most
21 significant is the Mono Lake litigation, which
22 resulted in saving Mono Lake so that the water level
23 maintains at a level so as to preserve the lake.

24 In recent times the commission has been
25 very active. And this commission has been

1 responsible for legislation in Congress to pay the
2 state for its share of the Oak Hills Naval Petroleum
3 Reserve. And the state ultimately will get 260
4 million dollars provided we can get Congress to
5 appropriate it each year for the next seven years.

6 So each year we will have a fight with
7 tcongress, but we're hopeful that we will get the
8 full 260 million dollars.

9 In addition, the California Desert
10 Protection Act, which has allowed the commission to
11 exchange out lands in the desert, the federal
12 government, the Bureau of Land management will manage
13 the California desert including the commissions'
14 lands. And the commission will be able to exchange
15 out lands of equal value.

16 We're working on a number of projects
17 with BLM and we're hopeful to bring some of those to
18 you soon.

19 Another major issue was the settlement
20 in Bolsa Chica, whereby the commission acquired title
21 to Bolsa Chica. And that process is now ongoing. We
22 have hired an environmental consultant to do an EIR.
23 And we should be coming to the commission sometime in
24 the fall of next year with an approved concept plan
25 for the development. There is about 11 different

1 alternatives for the development and we will see how
2 the project works.

3 And last but not least, this commission
4 has learned more about surfing than --

5 MS. CONNELL: A sport which I understand
6 has low impact, so I might actually take it up soon.
7 It's of special interest to me.

8 MR. HIGHT: And lastly, we have -- I'll
9 come around so I won't trip over the things -- a
10 senate resolution that Senator Jack O'Connell
11 obtained which commends the commission for 60 years
12 of good service. We will have three of these
13 resolutions, but at the moment we only have one.

14 So Madam Chair --

15 MS. CONNELL: Thank you very much. I
16 will proudly put it in my office. I'll share it with
17 the other members of the board though so they can see
18 what it looks like. This is better than cake. There
19 is no caloric impact and you get to keep it and it
20 never disappears. Very nice. Thank you very much.

21 Well, I just want to echo the
22 accomplishments of the State Lands Commission. As
23 you may know, members of the audience, that as
24 controller I sit on 52 boards and commissions. So it
25 is a broad portfolio that I serve as the chief

1 financial officer of. And one that I have always
2 personally felt to be most satisfying is the State
3 Lands Commission.

4 And have been able to fortunately attend
5 every meeting of the State Lands Commission during my
6 term in office. And hopefully will have the
7 opportunity to do so in my next term in office as
8 well.

9 I think the State Lands Commission is an
10 exemplary example of how government can work
11 positively to support something which is very
12 important to the future generations of California,
13 and that's land resources management.

14 The ability of this Lands Commission to
15 create a positive and interactive relationship with
16 the private sector is distinct in terms of my
17 experience in government. We rarely have a
18 controversy we can't resolve. We are rarely in a
19 situation where we don't find a win/win parallel that
20 enables us to conduct successful negotiations. And
21 we have always been, I think, a champion of the
22 environment in California.

23 I have the deepest respect for the staff
24 members of the State Lands Commission and the work
25 that they have done. It is always a pleasure to come

1 to these meetings. Even those meetings in which we
2 have been briefed, Bob, on windsurfing in the
3 Sacramento River; surfing in the coast of California;
4 hiking in the mountains. I think we have had quite a
5 number of interesting educational ventures in the
6 course of my brief term on this commission.

7 I want to add my appreciation to members
8 of the staff for contributing this generation of
9 staff to the legacy of the 60 years of the Lands
10 Commission.

11 MR. HIGHT: Thank you very much. And we
12 thank you for your wisdom and your guidance.

13 MS. CONNELL: Robin, do you want to add
14 anything?

15 MR. DEZEMBER: It would be very hard to
16 follow that. That was very eloquent and certainly
17 well deserved.

18 I think this is a testament; we have a
19 three and a half or four inch thick agenda that's
20 almost all consent. And I think that attests to the
21 merits of the proposals that are contained in here,
22 as well as the staff's ability to bring about those
23 conclusions.

24 And I think I would just echo your
25 words. They're excellent.

1 MS. CONNELL: Mike Flores?

2 MR. FLORES: Madam Chairman, I think you
3 said it well.

4 MS. CONNELL: Well, I'm sorry we don't
5 have any birthday cake or anniversary cake that we
6 could share with the audience this morning. But we
7 wouldn't want to be using our taxpayer dollars in
8 frivolous ways.

9 Are there any other items to come before
10 the commission this morning? Is there anyone else
11 who wishes to be recognized by the commission prior
12 to adjourning?

13 If not, then I'm going to adjourn the
14 meeting and I'm going to ask that we clear the room.
15 We need to go into closed session on some litigation
16 matters. Thank you.

17 (Whereupon the proceedings were
18 adjourned at 11:20 a.m.)

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1 STATE OF CALIFORNIA)
2 COUNTY OF LOS ANGELES) ss.

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I, Lori D. Casillas, CSR 9869, a
Certified Shorthand Reporter in and for the state of
California, do hereby certify:

That the foregoing proceeding was taken
down by me in shorthand at the time and place named
therein and was thereafter reduced to typewriting
under my supervision; that this transcript is a true
record of the testimony given by the witnesses and
contains a full, true and correct report of the
proceedings which took place at the time and place
set forth in the caption thereto as shown by my
original stenographic notes.

I further certify that I have no
interest in the event of the action.

EXECUTED this 1st day of July,
1998.

Lori D. Casillas

Lori D. Casillas, CSR, RPR