MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAl

THURSDAY, JANUARY 24, 1980
10:00 A.M.
MEMBERS PRESENT

Mr. Kenneth Cory, State Controller, Chairperson
Mr. David Ackerman, Representing the Lieutenant Governor
Mr. Roy M. Bell, Representing the Director of Finance

STAFF PRESENT

Mr. William F. Northrop, Executive Officer
Mr. Robert C. Hight, Chief Counsel
Mr. Leslie H. Grimes
Mr. Wilbur M. Thompson
Mr. Donald J. Everitts
Ms. Diane Jones

ALSO PRESENT

Mr. Jan Stevens, Attorney General's Office
# Index

<table>
<thead>
<tr>
<th>Proceedings</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of Consent Calendar Items C1 through C16</td>
<td>2</td>
</tr>
<tr>
<td>Calendar Item 17</td>
<td>2</td>
</tr>
<tr>
<td>Ted A. MacDonell, City Manager</td>
<td>2</td>
</tr>
<tr>
<td>City of Vallejo</td>
<td></td>
</tr>
<tr>
<td>Calendar Item 18</td>
<td>5</td>
</tr>
<tr>
<td>Calendar Item 19</td>
<td>6</td>
</tr>
<tr>
<td>Calendar Item 20</td>
<td>6</td>
</tr>
<tr>
<td>Calendar Item 21 -- Off Calendar</td>
<td>6</td>
</tr>
<tr>
<td>Calendar Item 22</td>
<td>6</td>
</tr>
<tr>
<td>Calendar Item 23</td>
<td>7</td>
</tr>
<tr>
<td>Calendar Item 24</td>
<td>7</td>
</tr>
<tr>
<td>Calendar Item 25</td>
<td>7</td>
</tr>
<tr>
<td>Calendar Item 26 -- Off Calendar</td>
<td>8</td>
</tr>
<tr>
<td>Calendar Item 27</td>
<td>8</td>
</tr>
<tr>
<td>Calendar Item 28</td>
<td>8</td>
</tr>
<tr>
<td>Calendar Item 29</td>
<td>8</td>
</tr>
<tr>
<td>Les Grimes</td>
<td>8</td>
</tr>
<tr>
<td>Calendar Item 30</td>
<td>10</td>
</tr>
<tr>
<td>Calendar Item 31</td>
<td>10</td>
</tr>
<tr>
<td>Calendar Item 32</td>
<td>10</td>
</tr>
<tr>
<td>Calendar Item 33</td>
<td>11</td>
</tr>
</tbody>
</table>
Calendar Item 34

Calendar Item 35

Calendar Item 36

Calendar Item 37

Calendar Item 38 -- Off Calendar

Calendar Item 39

Calendar Item 40

Calendar Item 41

Calendar Item 42

Calendar Item 43

Adjournment

Certificate of Reporter

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95820
TELEPHONE (916) 383-3501
CHAIRPERSON CORY: For the Executive Officer report, you have --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman and Members, I have no report this morning.

CHAIRPERSON CORY: Pardon?

EXECUTIVE OFFICER NORTHROP: I have no report this morning.

CHAIRPERSON CORY: You have no report. Okay.

Staff report on State Coastal Commission.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it will be covered in the calendar item in the calendar.

CHAIRPERSON CORY: Okay. The consent calendar.

For those in the audience, the items preceded by the initial "C", which are items C1 through 16, will be taken up in a group unless somebody in the audience has some objection to the proposed staff recommendation. Are there any questions from the Commissioners?

MR. ACKERMAN: None.

CHAIRPERSON CORY: None from the audience?

Without objection, the consent calendar --

MR. BELL: Wasn't one taken off -- or was it?

EXECUTIVE OFFICER NORTHROP: No, we didn't pull 16. We left it on.
CHAIRPERSON CORY: C1 through 16 are approved as presented.

Item 17? We have an informative item, something from the City of Vallejo. Mr. MacDonell.

MR. MacDONELL: Thank you.

CHAIRPERSON CORY: What would you like to inform us of?

MR. MacDONELL: Yes, sir. May I address you?

CHAIRPERSON CORY: Yes. Go. We're in a hurry.

MR. MacDONELL: I'd like to have about three to five minutes, if I may.

CHAIRPERSON CORY: You've got five.

MR. MacDONELL: Thank you, sir.

CHAIRPERSON CORY: Don't waste them.

MR. MacDONELL: For the record my name is Ted MacDonell. I'm City Manager of the City of Vallejo. And I have passed out to the Members of the Commission a letter with some exhibits attached on a request for transfer of tideland grant restrictions. In way of background, the City of Vallejo is involved in a rather extensive redevelopment and revitalization program of our central business district and waterfront area. We have developed land to implement that revitalization program and we are well on the way to accomplishing our objectives.

One of the problems that we ran into in carrying
out our program was that we have a considerable amount of subsidized housing surrounding the central business district area, and we were looking for a better mix of economic scale so that we could attract some high-income folks into the downtown and help in the revitalization in that manner. We have plans developed, and included in those plans are two areas for high-cost housing.

One of the areas is adjacent to our municipal marina. I'm not sure if you're familiar with Vallejo, but it's near the causeway at Mare Island. It is unfilled land that we acquired in about 1959. We went along blissfully on our way because we had acquired the land from the railroad and we felt it was not encumbered with the tideland grant restrictions. However, in discussion with your staff, we find that the land was in fact encumbered and that we could not develop it for residential use. This put us in a quandary because we had gone down -- quite a ways down the way with the developers to provide condominiums on the site.

The City Attorney advises that it was in fact encumbered by the tideland grant and that we could not, as it was, develop it for residential use. The City Attorney suggested to the City Council that we get legislative relief to remove the tideland grant restrictions from the filled land as was done by previous legislation in 1925 with some of the areas of Vallejo.
The land is about 350 feet from the water and is actually no longer usable for fishing, navigation, and commerce. We discussed that with your staff, and the staff suggested that, perhaps, rather than seeking legislative relief that there was a possibility of effecting a trade of tideland conditions from the 12 acres in question to some other site in or around the City of Vallejo that would be acceptable. We sat down with your staff, looked at possible alternatives, and came up with a site that is being acquired by the County of Vallejo called Dillon Point, which is adjacent to Benicia State Recreation Area along Highway 780. There's some 85 acres in that site.

We felt, in consultation with your staff, that that site would be an excellent location to transfer the conditions of the tideland grant and that we would therefore be able to free the 12-acre site adjacent to our marina and proceed with our development plans.

So I'm here today to ask you if you would approve such a suggestion, and if so, if you would authorize your staff to work with the staff of the City of Vallejo to work out the details of such an exchange. I'd be most happy to answer any questions that you might have.

CHAIRPERSON CORY: I don't think we're in a position to approve the exchange. I think we can refer it to the staff for them to do appraisals and have the Attorney
General look at the legal work, but the basic concept of making an exchange -- as long as the dollar value is there -- is, as I understand the law, in fact, your only way out. I don't think legislation could solve your problem. Am I correct in that -- I'm looking at the attorneys -- that if the trust is there, we cannot give it up. We can only exchange out of it.

MR. STEVENS: That's exactly right, Mr. Chairman. Transfer may be possible subject to the equal value test and some other considerations. And we'd like to take a look at it and work with you. It may be necessary to have a statute to facilitate the transfer, but we can make that decision in a very short time.

MR. MacDONELL: We appreciate your consideration.

CHAIRPERSON CORY: Well, without objection, we'll refer it to the staff and hopefully they can work it out. But I wanted to make that point clear: you don't have an "either/or" option, unfortunately. You only have an exchange option or amending the Constitution, not a statute.

MR. MacDONELL: Okay.

CHAIRPERSON CORY: Okay?

MR. MacDONELL: Thank you for your consideration.

CHAIRPERSON CORY: Thank you, and you just made it.

MR. MacDONELL: Very good.

CHAIRPERSON CORY: Item 18, Contra Costa Sanitation
District, approval of a 49-year permit. Is there anybody in the audience on item 49 (sic)? Any questions from Commissioners?

Without objection, it will be approved as presented.

Item 19, Fresno Metropolitan Flood Control District, 49-year general permit. Anybody in the audience on this item? Questions from the Commissioners?

Without objection, item 19 will be approved as presented.

Item 20, Department of Fish and Game, approval of permit in Yolo County. Anybody in the audience on this item? Questions from Commissioners?

Without objection --

EXECUTIVE OFFICER NORTHROP: Twenty-one is off calendar.

CHAIRPERSON CORY: -- will be approved as presented.

EXECUTIVE OFFICER NORTHROP: Twenty-one is off calendar.

CHAIRPERSON CORY: Twenty-one is off calendar.

Item 22 is a 20-year general lease, commercial use, Whiskey Slough, San Joaquin County, for Harold and Carol Taylor. Anyone in the audience on this item? Questions from Commissioners?

Without objection it will be -- oops!

MR. TAYLOR: Mr. Taylor.
CHAIRPERSON CORY: You're happy with the proposed lease?

MR. TAYLOR: Yes.

CHAIRPERSON CORY: Okay. Without objection, approved as presented.

Item 23, 4-Jay Investment, Lessee, wants to revise the lease in Sutter County near Verona. Is there anybody in the audience on this item? Any questions from Commissioners?

Without objection, the amendment is approved as presented.

Item 24, Anza Shareholders' Liquidating Trust would like to assign B.D.S. Corporation -- and the paperwork's in order, staff, on this one?

EXECUTIVE OFFICER NORTHROP: Yes, it is, Mr. Chairman.

CHAIRPERSON CORY: Any questions from anybody in the audience? Any questions from Members here?

Okay. Without objection, item 24 assignment is approved as presented.

Item 25, Addie McKay, approval of a patent on a patent that was issued in --

EXECUTIVE OFFICER NORTHROP: In the late 1800's.

CHAIRPERSON CORY: -- the late 1800's. Is there any question from anyone in the audience? Commissioners?
Without objection, item 25 will be approved as presented.

Item 26 is off calendar.

Item 27, Valley Nitrogen -- this is to permit the staff to take necessary steps to recover the -- against a bond for removal of a pier. Is there anybody in the audience on this item? Questions from Commissioners?

Without objection, 27 will be approved as presented.

Item 28, Golden Shore Professional Building and the City of Long Beach, determination of a 50-year lease on a 0.1 acre and --

EXECUTIVE OFFICER NORTHROP: 0.124 acres.

CHAIRPERSON CORY: Okay, 0.124. That's in keeping with Gray's comment the other day of 14.07 percent.

(Laughter.)

CHAIRPERSON CORY: -- for a dollar per year for ingress and egress out of a development in the port area in Long Beach. Any questions by anybody in the audience?

Without objection, 28 will be approved as presented.

Item 29, informative on a reforestation --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman --

CHAIRPERSON CORY: Les?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Les Grimes, our number one forester, will make the presentation.

MR. GRIMES: This is just an informative calendar.
item on the status of our Reforestation Project as it winds down. June 30th is the cutoff date.

Last year we planted 386 acres. This year we plan to plant 315 (sic) acres more for a total of 697 acres. This, of course, included site preparation and clearing with various hand and mechanical means. We achieved survival which is good in most instances. A couple of parcels were pretty bad, like up in the Forks of Salmon where the topography is straight up and down and rocky. Overall, we had a weighted average of survival of 73.3 percent. Seventy percent is considered totally acceptable.

CHAIRPERSON CORY: I take it Mr. Brown Thumb Grimes didn't do it. He had some help with some green thumbs?

MR. GRIMES: I stayed in the office.

(Laughter.)

CHAIRPERSON CORY: I think that's a very worthwhile program and you're to be seriously commended on the work -- on the reforestation. Hopefully, if they're handing out federal money, this is a good place to put it as opposed to some of the other --

MR. GRIMES: I hope we can keep going on it too.

MR. ACKERMAN: Was this all federal funds?

MR. GRIMES: Yes. It was through -- it was federal funds administered through EDD. It was a combination social program as well as an "improve the natural resources" thing.
We were required to use CCC labor, and we had to use high-labor-intensive projects. And there's nothing more labor-intensive than planting trees.

CHAIRPERSON CORY: If you talk to B. T., tell him that I'm convinced that with that hook, he ought to be able to dig a hole and throw one in rather efficiently, even on the rocky terrain.

(Laughter.)

CHAIRPERSON CORY: Okay. Thank you, Les.

Item 30, sale of royalty oil. Mr. Northrop?

EXECUTIVE OFFICER NORTHROP: This is authorization to go to competitive bid for our statewide royalty.

CHAIRPERSON CORY: Okay. Anybody in the audience on this item? Without objection, authorization is granted as requested.

Item 32 (sic), assignment of Extractive Lease in the Owens bed from Morrison & Weatherly, Lake Minerals Corporation. Is there anybody in the audience on this item? Any questions from Commissioners?

Without objection, it is approved as presented.

Item 32, mineral extraction lease, five-year lease on 513 acres of submerged land in Alcatraz. This is a sand and gravel extraction. Any questions? Anybody in the audience on this item?

Without objection, item 32 will be approved as...
presented.

Item 33, Orange County Environmental Management Agency wants to reimburse the state for $9,100 for a geologic consulting service in the oil and gas operations in Bolsa Chica. Anybody in the audience on this item?

Without objection --

MR. BELL: Strongly approve.

MR. ACKERMAN: That's good.

CHAIRPERSON CORY: Okay. Approved as presented.

Thirty-four, City of Long Beach crude oil sell-off. This is the one that we have a telegram on. Powerine is concerned that they have a buyer-seller relationship and don't want to lose the oil, but they don't want to pay us what other people are willing to pay us.

EXECUTIVE OFFICER NORTHRUP: They're going to have that option, that opportunity, for 15 days.

CHAIRPERSON CORY: They'll have an opportunity what, to match?

EXECUTIVE OFFICER NORTHRUP: To match, right. They'll have a 15-day opening in which to match.

MR. BELL: But their contract no longer is valid?

CHAIRPERSON CORY: The contract allows us to take it and sell off. They are contending that DOE regs preclude us from having the option. And our indication from DOE indicates that we do have the option. Okay?
The place to resolve that --

MR. BELL: They still have right of refusal.

CHAIRPERSON CORY: They still have right of refusal, and what we're really arguing over is money.

MR. BELL: Yes.

EXECUTIVE OFFICER NORTHROP: It's a dollar.

MR. ACKERMAN: If they choose not to exercise that right, do they have any recourse through any legal action?

EXECUTIVE OFFICER NORTHROP: They could take --

MR. ACKERMAN: Would that stop the sell-off?

EXECUTIVE OFFICER NORTHROP: Probably. If they got an injunction, they probably would.

Bob, do you want to address that?

MR. TROUT: Yes, Mr. Ackerman. If they got an -- they can do various things, but one would be to try to get an injunction to prevent the sell-off. The other would be just a money-damages suit. I don't know what option they would take.

MR. BELL: It's just personal property, isn't it, we're talking about?

MR. TROUT: Yes.

MR. BELL: It's not real property.

MR. ACKERMAN: Is there a very high likelihood of that?

Mr. TROUT: We don't know at this point.
MR. ACKERMAN: This is consistent with all other --

CHAIRPERSON CORY: Yes. I understand their side of it: they'd rather get it at the lower price. But if they disagree with that, it seems to me one or the other of us should go to court.

EXECUTIVE OFFICER NORTHPROP: Our Washington counsel has talked to DOE and has an indication from DOE that we're proceeding correctly. I had asked Alan Hager to come up this morning, because he had a conversation with our Washington counsel and it was a concern of his. However, he wasn't able to make the plane. I did talk to him, and he felt that we should go through with it because it was in line with the conversation that Mr. Lamont had in Washington.

MR. ACKERMAN: Okay, so moved.

CHAIRPERSON CORY: Without objection then, 34, approval as presented.

Item 35. This is --

EXECUTIVE OFFICER NORTHPROP: This allows us to offer up --

CHAIRPERSON CORY: This is offering another increment of crude oil for sale. Anybody --

EXECUTIVE OFFICER NORTHPROP: This is Tract One.

CHAIRPERSON CORY: Tract One. The other was Parcel A.

EXECUTIVE OFFICER NORTHPROP: Parcel A.
CHAIRPERSON CORY: Okay. But this one is just authorizing the sale. The other, the sale --

EXECUTIVE OFFICER NORTHROP: Yeah. We've got to bring it back for the award.

CHAIRPERSON CORY: Without objection, 35 is approved as presented,

Item 36 authorizing of a closing of accounts for '78, subsidence in the City of Long Beach. Anybody in the audience on this item? Questions from Commissioners?

MR. ACKERMAN: This just about brings us up to date, doesn't it, on subsidence?

EXECUTIVE OFFICER NORTHROP: Yes. We are current now.

Mr. Thompson, this brings us current, doesn't it?

MR. THOMPSON: Yes. This is the last --

MR. BELL: It brings us up to June 30, '79, so that's pretty close.

MR. THOMPSON: Last month we closed all the projects that we finished through that particular time, plus the annuals through '78, and this takes us through '79. This was one of the conditions when this was approved in June of 1978 that we come back and close these promptly, so we didn't get in this clear-back-to-1956 issue.

CHAIRPERSON CORY: Okay. Without objection, item 36 is approved as presented.
Item 37, fourth modification of the budget. Any questions from the Commissioners? Anybody in the audience on this item? Everybody understands where we are on the budget?

MR. THOMPSON: Now again this is a calculated risk because this is not exactly a proven technique because of our depth. That's why it's called an unconventional steam-drive. This is a project over 2500 feet in depth. In the San Joaquin Valley normally you steam-drive at a shallower depth.

MR. BELL: Is this also for slant drilling?

MR. THOMPSON: Well, slant drilling does have some complications in the stress in the casing and things like that. Again, this is one of the unknowns -- whether we can really do this -- and this is why we're doing it on a test basis. But in this particular case, because of the front-end-loading tertiary regulations, you're allowed to take part of your lower-tier oil and reclassify it to upper-tier to take some of the risk out of this. So this is helpful in this project -- approximately fifty percent.

There has to be some kind of incentive like this, because this is a questionable project. There's no guarantee this project will work. In this particular case if we can do it at 50 percent dollars, it will ease the pain a little.
CHAIRPERSON CORY: As we're doing this, remember he's our uncle, not our dad.

(Laughter.)

MR. THOMPSON: And again, as far as the augmentation for the drilling rigs, we're going to use these rigs pretty extensively for the next four or five years, so it's necessary to keep them in repair. And this is an analogy of going to a solid state versus a vacuum tube-type deal, as far as a converter. In one case before, we had to actually use an electric motor-driven converter to drive an AC motor to drive a DC converter. Now we do it with a solid state conversion-type deal, so it's much more efficient. The last two rigs we bought have been of this type, so we're trying to get the other rigs converted.

CHAIRPERSON CORY: Okay. Without objection, item 37 is approved as presented.

Item 38 is off calendar.

Item 39, litigation settlement with PG&E in the litigation we have in the San Francisco Bay near Baumberg, Alameda County. And this is a settlement with an easement for PG&E and they're out of the case, and everybody seems to be happy.

Anybody in the audience on this?

Without objection, item 39, the proposed settlement, is approved as presented by staff.
Item 40, we want to authorize a disclaimer on 0.8 acres in -- where?

EXECUTIVE OFFICER NORTHROP: Colusa County.

CHAIRPERSON CORY: Colusa County. Anybody in the audience on this?

Without objection, item 40 is approved as presented.

Item 41, approval of Geothermal Lease Form. This is the lease. Is there anybody in the audience on this item? Any questions?

MR. ACKERMAN: Simple English.

MR. BELL: This is the one where you can almost understand.


MR. ACKERMAN: I understand we tackle the prospecting permits next.

(Laughter.)

CHAIRPERSON CORY: Okay. Without objection, item 41 is approved as presented.

Item 42 is a request to solicit bids for the this is the seeps in Santa Barbara --

EXECUTIVE OFFICER NORTHROP: Really what it is is Everitts wants to take a submarine ride.

(Laughter.)
CHAIRPERSON CORY: Anybody in the audience on this item?

Without objection from the Commissioners, item 42 will be approved as presented.

Item 43, an amendment to the Lobel, Novins & Lamont contract. Are there any questions from the Commissioners?

MR. BELL: We could take some time on this depending on --

CHAIRPERSON CORY: Where's the pool?

(Laughter.)

CHAIRPERSON CORY: Questions from anybody in the audience on this item?

MR. ACKERMAN: I have a comment. I'll help Mr. Northrop out a little bit here.

This brings up the point, I think, of all the work that our Chairman has done through the last several months concerning the windfall profits legislation in Washington. On behalf of myself, and I know Mr. Bell, we would like to commend Ken for all the work he's done on this. His lobbying, I think, single-handedly has turned a few votes around and has been very instrumental for California and our revenue picture.

MR. BELL: I'd like to second your comment. I think Ken has done an adequate job.
MR. ACKERMAN: By a vote of two to one?

CHAIRPERSON CORY: Adequacy was established. I may have to use that in the next campaign.

CHAIRPERSON CORY: Without objection, we will approve the contract, because those are the foot soldiers who really made it possible.

With that -- no more business to come before the Commission -- we stand adjourned.

(Thereupon the meeting of the State Lands Commission was adjourned.)

--00--
CERTIFICATE OF SHORTHAND REPORTER

I, PAUL D. RAMSHAW, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission transcript was prepared under my supervision from a tape recording of the hearing and not from my shorthand notes.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of February, 1980.

PAUL D. RAMSHAW
Certified Shorthand Reporter
License No. 3434

PETERS SHORTHAND REPORTING CORPORATION
7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601