APPEARANCES

Commissioners:

David Ackerman, Representing Mike Curb, Lieutenant Governor, Acting Chairperson

Susanne Morgan, Representing Mary Ann Graves, Director of Finance

John Jervis, Representing Ken Cory, State Controller

Staff Present:

Ms. Claire Dedrick, Executive Officer

James Trout, Assistant Executive Officer

Robert Hight, Esq., Chief Counsel

Jan Stevens, Esq., Deputy Attorney General

W. M. Thompson, Chief, Long Beach Operations

D. J. Everitts, Chief, Energy and Mineral Resources Development

R. S. Golden, Chief, Land Management and Conservation

Bob Faber, Esq., Staff Counsel

Diane Jones, Administrative Assistant

Jane Smith, Secretary
<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceedings</td>
<td>1</td>
</tr>
<tr>
<td>Call to Order</td>
<td>1</td>
</tr>
<tr>
<td>Ratification of Executive Officer, Ms. Claire Dedrick</td>
<td>2</td>
</tr>
<tr>
<td>Approval of Minutes</td>
<td>3</td>
</tr>
<tr>
<td>Executive Officer's Report</td>
<td>3</td>
</tr>
<tr>
<td>State Indemnity Selection</td>
<td>4</td>
</tr>
<tr>
<td>Motorcycle Race Event Proposed for Vacant State School Lands</td>
<td>6</td>
</tr>
<tr>
<td>Coastal Commission Report</td>
<td>8</td>
</tr>
<tr>
<td>Consent Calendar</td>
<td>2</td>
</tr>
<tr>
<td>Items C1 through C27</td>
<td>8</td>
</tr>
<tr>
<td>Item 28</td>
<td>9</td>
</tr>
<tr>
<td>Item 29</td>
<td>11</td>
</tr>
<tr>
<td>Item 30</td>
<td>12</td>
</tr>
<tr>
<td>Item 31</td>
<td>12</td>
</tr>
<tr>
<td>Item 32</td>
<td>13</td>
</tr>
<tr>
<td>Item 33</td>
<td>13</td>
</tr>
<tr>
<td>Item 34</td>
<td>15</td>
</tr>
<tr>
<td>Item 35</td>
<td>15</td>
</tr>
<tr>
<td>Item 36</td>
<td>16</td>
</tr>
<tr>
<td>Item 37</td>
<td>17</td>
</tr>
<tr>
<td>Item 38</td>
<td>17</td>
</tr>
<tr>
<td>Item 39</td>
<td>20</td>
</tr>
</tbody>
</table>
Public Comments:

Allan C. Moore  
Chevron, U.S.A.

Zeke Grader, General Manager  
Pacific Coast Federation of Fishermen's Associations

Executive Session
Certificate of Shorthand Reporter
ACTING CHAIRPERSON ACKERMAN: The State Lands Commission meeting will please come to order.

Mr. Hight, I believe you have an opening statement to make.

MR. HIGHT: Yes, Mr. Chairman.

John Jervis will be acting in a non-voting capacity for the State Controller.

ACTING CHAIRPERSON ACKERMAN: For the State Controller?

MR. HIGHT: Yes, John Jervis.

ACTING CHAIRPERSON ACKERMAN: I just wanted to make sure.

COMMISSIONER MORGAN: Before we declare John Jervis as a non-voting member, maybe I should bring up the appointment of the Executive Officer.

ACTING CHAIRPERSON ACKERMAN: In this capacity, let me pass the gavel to Mr. Jervis.

MR. HIGHT: In this capacity, Chairman Jervis, Mr. Ackerman will be the non-voting member.

We now have a legal constituted Commission with Mr. Jervis and Ms. Morgan voting.

COMMISSIONER JERVIS: I want to recognize Ms. Morgan.

COMMISSIONER MORGAN: Thank you.
Pursuant to action at Closed Session, February 18, 1982, I'd like us to take the following action to ratify the appointment of Claire Dedrick as Executive Officer of the State Lands Commission, effective February 18, 1982, and appoint her as the delegate to the San Francisco Bay Conservation and Development Commission, and appoint Dick Golden, Chief, Division of Land Management and Conservation, to serve as Ms. Dedrick's alternate to this body.

COMMISSIONER JERVIS: Any discussion?
COMMISSIONER MORGAN: No.
COMMISSIONER JERVIS: I call for the question.
MR. HIGHT: Do I hear a second, Mr. Chairman?
COMMISSIONER JERVIS: I'll second it.
COMMISSIONER MORGAN: All right, I'm voting aye.
COMMISSIONER JERVIS: For Mr. Cory, aye.
ACTING CHAIRPERSON ACKERMAN: I'm a non-voting member?
MR. HIGHT: Correct.
COMMISSIONER JERVIS: The vote will be recorded as two to zero.
COMMISSIONER MORGAN: Thank you. Now you can make an announcement about the balance of the agenda.
MR. HIGHT: The balance of the agenda, Mr. Jervis will be the non-voting member for the Controller.
ACTING CHAIRPERSON ACKERMAN: May we now proceed?
MR. HIGHT: Okay.

ACTING CHAIRPERSON ACKERMAN: I'm glad we've got attorneys advising us.

COMMISSIONER MORGAN: You are?

(Laughter.)

ACTING CHAIRPERSON ACKERMAN: We'll proceed with the rest of the calendar items.

Confirmation of the minutes for the meeting of February 9th, 1982.

COMMISSIONER MORGAN: No problem.

ACTING CHAIRPERSON ACKERMAN: Any questions raised by either of the Commissioners? Without objection, those minutes will be deemed approved.

Report of the Executive Officer, your first report.

EXECUTIVE OFFICER DEDRICK: First, I'd like to thank you all for offering me this opportunity which I truly and deeply enjoy.

Second, I'd like to thank you all for that very nice gift that you sent me to lighten the cigar smoking in my predecessor's office, and would like to say that in the few days that I've been there, which feels more like a couple of weeks because so much has happened, I'm very, very pleased with the staff. We've been developing a good working relationship. It's a very happy situation and getting
more complicated by the minute, of course, but other than
that, fine.

One of the reasons that I am so happy with the
staff is that I have an excellent Assistant Executive
Officer, Jim Trout, who is going to take over the rest of
the agenda today, with your permission. Is that all right?

ACTING CHAIRPERSON ACKERMAN: That's fine. We
officially would like to welcome you to us as Executive
Officer and look forward to an interesting year, I think, but
one that will continue the work that the Commission has
done over the last three and a half years while the rest
of us have been members.

EXECUTIVE OFFICER LEDRICK: Thank you.

MR. TROUT: Mr. Chairman, on the Executive
Officer's Report, we have two items we'd like to just brief
the Commission on.

The first is on the State Indemnity Selections.
In the Geysers Area, on October 2nd, 1979, the staff filed
a State Indemnity Selection with the Bureau of Land,
Management for acquisition of 2635 acres of federal land
in the Geysers Area in the Lake, Sonoma and Mendocino
counties.

In the course of processing the application, it
has come to light that there are 25 unpatented mining
claims located on portions of some of the parcels in the
selection. These mining claims, if valid, affect whatever locatable or hard-rock minerals which may be on the various sites, but do not affect the geothermal resources.

ACTING CHAIRPERSON ACKERMAN: Does an unpatented mining claim mean a squatter or what?

MR. TROUT: No, it does not mean a squatter.

Mr. Grimes can probably answer that, but I understand that these claims have been filed on under the Federal Land Management and Policy Act that required filings with BLM by, I think, October of 1979.

MR. GRIMES: That is true. All of them have been refiled.

MR. TROUT: It means the federal government has not issued a patent, but they have been properly located.

Since the purpose of the State's selection was to acquire the geothermal resources, the staff recommends that the land be accepted subject to the unpatented claims. It is believed that the claims are invalid, but contests to invalidate them will be time consuming, and it is advantageous to acquire the geothermal resources at the earliest possible date.

These lands are already under lease by the federal government, and the State would acquire these leases. So, it is to the State's advantage, and then we can process the validation or the adjudication of those leases within the
Lands Commission staff.

ACTING CHAIRPERSON ACKERMAN: Do we then issue new leases ourselves?

MR. TROUT: No, we're taking subject to the federal leases on the leased areas.

The second one is brought for your information for an expression of the Commission's approval, if any. Down in the desert, we have requests for authorization to hold an all-terrain course motorcycle race event on vacant State school land in Imperial County by Oasis Honda-Kawasaki of Palm Springs. This one-day event is proposed for Sunday, April 11, 1982 on Competition Hill in the Imperial Sand Dunes Recreational Lands Area. The estimated number of competitors may range between 500 and 1,000.

Commission staff investigation and coordination with the representatives of BLM and California Department of Fish and Game knowledgeable of these motorized-recreation-vehicle activities leads us to a confirmation that the proposed ATC race event will not have a significant effect on the environment.

Before final approval is granted to Oasis Honda-Kawasaki to stage their motorcycle event, the sponsor will be required to provide a certificate of insurance stating there is liability insurance coverage in the amount of
$1 million, with the State listed as an additional insured, only insofar as the race event is concerned.

I want to point out that these are State school lands which are part of an ORV area that is used widely whenever the weather is good.

It's part of a BLM public ORV area, so these lands are traversed most weekends by off-road vehicles.

What they're asking for here is to have control for one day, or one weekend, of this piece of property. If you have no objection with that, we will issue an emergency permit and come back with a calendar item at the March meeting. They need to have an expression of concurrence so they can go ahead and advertise, if that's all right.

COMMISSIONER MORGAN: Question: Do they make money from an event like this, and do they pay us rent?

MR. TROUT: Let me ask Mr. Grimes or Golden to respond.

MR. GRIMES: I don't believe they make money. They have an entrance fee that develops the purse, and it goes back out. There's a lot of people involved in this thing, monitors, laying out the course and all. It's a non-profit event.

EXECUTIVE OFFICER DEDRICK: Question: They are paying us rent for that day, are they not?

MR. GRIMES: No, they're just supplying insurance.
This is an area that is common, on a good weekend, you'll get 5,060 people out there, an uncontrolled use situation. And they're just requesting for one day to control the use.

COMMISSIONER MORGAN: Thanks.

ACTING CHAIRPERSON ACKERMAN: Any other questions by Commissioners?

MR. TROUT: If that's all right, we'll go ahead and do that, Mr. Chairman.

Second, there is no report to the Coastal Commission.

ACTING CHAIRPERSON ACKERMAN: You don't need any official action from the Commission?

MR. TROUT: No, that's fine. I guess oil prices are dropping faster than we thought.

ACTING CHAIRPERSON ACKERMAN: Do we have a staff report on the Coastal matters?

MR. TROUT: No, no staff report this morning.

ACTING CHAIRPERSON ACKERMAN: The Coastal Commission is alive and well?

MR. GOLDEN: As far as I know.

ACTING CHAIRPERSON ACKERMAN: We will continue with the rest of the calendar items.

Items CI through 27 are normally known as Consent Calendar. They're usually items of non-controversy in nature, and they will be approved by the Commission.
en masse, unless there is a request by anyone in the audience or any Commissioners to remove any item off the Consent Calendar.

Is there anyone in the audience that wishes any of the Consent Calendar items to be moved to the regular calendar?

Any questions or comments from the Commissioners?

COMMISSIONER MORGAN: I move the Consent Calendar.

ACTING CHAIRPERSON ACKERMAN: I have one question first on Item C-10. It's concerning the Tahoe permit.

Is one of those permits involving the lawsuit of the high-water/low-water mark? Is that one of the people that was suing on that?

MR. STEVENS: No.

ACTING CHAIRPERSON ACKERMAN: One of those names seemed familiar to me.

MR. STEVENS: None of them are parties in the pending actions we have.

ACTING CHAIRPERSON ACKERMAN: That was my one point of clarification.

It's been seconded, by myself, that Items C1 through 27 be approved without objection. That will be the order.

Calendar item 28, that's approval of a land
exchange between the State and Anza, together with approval
of a 49-year general lease.

Mr. Trout.

MR. TROUT: Mr. Chairman, on the rostrum over
here is a plat of the Anza Pacific area.

The proposal before you is to exchange the light
green parcel, 10, owned by the Commission, for Parcel 28,
which is light blue, labeled Service Station Parcel, and
the area outlined in red.

The goal of the transaction is to consolidate --
maybe I could ask Mr. Grimes to come up and show you. The
idea is to consolidate the area fronting on the Bay,
which the State owns all of except Parcel 28.

MR. GRIMES: This area in here.

MR. TROUT: The idea is to consolidate that
development under a single developer.

We're asking your approval of this in order to
firm up the option agreement on the parcel labeled 28 there,
the Service Station Parcel. However, we would like to
make that execution of any of the documents subject to
us getting Parcel 31 under option as well.

At the present time, the State's lessee on that
parcel has that lease under assignment option to another
party, and they can't give it to us at this point. We
are working with BCDS and the City of Burlingame to
develop a master plan, and we're receiving very good cooperation from our lessee.

We ask you to approve this calendar item, but at the same time instruct staff to continue working with the lessee in acquiring an option on Parcel 31 so that we have a unified parcel.

ACTING CHAIRPERSON ACKERMAN: Any questions from Commissioner? Is anyone in the audience wishing to address the Commission on calendar Item 28?

Without objection, then, calendar Item 28 will be approved.

Item 29, Dynasonics Corporation, this is a land exchange in Tehachapi and Kern counties.

I understand there are some mineral questions on it. Have those been resolved?

MR. TROUT: Well, they're not really mineral questions.

What this is is an exchange of school land with a private party where the State will be acquiring an additional 88 acres of land. We're exchanging 480 acres for 560 acres that are in a more beneficial position for management.

Our mineral people have not had the opportunity to make a full geological evaluation of all of the parcels.

However, they are very close to each other, and the
Applicant for this exchange was instrumental in getting legislation passed that would allow the Commission to make exchanges of school land with private parties.

Because of that, and because of the nearness of the sites to each other and the additional 80 acres, the staff is recommending approval of this land exchange. Not that that would set a precedent for what we would do in similar circumstances.

ACTING CHAIRPERSON ACKERMAN: This really helps us out, though, in future BLM exchanges?

MR. TROUT: Very much.

ACTING CHAIRPERSON ACKERMAN: Any questions from Commissioners? Anyone in the audience on Item 29?

Without objection, Item 29 is approved.

Item 30, Fred H. Lundblade, Jr., and others, this is one of two items dealing with Eureka.

MR. TROUT: Yes, the discussion applies both to Item 30 and Item 31. These are settlements of negotiated agreements in Eureka made by the City of Eureka. They provide for the deposit of money into the Eureka Land Trust Account and clear up private title.

We recommend 30 and 31.

ACTING CHAIRPERSON ACKERMAN: Is there anyone in the audience on Item 30? Item 31?

It will be deemed approved.
Item 31, is there anyone in the audience on Item 31? Any questions from Commissioners?

Item 31 will be deemed approved.

Item 32, Shasta Dam Area, we're approving a sale of State school land for some park and recreation purposes, I believe, to the Shasta Dam Public Utilities District.

MR. TROUT: That's correct, Mr. Chairman.

ACTING CHAIRPERSON ACKERMAN: Any questions from anyone in the audience on Item 32?

Any questions from Commissioners on Item 32?

Item 32 is approved.

Item 33, Aminoil U.S.A. This is approval of the resumption of an offshore exploratory drilling operation by Aminoil in the Santa Barbara Channel.

 Anyone in the audience on Item 33? Questions from Commissioners?

COMMISSIONER MORGAN: I just want the staff to assure us that there will be an Environmental Impact Report filed if anything results from this.

MR. TROUT: That's correct, Ms. Morgan.

COMMISSIONER MORGAN: Is there a limit on the lease limit of time?

MR. TROUT: Let me ask Don Everitts to respond to that.

MR. EVERITTs: There's sort of an open-ended
situation as far as when the wells might be drilled. It's based on availability, and they may not even drill the seven wells, which is the maximum they might drill.

According to the lease term, it says that the lease is as good as long as there's production. There is production at this time. It's being held by production.

COMMISSIONER MORGAN: From an exploratory well?

MR. EVERITTS: No, being held by existing wells on the lease.

COMMISSIONER MORGAN: Calendar Item 33 is not for exploratory drilling?

MR. EVERITTS: No, calendar Item 33 is for exploratory drilling —

MR. MIGHT: On an existing lease.

COMMISSIONER MORGAN: All right.

ACTING CHAIRPERSON ACKERMAN: An EIR has already been done on the exploratory aspect?

MR. TROUT: That's correct.

ACTING CHAIRPERSON ACKERMAN: And a negative declaration was determined?

MR. TROUT: If they go, then go into a production well, a new EIR will be required and have to be brought before the Commission.

COMMISSIONER MORGAN: All right.

ACTING CHAIRPERSON ACKERMAN: Mr. Jervis, any
COMMISSIONER JERVIS: No.

ACTING CHAIRPERSON ACKERMAN: Anyone in the audience on Item 33?

Without objection, then, Item 33 will be deemed approved.

Item 34, ARCO Oil and Gas. This is again similar resumption of offshore exploratory drilling, again the Santa Barbara Channel.

Anyone in the audience on Item 34?

Any questions from Commissioners?

I have the same question that Susie had. This applies to Item 34 as well?

MR. TROUT: That's correct.

ACTING CHAIRPERSON ACKERMAN: Without objection, then, Item 34 will be deemed approved.

Item 35, Texaco U.S.A., this is approval of some well abandonments in Santa Barbara County off Point Conception.

Anyone in the audience on Item 35? Questions from the Commissioners?

These are not producing now; is that correct?

MR. TROUT: Right, that's my understanding.

MR. EVERITTS: That is correct.

ACTING CHAIRPERSON ACKERMAN: Mr. Jervis, any
questions?

COMMISSIONER JERVIS: No.

ACTING CHAIRPERSON ACKERMAN: Without objection, then, Item 35 will be deemed approved.

Item 36, State Lands Commission, this is authorization to extend or re-offer several Royalty Oil Sales contracts.

What are we extending for?

MR. TROUT: We're extending five Royalty contracts that are now paying out roughly $1.50 over posted.

There are two that cannot be extended that we are asking you to authorize us to re-offer those out for Royalty Oil Sales.

ACTING CHAIRPERSON ACKERMAN: And those would then come back to the Commission?

MR. EVERITTS: There's a slight clarification on that, Mr. Trout.

The ones that are expiring, they're asking, if they don't want to extend, we're asking permission to go out and re-sell as well.

ACTING CHAIRPERSON ACKERMAN: This is an offer to go back to the lessee and ask them if they want to exercise their option to extend, and if they don't, we go to public bid on those leases?

MR. EVERITTS: We have asked. They haven't
responded.

COMMISSIONER MORGAN: I think you just added something at the end.

MR. EVERITTs: I was saying that we have requested -- we've asked all of them do they want to continue. We've had some decline, but some have not responded, so we're not sure.

ACTING CHAIRPERSON ACKERMAN: So the action you really want from the Commission is authority either to extend those contracts, or, if the lessee, the contractor does not wish to extend it, to go forward for bid on that as well?

COMMISSIONER MORGAN: Fine.

ACTING CHAIRPERSON ACKERMAN: Any questions from the Commissioners? Anyone in the audience on Item 36?

Without objection, then, Item 36 will be deemed approved.

Item 37, C.F. Braun and Company. This is the award of a negotiated oil and gas lease down south around Freeport. I believe this is a land-locked area which he has sole access to.

Anyone in the audience on Item 37? Any questions from the Commissioners?

Item 37 is deemed approved.

Item 38, this is selection of the highest
qualified bidder on a geothermal lease. This is up in Sonoma County.

Anyone in the audience on Item 38? Any questions from Commissioners?

These are ones that are normally matched by the surface owner, at least they have the option to match the highest bid; is that correct?

MR. TROUT: That's correct. You'reauthorizing the Executive Officer to award it either to the surface owner if the surface owner matches the high bid, or to the high bidder.

COMMISSIONER MORGAN: What was the bid?

MR. TROUT: It was 22.76 percent of net profits.

COMMISSIONER MORGAN: This is considerably lower than we have received on our other bids.

MR. TROUT: It is lower than some of the past bids, but it's on the southern end of the development, if I understand it correctly.

MR. EVERITTS: It's on the end of the development, on the edge of it.

COMMISSIONER MORGAN: I just wonder if this is the beginning of a trend, or if this low bid is explained because of the conditions of the site.

MR. EVERITTS: Maybe a trend. They were the sole bidder, however, so we don't know. If more than one
organization would have been interested, it probably would
have been higher.

ACTING CHAIRPERSON ACKERMAN: They were the sole
bidder in this case?

MR. EVERITTS: Yes.

COMMISSIONER MORGAN: Do you have any idea why?

Maybe the location?

MR. EVERITTS: Possibly the location.

COMMISSIONER MORGAN: I just don't know. It's
just a problem, potential problem, and we ought to keep
an eye on it. It's an indication to me, of only having
one bidder and not getting a very good bid, that there's
something wrong. Maybe we should work harder the next time
we have a bid in trying to encourage people to bid, or just
not put them on the market.

EXECUTIVE OFFICER DEDRICK: Commissioner Morgan,
I recognize what you're talking about.

I think what we should probably do is to do a
little shopping, see if we can get more information on
why this occurred, and report back to you as to what we
think the state of the geothermal market's going to be.

COMMISSIONER MORGAN: Okay.

MR. TROUT: Don, we had a sale recently in which
we sold three parcels, and it seems to me that one of those
three parcels, the bid was about 20 percent, wasn't it,
something in that neighborhood?

MR. EVERITTS: We've had some low bids. This is not the lowest bid we've ever received, but it's the lowest bid we've recommended accepting.

All I can say, there was a lot of interest, large number of companies requested bid packages, only one bid.

COMMISSIONER MORGAN: All right. I'm satisfied.

Claire said that the staff would be happy to look into this and let us know what's happening in the geothermal market to let us know if there is some kind of a trend.

Single bid situations always make me nervous, especially when they're this low.

I'll move approval.

ACTING CHAIRPERSON ACKERMAN: Any other questions from Commissioners? Anyone in the audience on Item 38?

Without objection, then, Item 38 will be deemed approved.

Item 39 is Holly Energy, Inc. We're being asked to approve two geothermal prospecting permits down in Imperial County near the Salton Sea.

Anyone in the audience on Item 39? Any questions from the Commissioners?

Isn't this a little different to the way you've
set up the rental agreement on this?

MR. TROUT: Well, we have, as was done before, we've broken it down into two parcels so that there's a little more pressing need for them to develop the parcels or look at the parcels.

ACTING CHAIRPERSON ACKERMAN: Do they have a specified time frame?

MR. TROUT: I'll have to ask Don.

MR. EVERITTS: The primary term is three years, and normally we require a well in that three-year period. If they don't drill a well within the three-year period, if they have done some sort of exploration and the Commission desires to, they can, by law, extend an additional two years.

MR. TROUT: The rent goes up by a factor of five each year, so they get a dollar a year for the first year, and $5 an acre for the second year, and $25 an acre a year for the third year. So, there is economic incentive for them to get underway with it.

ACTING CHAIRPERSON ACKERMAN: Any questions from the Commissioners on Item 39?

Item 39 will be deemed approved.

Item 40, we are in Long Beach operations. We're asking for approval of a sixth modification of the 1981-82 Plan and Budget for the Long Beach Unit.
MR. TROUT: This is Mr. Thompson's report on what's been going on down there. If you want to get into it, he'd be happy to give you an explanation.

COMMISSIONER MORGAN: Why do we call this a modification?

MR. THOMPSON: It's really not a modification. It's just an historical reporting on the first six months of the year. The oil raises up slightly. The main impact is on the income because of oil pricing. We'll discuss that at length when we come to the revenue.

ACTING CHAIRPERSON ACKERMAN: But this is not an increase in the budgetary amount?

MR. THOMPSON: No increase in the dollar figures.

ACTING CHAIRPERSON ACKERMAN: Any questions on Item 40?

Item 40 will be deemed approved.

Item 41, I understand, is off calendar?

MR. TROUT: Correct, Mr. Chairman.

ACTING CHAIRPERSON ACKERMAN: Item 42, legal, we're filing a disclaimer on the United States v. 3.44 Acres of Land, more or less, that's in Yolo County, and I hope we get more.

MR. HIGHT: Yes, Mr. Chairman, the Commission has no interest in this condemnation.

COMMISSIONER MORGAN: Fine.
ACTING CHAIRPERSON ACKERMAN: Anyone in the audience on Item 42?

It will be deemed approved.

Item 43, State Lands Commission approve Conflict of Interest Code.

MR. HIGHT: Correct, Mr. Chairman. We've reviewed the Conflict of Interest Code under AB 1111, and this is the adoption of that review.

ACTING CHAIRPERSON ACKERMAN: Anyone in the audience? Any of the staff wishing to comment?

MR. HIGHT: Probably everyone.

ACTING CHAIRPERSON ACKERMAN: One thing while I look at it, I can't believe how far down into the staff you have to go in Conflict of Interest.

Is that required by the law, the Office of Administrative Law, or the FPPC? Who says how far down you have to go to require these forms?

MR. HIGHT: It's a combination of the law and the Commission's judgment.

EXECUTIVE OFFICER DEDRICK: The FPPC or our Commission.

MR. HIGHT: All three.

ACTING CHAIRPERSON ACKERMAN: Are you happy with the guidelines?

MR. HIGHT: Yes, we're happy.
ACTING CHAIRPERSON ACKERMAN: Anyone in the audience on Item 43?

Any questions from Commissioner?

COMMISSIONER MORGAN: Don't forget to file yours.

ACTING CHAIRPERSON ACKERMAN: We file ours under our own offices, don't we, or do we have to file another one here?

MR. HIGHT: No, just under your own office.

ACTING CHAIRPERSON ACKERMAN: Item 43 will be deemed approved.

Item 44, I understand that's off calendar?

MR. TROUT: Yes, Mr. Chairman.

ACTING CHAIRPERSON ACKERMAN: Item 45, we save the big ones for the end, don't we? We're going to get told how much more or less revenue the State's going to receive.

MR. TROUT: Mr. Thompson can give you the short version or the long version, depending on how much you don't want to know you want to know about.

ACTING CHAIRPERSON ACKERMAN: Mr. Thompson.

MR. THOMPSON: In summary, I think we can report that for the first six months of the year, we had $267 million.

The downside, of course, is that we're going to have to revise it for 1981-82 year down to $470 million from...
the previous $490 million.

ACTING CHAIRPERSON ACKERMAN: That's $30 million
down.

MR. THOMPSON: We're down $20 million.

For the next year, '82-83, we're going to estimate
$450 million, which is down from the $510 million previously
given. It's down $60 million.

And for '83-84, $430 million.

The main reason for this decline, of course, is
oil pricing. On this wall over here to your right, you can
see kind of a historical thing of what we've been trying to
do as far as oil prices are going to be.

The one on the left shows you that. It's actual
oil prices in red for the Long Beach Unit. And the one on
the left, that broken green line, is where they started
estimating maybe 18 months ago, when things were looking
very rosey, we estimated at that time a 10 percent per year
increase in oil prices.

On that same curve, then, we came in with
revision, then that broken red line, and held it flat for
a fiscal year, and then started decreasing 10 percent per
year.

The one on the right is where we are now, and
we are hoping that crude oil prices will stay flat for the
next couple years.
You see the trend in solid red is going down.

Crude oil prices could conceivably go below that, so this could be an optimistic revenue estimate in that case.

ACTING CHAIRPERSON ACKERMAN: The Legislative Analyst released his analysis yesterday. Did he include those latest projections in that analysis, are you aware?

MR. THOMPSON: I would imagine he would not have these incorporated. He didn't see it before the Governor's Budget.

MR. TROUT: As far as I know, Mr. Chairman, the figures were reported to the Department of Finance on Wednesday, and the Analyst would not have had those numbers.

We, because of the Commission's scheduling and the staff meetings, we haven't even looked at the Analyst's book, even though we got it yesterday.

MR. THOMPSON: Our crude oil adjustment prices are happening to us monthly, month by month, so we're trying to adjust as fast as we can.

MR. TROUT: What the Commission is approving here is the report of this revenue to the Legislature as required by supplemental budget language.

You have an abbreviated report. The actual report goes to the Legislative Analyst, has a lot of the back-up data that the computer runs, and other kinds of things that they have requested.
COMMISSIONER MORGAN: When will that report be available to the Legislature if we authorize it today?

MR. TROUT: If you authorize it today, it should get out probably by the 10th of March. We're trying to shoot for that, because that week is when we understand our hearings are scheduled to start, that or the following week.

ACTING CHAIRPERSON ACKERMAN: Probably be advisable for your own budget hearing to have that information produced before then.

MR. TROUT: Yes, the Analyst also received the information yesterday.

COMMISSIONER MORGAN: I'd like to simply encourage the staff to get the information to the Legislature as quickly as possible because of the impact on the budget and the discussions that are taking place now with respect to revenue needs.

EXECUTIVE OFFICER DEDRICK: Yes, we all recognize that. We will do the best we can to get it there earlier. I don't know how much printing and horsing around is necessary at this point, but -- I don't mean that the way it came out -- how much printing and putting together is involved.

But the figures are firm for this report.

I take your point, and certainly we'll get it
to them as quickly as we possibly can.

ACTING CHAIRPERSON ACKERMAN: As a courtesy, if they haven't already been notified by the Chairman, the two Fiscal Committees ought to be made aware, otherwise they get a call from the press corps. It's nice to have the information in front of you.

COMMISSIONER MORGAN: Maybe you could give them a short memo saying that a detailed report is being prepared and will follow, but in summary this is the impact.

EXECUTIVE OFFICER DEDRICK: All right, we'll do that.

COMMISSIONER MORGAN: On the budget as proposed.

EXECUTIVE OFFICER DEDRICK: We'll do that.

COMMISSIONER MORGAN: Thanks.

ACTING CHAIRPERSON ACKERMAN: Any other questions from Commissioners on Item 45?

Anyone in the audience on Item 45?

Then we'll approve Item 45 and have the report made to the Legislature.

Item 46, State Lands Commission matter of replacing some existing regulations on exploration of Royalty Oil Sales and Gas Leases.

Mr. Trout.

MR. TROUT: This is primarily the adoption of regulations on exploration, royalty sales, oil and gas
leases.

The only area of controversy on this has been the seismic exploration activities, where we've had some input from fishermen whose equipment has been damaged occasionally by the activities of the seismic exploration vessels.

Our staff has worked on that, and Dwight Sanders of our Environmental Unit has been in contact with the fishermen and, I understand, also representatives of Chevron may want to say something on this item concerning the seismic exploration activity.

EXECUTIVE OFFICER DEDRICK: We have present today Mr. Zeke Grader of the Fishermen's Association who may want to address you.

ACTING CHAIRPERSON ACKERMAN: I have a note from Mr. Allan C. Moore, representing Chevron, U.S.A., that he wishes to address the Commission.

Mr. Moore, welcome back. Did you receive adequate notification of the calendar item this time?

MR. MOORE: Yes, I have. Thank you very much. My name is Allan Moore. I'm with Chevron, U.S.A. Chevron originally submitted comments on these proposed regulations back in November of last year. I think they were originally proposed in September. We're referring to Articles 2.9, 3, 3.5, and 4.
The Commission reproposed a new draft to the regulations a month or two ago, and Chevron has submitted two written comments today earlier on the redraft.

I just wanted to take the opportunity at this public hearing to thank the Commission staff for their attentiveness and responsiveness to all parties interested in these regulations. They took the time to make sure the public comments were received, and although we didn't always agree substantively, they made sure that they addressed all the issues thoroughly and very competently.

We thank them for that and are very appreciative.

I wanted to state very briefly that we have previously opposed Section 2100 in comments, and those comments are still on file. We would like to reserve those arguments.

However, we do support the specific reference in the current proposal to general permits, and we support the current proposal's language.

We thank the Commission again, Commission staff, for their attention to public response.

Thank you.

ACTING CHAIRPERSON ACKERMAN: Thank you very much, Allan.

Claire, did you say there was another individual?

EXECUTIVE OFFICER DEDRICK: Yes. This is one of
the gentlemen from one of the fishermen's organizations who has been working with Commission staff on developing some of these proposals.

ACTING CHAIRPERSON ACKERMAN: Sir, again, for the record if you could state your name and title.

MR. GRADER: Yes, my name is Zeke Grader. I'm the General Manager of the Pacific Coast Federation of Fishermen's Associations.

Mr. Chairman, thank you. Our organization represents some 21 different fishermen organizations in California and Oregon, including the Santa Barbara Commercial Fishermen.

This morning is the first time I've had an opportunity to look at the regulations proposed, but on brief review of those, I think there is within those the opportunity to resolve some of the conflicts that some of our fishermen have had with the seismic vessel operations in State waters.

We've been working fairly diligently in federal waters to try and resolve some of the conflicts, and the communications network has been set up there, but there will be some ongoing problems in the State waters.

I think these proposed regulations should remedy that situation.

ACTING CHAIRPERSON ACKERMAN: Then you are
pleased with the recommendations?

MR. GRADER: Yes, we are.

ACTING CHAIRPERSON ACKERMAN: Thank you.

Anyone else in the audience on this item?

Then without objection --

COMMISSIONER MORGAN: I had a question.

EXECUTIVE OFFICER DEDRICK: One more point.

In addition to working with the fishermen organizations, of course, we'll be working with the Department of Fish and Game to be sure that the permit conditions satisfy all of the public trust requirements.

COMMISSIONER MORGAN: The gentleman who was representing Chevron indicated opposition to Section 2100. That section, as I read it, is the section that requires a permit in order to conduct a survey, a geological survey, on State lands.

Are you objecting to the requirement for a permit?

MR. MOORE: We originally submitted comments, as I stated, back in November, where we didn't feel that the total permit requirement was necessary. The Commission staff, in their Statement of Reasons, has indicated that they do have the authorization to require permits in this area. So our position now would be that if permits are going to be required, then we would agree with the specific language in the proposal.
In other words, if we have to have a permit requirement, then we agree with the proposal and the way that it's proposed today.

COMMISSIONER MORGAN: And the staff feels that a permit is required?

MR. HIGHT: Staff feels, Ms. Morgan, that the Commission has the authority to require permits.

ACTING CHAIRPERSON ACKERMAN: In other words, on a case-by-case basis, the Commission can decide whether or not a permit is required based upon the extent of a particular application or project?

MR. HIGHT: Correct.

EXECUTIVE OFFICER DEDRICK: And may set conditions on that permit.

That is the aspect that Mr. Grader was referring to as satisfying their concerns.

ACTING CHAIRPERSON ACKERMAN: In other words, the way I interpret that case-by-case basis, say Chevron was making an application. They could make their point at that time whether or not a permit was required?

MR. MOORE: May I address the Commission?

It's been our understanding, working with the staff, and the specific language I was supporting in this regulation concerned the allowance of general permits, not on a case-by-case basis. We worked with the staff
for months on these issues because, as delineated in our comments and, I think, as the staff will indicate to you, the nature of the geophysical survey business is one of great transiency. These geophysical survey ships will go up and down the California Coast, will shoot surveys for various companies. They might come down from Alaska or up from the Canal.

I think these are arguments that we've hopefully worked out with the staff so that we do not need permits on an every-case basis, but rather it would allow general permits, where we could get a permit for a general area, giving notification at a later date to all the fishermen in the area, and assuring that all the objectives under all permit requirements are followed closely, assuring that whenever there is an accident out there with the fishermen, that the State Lands Commission and any other interested parties knows who was out there, why they were out there, what time we were there, so that we are going to be held responsible for that.

So we were trying to -- really, the only way we could give our support to these regulations is if we could have a general permit procedure rather than case-by-case basis.

COMMISSIONER MORGAN: And there is a general permit procedure now?
MR. MOORE: They have specifically provided for
general permits in the regulations, and that's what I meant
to support today.

COMMISSIONER MORGAN: Then you are not opposed
to Section 2100 at this time?

MR. MOORE: Well, we're going to work out the
general permit procedure in the next few months. We would
just like to reserve all our arguments.

We support the language that's proposed, yes.

COMMISSIONER MORGAN: Thank you.

In that case, I have no objection.

EXECUTIVE OFFICER DEDRICK: I'd like to clarify
something partly in my own mind.

Section 2101 would allow, would it not -- I don't
know which attorney to address this to -- the consideration
on a case-by-case basis if necessary. That's to say, if
there are specific cases which are really sensitive, it
would allow that kind of consideration. Or are you saying
that under Article 2100, the question that I have just raised
would be addressed in the general permitting situation?

MR. FABER: My name is Bob Faber. I'm with the
Commission staff.

The answer to your question is that under 2100,
the information is required with the anticipation of having
a general permit. But on a case-by-case basis, various
permits are going to have various requirements, depending on the type of impacts that they might have.

EXECUTIVE OFFICER DEDRICK: That was the clarification I wanted to occur. That is how I understood it in the briefings, and it was on that basis that I assured the fishermen that they would have a good shot at review in specific cases. Thank you very much.

ACTING CHAIRPERSON ACKERMAN: Any other questions by Commissioners?

COMMISSIONER MORGAN: We're going to hear about these in the Executive Officer's Report from time to time?

EXECUTIVE OFFICER DEDRICK: If you would like to, certainly.

ACTING CHAIRPERSON ACKERMAN: I think that would be a good idea.

COMMISSIONER MORGAN: Keep us posted, thanks.

ACTING CHAIRPERSON ACKERMAN: Anyone else in the audience that wishes to address the Commission on Item 46?

Then without objection, Item 46 will be deemed approved.

Item 47 is an Executive Session. I understand that there are matters of litigation to discuss today, so we will move to Item 47, and we'll have to clear the room of all unauthorized personnel.

(Thereupon this meeting before the
State Lands Commission was adjourned at approximately 11:05 a.m.) --000--
CERTIFICATE OF SHORTHAND REPORTER

I, EVELYN J. DUGGAN, a Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing Public Meeting before the State Lands Commission was reported in shorthand by me, Evelyn J. Duggan, a Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of March, 1982.

EVELYN J. DUGGAN
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 353-3601