MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION,

DEPARTMENT OF CONSUMER AFFAIRS
1020 N STREET
ROOM 102
SACRAMENTO, CALIFORNIA

ORIGINAL
TUESDAY, APRIL 27, 1982
10:15 A.M.

Eileen Jennings, C.S.R.
License No. 5122
APPEARANCES

Commission Members:

Kenneth Cory, Chairperson
Susanne Morgan, representing Mary Ann Graves, Director of Finance
David Ackerman, representing Mike Curb, Lieutenant Governor

Staff Present:

Claire T. Dedrick, Executive Officer
James F. Trout, Assistant Executive Officer
Robert C. Hight, Chief Counsel
N. Gregory Taylor, Assistant Attorney General
Jane Smith, Secretary
INDEX

Proceedings 1
Approval of Minutes March 23, 1982 1
Executive Officer's Report 1
Staff Report on Coastal Matters 3
Consent Calendar, Items C1 through C8 approved 4
Regular Calendar

Item 9. STATE LANDS COMMISSION, oil and gas leasing proposals 4

Item 10, STATE LANDS COMMISSION, reconsideration of policy on pier construction 11

Item 11, HUGH & CAROL TURNER, approval of 30-year General Lease 11

Item 12, SHIP ASHORE RESORT, approve setting of revised rental 15

Item 13, DWR, request for Notice of Proposed Use of State Lands 15

Item 14, FREMONT INTERNATIONAL PARTNERS, approval of exchange agreement 16

Item 15, CITY OF HAYWARD, EAST BAY REGIONAL PARK approval of 49-year lease 19

Item 16, ALAN H. WING & VIVIAN K. WING, approve issuance of patent for 40 acres 20

Item 17, COUNTY OF RIVERSIDE, PARKS DEPT. Informational, Dredging permit extension 20

Item 18, ODIS L. BELLAMY, information, dredging permit extension 20

Item 19, HERMAN, RUBY & RICHARD GLEBE, assignment of Geothermal Resources Lease 21
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>STATE LANDS COMMISSION, bid leasing of geothermal resources in Mendocino &amp; Lake Counties</td>
</tr>
<tr>
<td>21</td>
<td>EXXON COMPANY, USA, deferment of development drilling requirement</td>
</tr>
<tr>
<td>22</td>
<td>SHELL OIL COMPANY, approval of exploratory drilling Ventura County</td>
</tr>
<tr>
<td>23</td>
<td>TEXACO, INC., approval of resumption of offshore exploratory drilling</td>
</tr>
<tr>
<td>24</td>
<td>award of &quot;Royalty Oil Sales Contract, Huntington Beach Field&quot;</td>
</tr>
<tr>
<td>25</td>
<td>SUNLAND REFINING CORPORATION, appeal of penalty provision</td>
</tr>
<tr>
<td>26</td>
<td>SHELL OIL COMPANY, approval of Pooling Agreement</td>
</tr>
<tr>
<td>27</td>
<td>KAISER STEEL CORPORATION, approval of two-year Dredging Permit</td>
</tr>
<tr>
<td>28</td>
<td>EXXON COMPANY, approval of 10-year extension of Dredging Permit</td>
</tr>
<tr>
<td>29</td>
<td>CITY OF LONG BEACH, approval of '82-83 Plan of Development and Operations and Budget; and first modification</td>
</tr>
<tr>
<td>30</td>
<td>STATE LANDS COMMISSION, LONG BEACH UNIT, sell-off default</td>
</tr>
<tr>
<td>31</td>
<td>CITY OF LONG BEACH, notification to spend tidelands monies to repair Belmont Pier</td>
</tr>
<tr>
<td>32</td>
<td>CITY OF LONG BEACH, notification to spend tidelands monies to expand beach parking lot</td>
</tr>
<tr>
<td>33</td>
<td>CITY OF LONG BEACH, notification to spend tidelands monies to construct stairways to beach</td>
</tr>
</tbody>
</table>
Item 34, SAN DIEGO, LAFCO, proposal to incorporate the City of San Dieguito

Item 35, CITY OF DEL MAR, consent of State Lands as landowner to annexation

Item 36, MARIE CARTER & ERNEST VOIGT, approval of Compromise Title Settlement Agreement

Item 37, UNITED STATES OF AMERICA V. 9,740 ACRES OF LAND, MORE OR LESS

Item 38, UNITED STATES OF AMERICA V. 566.08 ACRES OF LAND, MORE OR LESS

Settlement of Morro Bay litigation

Recess to Friday, April 30, 1982

Certificate of Reporter
CHAIRPERSON CORY: We'll call the meeting to order.
Are there any motions, corrections, or additions
to the Minutes of the last meeting?

Hearing none, we'll confirm the Minutes of the
March 23rd meeting.

We have a report of Executive Officer.

EXECUTIVE OFFICER DEDRICK: Yes, I signed a
letter of permission to the Fort Guijarros, I think, Museum
Foundation, in advance of a routine permit, to do
archaeological research and salvage operations at Ballast
Point, Point Loma in San Diego County. What they're going
to do is look for some ships and old tanks. There's a
necessity to do it rapidly, because apparently they didn't
know they needed a permit, to begin with, like much of the
country. But they have to do it while the sand level is
low and to make it easier for the diver. This is a hand
operation, they're not going to blast or anything.

They've applied for a salvage permit with us and
in the process of renewing their federal antiquities permit.

The Department of Fish and Game, San Diego Coast
Regional Commission, and the State Office of Historic
Preservation have no concerns. But, in any case, the approval

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is contingent upon gaining appropriate agency approval permits.

We don't think we'll have any significant environmental impacts. There's a comment on an occasional barnacle in the attached environmental summary. Any property found, of course, will be the property of the state.

CHAIRPERSON CORY: Okay.

EXECUTIVE OFFICER DEDRICK: The Tahoe Public Utility District, I executed a temporary right-of-entry letter authorizing them to go into the water at Lake Tahoe about a mile and a half south of Tahoe City in Placer County for a period of 90 days to work on their intake replacement pipeline.

There's a time problem with them, too. There's a short period approved by the Department of Fish and Game in which they can actually do the work.

The Negative Declaration has been prepared by Tahoe City Utility District. And a Notice of Determination is on file with the Secretary for Resources. And no negative comments have been received from public agencies or from the public by the staff.

That is all I have to say.

CHAIRPERSON CORY: Questions from Commissioners?

COMMISSIONER ACKERMAN: No.

CHAIRPERSON CORY: Staff Report on Coastal Matters.
Mr. Golden.

MR. GOLDEN: Mr. Chairman, Members of the Commission, the State Coastal Commission met in Los Angeles April 20 through 23. Of major concern was the public hearing on the Bolsa Chica Land Use Plan which lasted four hours and was heavily attended.

The Commission found that the land use plan as submitted by the County of Orange raised substantial issues in practically all respects. The vote on the plan is expected at the Southern California meeting in June.

Our staff testified at the hearing to explain the nature of our title settlement agreement in 1973 which was subject to some misinterpretation and confusion with wetland issues.

That completes my report, Mr. Chairman. Did you have questions?

CHAIRPERSON CORY: Questions from Commissioners?

COMMISSIONER ACKERMAN: No.

CHAIRPERSON CORY: Thank you. That movie about your pond was good.

(Laughter.)

CHAIRPERSON CORY: The next item is the Consent Calendar. They're the items preceded on the agenda with the letter "C", Cl. through C8.

If there's anybody in the audience that has any
objection to the proposed staff recommendation on those items, they should say so now, because we will take all of those items, without objection, in a group.

Without objection, the Consent Calendar will be approved as presented.

COMMISSIONER MORGAN: Fine.

CHAIRPERSON CORY: Item 9., consideration of oil and gas leasing proposals at Point Conception, Point Arguello, Santa Barbara County.

EXECUTIVE OFFICER DEDRICK: Yes, Commissioner, the reason this item is on the agenda today is partly to bring you up to speed on what we have been doing at the staff level and also to give you an opportunity to consider the activity for the next year, which would be reflected in the budget which we are now before the Legislature on or with, depending on which preposition you want to dangle.

Originally, the -- I guess two and a half years ago the program envisioned doing a programatic EIR, which is out in the public for review now and will be finalized the -- the final date of comment is June 7th.

The EIR -- you gave me permission to extend the commenting period from 45 to 60 days and to have two rather than one hearing. The hearings are scheduled for this Friday and May 15th in Santa Barbara. So, that is an ongoing process.
The original intention when the budget was formulated two and a half years ago was to envision a drilling program by the state.

In the period since the original budget was put together, we have done a good deal of geoseismic work and geophysical and geological interpretation work. We have -- and put out the EIR.

The Leg Analyst has asked that our budget for this program not be reviewed until after the Commission has had time to consider the issue. And today is the day you're considering the issue.

The geological and geophysical work has identified some structures. What I would propose to do is to get Don Everitts, who is our Chief here, up to show you briefly the information that we have to date and also the relevant information that relates to prices that have been paid on the federal OCS leases that are near or adjacent to the Point Conception, Point Arguello-proposed leasing areas.

I think that we are still acquiring information and I think that it is not appropriate at this time for you to make a decision, because we don't have as complete data as we will have later.

However, I think that it's important that you see and review the information that we have to date.

Don, would you get your overlays and your maps.
Don Everitts and Al Willaid.

CHAIRPERSON CORY: Give us a quick run-through on this one.

MR. EVERITTS: The general areas over that map over there, that should be given -- the color scheme on that thing.

The blue areas are areas that we're looking at for leasing in that general area. And the orange and gold areas are some leases that are on to date for resumption of drilling. The huge, proposed 40,000-acre piece is on the left.

I think the thing is there's been an awful lot of interest in the area as evidenced by existing leases in the lease sales here in 1979, the OCS Sale 48 -- bid price -- cash bonus prices averaged $2,000 an acre. In '81 the total Sale 53 averaged like $5,000 an acre. The lease, right-hand area next to the gray area averaged $10,000 per acre. This particular black spot right there was a $333 million bid.

This indicated quite a bit of interest. Way back in '68 the state tried to lease a piece here. And then we had the oil spill and a big blowout and we withdrew the offer.

Al has a -- incidentally, we put a new name to this, the

EXECUTIVE OFFICER DEDRICK: I call it the rainbow
isobuck map.

MR. EVERITTS: That's a chromosaic.

Now, here's a nice block map here. We've drawn some contours on equal dollar values and tried to project some values into State Lands. That's the dotted line.

The basis of all this, we did go and get some money from the Legislature. We bought some seismic work. We did some of our own. We've developed our own -- we've determined there's probably six geophysical structures in the area on State Lands. Obviously, we don't know what they're worth, but we're ready to do something.

EXECUTIVE OFFICER DEDRICK: We're pursuing the data. I think I should also point out that in June the Secretary of the Interior will -- is proposing Lease Sale 68, which will include -- among other parcel -- the -- point out the geological hazard parcel right next to our land.

And more financial information, I think, will be available to us after that.

We also are trying to get access to the data on existing federal leases. I think in a couple of months we'll know more. You'll never know enough, but what we would recommend is that we're -- is to approve a report which we do not have prepared today but which we will bring to you individually prior to getting your approval on essentially what we've said today in more detail. And authorize us to
transmit that report to the Legislature. We should have that ready for you by Friday. There's a lot of last-minute editing because numbers, as they have a habit of doing when you're in a hurry, change on you.

And we would ask that you request the Legislature to provide broad authority to the Commission in implementing an oil and gas leasing program in the best interests of the state.

I really feel that as time goes on in this short time frame from, say, here to July or August, we will gain substantially more information that will give you a better base for making a leasing decision.

CHAIRPERSON CORY: To make sure I understand the isoblock chart. The red lines --

EXECUTIVE OFFICER DEDRICK: Are the structures.

CHAIRPERSON CORY: -- are the indication of structures.

MR. EVERITTS: That's the indication of structure derived from the geophysical data we bought and ran ourselves.

EXECUTIVE OFFICER DEDRICK: The green spots are drilled wells.

Al, show the Commissioners where the two high-producing Chevron wells are in the OCS.

CHAIRPERSON CORY: Those are what? The Santa Ynez?
MR. EVERITTS: No, they're all the Arguello fields. It's a new discovery, new discovery.

CHAIRPERSON CORY: What is the characteristic of the oil there, do you know?

MR. EVERITTS: We know it's heavy gravity and high sulfur.

CHAIRPERSON CORY: That's the Arguello?

EXECUTIVE OFFICER DEDRICK: Yes.

CHAIRPERSON CORY: So what else is new, huh? Santa Ynez is further south?

MR. EVERITTS: It's further south and to the east.

CHAIRPERSON CORY: Okay.

EXECUTIVE OFFICER DEDRICK: Where Hondo is. And then there are -- two wells have been drilled on that state parcel.

Don, why don't you describe those down there?

MR. EVERITTS: Well, these were drilled back in about 1965 when there were oil shows. And you can see, they fell right on the structure that we -- they were probably drilling that structure. They had the same information -- earlier information.

EXECUTIVE OFFICER DEDRICK: As you recall, the state did not lease the adjacent parcel as planned, because the Union blowout in federal waters occurred and the moratorium that you've lifted.
MR. EVERITTS: The 5,000-acre parcel line right in there.

CHAIRPERSON CORY: What about Phillips? Do you figure that structure goes on over to the Phillips?

MR. EVERITTS: It might or might now. That's one of the things we're looking at in our proposed interim lease sale.

CHAIRPERSON CORY: So, what you propose to do is you will -- you've given us this information. You will be circulating a written report, which I'd like to leave, if any Commissioner has problems with that written report, you should probably go ahead and notice a meeting right now for as soon as you can have one. If anybody has any objections, we'll have the meeting if we need to discuss it. If not, we won't.

EXECUTIVE OFFICER DEDRICK: Yes, the report is a supplement to the report that we've already issued bringing in these data that were accumulated after that legislative --

CHAIRPERSON CORY: Recess it.

MR. HIGHT: Yes. Mr. Chairman, we need to recess this meeting. We wouldn't have enough time to notice a meeting.

CHAIRPERSON CORY: Okay.

COMMISSIONER MORGAN: Fine.

CHAIRPERSON CORY: All right.
EXECUTIVE OFFICER DEDRICK: Thank you.

CHAIRPERSON CORY: Okay, Item 10. is reconsideration of policy governing pier construction at Lake Tahoe.

Mr. Taylor.

MR. TAYLOR: Mr. Moory's language -- he wanted in and I got here first -- he would suggest that you strike the words, "or approve;" the third line on recommendations.

EXECUTIVE OFFICER DEDRICK: In Recommendation 1?

MR. TAYLOR: Yes. And that would make it possible to continue to process anything that's been filed prior to the moratorium date, which would be in conformity with what the two regional planning agencies have done.

So, it would just be don't accept anything new. You finish up whatever's in the house. And that would be in accordance with existing policy.

CHAIRPERSON CORY: Okay, does everybody on our staff agree with that? Is there anybody in the audience on this item?

Without objection, as amended Item 10 is approved.

Item 11, approval of a General Lease, Sacramento River for Hugh and Carol Turner.

EXECUTIVE OFFICER DEDRICK: Jim, would you bring the Commission up to speed on this one?

MR. TROUT: Mr. Chairman, the staff has been at the marina several times in the last few months. We have
a new operator who has made significant progress in cleaning up what had been a pretty ratty area.

The lease provides that if he doesn't clean it up and maintain it in a safe and environmentally good condition, then the lease may be terminated under the terms of the lease.

CHAIRPERSON CORY: Is Mr. Turner here or his representative?

Would you make sure he knows that if we approve this, that we really mean that? Because this particular marina under the prior ownership was something that should have been closed up as a health hazard. I mean, it was unbelievable.

MR. TROUT: Staff will make an appointment and we'll meet with him on the site and convey these messages.

COMMISSIONER ACKERMAN: Where was this exactly?

CHAIRPERSON CORY: It's right at where I-5 crosses the Sacramento River. It was known as, I think, Altamar Marina.

COMMISSIONER MORGAN: Why is there such a complicated rent schedule. Isn't this the one where there's three percent of this and five percent of something else or --

EXECUTIVE OFFICER DEDRICK: Yes.

COMMISSIONER MORGAN: -- or a minimum payment of
$1800. Is that the one?

EXECUTIVE OFFICER DEDRICK: Yes, that is correct.

COMMISSIONER MORGAN: Is this normal?

MR. TROUT: It's a fairly common process in the rental and lease industry. It sometimes depends. Like in hotels and so on, there's different rates for the bars, for the restaurant, for retail sales of dress shops, for candy, and things like that.

You either have a single, blanket rent or you can have pieces that fit. Now, exactly on this one, we could have Mr. Golden or Mr. Lynch explain exactly the schedule. But it is a common device.

COMMISSIONER MORGAN: It just sounds like overkill when the minimum rent is $1800 a year to go to that level of detail.

EXECUTIVE OFFICER DEDRICK: Would you like Mr. Golden to explain the rationale for this rental fee? It would be easy to do.

COMMISSIONER MORGAN: Well, if we're doing it -- if we're doing this -- Dick, if we're doing this for --

MR. GOLDEN: I'd like to have Bob Lynch, if I may, since he's more intimately involved in it.

COMMISSIONER MORGAN: Do we expect to get a lot more than $1800 a year?

MR. GOLDEN: It depends upon the particular mix
of sales in the lease. And that's why it's tailored in this way. If it happens to skew another way, why it would be injurious to the operator or to us how we mix his. If we break it down this way, it comes out better.

MR. LYNCH: Over the last year, or two years, we've gone to this. We feel that it's equitable and the operators feel that it's equitable. We have quite a few of these on the Sacramento River just like this.

EXECUTIVE OFFICER DEDRICK: What's the projected revenue then, in fact?

MR. LYNCH: In the beginning, until it gets -- it's probably about $2,000 to $2,500. And then it will graduate up. And percentage would follow, of course, with this increase in growth.

EXECUTIVE OFFICER DEDRICK: So, it's a sort of net profit operation.

MR. GOLDEN: He would share the net of the gross.

EXECUTIVE OFFICER DEDRICK: Is that an adequate answer for you?

COMMISSIONER MORGAN: Yes, for now. It just seems like overkill. I can understand doing it if you have, like a Hyatt Regency or something like that. But where you have a little operation that's not expected to return anything in the beginning, you're spending more staff time making sure the numbers are right.
CHAIRPERSON CORY: Boilerplate, isn't it?

MR. LYNCH: Basically, yes.

MR. TROUT: They're in a self-reporting form -- our experience has been the operators like it because they don't have to put this up-front minimum -- they don't have to have the big rent up front.

COMMISSIONER MORGAN: Okay.

CHAIRPERSON CORY: Okay, without objection, Item 11 will be approved as presented.

Item 12 is approval for the setting of a revised rental upon a four-acre lease in the Smith River, Del Norte County.

Anybody in the audience on this one?

COMMISSIONER MORGAN: That's fine.

CHAIRPERSON CORY: Any objection?

Without objection, the item is approved.

Item 13, DWR wants a Notice of Proposed Use of State Lands. And this is --

MR. HIGHT: This is for two fish streams, Mr. Chairman.

CHAIRPERSON CORY: Two fish streams.

Okay, anybody in the audience on this one? Any questions from Commissioners?

COMMISSIONER MORGAN: Yes, what's CVP mean?

EXECUTIVE OFFICER DEDRICK: Central Valley Project.
COMMISSIONER MORGAN: Thank you.

CHAIRPERSON CORY: Claire Engle's claim to fame, if anybody remembers.

Item 14, Fremont International Partners. I would like to disqualify myself for this one and let Susie run it.

COMMISSIONER MORGAN: And I'd like the staff to explain this one. It sounds fairly complicated.

EXECUTIVE OFFICER DEDRICK: Who on the staff --

COMMISSIONER MORGAN: Who understands this?

MR. EVERITTS: Rick Ludlow.

EXECUTIVE OFFICER DEDRICK: Is Rick here?

MR. LUDLOW: I was afraid of this.

EXECUTIVE OFFICER DEDRICK: Why are you afraid of this?

MR. LUDLOW: No, it's not as complicated as it looks. There's about 70 pages of legal description attached to the Calendar Item.

Basically what we have here is a large parcel of land at the very southern end of Alameda County.

EXECUTIVE OFFICER DEDRICK: The map is pages 59 and 60, Commissioner. It's a good map.

COMMISSIONER MORGAN: Could you explain why it's in the state's best interest to trade what are not equal portions of property? What are we getting for the state
that's in our best interests?

MR. LUDLOW: Basically what happens here when you combine all the acres is we're going to be releasing whatever interest we might have in 427 acres of this property in return for an additional grant of 131 acres, followed by another 267 1/2 acres after that. So, it's well over 300 acres we're going to be receiving.

Now, in the 427-acre parcel which we're going to be clearing, the actual state interest is much, much smaller.

Basically, a firm identifiable state interest at this time can be narrowed down to approximately 3 acres of that. So, if you really look at it, we're giving up a firm interest in 3 acres in return for initially -- an initial grant of 131 with another 267 to follow -- or another 136 to follow.

The reason that there's a disparity in the acreage is because of the disparity in the appraised value. The 3 acres are going to be used as a light industrial park.

And their appraised value approaches $50,000. The land that we are receiving because of restrictions put on it by the City of Fremont -- or because of the nature of the land -- has a much lower appraised value, approximately $2,000 an acre.

EXECUTIVE OFFICER DEDRICK: The value to the state
is that this will be a marsh restoration area. And, as you know, the amount of -- the marshlands that supply the health and life to San Francisco Bay were greatly diminished and we're slowly restoring a few of them.

In addition to that, the increased title prism that will flow over these lands when the dike is opened will tend to scour out both Coyote Creek and Mud Slough, which may then become navigational for recreational purposes.

But it's restoration really of wildlife habitat and some of the natural bordering areas of San Francisco Bay.

COMMISSIONER MORGAN: Okay.

MR. LUDLOW: And we are going to be receiving initially 95 acres. The land we see is existing tidal marsh and we're going to be creating more than 250 acres of new tidal marsh in this project.

EXECUTIVE OFFICER DEDRICK: It's one that I really -- I think the staff did a marvelous job on this. And everybody seems to be happy. Nobody got hurt. And the state gets some really excellent restored marsh from old salt ponds. These people get their title clear and go ahead with their industrial park. The City of Fremont gets the tax base. And nobody went to court.

In fact, they have to go to court to quit claim and the project proponents will be paying the legal fees.
It's all very friendly.

I think it's really a good example of the State Lands Commission land settlement at its best -- she says firmly.

COMMISSIONER MORGAN: Do you have any questions?

COMMISSIONER ACKERMAN: No.

COMMISSIONER MORGAN: Is there any objection from anybody in the audience?

The item is approved. Thank you. Oh, you have something.

MR. TAYLOR: I think the standard is value and not acreage. And lesser land, if it's frontage road things, may have a higher value than what we're giving up.

EXECUTIVE OFFICER DEDRICK: That's precisely the case here.

MR. TAYLOR: Another thing to be taken into consideration.

CHAIRPERSON CORY: Okay, Item 15, City of Hayward, East Bay Regional Park, approval of a 49-year lease by the City of Hayward and the State of California as joint lessors of the 77-acre Hayward Land Bank to the East Bay Regional Park.

Anybody in the audience on this item? Any questions from Commissioners?

Without objection, Item 15 is approved.
Item 16, approve the issuance of a patent for 40 acres, more or less, in Modoc County. This is a lost patent?

MR. HIGHT: Correct, Mr. Chairman.

CHAIRPERSON CORY: Is there anybody in the audience on Item 16?

COMMISSIONER ACKERMAN: Since 18 -- what?

MR. HIGHT: 1903.

CHAIRPERSON CORY: Any questions --

EXECUTIVE OFFICER DEDRICK: The last time was 1860.

CHAIRPERSON CORY: Without objection --

COMMISSIONER ACKERMAN: No.

CHAIRPERSON CORY: -- Item 16 is approved as presented.

Item 17. This is informational for Executive Officer. It authorized a dredging permit in the Colorado River; is that correct?

EXECUTIVE OFFICER DEDRICK: Yes.

MR. HIGHT: Correct, Mr. Chairman.

EXECUTIVE OFFICER DEDRICK: In Riverside County.

CHAIRPERSON CORY: Any questions from Commissioners?

EXECUTIVE OFFICER DEDRICK: No.

CHAIRPERSON CORY: Without objection, accepted.

Item 18 is another dredging permit north of Needles Riverside County. Are there any questions from Commissioners?
Without objection, Item 18 is approved as presented.

Item 19, assignment of a Geothermal Resources Lease offered, I believe, to Aminoil. Anybody in the audience on Item 19? Questions from Commissioners?

Without objection, Item 19 is approved as presented.

Item 20, competition bid leasing of geothermal resources on five parcels in Mendocino and Lake Counties. Is there anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 20 approved as presented.

Item 21, deferment of development drilling requirement for Exxon.

Don, could you tell us why shouldn't they go ahead and drill out according to their lease?

MR. EVERITTS: Well, one of the reasons for drilling the well they're testing right now is to see whether there were, in fact, any real requirements or needs to, quote, "continue developing the lease."

They have to -- according to the lease, they have to develop all of the productive acreage. We're not sure whether this is really productive acreage or not. Certainly, they could be required to keep on drilling. We're not sure there's anything to drill for. And this is part of the whole program.
CHAIRPERSON CORY: If we have a requirement in
the lease, why aren't they complying with it? Why are we
extending it? That's what I don't understand.

MR. EVERITTS: Trying to determine whether there's
anything more to develop. We could down the road ask them --
we could force them to drill if they -- for example, you
denied this request, they'll be in default of the lease;
they'll have some period of time to cure that default.

Unfortunately, this particular lease I'm not sure
about. On the newer leases it's 120 days. This one is
an older lease. I'm not 100 percent sure.

CHAIRPERSON CORY: How long a deferral are we
talking about?

MR. EVERITTS: Beg your pardon? The deferral we're
talking about is a year with the right to change it or
terminate it every 60 days.

CHAIRPERSON CORY: Who can terminate?

MR. EVERITTS: The Commission.

CHAIRPERSON CORY: We can terminate every 60 days.

MR. EVERITTS: That's what we're recommending.

CHAIRPERSON CORY: I'm willing to go along with
it if you give us a report every 60 days as to whether or
not we should terminate it. Because I don't know why we
should keep doing it.

MR. EVERITTS: All right.
CHAIRPERSON CORY: I mean, they ought to know there's something there or not. If they want to give it back, fine.

MR. EVERITTS: Staff thinks that's fair.

CHAIRPERSON CORY: Okay.

COMMISSIONER ACKERMAN: Fine, no problem.

CHAIRPERSON CORY: Without objection --

COMMISSIONER MORGAN: Fine.

CHAIRPERSON CORY: -- Item 21 is approved with the understanding that they have to keep giving us bimonthly reports.

Item 22, approval of an exploratory drilling program for four exploratory wells in Ventura County for Shell. Is there anybody in the audience on this item? Any questions from Commissioners?

COMMISSIONER MORGAN: That's fine.

COMMISSIONER ACKERMAN: No.

CHAIRPERSON CORY: Without objection, Item 22 is approved as presented.

Item 23, approval of resumption of offshore exploratory drilling in Santa Barbara County for Texaco. Is there anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 23 is approved as presented.

Item 24, award of "Royalty Oil Sales Contract,
Huntington Beach Field," for Champlin. Anybody in the audience on this item? Questions from Commissioners?

COMMISSIONER MORGAN: No.

COMMISSIONER ACKERMAN: No.

CHAIRPERSON CORY: Without objection, Item 24 is approved as presented.

Item 25, appeal by Sunland Refining Corporation of penalty provision of "Royalty Oil Sales Contract." These are some late payments as I understand it --

EXECUTIVE OFFICER DEDRICK: Yes.

CHAIRPERSON CORY: -- in which a statute requires us to put a 5 percent --

MR. HIGHT: Six percent.

CHAIRPERSON CORY: -- 6 percent penalty plus interest.

MR. HIGHT: Correct.

EXECUTIVE OFFICER DEDRICK: We also have a letter from --

COMMISSIONER ACKERMAN: We don't have any discretion?

EXECUTIVE OFFICER DEDRICK: That's correct. That's our problem. We're attempting to amend the statute in this legislative session. And the bill is currently moving through the Legislature to give you some discretion.

CHAIRPERSON CORY: That wouldn't solve this problem
MR. HIGHT: No.

EXECUTIVE OFFICER DEDRICK: It would not solve this problem.

We have a letter from the Controller, Gail Lack, of Sunland asking us to help them. And we would very much like to do so.

So, the only thing we can think of to do is to support their appeal before the Board of Control.

But if we get the statute, then we will be able to treat people more fairly.

CHAIRPERSON CORY: Is there anybody in the audience on this Item?

I would guess that the Board of Control claim that this is their only --

COMMISSIONER MORGAN: Yeah.

CHAIRPERSON CORY: -- legal remedy.

COMMISSIONER ACKERMAN: That's a course of last resort then?

EXECUTIVE OFFICER DEDRICK: That's correct.

CHAIRPERSON CORY: Without objection, please inform Sunland of the limitations the statute has and we're trying to change the statute and deal with them more equitably in the future. And they can approach the Board of Control. They might even find some people there that they know.
COMMISSIONER MORGAN: I'm not on that Board anymore, but you are.

CHAIRPERSON CORY: How did you get off?

(Laughter.)

COMMISSIONER MORGAN: I changed jobs. You can't change.

CHAIRPERSON CORY: Okay, Item 26, approval of a Declaration of Pooling Agreement. This is for a -- creating a unit in gas lease in Sacramento River, Sacramento and Yolo Counties. Anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 26 is approved as presented.

Item 27, request for approval of a two-year Dredging Permit in Napa for Kaiser Steel Corporation. Is there anybody in the audience on this item? Any questions from Commissioners?

Without objection, Item 27 is approved as presented.

Item 28, approval of a 10-year extension of Dredging Permit to dredge 80,000 cubic yards annually, Carnitage Strait, for Exxon. Anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 28 is approved as presented.
Item 29. We have the Plan of Development and Operations and Budget, Long Beach Unit and the first modification to be taken up simultaneously. And the first modification, as I understand it, is where we beat them atop the head and shoulders to force some changes upon them; is that correct, Mr. Thompson.

EXECUTIVE OFFICER DEDRICK: Commissioners, the reason the Commission staff could not review the budget earlier was because of changes in the way the City of Long Beach is handling the budget this year. Those changes are definitely for the good. We are working toward a program budgeting approach, a long-term, continuous field planning program, and a long-term, continuous financial program.

What we would like you to do after you review these items is, just as a matter of format, to approve both the budget and the first modification simultaneously.

The budget as it came in was just under 30 percent increased in expenses. And, as you know, revenues are steadily going down. And we have proposed some modifications in that expenditure program that Moose will tell you about.

I think probably the best thing to do is for Moose and Wes to go through the elements of the budget and the proposed first modification.

Go ahead, Moose.

MR. THOMPSON: All right, in the brown cover you
have -- this is the budget. This is the one that's $253 million.

All right, of this money, then about $45 million is to drill new wells. We might show you the results of some of our drilling in the past year here.

Normally we tend to get a payout in about the first six months after the end of the budget year of expenditures for drilling activities.

The first curve there is showing what the wells are that we drilled in the fiscal year 1979-80. The red area there, the expenditures for drilling for that particular fiscal year. You see then, the fiscal year and then we go flat. The bottom curve, then, is the return from the oil produced in those wells. It also includes injection wells and redrills. So you can see back in that year, we recouped the money for drilling somewhere about five or six months after the end of the year.

In the next year, then, the 1980-81 year, we spent more money here; but, again, our return was a little faster. You can see the red payout period in there. So they all fit about the same pattern.

The next year is the current year we're in. Here through February or March at those points there we projected the expenditure for the drilling to be the top line and the return on the oil produced the bottom. And again, they match
about the same pattern. We would expect the same return
on these $45 million-worth of expenditures for the next year.

In the investment side, we're proposing $35 million
into this budget for field and well facilities. There's about
$23 million in filling expansion in the new cellars.

CHAIRPERSON CORY: Question?

COMMISSIONER MORGAN: Yes.

What assurance do you have that this is an
efficient, effective operation?

MR. THOMPSON: Well, as far as the drilling is
concerned -- if you look at the next curve, the question
comes up now whether you're drilling wells or actually
draining other wells.

If you look at this curve, there had not been
any drilling or redrilling since July 1st of 1979, we would
have followed the red line from earlier and then followed
that green course and would have gone into the future. Each
of the other lines is a result of the drilling and redrilling
we did in those particular years. And the actual result
in barrels per day is the difference between the two. It
is also shown down below in the curves there, the dark blue
curve, the one for '80-81 and the dashed blue is for '81-82.

So, this is the activity that's actually supporting
the well, the oil rigging unit, and that is the payout.

In other words, if there were complete interference
and we were merely drilling wells and taking oil away from those other wells, then the curve would be following that green path.

EXECUTIVE OFFICER DEDRICK: I think Commissioner Morgan's question was more addressed to could you get more -- I mean, could the drilling program be operated more efficiently so that the profit would be higher. Is that not what you meant?

COMMISSIONER MORGAN: It's a combination. I mean, I just -- I want some assurance from staff that they're monitoring the expenditure program in relation to the revenue program.

MR. THOMPSON: Well, we can do this to a point. The drilling end of it, that's strictly the field contractor. That's the day-to-day operator. And it's their expertise you're depending on and also their particular monitoring costs.

CHAIRPERSON CORY: But you are doing, from this chart here -- if, in fact, they're spending money and you aren't getting that spread that's shown on the little inset chart on the bottom, then you'd be back here saying, let's not believe these guys anymore, I would presume.

MR. THOMPSON: Also, that we have delegated to the Exec Officer the approval of every well that's drilled and redrilled and the program for that, in effect.
So, if there's anything that happens about those wells, the tendency for wells not to be paying out, then the Exec Officer can control that.

So, as far as the drilling operation is concerned, we have control over the selection of the wells. And hopefully, then, the drilling operation is efficient. This, again, is a difficult drilling operation because they're all directionally-drilled wells.

COMMISSIONER ACKERMAN: You're also pleased, aren't you, with the findings of the audit by Haskins and Sells, which disclosed some recommendations which have been followed up on as well --

MR. THOMPSON: Yes, I --

COMMISSIONER ACKERMAN: -- about the efficiency of the operation.

MR. THOMPSON: Not only that, but I think the audit collectively picks on the field contractor's office, the city, and also your own staff together. And I think this is, hopefully, where we're going.

EXECUTIVE OFFICER DEDRICK: We will be bringing to you in July the results of the audit and recommendations in regard to those results and also we hope the first shot at a programatic budget for the following fiscal year.

Dennis Allen of the city is here, incidentally, representing their position. And you might want to hear
from him as to his position on the proposed modification.

CHAIRPERSON CORY: Are you happy with --

COMMISSIONER MORGAN: I'm fine with the modification. We should proceed as long as staff continues to monitor.

MR. THOMPSON: On some cases now on the expense side, we have very little control over part of it. And that is, for example, the electro expense.

CHAIRPERSON CORY: Did we join --

MR. THOMPSON: I think that everybody in California that uses electricity is about in the same position as we are. We happen to use more of it. You can see the rate trend up there.

EXECUTIVE OFFICER DEDRICK: I think we will see a flattening of that trend over the next two rate cases.

Edison's rate case application has been cut by a substantial -- by themselves. They have reduced their rate case application number by a substantial amount before the Public Utilities Commission.

They have also filed for a reduction in energy costs in their ECAC, which will go into effect along about the first of July. So, though there probably will be an increase, it won't be going up like that, the way it is on that chart.

MR. THOMPSON: You can see what happened a year
ago when rates got too high. We'd hope that would happen.

EXECUTIVE OFFICER DEDRICK: Well, the ECAC reduction is because there's been a lot of gas available and they've been burning gas instead of oil and they didn't have oil that they had parked in ships off the coast of Indonesia and all that kind of costs.

CHAIRPERSON CORY: Does Long Beach care to make a comment? Or are you happy with what's happening? Do you want to get into this fray or do you want to stay out?

MR. ALLEN: Well, I'll come down in front so that everyone can hear me.

I'm Dennis Allen, representing the City of Long Beach, Oil Department.

And we have gone over the budget as presented. We've also worked with the State Lands Commission staff on the changes that are being recommended. And we agree with everything that Moose has said. So, we have no disagreements with State Lands Commission at this point.

CHAIRPERSON CORY: Okay, then we'll keep cutting deeper until we get one.

Without objection, then, the approval of the plan and development operation and the first modification is hereby adopted.

Item 30, we've got a potential loss of revenue on a sell-off default, Long Beach Unit.
MR. THOMPSON: That has been reversed now.

MR. TAYLOR: We receive word from Mr. Buchanan and Mr. Park from the City Attorney that THUMS has agreed to bear the cost with the stipulation that they have the right to sue us over the issue. So, there has been no loss to the state.

CHAIRPERSON CORY: Okay.

MR. TROUT: The surcharge over --

MR. TAYLOR: Oh, you're losing the surcharge, but you're not losing the amount we were out to Lunday-Thagard.

CHAIRPERSON CORY: Questions?

Okay, Item 31, Notification of Intent by the City of Long Beach to spend $91,460 from its share of tideland monies for a capital improvement to repair the Belmont Pier Boat Landing floating docks. Anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 31 is approved as presented.

Item 32, Long Beach is notifying us they're spending $114,000 from their share of the tidelands for a beach area parking lot between 71st Place and 72nd Place. Anybody in the audience on this item?

Without objection, Item 32 is approved as presented.

Item 33, is being amended. The amount is not $132,500, but it's $165,500.
MR. THOMPSON: Yes, it came back and they need a revision on it.

CHAIRPERSON CORY: But this is for stairways at the beach at 3rd Place and 10th Place.

MR. THOMPSON: It does not change the scope.

CHAIRPERSON CORY: Scope is the same. Is there anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 33 is approved as presented.

COMMISSIONER MORGAN: I have kind of a general question about these.

Could the staff put together an explanation of -- or an example of -- or a description of an annual plan on what happens with the City of Long Beach's share of tideland revenues? I mean, are they operating on some kind of a plan or do they just grab the money when they have money sitting in the pot and come up with a project to fund it?

I don't want to take the time now, but I notice we get projects occasionally. And I'd like a little better perspective on what that pot is and how it's spent.

MR. THOMPSON: In other words, you want to know how their tideland operating fund expenditures are planned?

COMMISSIONER MORGAN: Yes.

MR. THOMPSON: That's outside the Harbor District, just the downtown city.
EXECUTIVE OFFICER DEDRICK: Well, whatever they do with it.

COMMISSIONER MORGAN: Yes, the city's share.

EXECUTIVE OFFICER DEDRICK: We will do that.

COMMISSIONER MORGAN: Thanks.

CHAIRPERSON CORY: Item 34 is San Diego LAFCO has a boundary for the City of San Dieguito. And this is -- we're approving the landowner and the boundaries. Is there anybody in the audience on this item? Any questions from Commissioners?

Without objection, Item 34 is approved as presented.

Item 35 is consent of State Lands Commission as landowner to the proposed annexation, City of Del Mar. And we have a letter that they're no longer concerned with this. Is there anybody in the audience on this item? Any questions from Commissioners?

Without objection, Item 35 is approved as presented.

Item 36, approval of a Compromise Title Settlement Agreement between State Lands and Marie Carter and Ernest Voigt settling title disputes in Union City, Alameda County. Is there anybody in the audience on this item? Any questions from Commissioners?

Without objection, Item 36 is approved as presented.

Item 37, authorization to file disclaimer in the case of the U.S. of A. versus 9,740 acres, more or less.
in Eastern District, Sacramento County. Anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 37 is approved as presented.

Item 38, disclaimer on 566.08 acres, more or less, in Plumas County. Anybody in the audience on this item?

Questions from Commissioners?

Item 38 is approved as presented.

That completes our agenda.

Are there any further items to come before us?

MR. TAYLOR: Mr. Chairman, there's one item from this morning. That was the fact that in December you approved a settlement of a Morro Bay litigation, which is the southerly portion of the waterfront of the city.

Due to delays and some further negotiations with a couple of the landowners who weren't quite satisfied with the deal, it will not be possible to make the closing date of the 30th of this month. And, therefore, there will be an item for your ratification on next month's meeting extending the closing date by two months. But we wanted to announce it to you today to get your acquiescence in proceeding to close the transaction.

CHAIRPERSON CORY: Would you explain your button?

(Laughter.)

MR. TAYLOR: Part of our duties are cooperation of single properties in Bolsa Chica.
CHAIRPERSON CORY: And would you explain it to us, please.

MR. TAYLOR: It says: "Let the Ocean In."

CHAIRPERSON CORY: Would the record reflect that the Attorney General has gone overboard -- (laughter) -- in being pressed hard by the campaign. The staff is buckling under the pressure.

COMMISSIONER ACKERMAN: Duly noted.

MR. TAYLOR: In fairness to the other side, the Amigos have a button, too. I'll try to wear that next month. Equal treatment.

Anyway, with your consent, we've got to go ahead and process the --

CHAIRPERSON CORY: We don't have any choice, do we?

MR. TAYLOR: No, I don't think we do. But I just wanted to make sure we have some continuity as far as the city is concerned.

CHAIRPERSON CORY: Are there any items on Executive Session?

MR. HIGHT: No, Mr. Chairman.

CHAIRPERSON CORY: We are not going to adjourn. We are going to recess this meeting. And we'll be adjourned at the Chair if we don't need to handle --

MR. TAYLOR: Could you set a time?
EXECUTIVE OFFICER DEDRICK: We're trying to figure one out. We've got Santa Barbara on the Point Conception thing on Friday.

What time is the budget hearing before Assembly Ways and Means on Monday, 9:00 a.m.? We're leaving at 10:30 --

MR. TROUT: Perhaps we could meet Friday morning. Set it for Friday morning at 8:30. And we can reset it.

CHAIRPERSON CORY: We'll reconvene Friday morning at 8:30 --

EXECUTIVE OFFICER DEDRICK: -- in your office.

CHAIRPERSON CORY: -- if there is a problem.

MR. HIGHT: In Finance Conference Room?

CHAIRPERSON CORY: Yes.

MR. HIGHT: So we can have a place.

CHAIRPERSON CORY: Okay.

All right, we stand in recess.

(Thereupon the meeting before the State Lands Commission recessed at 11:00 o'clock a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, EILEEN JENNINGS, 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 meeting was reported in shorthand by me, Eileen Jennings, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of May, 1982.

[Signature]

EILEEN JENNINGS
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