MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

MONDAY, FEBRUARY 28, 1983
1:30 P.M.

Ronald J. Peters
CSR License Number 2780
MEMBERS PRESENT

Mr. Kenneth Cory, State Controller, Chairman
Hon. Leo T. McCarthy, Lieutenant Governor
Mr. Del Pierce, representing Michael Franchetti,
Director of Finance

MEMBERS ABSENT

None

STAFF PRESENT

Dr. Cidre Dedrick, Executive Officer
Mr. James F. Trout, Assistant Executive Officer
Mr. Robert High, Chief Counsel
Ms. Jane Smith, Secretary
Mr. W. M. Thompson, Manager, Long Beach Operations

ALSO PRESENT

Mr. Jan S. Stevens, Deputy Attorney General
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Item 31, Reprocession of Jurisdiction over lands within Hunter-Liggett Military Reservation and Los Padres National Forest, Monterey County

Item 34, Compromise Title Settlement Agreement to land located in Corte Madera, Marin County

Item 35, Compromise Settlement, Residential Parcel, Vallejo, Solano County

Item 37, Public Hearings for Modifying General Leasing Regulations
CHAIRMAN CORY: Are you ready to go to work?
I will call the meeting to order.

Are there any corrections or additions to the minutes of January 27th?

Without objection, we will confirm the minutes as presented.

And the Executive Officer?

EXECUTIVE OFFICER DEDRICK: No report today.

CHAIRMAN CORY: No report today. Lack of work in the last month, I notice.

(Laughter.)

CHAIRMAN CORY: The next item is the Consent Calendar.

These are the items on the agenda with the prefix "C", and they go "Cl" through "ClI". If anyone in the audience has any disagreement with the proposed staff recommendation, if they would speak up now, because we are going to take them up in a single motion, all of those items?

No objections.

Questions from commissioners?

ACTING COMMISSIONER PIERCE: No.

LIEUTENANT GOVERNOR McCARTHY: No.

CHAIRMAN CORY: Without objection, the Consent Calendar will be adopted as presented.
That takes us to Item 12, which is off calendar.

Item 13. This is a supplemental letter of understanding to Thomas P. Raley for the Intent Lease, is that correct?

EXECUTIVE OFFICER DEDRICK: Yes, for the marina part -- I mean the landing.

MR. STEVENS: The pier.

CHAIRMAN CORY: Okay, anybody on this?

Questions from commissioners?

Anybody in the audience on Item 13?

Without objection, the letter will be authorized as requested.

Item 14. The staff is recommending that we deny, without prejudice, an application on State property on the Colorado River. The river lodge resort is the applicant, a Mr. Glenn V. Drake.

Is there anybody in the audience on this item?

Questions from commissioners?

Without objection, Item 14, the proposed denial is granted without prejudice.

Item 15, a request to approve and authorize the execution of a BLA, number 230, between the Lands Commission and the Moss Landing Harbor District, and Phillip -- help me with this pronunciation -- Digirolamo dba Moss Landing Fisheries, Incorporated.

Is there anybody in the audience on this item?

Questions of commissioners?

Leo?
LIEUTENANT GOVERNOR MCCARTHY: No.

CHAIRMAN CORY: Del?

ACTING COMMISSIONER PIERCE: No.

CHAIRMAN CORY: Okay. Without objection, the Boundary Line Agreement is approved as presented.

Item 16. This is an assignment and amendment of a fifteen-year General Lease for Marineland. Marineland currently has it and it is now a partnership of Hanna-Barbera Marineland.

EXECUTIVE OFFICER DEDRICK: That's right.

CHAIRMAN CORY: Anybody in the audience on this one?

Questions of commissioners?

Without objection, Item 16 is approved as presented.

Item 17. This is a request of the City of Redondo Beach to expend tidelands trust funds for the acquisition of privately owned lands to be developed as part of its harbor center for a hotel and other items.

Any questions from commissioners?

Anybody in the audience on this item?

Okay. Without objection, Item 17 is approved as presented.

Item 18. This is a report of actual revenues for the first six months in revenue estimates. Is someone here who is going to give us the details of this or what?

EXECUTIVE OFFICER DEDRICK: If you would like,
yes. Would you like Moose to come forward?

CHAIRMAN CORY: Moose, I think a little explanation might be worthwhile to reassure us that we are still in the ballpark that we had assumed the downdraft on oil prices and we are still okay.

MR. THOMPSON: Well, I think the entire story on this is in that upper graph up there. It shows where crude oil prices are going. That's the top red curve on the upper graph. And you can see there, that starting about in mid-81 crude oil prices started dropping down. It stayed constant there at about $24 through most '82. We have had two crude oil price cuts this month already, approximately two dollars.

We had guessed at a dollar cut in the previous revenue estimates on January 1st and the cuts occurred in February. We are now adding another dollar on these revenue cuts for the '83-84 year. The timing on there is just so that is in effect for the '83-84 year.

EXECUTIVE OFFICER DEDRICK: The total is three dollars down.

MR. THOMPSON: It is a total of three dollars down from the October of 1982 estimates.

CHAIRMAN CORY: Okay.

EXECUTIVE OFFICER DEDRICK: Yes.

CHAIRMAN CORY: Okay. And Saudi Light was where, like thirty-two, when we were at twenty --

EXECUTIVE OFFICER DEDRICK: Twenty-five.

CHAIRMAN CORY: Yes, at the peak. Is that it?
MR. THOMPSON: Well, the marker for light crude has always been at $34 and it has never changed as far as the official price is concerned. And it was at $34 back in the first part of '81. Then it started dropping and it was in at, say $32 actual, even though the post is still fixed at thirty-four. Right now they probably have hopes that they can stop it at twenty-nine or twenty-eight.

But actually, North Slope crude, right now, is being laid down to Houston, we understand, for $27, which would back into something then, back into Saudi at maybe $25.50 or something like that. So where the real world is, as far as the marker posting, we don't know.

CHAIRMAN CORY: Your projections here for the '83-84 and '84-85, you are assuming another dollar drop --

MR. THOMPSON: For the '83-84 year.

CHAIRMAN CORY: And that would, if they are able to stabilize the Saudi at the twenty-eight or twenty-nine, then that is a valid projection. If it drops lower, are we likely to be looking at --

MR. THOMPSON: Yes.

CHAIRMAN CORY: And if it drops, as some are saying, in the nineteen to twenty-one dollar price, what kind of effect would that have on us, do you think?

MR. THOMPSON: Well, every dollar we go down is roughly $25 million dollars.

CHAIRMAN CORY: But if the Saudi Light goes down from the twenty-eight, or twenty-nine, instead down to twenty, twenty-one --
MR. THOMPSON: It is not linear as you go down. I am trying to guess. I would imagine that would be $15 crude for is, just guessing.

CHAIRMAN CORY: Okay.

MR. THOMPSON: Sooner or later that market has to stabilize out. Right now the problem is you have productive capacity in the world up, say, 65 million barrels and you have got a market for a little over fifty.

CHAIRMAN CORY: Yes.

MR. THOMPSON: So something has to give in the market place, and that's what is happening. Where the bottom is, we don't know.

CHAIRMAN CORY: Questions?

LIEUTENANT GOVERNOR McCarthy: No.

CHAIRMAN CORY: Del?

ACTING COMMISSIONER PIERCE: No.

CHAIRMAN CORY: Okay. Anything else, Moose?

MR. THOMPSON: No.

CHAIRMAN CORY: Okay. We will approve the report as presented in Item 18.

Item 19 is approval of crude oil sell-off. This is to advertise for bids on Parcel "A", correct?

EXECUTIVE OFFICER DEDRICK: That is correct.

CHAIRMAN CORY: Any questions commissioners? Anyone in the audience?

Without objection, approval of Item 19 is granted.

Item 20. The City of Long Beach has given intent to spend $356,680 on a maintenance yard, and the
staff doesn't have any trouble with this. Anybody in the audience?

Questions from commissioners?

Without objection, Item 20 will be approved as presented.

Item 21, the tenth modification of the 1982-83 Plan and Development of the Long Beach Unit. This is just internal shifting of --

EXECUTIVE OFFICER DEDRICK: Actually it is just a report on the actual revenue.

MR. THOMPSON: Of course, it will be badly out of date as to the recent crude oil prices as far as any net revenue is concerned.

EXECUTIVE OFFICER DEDRICK: It tells you what would have happened six weeks ago. That is what you wanted to know.

CHAIRMAN CORY: Does anybody have any concern about why we are being told what would have happened six weeks ago?

LIEUTENANT GOVERNOR McCARTHY: What use are we supposed to put this report to, Mr. Chairman?

EXECUTIVE OFFICER DEDRICK: Moose, could you come up on this one?

CHAIRMAN CORY: Well, I think this is because of the nature of the spending, that we are, in essence, spending off line of the General Fund. It is a method of keeping Long Beach and the contractor honest as to where the dough is going and that they are living up to their...
budget plan that we adopted at the beginning of the year.

MR. THOMPSON: This is one of the requirements in the plan and budget, that there is a quarterly review and report.

LIEUTENANT GOVERNOR McCARTHY: I see.

MR. THOMPSON: And the unfortunate thing is that by the time it gets through the paper work and by the time, first of all, they get the numbers which is late --

LIEUTENANT GOVERNOR McCARTHY: It is a little outdated.

MR. THOMPSON: -- it is a little outdated, especially when you get things like this happening.

LIEUTENANT GOVERNOR McCARTHY: You will catch up with it in the next quarterly report?

MR. THOMPSON: Well, we have already put it in the State revenue estimates which I think, to you, are much more critical than reporting the unit.

LIEUTENANT GOVERNOR McCARTHY: Yes. Thank you.

CHAIRMAN CORY: Thank you.

Without objection, the tenth modification is accepted.

Item 22, modification of the "Cooperative Agreement for Water Injection Operations" in Wilmington. This is to allow producing wells to be used for injection purposes in some cases. Is that correct, Moose?

MR. THOMPSON: Yes. Actually, in the original Cooperative Agreement, certain wells are specified to be injectors. And in this case one of them failed
mechanically, so instead of trying to spend the money to redrill that one, they are substituting another well near it.

CHAIRMAN CORY: Okay. Anybody in the audience on this item?

Questions from commissioners?

Without objection, Item 22 is approved as presented.

Item 23, determination of allowable subsidence costs for $236,202.65, pursuant to Chapter 138.

And this will close these accounts out, is that correct?

MR. THOMPSON: For the year.

CHAIRMAN CORY: For the year. Is there anybody in the audience on these items?

Questions of commissioners?

Without objection, Item 23 is approved as presented.

Item 24 is a one-year Dredging Permit for a million and a half cubic yards of material for Anaheim Bay, Seal Beach. Is there anybody in the audience on this one?

Questions from commissioners?

Without objection, Item 24 is approved as presented.

Item 25, Bear Creek Mining Company. This is a geothermal prospecting permit for forty acres of sovereign land in the Salton Sea, Imperial County.
Anybody in the audience on this one?

Questions of commissioners?

Without objection, Item 25 is approved as presented.

Item 26, extension of a Geothermal Exploratory Permit for GRI. And this is Mendocino County, and the extension is for what reason?

MR. THOMPSON: They want to drill three more temperature gradient holes --

CHAIRMAN CORY: Yes.

MR. THOMPSON: -- to get more information.

CHAIRMAN CORY: Okay. Any questions of commissioners?

Without objection, Item 26 will be approved as presented.

Item 27. C. F. Braun and Company got a lease from us on the Sacramento River bed down at Freeport and they have drilled the hole, capped it as being non-productive, didn't get into any of our property and wished to quitclaim back their lease.

Is there anybody in the audience on this one?

Questions of commissioners?

Without exception, Item 27 will be approved as presented.

Item 28, Jericho Dredging Company, to authorize the issuance of a Dredging Permit of 25,000 yards at Steamboat Slough at thirty cents a yard. Is there anybody in the audience on this item?
Questions of commissioners?

Without objection, the dredging permit is granted.

Item 29. This is proposed action on Ernest Z. Coker, who has requested a Prospecting Permit for sixty acres of land in San Bernardino County.

Is there anybody in the audience on this item?

Questions from commissioners?

Without objection, Item 29, we will deny the permit as recommended by the staff.

Item 30, Approval of a Prospecting Permit for two years for borates and other minerals, excluding oil and gas --

EXECUTIVE OFFICER DEDRICK: And geothermal.

CHAIRMAN CORY: -- and geothermal on 640 acres in San Bernardino County.

Anybody in the audience on this item?

Questions of commissioners?

Without objection, Item 30 is approved.

Item 31 is the United States Department of Agriculture, a Retrocession of Jurisdiction over Hunter-Liggett at a portion of Los Padres in Monterey County.

Anybody in the audience on this?

Questions of commissioners?

Without objection, Item 31 is approved as presented.

Item 32 is off calendar. Item 33 is off calendar.
Item 34. The applicant is Ernest Hahn, Inc., which wishes to enter into a Land Bank settlement on a title dispute on some property in Corte Madera in Marin County, and the money will be used to purchase -- to put into the land bank?

MR. HIGHT: Correct, Mr. Chairman, and in accepting the money, you will be acting as the Land Bank Fund Commissioners.

CHAIRMAN CORY: This is the new legislation?

MR. HIGHT: Correct.

CHAIRMAN CORY: Okay. Is there anybody in the audience on this item?

Questions of commissioners?

Without objection, approval of the Compromise Title Settlement is granted.

Item 35, Jimmy Genn, James L. Reading and Velma M. Reading, approval of Compromise Settlement of four acres of residential property in Vallejo, Solano County.

Anybody in the audience on this item?

Questions from commissioners?

Without objection, Item 35 is approved as presented.

Item 36 is off calendar.

Item 37 is a request for the staff to hold public hearings on modifying general leasing regulations.

Anybody in the audience on this?

Questions of commissioners?

Without objection, Item 37 is approved as
presented.

Any other business to come before the Commission?

EXECUTIVE OFFICER DEDRICK: None.

CHAIRMAN CORY: Commissioners?

ACTING COMMISSIONER PIERCE: No.

LIEUTENANT GOVERNOR McCARTHY: No.

CHAIRMAN CORY: Okay. We will allow the Governor to go back to governing the State.

LIEUTENANT GOVERNOR McCARTHY: Thank you.

CHAIRMAN CORY: Keep up the good work.

(Thereupon the February 28th meeting of the State Lands Commission was adjourned at 1:50 p.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, RONALD J. PETERS, a Certified 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, RONALD J. PETERS, and thereafter transcribed into typewriting under my direction.

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 25th day of March, 1983.

Ronald Peters

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