MEETING

STATE LANDS COMMISSION

STATE OF CALIFORNIA

STATE CAPITOL

ROOM 447

SACRAMENTO, CALIFORNIA

THURSDAY, DECEMBER 22, 1983

9:30 A.M.

ORIGINAL

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License No: 2822

PETERS SHORTHAND REPORTING CORPORATION

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SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 472-6950
MEMBERS PRESENT

Leo T. McCarthy, Lieutenant Governor, Acting Chairperson
Nancy Ordway, representing Michael Franchetti, Director of Finance
Lizabeth Rasmussen, representing Ken Cory, State Controller

MEMBERS ABSENT

NONE

STAFF PRESENT

Claire Dedrick, Executive Officer
James Trout, Assistant Executive Officer
Robert Hight
Lance Kiley
Al Willard
W. M. Thompson
Larry Suetta
Judy Markell, Secretary

ALSO PRESENT

Jan Stevens, Deputy Attorney General
N. Gregory Taylor, Deputy Attorney General

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Discussion

Commission action

Adjournment

Certificate of Reporter
ACTING CHAIRPERSON McCARTHY: All right. This meeting of the State Lands Commission will come to order.

First item we’d like to confirm the minutes of the November 21st and December 1st meetings. Are there any questions about that? Those minutes are confirmed.

The Executive Officer’s Report, Miss Dedrick.

EXECUTIVE OFFICER DEDRICK: Yes, Governor.

We have a couple of items. One is I granted permission to PG&E to perform emergency bank repairs on a levee to protect gas line facilities.

ACTING CHAIRPERSON McCARTHY: Is that microphone on?

EXECUTIVE OFFICER DEDRICK: I’m just not close enough to it probably.

On a levee to protect gas facilities that serve Chico, and you’ll love this one. Exploration Engineering who is Barry Durkan hasn’t paid his rent. So we’ve sent him a letter, Sonoma State Hospital Geothermal Well, we’ve sent him a letter telling him he has to pay his rent. That’s it.

ACTING CHAIRPERSON McCARTHY: All right. Thank you.

Let’s proceed into the Calendar now.
Are there any matters on the Consent Calendar that anyone wants to raise any questions about in the audience? We're on C2.

MR. TROUT: Mr. Chairman, we do need to cover Cl (B), (D) and (E) as part of the Consent Calendar.

ACTING CHAIRPERSON McCARTHY: All right. Is there anyone in the audience that wants to question any matter that's on the Consent Calendar before we act on it?

EXECUTIVE OFFICER DEDRICK: Other than the two items that are being —

ACTING CHAIRPERSON McCARTHY: Other than the two items I announced earlier, Cl (A) and Cl (C). All right. If not, then the Consent Calendar is approved.

Now we're on Item Number 19. Cl (A) was merged, pardon me, Cl (C) was merged into Item Number 19.

EXECUTIVE OFFICER DEDRICK: Would you like to do Cl (A) first?

ACTING CHAIRPERSON McCARTHY: Yes, please.

EXECUTIVE OFFICER DEDRICK: Cl (A) is a five-year rent review for John Ogden and I understand he wants to make a comment.

Is that correct?

MR. HEATLIE: Right.

ACTING CHAIRPERSON McCARTHY: I have a request from James Heatlie.
MR. HEATLIE: Correct.

ACTING CHAIRPERSON McCARTHY: Representing John Ogden and from John Ogden himself to testify in this matter.
Would you like to come forward at this time?
MR. HEATLIE: I know a little bit about the background of this.

ACTING CHAIRPERSON McCARTHY: Who would like to go first?

EXECUTIVE OFFICER DEDRICK: Let's have your names for the record, please.

MR. OGDEN: I'm John Ogden.

MR. HEATLIE: And I'm Jim Heatlie.

We're complaining about a 500 percent or better increase in the rent. Now, if your landlord did that to you, you'd be here complaining, too, I would think. From $50 a year to 287.50 works out about that way.

Now, to give you a little background about this. What we're talking about is a wharf across the Petaluma Marsh starting on private land, going on State land, and ending at the river with a float there, 10 by 28 feet, and some way Larry Suetta -- is that the word right? He's not here. Am I pronouncing it right?

MR. KILEY: That's close enough.

MR. HEATLIE: He's appraised the square footage there around 25, 2600 feet and the way we measure things,
it's only about 1100 feet. So right there we have a
discrepancy. To give you a little background, we started
this operation, applied for permits in 1979, went through
all the usual agencies like starting with the Army Engineers,
the BCDC, Regional Bay Quality Water Control, Cal Fish
and Game, Federal Fish and Game, Marin County, State Lands,
EPA, State Water Resources, and also the Black Point
Improvement Club, the Northwestern Pacific Railroad where
this wharf is close to the tracks and adjacent landowners.
We had to satisfy them that we weren't going to tear up
the place or do that which we did and we also cleaned up
the premises.

Now, we took out a bunch of shacks. We had to
take out the old wharf, about half of it, pull it out.
This was the State Fish and Game insisted on this. Replace
all this lumber and timber which we did in proper style
with a good float. But to remove all these shacks which
I think should have been done by the State, but the people
have long since passed away. John here spent $1200 to
have two guys with a pickup truck make many loads of this
debris out of the marsh and he's got pictures to show what
it looks like before and after.

So anyway, what we actually want to know, and
I don't know who's going to tell me -- I assumed Larry
would be here and tell me -- is how did he apply the square
footage. According to the new scale of rates which we have no copy of, so we don't know how much per square foot are we supposed to be paying. You know, we think it's absolutely unfair.

MR. OGDEN: We can't use the waterfront.

MR. HEATLIE: That's another thing, too. You must remember, because of the siltation in the area, that you can only use this float out there and your boat about half the time because half the time the tide is out. So, you know, we're paying full rate for something we can only use 50 percent of the time. So we do not feel that an increase in that is justified and we'd like you people to justify it, explain us that.

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, Lance Kiley is in charge of the Land Management Division and he and Larry Suetta are here. I have no personal knowledge of this particular incident.

ACTING CHAIRPERSON McCARTHY: Mr. Kiley.

MR. KILEY: Yes, Mr. Chairman. According to the figures that Mr. Suetta has here, there is in fact a use area of 2614 square feet. That ordinarily would include a ten-foot use area around the actual structure and has generally taken the position that that ten-foot use area is included within the area the person is allowed to use around the actual structure itself and we've been
doing that as a standard practice on all of our leases for years.

The price per square foot is basically 11 cents a square foot. That's based on a benchmark appraisal that was done to benchmark all that particular type of facility within this particular area.

The main reason for the 500 percent increase is that this particular lease came up for a five-year rent review and it's jumping from a standard scale flat fee that wasn't related to the square foot used to an appraised value based on the actual ground that's being occupied.

EXECUTIVE OFFICER DEDRICK: Lance, I have a question. Have you people discussed all these things?

MR. KILEY: I'm not aware if Mr. Suettà has discussed it.

MR. OGDEN: No, he has not.

MR. HEATLIE: No.

MR. SUETTA: I wrote him a letter.

MR. OGDEN: I've got the letter. It says nothing.

MR. SUETTA: I explained to you though about the way the appraisal was arrived at.

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, I think the appropriate thing is to put this over and let me look into it and give these people a chance to plead their case.
at the staff level.

ACTING CHAIRPERSON McCarthy: Thank you.

MR. HEATLIE: We don't want to stay here all day.

ACTING CHAIRPERSON McCarthy: Why don't you stick around and let's have a discussion after this commission meeting is over.

MR. HEATLIE: How long will that be approximately?

EXECUTIVE OFFICER Dedrick: Not long.

ACTING CHAIRPERSON McCarthy: Probably within 30 minutes.

MR. HEATLIE: Oh, good.

ACTING CHAIRPERSON McCarthy: All right. We're not saying you're going to get a different result, but we're saying we want to hear what you want to say.

MR. HEATLIE: We want some input.

EXECUTIVE OFFICER Dedrick: That's fine. I think you want Cl (C) and 19 now.

ACTING CHAIRPERSON McCarthy: Cl (C), 19. All right. Go ahead, please.

MR. TROUT: Mr. Chairman, on this item it's a rent review for The Chart Room Marina in Yolo County. The current upland owner is Milton Lane and he is the principal lessee. The rent review would indicate rental increase from $250 to $3768 minimum against five percent of the...
gross income and three percent -- that's from the docking facilities -- and three percent from the restaurant and bar. That's Item CI (C). Item 19 is to change the reporting or accounting year to the calendar year so as to make the bookkeeping easier for the lessee and his sublessee. That's essentially what the item is about.

I don't know whether Mr. Lane or his lessee is here to speak to the item.

ACTING CHAIRPERSON McCARTHY: Is anyone here to speak on this item in the audience?

What kind of information did we provide to Mr. Lane?

MR. KILEY: We provided him basic information about the kinds of -- Mr. Lane I don't believe has contested this. It's just his sublessee.

ACTING CHAIRPERSON McCARTHY: He didn't respond to the information?

MR. KILEY: I really don't know whether he did or not, Mr. Chairman. I don't believe he made any responses.

EXECUTIVE OFFICER DEDRICK: There's been substantial discussion. The Chart Room is a very popular place as I'm sure you're aware. They're not contesting it as far as I know; is that correct?

MR. KILEY: Mr. Lane is not contesting it. Mr. Chastain has had some discussions with staff about the
rental and how it was established and we've explained to
him as a sublessee how our rents are set. He in fact is
on the low side of our rent schedule. We're trying to
do what we can for him. But to change his rent from what
it is set out here is going to prejudice other leases that
we have.

ACTING CHAIRPERSON MCCARTHY: Was he aware of
this meeting of the commission?

MR. KILEY: Yes, he was.

ACTING CHAIRPERSON MCCARTHY: And your last
discussion with him occurred when?

MR. KILEY: I never have had a discussion with
him. One of my Land Agents people have had discussions
with him I think up until this last week.

ACTING CHAIRPERSON MCCARTHY: Okay.

Anybody in the audience want to testify on this?

Any members of the commission have any questions?

Approved, approve the recommendation.

Number 20.

MR. TROUT: Mr. Chairman, this is the acceptance
of a lease quitclaim deed and termination for a marine
terminal pipeline in Morro Bay. Texaco originally had
a marine terminal which they have since abandoned. The
question was what to do with the pipelines on the seabed,
whether to leave them in place, to remove them, or just
what to do with them. After some public hearings and involvement of the public, the staff is recommending that the pipelines be left in place. They are plugged. That a reef, artificial reef be constructed over the seaward end of the pipeline. It's a very sandy, almost desert area from the standpoint of fish life except I understand from some halibut. That Texaco goes on, retains responsibility or liability for the existence of the pipeline, but we will terminate the lease.

EXECUTIVE OFFICER DEDRICK: The reef, Commissioners, is proposed by the Department of Fish and Game and they think that will substantially improve the wildlife habitat there.

ACTING CHAIRPERSON MccARTHY: Is there anyone in the audience who wishes to testify on this matter?

Any questions from Commissioners?

All right. We approve the staff recommendation.

EXECUTIVE OFFICER DEDRICK: The next one is a renewal of a salvage permit for a year I think for the Brother Jonathan Company which is trying to salvage a vessel called the Brother Jonathan which is on State lands in the ocean off Del Norte County.

ACTING CHAIRPERSON MccARTHY: Anybody in the audience have any questions on this?

Commissioners?
Approved as requested.

22.

MR. TROUT: 22 is the authorization for staff or the Office of the Attorney General to take action for the removal of a pier near the Tower Bridge in Yolo County. The former lessee has not paid rent and under the terms of the lease is required at the time he leaves the property or quits paying rent to remove the facility. It's our understanding he has not paid the rent and he has not removed the facility. So this would allow us the opportunity, allow staff the opportunity to go ahead and move against the bonding company and take whatever action is necessary either to bring the lease current in terms of rent and operations or to seek removal of the facility.

ACTING CHAIRPERSON McCarthy: Any questions in the audience?

From Commissioners?

All right. Approved as recommended.

23.

MR. TROUT: 23 involves three parcels of land, school land in the enumerated counties. The Bureau of Land Management is running recreational areas in the desert and these are intermixed State lands. The Bureau of Land Management is attempting to impose some kind of controls on the recreational use that would make for more beneficial
The idea is to integrate both the State school lands and the BLM lands under single management and we recommend approval. There is no rent. They will in effect police the lands for us and that's the benefit the State gets. Rent may be charged in the future and, if so, this would be part of the operation.

ACTING CHAIRPERSON McCarthy: All right. Any questions from the audience?

From Commissioners?

EXECUTIVE OFFICER Dedrick: This is part of our general effort to consolidate management where we can't work exchanges and it is also Lisa Beutler's first major calendar item since she's been with us.

ACTING CHAIRPERSON McCarthy: First achievement here.

All right. Approved as recommended.

MR. Trout: Mr. Chairman, 24 involves the dredging of up to 10,000 yards from the Yuba River in Marysville. It will be under guidelines adopted by the Department of Fish and Game. The material is necessary to keep a haul road for an authorized sanitary disposal site available during the winter. They need the gravel to keep the road surfaced for the trash dump.

ACTING CHAIRPERSON McCarthy: Any questions from...
the audience?

From the Commissioners?

Approved as recommended.

25.

MR. TROUT: 25 is the approval of subletting of nine geothermal leases in the Sonoma, Lake and Mendocino Counties from one GRI company to another GRI company. It does have tax implications for the company, but not for the State of California.

ACTING CHAIRPERSON McCARTHY: Questions?

COMMISSIONER RASMUSSEN: No money involved?

EXECUTIVE OFFICER DEDRICK: No.

ACTING CHAIRPERSON McCARTHY: Questions from the audience?

From the Commission?

Approved as recommended.

26.

EXECUTIVE OFFICER DEDRICK: This is a use of a blanket bond for certain geothermal leases in the Geysers Scammeld field that Union holds. If you want an explanation of that, it’s a little bit complex, but Moose Thompson is here.

MR. TROUT: There are a number of different bond amounts for the operations of Union and this would allow them to have a common bond affecting all the parcels and
it improves the State's position.

ACTING CHAIRPERSON MCCARTHY: All right.

Questions from Commissioners?

Audience?

Approved as recommended.

27.

MR. TROUT: 27 is the deferment of a drilling obligation. As you recall, under our leases, the applicants or the lessees are required to keep drilling and commence a new well I think within a hundred and twenty days after finishing one. Texaco has completed a well. It hasn't turned out just as they and we had hoped and they want a deferment so they can do additional seismic work before commencing to drill another well. We feel that's an appropriate request.

ACTING CHAIRPERSON MCCARTHY: On this one that's the kind we're going to work with the local government authority?

EXECUTIVE OFFICER DEDRICK: That's true. Yes.

On all of these items, particularly Santa Barbara County, we make sure that Santa Barbara County knows just what's on the calendar and why. We try to do that with all counties, but in Santa Barbara County there's a higher level of interest.

MR. THOMPSON: Also, we're trying to fit into
a drilling window here which starts about mid-April. That's the only time they can get their air quality trade-offs.

ACTING CHAIRPERSON McCarthy: All right. Approved.

28.

MR. TROUT: 28 is the request for an assignment from one Shell Company to another Shell Company of an oil and gas lease in the Oxnard area and one in Suisun Bay.

EXECUTIVE OFFICER Dedrick: Restructuring.

MR. TROUT: Restructuring.

ACTING CHAIRPERSON McCarthy: Questions from Commissioners?

From the audience?

Authorize as recommended.

29.

MR. TROUT: 29 is an assignment of an interest, of a partial interest in State oil and gas lease from Terra Resources to Oxtex and if you have questions we can get Mr. Thompson to explain it.

ACTING CHAIRPERSON McCarthy: What's the main point in the transaction?

MR. RIGHT: Currently, Mr. Chairman, Oxtex and Terra are both lessees and Terra is getting out of the business and Oxtex is getting into it.

ACTING CHAIRPERSON McCarthy: The State's position,
the terms don't change.

MR. WILLARD: No. They're obligated under the same terms and conditions of the existing lease. It's a partial assignment of 25 percent interest in the lease below a certain depth, 5500 feet. It's a very limited assignment. It actually affects royalty barrels of about 12 barrels a day, I think.

ACTING CHAIRPERSON McCARTHY: And you've routinely checked out the financial ability of the assignee?

MR. WILLARD: That's correct. They are capable of meeting their commitments.

ACTING CHAIRPERSON McCARTHY: Any questions from Commissioners?

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, the next five are royalty oil sales contracts.

ACTING CHAIRPERSON McCARTHY: Yes. Any questions from the audience on any of the next five items? From Commissioners on the next five items?

All right. We'll approve those.

All right. 35.

MR. TROUT: 35, Mr. Chairman, the City of Long Beach runs in cooperation with the Harbor Department surveys twice a year to check that there has not been any further subsidence in the Long Beach area. This is the closing of the account to pay for the last incremental survey.
There is no subsidence.

ACTING CHAIRPERSON McCarthy: Anybody in the audience have any questions on this issue?

From Commissioners?

Approved.

36.

MR. TROUT: On 36 the City of Long Beach wants to spend $165,400 of their own tideland money for a stairway to the beach at Fifth Place. It's consistent with the going statutes.

ACTING CHAIRPERSON McCarthy: Any questions from the Commissioners?

Audience?

Approved.

37.

MR. HIGHT: 37, Mr. Chairman, is a six-month extension to execute an agreement the Commission has previously approved. For some mysterious reason the agreement disappeared and we need to re-create the agreement that disappeared.

EXECUTIVE OFFICER DEDRICK: We swear it disappeared after it left our office.

MR. HIGHT: So we need --

ACTING CHAIRPERSON McCarthy: We don't keep copies?

MR. HIGHT: We have copies. We have to get it.
re-executed.

EXECUTIVE OFFICER DEDRICK: We have to sign it all the way around again.

ACTING CHAIRPERSON McCARTHY: Anybody in the audience have the missing agreement?

MR. STEVENSON: It was found in the City of San Mateo. I got a call from the Clerk yesterday.

EXECUTIVE OFFICER DEDRICK: Does that mean we don't have to do this?

MR. STEVENSON: Not really, because they still have to usher it around and have it signed and get the Governor's signature and we're due by the first of the year to have it completed. So we need an extension of time still. But it was in their hands for the last three or four months lost.

EXECUTIVE OFFICER DEDRICK: I'm glad to hear that. So we do need the extension.

ACTING CHAIRPERSON McCARTHY: You just want to extend the time for the signing of the agreement?

MR. HIGHT: Yes.

EXECUTIVE OFFICER DEDRICK: Yes.

ACTING CHAIRPERSON McCARTHY: All right. Approved.

MR. HIGHT: 38, Mr. Chairman, is authorization to take all steps necessary, including litigation, to bring an existing marina on the Sacramento River under lease.
The reason for the authorization for litigation is that there are some boat owners and trespassers there who remain. We're in the process of negotiating a lease with the upland owner and we don't anticipate any problem, but this will give us a little more leverage.

ACTING CHAIRPERSON McCARTHY: All right. Any questions from Commissioners?

Audience?

Approved as requested.

MR. TROUT: Mr. Chairmar, 39 involves the augmentation of the contract with the law firm that represents the Commission on oil and gas and public land matters in Washington, D.C. Right now we have several issues that were not expected at the start of the year. One was the title problem that the Supreme Court handed us in the block decision from North Dakota.

Congressman Howard Berman along with Congressman Column of Florida have introduced legislation which would cure the statute of limitations limit against states. So that the states could file quiet title action against the United States without facing the 12-year statute of limitation. We have a couple of other actions pending in Congress. We have the OCS revenue-sharing bill. There is a royalty accounting correction. Jan, what have I missed?
MR. STEVENS: Our school lands obligations.

MR. TROUT: The school land obligations, particularly to solve the Elk Hills problem of the 1300 acres in Elk Hills that we need indemnity for or else equitable title in the property so we can get the revenue coming from that. As a result of that action, it appears that the current funding is inadequate. The company or the firm has hired, as Miss Dedrick talked to you about before, a person from California who is familiar with the State operations and the Congressional staff there to assist in it and we think it's a very valuable service. We're already getting benefits from the work that's been done with Congressman Berman on the quiet title statutes.

EXECUTIVE OFFICER DEDRICK: And this work is all coordinated with the new governor's office in Washington. There are a lot of other bills around we're very interested in, but those are the critical ones at the moment.

ACTING CHAIRPERSON McCARTHY: How long has this contract existed?

MR. HIGHT: Existed?

ACTING CHAIRPERSON McCARTHY: With this person.

MR. HIGHT: With the law firm of Lobel, Novins and Lamont, since 1975.

ACTING CHAIRPERSON McCARTHY: And what history has it had? How long has it been at the hundred thousand
dollar level?

MR. HIGHT: Since, I'm guessing, '76 or '77.

EXECUTIVE OFFICER DEDRICK: The reason for the augmentation is specifically to cover the person, Elinor Schwartz, who is doing the work at the Congressional level. She also has very good contacts with the Department of Interior. It's a part-time contract and this is just to cover her expenses for a year.

ACTING CHAIRPERSON McCARTHY: I'm just wondering how many lobbyists California has in Washington, D.C.

EXECUTIVE OFFICER DEDRICK: Not very many.

ACTING CHAIRPERSON McCARTHY: You could use some existing people there or are you saying that Elinor Schwartz has the particular legal expertise to deal with the problem? We're hiring a lobbyist. I don't understand why California has so many people in from so many departments.

MR. HIGHT: Mr. Chairman, you might recall that the legislative analyst's office looked into the situation several years ago, three years ago, I believe, and looked at the representation of California in the Congress and one of their statements was that the Lands Commission in its representation should continue and was being well-coordinated and was in a relatively unique area. So in looking at it two, three years ago, the legislative analyst
office recommended continuation of this contract.

ACTING CHAIRPERSON McCARTHY: That's a little comforting.

EXECUTIVE OFFICER DEDRICK: Last year in getting the Technical Corrections Act through, the firm was really materially responsible for that occurring. That brought in a total of, well, first cash payment was $58 million that we received in February or March. So they really do pay their way, I think.

ACTING CHAIRPERSON McCARTHY: Well, any questions from the Commissioners?

MR. TAYLOR: Governor, I just might add that our office would give the letter of consent to the amendment.

ACTING CHAIRPERSON McCARTHY: Thank you.

MR. TAYLOR: We have been satisfied with the relationship and they have provided us ability for daily contact which we don't have by being there.

ACTING CHAIRPERSON McCARTHY: Okay.

MR. TAYLOR: I would say though with regard to California lobbying efforts in Washington, that I think that historically they've been shameful.

ACTING CHAIRPERSON McCARTHY: My general impression. I think we ought to have a party and bring them all together so they can meet each other.

MR. TAYLOR: That might be helpful. But I think...
that we’re undermanned. When you consider the State of New York which is a few minutes, which is a few minutes from Washington by almost any conveyance, maintains a full-time office and when you look at the amount of grants that go to Eastern states because of their efforts and what California contributes, we get exactly what we advance which is very little.

ACTING CHAIRPERSON McCarthy: I totally agree with that and I tried when I was Speaker to get the governor, the previous governor, to agree to have just one lobbying office in the State of California and then work everybody else into that including people that were hired for specific objectives. But it’s never quite worked.

Any questions from the audience on this? Commissioners?

All right. Approve the request.

Any other matters to come before the Commission?

Thank you very much.

This meeting is adjourned.

[Thereupon the State Lands Commission meeting was adjourned at 10:25 a.m.]

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CERTIFICATE OF SHORTHAND REPORTER

I, CATHLEEN SLOCUM, 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, Cathleen Slocum, 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 9th day of January, 1984.

CATHLEEN SLOCUM
Certified Shorthand Reporter
License No. 2822