COMMISSIONERS PRESENT

Leo T. McCarthy, Lieutenant Governor, Acting Chairperson
Lizabeth Rasmussen, Commission Alternate
for Kenneth Cory, State Controller
Nancy Ordway, Commission Alternate
for Jesse R. Huff, Director of Finance

STAFF PRESENT

Claire T. Dedrick, Executive Officer
James Trout, Assistant Executive Officer
Judy Markell, Commission Secretary
Lorna Chick, Commission Secretary

ALSO PRESENT

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

Page

Proceedings
Approval of Minutes of Meeting of May 24, 1984 1
Executive Officer's Report
Consent Calendar, Items C1-C2 and C4-C22 2
Items 23 and 24, KTJ Properties, Inc. (Lessee) and City of Huntington Beach (Lessee)
Comments by Executive Officer Dedrick 2
Comments by Mr. Von Elten
Mola Development Corporation 4
Comments by Mr. Holland
KTJ Properties, Inc.
Item 25, City of Avalon (Applicant) 8
Item 26, State Reclamation Board (Applicant) 10
Item 28, State Lands Commission (Party) 10
Item 29, State Lands Commission and the City of Sacramento (Parties) 11
Item 30, Utah International, Inc. (Applicant) 11
Item 31, Fargo Resources, Inc. (Applicant) 11
Item 32, County of Lake (Applicant) 12
Item 33, City of Long Beach (Party) 12
Item 34, City of Long Beach (Party) 12
Item 35, City of Long Beach (Party) 12
Resumption of discussion on Items 23 and 24 13
Item 36, Long Beach Unit (Party) 15
Item 37, Long Beach Unit (Party) 16
Item 38, Grant Geophysical Corporation (Applicant) 16

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INDEX - Cont'd

Item 39, Ocean Surveys, Inc. (Applicant) ........................................ 16
Item 40, Pilot Petroleum Corporation (Party) ...................................... 16
Item 41, Northern Michigan Exploration Company (Lessee) ...................... 16
Item 42, Aminoil, USA (Lessee) .......................................................... 17
Item 43, Texaco, Inc. (Lessee) ............................................................ 17
Item 44, Estate of Henry H. Clock, Edwin H. Clock, Frances T. Clock, David Ralph Clock, Estate of Philip Clock and Pauley Petroleum (Parties) 17
Item 45, United States of America V. 236.08 Acres of Land, More or Less, Etc., Et al. (Parties) ................................................................. 18
Item 46, City of Los Angeles Department of Water and Power (Applicant) ................................................................. 18
Item 47, Lincoln Benicia V Associates (Party) ........................................ 19
Item 48, State Lands Commission (Party) ............................................. 19
Item 49, State Lands Commission (Party) ............................................. 19
Adjournment ......................................................................................... 20
Certificate of Reporter ........................................................................ 21
CHAIRPERSON McCARTHY: Good morning, ladies and gentlemen. I regret the delay and inconvenience to all of you.

I wanted to mention that C3 on the Consent Calendar is being pulled off and No. 27 is being taken off calendar.

Minutes of the last meeting. Any corrections or amendments being suggested?

COMMISSIONER RASMUSSEN: None.

CHAIRPERSON McCARTHY: If not, they stand approved.

Executive Officer's Report.

EXECUTIVE OFFICER DEEDED: Yes, Mr. Chairman.

We have a lessee, City News Service, who has a radio transmitter they are going to install on -- am I on?

CHAIRPERSON McCARTHY: Sorry, you're not. Go ahead.

EXECUTIVE OFFICER DEEDED: Last year we granted a lease to City News Service to put a transmission tower on a parcel of state lands up in the Sierra. They have been finalizing design and find that they need another right-of-way. They've agreed to amend the lease.

In the meantime, however, to meet their construction schedule, they need a temporary right of entry. So, I've granted them that temporary right of entry and they will be in here for your authorization of that at a future time.

CHAIRPERSON McCARTHY: Thank you very much.
We'll proceed on the calendar. Prepared to act on consent items, minus No. 3. That's 1 through 22, minus 3. If there are no objections, those consent items are approved.

Now on 23 — and 23 and 24 are related. I have requests to testify on these items from Lorilee Cedar, Vice President of Crocker National Bank; Peter Von Elten, Executive Vice-President, Mola Development Corporation; and Mr. Paul Cook, Director of Public Works, City of Huntington Beach on No. 24. The first two were listed with No. 23.

Do you want to step forward, please.

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, the Mola people have a statement of facts they'd like you to --

CHAIRPERSON MCCARTHY: Is there anything the Executive Officer or her staff would like to say at this time in addition to what we've heard at the last Commission hearing?

EXECUTIVE OFFICER DEDRICK: Not particularly, sir. You've heard all the testimony. The staff still feels that the appropriate way to go is to wipe the slate clean and address the issue on its merits.

I'd like to call attention to an error in the statement of facts which says that the parking is not under the -- well, which implies the parking is not under the control of the State Lands Commission. As you are aware, Item 24 is a lease which we recommend that you rescind.

CHAIRPERSON MCCARTHY: All right.
MR. VON ELTEN: Mr. Chairman and members of the Commission, good morning. My name is Peter Von Elten. I'm Executive Vice-President of Mola Development Corporation. I understand the calendar is quite heavy this morning and I intend to keep my comments quite brief.

We have submitted a brief statement of facts. I apologize for the one error to Ms. Dedrick.

There's only a few points that I would like to make. Keeping in mind that I was not here in attendance at the last meeting, but I did hear the tape. And I will not be redundant. I understand the Commission has one paramount question in mind, and that is: How will the public's interest better be served? Quite frankly, we think the statement of facts addresses that question.

I should like to add that Mola Development is trying to work things out since the last meeting with KTJ Properties to see if some sort of resolution could not be accomplished. I'm sorry to report that that is just not possible from our standpoint, I believe, as well as KTJ's.

This matter has been agendated since November of 1983. Mola Development has again reviewed the staff's position and we are in concurrence and in fact appreciate all the effort that staff has put in on this.

So, keeping all those thoughts in mind, we are in a position to support staff and would ask that the Commission
please make a decision today in favor of the recommended action.

That's all I have. Thank you very much.

CHAIRPERSON MCCARTHY: Thank you.

Any questions?

COMMISSIONER RASMUSSEN: No.

CHAIRPERSON MCCARTHY: Thank you, Mr. Von Elten.

Now, I also have a notice that Mr. Holland, the attorney and principle for KTJ is here and would like to testify.

Would you step forward, Mr. Holland.

MR. HOLLAND: Governor and Member of the Commission, last month you gave us the opportunity to make our presentation. But during the dialogue, I think Governor McCarthy posed three questions which, in the time frame, we didn't have a change to respond to. I would like to respond to that in a moment.

Also, at the conclusion of the testimony by Mr. Harlow on behalf of Mola Development Company, a declaration of Mr. Logan was offered.

Since then we have submitted to members of the Commission two declarations, one of Mr. Harris and one of Mr. Chalabian. In substance those declarations are intended to respond to part of Mr. Logan's declaration. In substance they indicate that a storm drain on the property was installed by
KTJ and that a portion of the street called Countess Drive was dedicated to the city by KTJ.

And the remainder of those two declarations we submitted indicate that there were substantial other expenditures made by KTJ.

These statements, of course, pertain to a collateral issue, which is how much has KTJ done on the property, which kind of goes to the question of equity.

Now, if I may address the three questions that I believe Governor McCarthy posed.

As I paraphrase them, how would the people of the State of California benefit if the Commission were to reinstate the KTJ lease; what is the position of the City of Huntington Beach with reference to the termination or reinstatement of the lease; what equitable considerations are there that might have a bearing on the Commission's deliberations in arriving at a decision.

Insofar as benefit to the public is concerned, a dock should have been installed by July 1, 1981. KTJ has offered to pay the rent that would have accrued since July 1, 1981 to July 1, 1984 had the docks been installed. We believe that's approximately $10,000. I'm now attempting to address the benefits to the public.

Future monthly rent payments we would pay until the docks are installed at the same monthly rate used in the
calculations of the $10,000. Then KTJ would pay future monthly
rent payments after the docks are installed at a rate to be
determined by the staff and KTJ

Obviously, with the installation of the docks, the
submerged lands would then be available for recreational
boating purposes. KTJ has submitted to the staff proof of
financing and of bond for completion of the docks.

KTJ has solved the eel grass problem, which is a very
critical problem. And KTJ would commit to installing the docks
within six months after issuance of the final permit. And we
would request eight months to obtain those permits.

KTJ would assure that the reinstatement of the lease
would assure that the ownership of the lease and the docks
would never be transferred to a community or homeowners
association; which we understand, if it ever were to occur,
might preclude the Commission from receiving rent.

As far as the position of the city is concerned, the
city's representative last month indicated they were not taking
a position.

Insofar as equitable considerations are concerned,
we've indicated that KTJ, over a period of several years, has
expended over a million and a half dollars on this project.
Obviously, KTJ does not now own the real property. The only
way that KTJ would be able to recover a portion of its
investment losses is if it were permitted to install the docks.
I've alluded to the eel grass problem. We solved that at a projected future expense of $22,000.

Some of the KTJ principles have been associated with the development for over six years, so they have knowledge and experience with it. Four of the five principles in KTJ are residents of Huntington Harbor and want to be local people owning and operating the docks.

The last point I wish to make is on the subject of litigation. I was asked the question by staff counsel of the Commission on December 7 would KTJ file some lawsuit if the lease were terminated.

My response then and my response now is that we would not do that. We're here to make our presentation to you. If you reinstate the lease, we obviously would be elated. If you terminate the lease, we accept that gracefully and we would not do anything insofar as any litigation is concerned. Thank you.

CHAIRPERSON MCCARTHY: Thank you for your testimony, Mr. Holland.

Let me mention that Commissioner Nancy Ordway is working on the budget downstairs. If any of the parties in interest here desire us to send for Commissioner Ordway and ask for her to join us, of course we're certainly prepared to do that, if there's anybody in the audience -- yes?

MR. VON ELTEN: Mr. Chairman, Mola Development would prefer that Ms. Ordway be present, if that's possible.
CHAIRPERSON MccARTHY: All right. May I ask staff, please, to ask Commissioner Ordway to join us.

CHAIRPERSON MccARTHY: As a matter of fact, why don't we pause for just a moment. I should have mentioned at the outset --

Let me suggest that we suspend our testimony on 23 and 24 until Commissioner Ordway joins us. If you don't mind, the rest of the file is fairly routine, I'm talking -- famous last words. If we get into controversy, we'll put that aside and only address the non-controversial items.

Let's take up No. 25.

EXECUTIVE OFFICER DEDRICK: Yes Mr. Chairman. Jim Trout has some things that we would like in the record.

ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman, Item 25 involves a lease to the City of Avalon for 61 moorings to be located on state tidelands immediately adjacent to the city's tideland granted area.

The city council approved the lease on Tuesday night. They have asked that the effective date be changed from May 1st, as it was originally in the calendar, to July 1, 1984. Staff concurs in this. We made some last-minute changes in the calendar. I don't know whether it got on every page, but the intention is that it be July 1.

The city is operating this buoy field, or mooring field, in Hamilton Cove in conjunction with their grant
operations. Within the grant, the city is proposing to dedicate a portion of the moorings to the exclusive use of the upland --

CHAIRPERSON MCCARTHY: I don't think your microphone is working.

EXECUTIVE OFFICER DEDRICK: Here, Jim, use this one.

ASSISTANT EXECUTIVE OFFICER TROUT: The Commission has, in the past, expressed some concern about tying the use of public property to a dedicated -- to require upland ownership as a consideration or as an attendant requirement to use of the tidelands.

The city found itself in a contractual obligation entered into almost 20 years ago and they have approved an arrangement whereby the upland condominium developers at Hamilton Cove -- within the grant, not in the lease area -- will have the preferential right to use 38 moorings, I believe it is, in Hamilton Cove for a period of eight years.

The city council of Avalon on Tuesday night adopted a policy that that is not in the public interest and they are going to pass a resolution at their next commission meeting establishing such a policy.

Therefore, with the developers now on notice that this policy will not be renewed, we think it makes the city's policy consistent with the Commission's stated policy.

The only reason we bring this up in light of this calendar item is that the city intends to operate the two
together as a unit.

Staff recommends approval of the calendar item with a July 1 effective date. The policy will continue as far as the city is concerned on the first-come, first-served use of moorings.

CHAIRPERSON McCARTHY: All right. Any further comment on this item? Any questions?

COMMISSIONER RASMUSSEN: No questions.

EXECUTIVE OFFICER DEDRICK: Item 26 --

CHAIRPERSON McCARTHY: The recommendation is approved.

EXECUTIVE OFFICER DEDRICK: Oh, excuse me.

Item 26 is the approval of a 25-year general permit for the Reclamation Board to do maintenance work on levees on the Sacramento River.

CHAIRPERSON McCARTHY: Do you have any questions on this?

COMMISSIONER RASMUSSEN: No questions.

CHAIRPERSON McCARTHY: Robert Manning, the Chief Engineer of the State Reclamation Board is here. Do you wish to testify in this, Mr. Manning, or are you here as a resource?

MR. MANNING: I'm only here to answer questions if you have any.

CHAIRPERSON McCARTHY: Are there any questions on 26? It's approved as recommended.

Item 27 is off. No. 28.
EXECUTIVE OFFICER DEDRICK: Item 28 is to authorize approval of a record of survey and map of some land in Tehama County. We file that record with the Tehama County recorder.

CHAIRPERSON MccARTHY: Any further testimony on this? All right, approved as requested.

EXECUTIVE OFFICER DEDRICK: This is a recommendation for an approval for a contract between the Lands Commission and the City of Sacramento in an amount not to exceed $15,000 to remove the O Street Pier. We'd like to move rapidly on this so that the obstruction, the navigation, will be gone by the time the boat races happen on the Fourth of July.

CHAIRPERSON MccARTHY: Any questions on this? If not, approved as recommended.

EXECUTIVE OFFICER DEDRICK: 30 is Utah International, approval of a prospecting permit for Riverside County in Riverside County.

CHAIRPERSON MccARTHY: Any questions? If not, approved as recommended.

CHAIRPERSON MccARTHY: 31, Fargo Resources, approval of a prospecting permit in San Bernardino County.

CHAIRPERSON MccARTHY: Any questions? Any testimony? Approved as recommended.
32.

EXECUTIVE OFFICER DEDRICK: Lake County -- this is a request for a denial of applications of geothermal prospecting permits on the sovereign lands in Clear Lake in Lake County.

CHAIRPERSON McCARTHY: Any questions on this?

We'll approve the recommendation.

33.

EXECUTIVE OFFICER DEDRICK: 33 -- the following items are Long Beach items. Moose Thompson is here if you have any questions.

Item 33 is approval of subsidence costs as required under Chapter 138.

CHAIRPERSON McCARTHY: Any questions?

Approved as recommended.

34.

EXECUTIVE OFFICER DEDRICK: It's the First Modification of the 84-85 Plan and Budget, which agrees on some language changes in regard to future drilling plans.

CHAIRPERSON McCARTHY: Questions?

Approved as recommended.

35.

EXECUTIVE OFFICER DEDRICK: The Eleventh Mod is essentially the history -- the report -- wait a minute, have I got this right?

ASSISTANT EXECUTIVE OFFICER TROUT: Yes.
EXECUTIVE OFFICER DEDRICK: The report on the first three quarters of the current fiscal year from the Long Beach unit.

CHAIRPERSON McCARTHY: Through June 30, 1984. All right, any questions?

Approve as recommended.

35. Pardon me, 36.

EXECUTIVE OFFICER DEDRICK: Would you like to hold 36 and go on to KTJ?

CHAIRPERSON McCARTHY: Why don't we hold 36.

We're back on 23. 23 and 24.
We've heard from Mr. Von Elten. We've heard from Mr. Holland. Ms. Lorilee Cedar, Vice-President of Crocker National.

MR. CEDAR: I pass.

CHAIRPERSON McCARTHY: You pass.

Mr. Paul Cook, Director of Public Works, is here on 24. Why don't you let us hear from you now.

MR. COOK: I'd just like to support --

CHAIRPERSON McCARTHY: Why don't you use the microphone, Mr. Cook, and identify yourself for the record, please.

MR. COOK: I'm Paul Cook, Director of Public Works, City of Huntington Beach.

I would like to support staff recommendation for Item
CHAIRPERSON McCARTHY: All right, our staff recommendation. All right, thank you.

Any questions of Mr. Cook?

Thank you.

Any other witnesses to come before us on 23 and/or 24? Staff want to make a closing statement?

EXECUTIVE OFFICER DEDRICK: Greg, do you have --

CHAIRPERSON McCARTHY: Mr. Taylor?

MR. TAYLOR: I think for Ms. Ordway's benefit, I think that all the parties who appeared indicated they would not object to the staff recommendation being adopted. I think that was the gist of each of the people who testified.

CHAIRPERSON McCARTHY: I think in fairness, Mr. Holland, of course, hopes that we do not accept the staff recommendation. I think what he said was they don't intend to pursue litigation if we made that decision, but he's hoping that we reject the staff recommendation.

COMMISSIONER ORDWAY: Are there any changes in Item 13 as the staff report delivered to me earlier this week.

EXECUTIVE OFFICER DEDRICK: No, there are no changes.

COMMISSIONER ORDWAY: Excuse me, 24.

CHAIRPERSON McCARTHY: Any further comment by either members of the members of the Commission?

Is there a motion on this matter?
COMMISSIONER ORDWAY: I move the staff recommendation.

COMMISSIONER RASMUSSEN: Second.

CHAIRPERSON McCARTHY: The staff recommendation is approved.

MR. TAYLOR: 24.

COMMISSIONER ORDWAY: 24 I move the staff recommendation.

CHAIRPERSON McCARTHY: Do you second?

COMMISSIONER RASMUSSEN: Second.

CHAIRPERSON McCARTHY: The staff recommendation for 24 is also approved.

Thank you all for your patience.

CHAIRPERSON McCARTHY: We'll take up on Item -- is it 35?

EXECUTIVE OFFICER DEDRICK: We’re on 36.

This is the Twelfth Mod to the Long Beach Plan and Budget. It transfers funds for the purpose of paying for the repairs to the islands that were damaged in last year's storms. It turned out that the work went faster and while the contractor's there, they'll be able to finish it in this fiscal year.

The -- excuse me, that's all.

CHAIRPERSON McCARTHY: Anything further on this item?

Any questions?

36 is approved.
EXECUTIVE OFFICER DEDRICK: Item 37 is the Thirteenth Mod to the current year's plan and budget. The purpose is a transfer to cover increases in staff benefits.

CHAIRPERSON MCCARTHY: Any questions?

37 approved.

EXECUTIVE OFFICER DEDRICK: 38 and 39 are both geophysical survey permits identical with those granted at the last Commission meeting. These people just didn't have their applications in in time to be dealt with at that meeting.

CHAIRPERSON MCCARTHY: Any questions on 38 and 39?

All right 38, approved.

Any questions on 39?

Approved.

ASSISTANT EXECUTIVE OFFICER TROUT: Number 40 is an assignment from Pilot Petroleum Corporation to Pilot Petroleum Corporation with an intervening party. The apparent result of this is to assign it to a Delaware corporation. Staff has no problem with that.

CHAIRPERSON MCCARTHY: Any questions?

41 is approved.

42.

EXECUTIVE OFFICER DEDRICK: 42 is approval of a
pooling agreement for state oil and gas leases in Butte County. It's a long-standing lease where the resource lies under Gray Lodge Wildlife Refuge and the drilling is not done on the surface of the refuge. Staff recommends approval.

CHAIRPERSON MCCARTHY: All right, 42 is approved.

EXECUTIVE OFFICER DEDRICK: That was 41, sir.

CHAIRPERSON McCARTHY: 41 is approved.

EXECUTIVE OFFICER DEDRICK: 42 is approval of an application of Aminoil for an installation of a pipeline from Platform Emily to shore at Huntington Beach.

CHAIRPERSON MCCARTHY: Any questions?

All right, 42 is approved.

EXECUTIVE OFFICER DEDRICK: 43 is an approval of deferment of drilling operations on Texaco's lease on the Santa Barbara coast. They have some requirements that must be met to get their permits from the Air Pollution Control Board, which will require them to monitor NOX in the area for one year prior to drilling. Therefore, they cannot get a permit to drill and we recommend a permit.

CHAIRPERSON MCCARTHY: Any questions?

43 is approved.

44.
ASSISTANT EXECUTIVE OFFICER TROUT: The Clocks were involved in the original oil and gas leases in the area of the Huntington Beach field. The Clocks have among themselves assigned interests. The interests have been probated.

We're not sure that the state really has any role in this assignment. To the extent that it does, we recommend that these assignments be made. We're not attempting to distribute any assets between the members of the family, only to clarify that the state has no objections to whatever assignments have been made.

CHAIRPERSON McCARTHY: Any questions?

44 is approved.

EXECUTIVE OFFICER DEDRICK: Greg, would you take the live mike.

MR. TAYLOR: 45 is the authorization for a disclaimer for a temporary easement for some repair work by the federal government in Orange County at the outfall of the Santa Ana River.

CHAIRPERSON McCARTHY: Any questions?

45 is approved.

MR. TAYLOR: 46 is an exchange of land with the Department of Water and Power, the City of Los Angeles to gain an upland site for a state lands lessee who is doing mineral
operations on the bed of Owens Lake. We have a map of it, if
you're interested, on the wall over there.

CHAIRPERSON McCARTHY: Is this related to the water
dispute?

MR. TAYLOR: No, it is not. This is a soda ash
harvesting operation. They're trying to get into a position to
go into expanded operations, but they need an uplands site next
to the railroad tracks.

CHAIRPERSON McCARTHY: All right. Any questions?

Approved.

EXECUTIVE OFFICER DEDRICK: This is an approval of an
extension of time on a previously authorized title settlement.
This is in the City of Benicia in Solano County.

CHAIRPERSON McCARTHY: All right. Any questions?

47 is approved.

EXECUTIVE OFFICER DEDRICK: This is an approval of a
request for an approval of an amendment to add $20,000 to the
consulting contract of Robert Armstrong, whom we retained to
work on the outer continental --

CHAIRPERSON McCARTHY: Any questions?

Approved.

EXECUTIVE OFFICER DEDRICK: We're asking you in 49 to
allow us to waive penalty and interest below $25, because it
costs us more than that to collect.

CHAIRPERSON McCarthy: Any questions?
Approved.

Thank you all very much.

(Thereupon the meeting of the State Lands
Commission adjourned at 10:47 a.m.)

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CERTIFICATION 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 meeting of the State Lands Commission was reported in shorthand by me, Eileen Jennings, a Certified 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 6th day of July, 1984.

EILEEN JENNINGS
Certified Shorthand Reporter License No. 5122

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