MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL
THURSDAY, MAY 23, 1985
10:33 A.M.

Reported by:
Cathleen Slocum, C.S.R.
License No. 2822
MEMBERS PRESENT

Walter Harvey, Acting Chairperson,
representing Kenneth Cory, State Controller

Clifford Allenby, representing
Jesse R. Huff, Director of Finance

MEMBERS ABSENT

Leo T. McCarthy, Lieutenant Governor

STAFF PRESENT

Claire Dedrick, Executive Officer

James Trout, Assistant Executive Officer

Robert Hight, Chief Counsel

Jane Smith, Secretary

ALSO PRESENT

David Judson, Deputy Attorney General
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The meeting of the State Lands Commission will be in order.

The first item on our agenda if I can find it --

EXECUTIVE OFFICER DEDRICK: Confirmation of minutes.

ACTING CHAIRPERSON HARVEY: Okay. Confirmation of minutes of the meeting of April 25th.

Is there any correction or objection to the minutes? If there are none, the minutes will be deemed approved.


EXECUTIVE OFFICER DEDRICK: No report this morning, Mr. Chairman.

ACTING CHAIRPERSON HARVEY: Fine. Thank you.

Calendar Items, Items C1 through C --

COMMISSIONER ALLENBY: 16 excluding 11 and 15.

ACTING CHAIRPERSON HARVEY: -- 16. Let's exclude --

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, if I may, the items that are off calendar this morning are C11 and 15 and Items 22, 41, and 42 on the Regular Calendar.

ACTING CHAIRPERSON HARVEY: Okay. Without objection, then, any reference to calendars involving more
than one item at a time will incorporate those exclusions.

Are there any objections to adoption of the Consent Calendar?

Anybody want to speak on any of the items on the Consent Calendar? No objection, no speakers, Consent Calendar will be deemed accepted.

Item 17, Santa Catalina Island Company.

COMMISSIONER ALLENBY: Want to move that to the end?

ACTING CHAIRPERSON HARVEY: Let's get rid of it. I think that's what -- I understand there are some people in the audience that want to speak on Item 17, Catalina Island Company. Mr. John Longley, if you'll come forward, please.

MR. LONGLEY: Mr. Chairman, my testimony is going to be with Mr. Roger Woolley representing the Santa Catalina Island Company. Would that be permissible, sir?

ACTING CHAIRPERSON HARVEY: That's permissible.

EXECUTIVE OFFICER DEDRICK: Mr. Longley represents the City of Avalon.

ACTING CHAIRPERSON HARVEY: Rudy Piltch, Director of Planning and Vice President of the Island Company.

MR. PILTCH: I'm merely here to answer any questions and I prefer our comments to be made by
Mr. Roger Woolley.

ACTING CHAIRPERSON HARVEY: Thank you, Mr. Piltch. Norman D. Kuch, I believe, an attorney representing the Edison Company.

MR. KUCH: Mr. Chairman, I will speak after Mr. Woolley. Our matters are somewhat --

ACTING CHAIRPERSON HARVEY: You're going with Mr. Woolley?

MR. KUCH: I will be speaking following Mr. Woolley.

ACTING CHAIRPERSON HARVEY: Fine. Kenneth Williams, an attorney representing the Island Company.

MR. WILLIAMS: Yes, I'll defer to Mr. Woolley.

ACTING CHAIRPERSON HARVEY: Thank you, sir. Mr. Woolley, it looks like everybody's deferred to you. It's your turn.

MR. WOOLLEY: I'm the only one that's left? Do you want us to proceed or did you want a staff report or anything else?

MR. HIGHT: Just a preliminary, Mr. Chairman. We might say that we have been in negotiations with the Island Company for some few months and the Island Company and the city have I think been in meetings and discussions the last day or so, and I think it would be helpful if we know where they are in order to determine the best
course to proceed.

MR. WOOLLEY: Thank you, Mr. Chairman.

For the record, Roger Woolley, Box R, Rancho Santa Fe speaking on behalf of the Island Company and with me is the City Manager of the City of Avalon.

MR. LONGLEY: My name is John Longley.

MR. WOOLLEY: We have had extensive negotiations for a settlement of the claim and we've reached what seemingly is an accord here which we would suggest that the state review and possibly vote upon today as well. As you know, we have not definitely determined the amount of acreage in issue. We have not definitely determined on a price. The fact is that there is an appraiser who has been chosen by the state now who will be working on it and our settlement, if obtained here, would be conditioned upon whatever valuation that appraisal effects. We would like at that particular time as well as having the state have exactly the same right to view his work at some stage before a final figure is arrived at to protect the state's position as well as our own.

ACTING CHAIRPERSON HARVEY: If I may, Mr. Woolley, what you're saying then, the price involved in the transaction will be determined by that appraisal and agreement from two parties, basically.

MR. WOOLLEY: The secondary concern and issue is
that we protect certain properties that are the subject
of the negotiation at this particular point. The City of
Avalon is desirous of effecting a thorough study leading
to the possible construction of an airport affecting
certain of these properties. We have a great concern in
the sense that we have a tenant and a very useful entity
extracting rock which we feel to be very much a public
interest concern for the balance of the state and Southern
California in particular. So we have entered into an
understanding that has not as yet been defined in detail
but generally, and I'll ask Mr. Longley to speak to it,
is this, that whatever figure is determined and agreed upon
by the state and the Island Company will be in essence
escrowed for a period of approximating 30 months' time.
During this time the City of Avalon will proceed to determine
the potentials of an airport facility being created on
portions of the area in question here. A six-month
study or thereabouts will be completed I understand in
approximately that time to determine feasibility. The
balance of the period would be spent in actually acquiring
the funding for the acquisition of eight additional
acreage and, let alone, the construction of that airport.
The total period regardless of whether feasibility is
determined in six months or some time later would not
extend beyond 30 months. An additional point and
concern to us --

ACTING CHAIRPERSON HARVEY: Including this first six months?

MR. WOOLLEY: Including the first six months.

So 30 months from this particular time the matter is resolved one way or the other.

We have the concern and stipulation that whatever is determined there, it will not in any way destroy the utility of the quarry. The operating concern that we have is that whatever feasibility is ascertained or whatever construction later comes, that that quarrying operation must continue without obstruction. The city has agreed with us on that score. If, at the end of that time, it's determined that an airport cannot be built on that site, it is our understanding and request that the monies that are in essence in escrow and the documents and so forth be also tied up with that escrow would be concluded, the monies paid to the State of California. During this period perhaps we have not determined whether the interest on those monies should go to whom nor have we determined exactly what the Island Company would be paying for the continuing quarrying operation there during that 30 month period. Probably a 10 percent figure of the total amount reached by the appraiser in his work with both the Island Company and ourselves. That, in
essence, is where we are at this point. I'd ask Mr. Longley to speak to affirm his understanding as being exactly that.

MR. LONGLEY: Yes, sir. I have with me today the Mayor of the City of Avalon, Mr. George Scott, who's in the audience. Basically what was outlined by Mr. Woolley is my understanding. At the end of a 30-month period at the quarry, the city could only act upon or enter in discussion with the State Lands Commission to utilize that for an airport site. If we get a grant offer from the Federal Aviation Administration or if the city is able to get language in some act of Congress authorizing money for the construction of the airport or approving the airport project. We also discussed briefly the Pebbley Beach site. The 30 months would not run on this. However, the Island Company did indicate that they would work in good faith with us and not create barriers to an airport development there.

This is I think substantially the understanding. Is that correct, Mr. Mayor?

MAYOR SCOTT: Yes.

MR. WOOLLEY: So there may be no confusion, when there's mention of the 30-month period not running on the Pebbley Beach site, it's our position that the Pebbley Beach site has nothing to do with any other proposed site. We did extend their position to the city that we would
cooperate with them in providing materials that were
resultant from a previous study and work with them on any
advancement of that particular site at that particular
time, but that basically has no bearing on the running of
the 30-month period.

ACTING CHAIRPERSON HARVEY: I gather then someone
here -- you're speaking for the Island Company, you're
speaking for the City of Avalon. I assume that the
differences, if there are any, between the Island Company
and Avalon are resolved within the framework now of a
six-month period of time to complete feasibility studies,
permits, whatever else is necessary followed by a 24-month
period in which an airport, if it is to be constructed,
would be constructed or at least started or some such thing?

MR. HIGHT: Financing would be --

ACTING CHAIRPERSON HARVEY: Something done to make
it a positive thing as opposed to just extending time
indefinitely.

COMMISSIONER ALLENBY: Once you pass the six-month
period, it really becomes, assuming that it's feasible for
purposes of discussion, then the next 24 months would be
a function of getting financing from whatever source, whether
it be the federal government or however it's done to
actually initiate an airport. Is that everybody's under-
standing?
MR. LONGLEY: We understand that the 24-month, the proof of the pudding in this case would be either a grant offer from FAA or language in a law of Congress indicating that the airport is approved and is authorized.

ACTING CHAIRPERSON HARVEY: On the feasibility study would show the airport feasibility to be positive. The 24-month period would be for the purpose of establishing an absolute window during which something to really at least start that airport. I don't think you're going to finish building an airport in that 24-month window, but there would be positive steps taken to assure that the airport would be constructed. Is that what you're really saying?

MR. WOOLLEY: Yes. The funding pertaining to additional land acquisition and construction of the facility would have to be committed at that 30-month period. If not, then the public trust in essence would terminate on the escrowed acreage.

ACTING CHAIRPERSON HARVEY: And the intention then is to refer this I guess back to you for the appropriate documents to be prepared. I understand that the probability at this point is that we would use Kapiloff Land Bank funds for the purpose of depositing the money or acquisition. That's something that we can't do today basically as I understand it anyway. As far as I'm concerned
Mr. Allenby, with your acquiescence, I would suggest that Mr. Hight and the AG's office is here.

EXECUTIVE OFFICER DEDRICK: Mr. Judson.

ACTING CHAIRPERSON HARVEY: That we refer this back to that staff to prepare the documents necessary to bring before this Commission for approval essentially of what we have laid out here in the agreement between the Island Company and the City and whatever remarks you or I may have put into this meeting and then bring those documents. I would like to start the six-month window today if we can.

There you go fellows. Let's get this thing off dead center. So unless there's objection to starting that window, I assume that we will be able to work out the ABC details. Let's start the window --

COMMISSIONER ALLENBY: June 1st.

ACTING CHAIRPERSON HARVEY: -- start the window June 1.

MR. WOOLLEY: Because June 1 is the request of the city and we are in accord.

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, one minor point which is really trivial, but to clear the record, permits wouldn't be applied for until later in the process, obviously until --

COMMISSIONER ALLENBY: You don't have--
ACTING CHAIRPERSON HARVEY: You don't have anything to apply for.

EXECUTIVE OFFICER DEDRICK: That's correct.

ACTING CHAIRPERSON HARVEY: You have something, Mr. Hight?

MR. HIGHT: I'm concerned with whether the Edison Company --

ACTING CHAIRPERSON HARVEY: I was going to come to that.

Before we vote on this thing, there were some other requests. I have one from the Edison Company.

I have one -- I guess the Island Company is done.

Mr. Kuch.

MR. KUCH: Thank you, Mr. Chairman.

At the moment the Edison Company and the Island Company will pretty much join together in the settlement as far as the boundary disputes are concerned. Due to the nature of the ownership which is a reversionary interest, once that site is not used for electric generation, it goes back to the Island Company. So I think they have a very important stake in the decision.

The thing that I'm concerned with now is we have an application pending for lease of the wharf and during this 30-month period we would like to have that lease pretty much or prior to the running of this 30-month
period have this lease executed or granted in some form.

    ACTING CHAIRPERSON HARVEY: Prior to the
    expiration or prior to the commencement?

    MR. KUCH: Prior to the commencement.

    ACTING CHAIRPERSON HARVEY: Prior to the
    commencement, you're out of luck.

    COMMISSIONER ALLENBY: Unless the staff has
    already had some direction to do that.

    ACTING CHAIRPERSON HARVEY: This is something
    that's not before us.

    EXECUTIVE OFFICER DEDRICK: Mr. Chairman, may
    I suggest that in the case of the Edison Company,
    that any negotiations they have ongoing and the negotiations
    would be partly with the Island Company and partly with
    us, I presume. That those negotiations go forward without
    prejudice.

    ACTING CHAIRPERSON HARVEY: I was going to say
    that.

    EXECUTIVE OFFICER DEDRICK: The property is
    then divided in some way or another that affects the lease,
    then the lease should be modified to reflect that change.

    MR. KUCH: We'd be willing to join with that
    condition that if there's some change or modification
    necessary in the description or even in the rental rate,
    we could work that out at some subsequent date.
ACTING CHAIRPERSON HARVEY: I have no problem with that.

COMMISSIONER ALLENBY: Is that all right with the Island Company?

MR. WOOLLEY: Yes. I don't see any concern. We're all right.

ACTING CHAIRPERSON HARVEY: Then that is something that you will continue to work I guess with the Commission staff to proceed post haste with.

Yes, sir.

MR. LONGLEY: Sir, will this have any effect on the potential airport at Pebbley Beach?

ACTING CHAIRPERSON HARVEY: Pebbley Beach isn't before us. The wharf lease is really not before us. I don't see how two things that were not really even talking about can be made a part of what we're actually doing. I think that Mr. Kuch's agreement and Island Company's agreement to proceed with the wharf, I would assume the City of Avalon and the Island Company would go along on the same basis on Pebbley Beach.

EXECUTIVE OFFICER DEDRICK: That was the intent of my comments was that these things should be able to go forward in the real world without prejudice to the actual settlement.

ACTING CHAIRPERSON HARVEY: That is correct.
EXECUTIVE OFFICER DEDRICK: At the time of the settlement the lease could be modified if necessary.

ACTING CHAIRPERSON HARVEY: Want to confirm, however, in reiterating that the six-month window which is the first one-fifth of the total 30-month window opens on June 1.

MR. TROUT: Mr. Chairman, one thing it would do. It would fix the boundary between the Island Company property and the state property along the frontage of Pebbley Beach and I think that really resolves one of the difficulties. Then how the airport would fit into that boundary is a wholly separate issue that would have to be developed.

ACTING CHAIRPERSON HARVEY: Anybody else want to speak on the matter before the Commission?

Do we need a motion or just an instruction? I think you understand the instruction, Mr. Hight.

EXECUTIVE OFFICER DEDRICK: I think we understand, Mr. Chairman.

ACTING CHAIRPERSON HARVEY: Yes, sir.

MR. LONGLEY: Would it be possible to stay at this point at time processing of the lease on the wharf for the initial six months?

ACTING CHAIRPERSON HARVEY: Why do we want to do that?
MR. LONGLEY: To see how it fits with the airport.

MR. WOOLLEY: What bearing does it have?

ACTING CHAIRPERSON HARVEY: I don't know what that does.

MR. HIGHT: It's not before us.

ACTING CHAIRPERSON HARVEY: You're asking again for something that's really not before us. Mr. Kuch, you understand what he wants to do?

MR. KUCH: I think I do, Mr. Chairman. I think he's concerned about the wharf having some interference with the construction of the airport; is that correct?

MR. LONGLEY: That's correct, sir.

MR. KUCH: I don't think that's a problem.

ACTING CHAIRPERSON HARVEY: I don't think the Edison Company would stand in the way of construction of an airport if there was going to be one. I can't speak for you, but I don't think you would.

MR. KUCH: Well, the wharf's already in place, Mr. Chairman. It's just a matter of having a right to use it.

EXECUTIVE OFFICER DEDRICK: Well, it seems to me, Mr. Chairman, that these are all matters that relate as much to Avalon as they do to the Island Company and the State Lands. I would suspect that this Commission would do what it usually does, and that is if the situation
came down that the wharf was in the way of the airport, we'd find another place to put a wharf because they've got to have fuel to come ashore or there's no electricity for Avalon. I mean, it's kind of a public interest thing. My intent was that those things would be resolved when and if an airport site is selected, if necessary. But that obviously the Edison Company needs a place to bring fuel ashore. Obviously, Avalon and the Island Company need electricity. If the airport goes, then other leases would have to be modified, if necessary.

ACTING CHAIRPERSON HARVEY: If the airport goes here, there's not going to be an airport at Pebbley Beach. If the airport doesn't go here, we're not going to move the wharf to Pebbley Beach. Seems to me that this is the sort of -- I think the record is clear as to what everybody intends to do here. We do not want to do anything that prejudices any other negotiation or anything else that's going on. We are merely commencing on an ultimate resolution which at this point we seem to be in fairly much accord with in respect to what we now are all familiar with as the Catalina Island problem.

MR. WOOLLEY: I have one last quick question and it's not quite been resolved. In the event the subject acreage does go into this escrow period and the balance of the boundaries will be determined well prior to the close of
the 30-month period, I understand.

MR. HIGHT: Yes.

EXECUTIVE OFFICER DEDRICK: At the end of the six-month period presumably staff would report back to the Commission on the conditions of the situation and that I would think would include a recommendation on the issue that you're concerned about. Is that your understanding, Mr. Chairman, Mr. Commissioner?

ACTING CHAIRPERSON HARVEY: Okay.

MR. WOOLLEY: Thank you.

ACTING CHAIRPERSON HARVEY: You understand your instructions, then?

MR. HIGHT: Yes.

ACTING CHAIRPERSON HARVEY: I don't think you need a motion, do you?

The record is clear.

MR. HIGHT: The record is clear, but just for formality we should have a motion.

ACTING CHAIRPERSON HARVEY: Fine.

COMMISSIONER ALLENBY: You have one.

ACTING CHAIRPERSON HARVEY: Without objection, that motion has been adopted by this Board.

MR. WOOLLEY: Thank you, Mr. Chairman.

MR. KUCH: Thank you.

ACTING CHAIRPERSON HARVEY: Okay. Anyone else?
Item 18.

Before we proceed with Item 18, I have a feeling that I want to disqualify myself. Is this the matter involving Mr. Coyne, River View Marina?

EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.

This involves a minor amendment to a lease for the purposes of erosion control and riprapping on the River View Marina. Mr. Coyne is here if you want to hear from him. However, if you're going to disqualify yourself, Mr. Chairman, one vote doesn't do anything. So we would put the matter over for a month.

ACTING CHAIRPERSON HARVEY: Before I really do, if Mr. Coyne has something he wants to say -- I think he knows why I am taking that position.

MR. COYNE: Mr. Chairman, I'm afraid I don't know.

EXECUTIVE OFFICER DEDRICK: Mr. Coyne, introduce yourself for the record, please.

MR. COYNE: My name is Ed Coyne. I'm the applicant in this case, the owner at River View Marina. The proposal is to do a minor riprapping to protect about a 400-foot stretch of the Sacramento River. I don't know why you might want to disqualify yourself.

ACTING CHAIRPERSON HARVEY: Mr. Coyne, I had a telephone conversation with you involving another matter about five or six months ago if you'll recall.
MR. COYNE: Yes, sir.

ACTING CHAIRPERSON HARVEY: I have had some other contact and conversation with a partner of yours in either this or some other venture.

MR. COYNE: Another venture.

ACTING CHAIRPERSON HARVEY: And I did not walk away particularly happy in my conversation with you. I don't want, in the event -- I don't totally understand this one yet. I would ask staff for an explanation and their recommendation. But, you know, if at that point in time my propensity was to go against granting the permit that you're asking for, I don't want anything on the record that would indicate that that association and that conversation I previously had with you was influencing what I am doing here today.

MR. COYNE: I'd stipulate that you could make an independent decision on this independent matter and I'd like it to be heard.

ACTING CHAIRPERSON HARVEY: Lawyer have any problem? You don't understand the basis of what I said?

MR. HIGHT: I understand the basis of what you said. I think given Mr. Coyne's stipulation, you are free to either proceed or disqualify yourself.

ACTING CHAIRPERSON HARVEY: Do you want to
proceed?

MR. COYNE: Yes. I see you entirely independent, sir.

ACTING CHAIRPERSON HARVEY: Let's go. You're on.

MR. COYNE: I believe Claire Dedrick will make the presentation.

EXECUTIVE OFFICER DEDRICK: Well, it's a fairly straightforward situation. Staff recommends approval of the riprap, of the amendment that will allow them to go forward with the riprapping project. Earlier there was some concern as to whether the environmental work had been done correctly. We are satisfied, both legal staff and environmental staff, are satisfied that the application is in proper order and staff recommends approval.

COMMISSIONER ALLENBY: I move it.

MR. KILEY: I might add that upstream and downstream in similar situations the Commission has not in the not-too-distant-past approved similar kinds of riprapping projects.

ACTING CHAIRPERSON HARVEY: Nothing in the record that says we've ever done otherwise basically?

MR. KILEY: Not that I know of.

ACTING CHAIRPERSON HARVEY: Got a motion. Without objection, then, the permit will be granted.
MR. COYNE: Thank you.

ACTING CHAIRPERSON HARVEY: Excuse me.

Recess one minute.

(Thereupon a brief recess was taken.)

ACTING CHAIRPERSON HARVEY: Back on the record.

Thank you, Mr. Coyne.

MR. COYNE: Thank you.

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, Number 19 involves the Pebble Beach Company. It's an amendment of a general lease on a recreational pier for reconstruction of that pier. There are some language changes that the Pebble Beach Company would like to submit which staff approves for the regulations of the operation of that pier as a public pier.

ACTING CHAIRPERSON HARVEY: Anybody want to speak on Item 19?

EXECUTIVE OFFICER DEDRICK: Jim has the --

MR. TROUT: I have the amended Exhibit A. If you would simply approve the item with the amended Exhibit A which is purely technical, no substantive changes. We'll include that in the lease.

COMMISSIONER ALLENBY: Move.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 20, State of Arizona.
EXECUTIVE OFFICER DEDRICK: The State of Arizona is applying for a 49-year general permit public agency for a park on lands in the State of Arizona owned by the State of California. We have also a minor amendment to make on the language of this particular lease. We'd like to add Resolution Number 3 which waives fees. Jim --

MR. TROUT: You got it.

COMMISSIONER ALLENBY: Move it.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 21, John R. Cullinan.

EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.

This is a primary item of this calendar item is a suspension of Commission consideration for further applications for solid waste, for waste disposal permits for hazardous waste until September 30th of this calendar year. Combined in that item is a staff recommendation to deny a core drilling permit. That is currently in-house and Mr. Cullinan, I believe -- not Mr. Cullinan. Someone is here to speak on the subject.

ACTING CHAIRPERSON HARVEY: Mr. Russell and Mr. Laurie. You want to identify yourselves for the record, please?

MR. LAURIE: Mr. Chairman, Robert A. Laurie,
attorney for the applicant.

EXECUTIVE OFFICER DEDRICK: Could you spell your name, Mr. Laurie?

MR. LAURIE: L-a-u-r-i-e.

ACTING CHAIRPERSON HARVEY: I can give you the slips afterwards if you would like these.

MR. LAURIE: With me, Mr. Chairman, is Dr. Larry Russell, the Project Environmentalist Engineer.

Mr. Chairman, if I may, the application before the Commission is for a core hole drilling project to determine the feasibility of an earlier application to lease lands under your control. That is the application. There is a recommendation for denial. When we received notice on the 14th, we immediately communicated with staff and indicated our concern on purely a legal and technical grounds about the short notice, but more importantly as to this application we are convinced that given sufficient time, and it won't take long, we can have appropriate meetings with staff and give them the data that they need in order to recommend approval of this application. We therefore requested a continuance till your June meeting.

ACTING CHAIRPERSON HARVEY: You want to continue this one till June?

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, the
reason for the staff's recommendation for a denial is
based on the Commission's desire to suspend action
until the Legislature and the Executive Branch has had
time to act on policy. We therefore felt that it was
unreasonable to grant a permit, have people spend money
when there was no guarantee that the project as proposed
by the applicant would be able to go forward. They
would incur costs which could be used in a liability
action against the state. That's the staff's reason for
requesting denial of the permit.

ACTING CHAIRPERSON HARVEY: If I may, one,
it would be my position to, (a) -- let me back it up.
I don't want, if we avoid it, to deny your permit today,
nor do I really want to grant it. I think that the
position of this Commission is such that we want to
wait to see what the resolution within the Governor's
Office of the State Legislature is with respect to the
whole question of toxic waste management. I would be
willing to semi-grant your permit today personally --
I don't know what Mr. Allenby may feel -- on a number of
conditions, none of which I really think would be to your
benefit if you want to proceed. If, on the other hand,
you want to put this matter over for a June meeting,
I'm not even certain putting it over to June is going to
solve your problem. My guess is it's going to be more
like August or September before we're going to have any
ture indication of what the legislative and state policy
is going to be.

COMMISSIONER ALLENBY: What kind of conditions
would you suggest?

ACTING CHAIRPERSON HARVEY: Well, if they want
to obtain all of the necessary permits to drill these
test holes, you know, the three-core drills or whatever
the heck they are, reimburse the Commission for any
expense it may have in reviewing documentation or preparing
documentation or whatever else it may do and stipulate
that no finding with respect to the results of those
core holes would have any prejudice or input with respect
to whatever action this Board may subsequently take,
I personally would say that you can satisfy all the local
people, whatever other permits or EIRs. I don't think you
need EIRs for this. If you want to go ahead, it's your
nickle and your money. If those results essentially come
up positive and it becomes the policy of this Board to
deny such applications, the positive findings of those
core holes will in no way prejudice the action of this
Board nor be used in any form against this Board.
If those test holes prove to be negative, I assume that
you would abandon the project anyway. So if you want to
spend your money for your own personal, private purpose --
Mr. Laurie: Mr. Chairman, once again, we fully understand staff's concerns regarding the project. This is not a project that is going to be resolved in a matter of days or months or weeks or perhaps years. The purpose of this permit is to determine an immediate feasibility so as to provide the applicant sufficient information as to whether or not they should proceed.

Acting Chairperson Harvey: Mr. Hight, Mr. Attorney General's Representative, is the record clear as to the basis on which I would be willing to grant those permits?

I want to make certain that this Board is protected against the use of the results of those permits against the steps that are taken to obtain those permits and to drill those holes and in no way will be used against the Board for whatever position this body might take subsequently. I don't know how to say it much clearer than that.

Mr. Hight: I think the record is clear.

Commissioner Allenby: I'll move it then.

Executive Officer Dedrick: Mr. Chairman, before you make a motion, we should delete the first recommendation, the denial of the permit, and I should tell you that staff
is, as I think you understand, not ready to permit, because the basic work hasn't been done. So if we go forward with the permit with the conditions that you have placed, we will be back before the Commission in June with the conditions in place and the other conditions the staff will require. Does that fit your -- meet your approval?

ACTING CHAIRPERSON HARVEY: Fine.

COMMISSIONER ALLENBY: Fine.

EXECUTIVE OFFICER DEDRICK: So your motion then would delete the first recommendation, denial of permit, and adopt the other two.

ACTING CHAIRPERSON HARVEY: And adopt the other two with the stipulation somehow into that record that I have tried to make as clear as I could. You want to spend your money, fellow, be my guest.

MR. LAURIE: Thank you, Mr. Chairman.

ACTING CHAIRPERSON HARVEY: Okay.

EXECUTIVE OFFICER DEDRICK: Item 23 --

ACTING CHAIRPERSON HARVEY: Item 22.

COMMISSIONER ALLENBY: It's off.

We're on 23.

EXECUTIVE OFFICER DEDRICK: Is off calendar.

ACTING CHAIRPERSON HARVEY: Item 23, Al Eames.

EXECUTIVE OFFICER DEDRICK: This is the denial
of an application for the continued use of a floating
residence in Georgiana Slough. Commissioners, the applicant
who is here and would like to speak has had a 20-year lease
with the Commission for maintaining the structure and
the lease stated that it would terminate without renewal.
Therefore, staff is recommending denial. The applicant
would like to speak and I'm sure you'd like to hear.

ACTING CHAIRPERSON HARVEY: I would like to hear,
but prior to the applicant speaking, has this Commission
adopted a policy with respect to house boats on waterways
and state lands?

EXECUTIVE OFFICER DEDRICK: The Commission has
regularly held the position, as does the Attorney General's
Office, that residential use of tidelands is not a public
trust use.

Mr. Hight, do you have anything to add to that?

MR. HIGHT: The staff and the Commission have
held the position -- I guess an answer to your specific
question is there any document, I think the answer is no.

ACTING CHAIRPERSON HARVEY: So the question is
really, although generally we have stated residential
use is not permissible, there's nothing that says that
that's really what the case is?

COMMISSIONER ALLENBY: The other issue is that,
I mean, this is not the only residence, whether it's a
house boat or whatever, that's on these things, and I think it would be reasonable for the staff to do a study that has long-term implications so that these people have an understanding of what their actual standing is and what the future looks like.

EXECUTIVE OFFICER DEDRICK: Yes, Commissioner. What you say is true. There are at least 100 other known structures. Staff would be happy to conduct an investigation and if you choose to do so, we certainly could grant an interim permit to this structure to protect him during that study period and report back to the Commission at a time that you choose.

ACTING CHAIRPERSON HARVEY: Mr. Eames, would you like to come forward for a minute, please?

MR. EAMES: My name is Al Eames. I represent myself and my wife.

ACTING CHAIRPERSON HARVEY: Mr. Eames, before you go into your request, what you're asking for I gather is a 10 or 20-year extension of the lease at this point?

MR. EAMES: Yes, sir.

ACTING CHAIRPERSON HARVEY: I think that from what I heard from Mr. Allenby and my own position would be that I think maybe we should extend the lease for a period, but I don't think that period should be for ten or twenty years. I think that this Commission and its staff needs
to adopt a firm policy and resolve the whole issue of not only your house boat but the other somewhat over 100 problems involving exactly the same issue.

It would be my proposal that we extend your lease for 18 months or two years, or some such thing. Let's say we took a two-year extension of your lease with an instruction to our staff to develop a report on which this Commission could adopt a firm and stated policy and resolve all of those problems. That if the staff were able to complete this in between one year and 18 months, something like that, we could then shorten the period of time so you would know what was going on by maybe as much as six months. In other words, the 24 months could become 18, you could proceed as you are, and I think --

COMMISSIONER ALLENBY: You could make it 24 months. The staff report could be within a year and then it would be sometime to work out whatever needs to be done.

EXECUTIVE OFFICER DEDRICK: Fine.

ACTING CHAIRPERSON HARVEY: The reason I bring this up before you speak, Mr. Eames, is for the record I don't think I personally would be prepared to go much beyond that period.

I think this is another issue that needs to be
resolved. If you want to proceed on your request for a 10 or 20-year lease, certainly you are free to do so. You may convince us or convince me. I can't speak for Mr. Allenby.

MR. EAMES: I'd like to request a 10-year lease. We have complied with all the regulations. We've kept up on the insurance that you requested. When we started this 20 years ago our lease was running $65 a year, and now it's up to $580 a year. We are on the tax -- we own the property and we have a home on the land side and this is a 20 by 30 foot structure. It doesn't have a bedroom. There is kitchen facilities and bathroom facilities.

We have a septic tank on the land side with a pump that pumps the effluent over the levee and we've kept up the area. We have 150 feet on the water. We've kept up the area by rocking the levee and keeping it green as far as fire hazard.

ACTING CHAIRPERSON HARVEY: That's why I don't want to throw you off of there to use boat language. At the same time, what is the expiration date of the original lease?

MR. KILEY: The original lease is expired, I believe, right now, or it's going --

ACTING CHAIRPERSON HARVEY: He's known for 20 years that this lease was going to expire.
MR. KILEY: Right.

ACTING CHAIRPERSON HARVEY: And that there was no obligation to renew under any circumstance. What I am trying to do is if this Commission ultimately adopts a policy that would permit you to remain there for another ten or twenty years, I think at that point we would be willing to enter into that sort of an extension. If the policy becomes that the residential use will not be tolerated period, then at least you've got a couple of years and you will have at least the final six months of that couple of years to know, hey, I'm going to have to move this house boat.

MR. EAMES: I see.

ACTING CHAIRPERSON HARVEY: I would rather grant personally a two-year extension to your lease with that instruction to the staff than to deny your application for extension of the lease.

MR. EAMES: And then at that time we can reapply?

ACTING CHAIRPERSON HARVEY: You can do anything you like.

COMMISSIONER ALLENBY: It would be based upon the criteria. I would assume that the staff would have some discussion with you and other land owners, because it can't be just staff talking to itself in terms of because
we do have a problem in that there is an issue of public interest and the staff really has to deal with that. Generally public interest has meant the public has access, the public can really deal with what are state lands and in the process of establishing criteria, they'll have to try to address the issue of can the public interest test be met by allowing you and a number -- and you're not the only one -- you and a whole variety of other folks to maintain certain properties. If we grant an extension of a lease, I think we are acting in good faith to trying to deal with the specific issue and we're also acting in good faith in trying to determine what and how public interest really is served.

ACTING CHAIRPERSON HARVEY: I would like to do something else as part of the instruction if it is permissible, and I don't know whether we can. Since there are 100 other properties involved, how many of those properties also have their leases terminating within this two-year window? What I'm really saying, is I don't mind opening a two-year window. I would like, if we can, to instruct the staff to have its report to the Commission within 18 months.

EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.

I'm sure we can do that.

ACTING CHAIRPERSON HARVEY: That additional
six-month window that those people who will be affected by adoption of that policy one way or another will have an opportunity to at least seek some recourse against it, make another application, whatever they decide themselves they might want to do. I would also not like to let the action taken with respect to Mr. Eames open the door to a two-year extension of a lease that expires 23 months from now.

EXECUTIVE OFFICER DEDRICK: Understood, Mr. Chairman.

COMMISSIONER ALLENBY: But the issue before us is Mr. Eames.

ACTING CHAIRPERSON HARVEY: The issue before us is Mr. Eames and we are resolving Mr. Eames' problem. My suggestion would be a 24-month extension of the existing lease under the terms and conditions the staff would feel appropriate. I'm certain they would get something together with Mr. Eames so that he doesn't have to move his boat or pay exhorbitant amounts.

MR. KILEY: For the record, it would be a new lease rather than an extension since the other one expires by its terms.

ACTING CHAIRPERSON HARVEY: New lease.

EXECUTIVE OFFICER DEDRICK: We do have language, Commissioners, that you could adopt today to eventuate what
you want to have happen and, Commissioner Allenby, certainly
we would contact everybody we know of and have discussions
with them, the people with such structures.

Possibly a public hearing. I'd like to have
a little time to come up with a plan for the study. The
staff would be very happy to conduct such a study.

ACTING CHAIRPERSON HARVEY: Can you do it within
18 months?

EXECUTIVE OFFICER DEDPICK: Yes, I believe so,
Mr. Chairman.

ACTING CHAIRPERSON HARVEY: Then I think we
understand.

COMMISSIONER ALLENBY: Do you want a motion?

MR. JUDSON: Mr. Chairman, excuse me.

Just for the record, as you know, the Attorney General's
Office has counseled on many occasions that exclusive
residential use of tide and submerged lands does not appear
to be consistent with the public trust. We have not had
a chance to review this particular item as proposed by the
Commission at this time. So we do not take a position on
it. We also do not take a formal position, but do not have
any objection to a study of this two-year window that
you're talking about, but I do want to make the record
clear that we are not taking a position on Mr. Eames.

ACTING CHAIRPERSON HARVEY: The record will so
COMMISSIONER ALLENBY: Just, Mr. Eames, I mean, it appears that we're not interested in having you stay there, but I want to make it clear that the public trust is a very difficult issue to deal with. In litigation if there were litigation you would not be the one sued, we would. Basically we would have trouble as the AG has indicated and I think that's the area of concern that we have. So we're not here in a condition to try to move you away because we don't think you should be there or do think you should be there, but there are legal problems in terms of meeting the public trust.

MR. EAMES: I understand that recreational use is acceptable on something like this.

ACTING CHAIRPERSON HARVEY: You may be absolutely right and you may be absolutely wrong. I think that what we are discussing now may be an individual situation. I think that what we're suggesting is if you would agree, we are willing to put this off for a long enough period of time to permit us to adopt a policy that would apply not only in your case but in every other case. It would give the Attorney General the opportunity to give this Commission whatever legal input it deems advisable with respect to what this body may take in future situations. Your case I'm certain is not identical with the other 100.
There may be some parts of it that are.

So without any prejudice to your situation but
certainly without any prejudice to our situation or to
the record embodying the comments of the representative
of the Attorney General's Office.

MR. EAMES: I'll agree to that.

ACTING CHAIRPERSON HARVEY: Thank you.

Do you need a motion?

COMMISSIONER ALLENBY: Got one.

ACTING CHAIRPERSON HARVEY: Without objection,
then, I think you understand what we want to accomplish.

MR. HIGHT: Mr. Chairman, just in order to
clarify the statements I made earlier regarding residential
use on trust lands, the Commission has taken that position
in numerous points but has never, focus has never been
as sharp as in this case. Well, there is not a set
policy document, and I want to make it clear that the
Commission has in numerous cases reiterated the fact
that residential use is an inconsistent trust use.

COMMISSIONER ALLENBY: The fact that there
isn't one allows us to do what we did.

EXECUTIVE OFFICER DEDRICK: That's correct.

MR. EAMES: All right. Fine. Thank you.

ACTING CHAIRPERSON HARVEY: Thank you, Mr. Eames.

Item 24, Chevron U.S.A.
EXECUTIVE OFFICER DEDRICK: Yes. Commissioners, it is approval of a letter of authorization to will a test bore on tide and submerged lands. Staff would like to change dates by one week. Other than that, with that change we recommend approval.

COMMISSIONER ALLENBY: Move.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 25, Robert Hallmark and the City of Trinidad.

EXECUTIVE OFFICER DEDRICK: This is approval of authorization to execute a supplementary letter of understanding pertaining to certain conditions under a general lease commercial use in Trinidad Harbor.

COMMISSIONER ALLENBY: No objection. Move it.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 26, Union Oil Company, Item 27, Union Oil Company, are they contiguous or some such thing?

MR. TROUT: They're two different --

EXECUTIVE OFFICER DEDRICK: They're two different -- go ahead, Mr. Trout.

MR. TROUT: Item 26 is for a geothermal lease on the west side of the Salton Sea. It would be included, if you approve, it would be included into a unit down there.
The terms are specified and we recommend approval.

ACTING CHAIRPERSON HARVEY: Without objection, then, that will be the order.

Item 27.

MR. TROUT: It's a quitclaim deed for a Union parcel in The Geysers.

ACTING CHAIRPERSON HARVEY: Without objection, granted.

Item 28, City of Long Beach.

MR. TROUT: The ninth modification would be to move money from within, from one budget category to another without augmenting the budget of the operator of the Long Beach unit. Moose can give you specifics if you're interested, but the staff recommends approval.

COMMISSIONER ALLENBY: No objection.

EXECUTIVE OFFICER DEDRICK: This is merely a shift.

ACTING CHAIRPERSON HARVEY: Without objection, the application is granted.

If there's someone wants to speak on these while I'm going by, holler out because we're going fairly rapidly if we can.

Item 29, Edgington Oil Company.

MR. TROUT: Mr. Chairman, you might want to consider Item 29, 30, 31, 33 and 34 as together. They
are all awards of royalty oil sales contracts. We removed Item 32 for separate consideration because there's a unique circumstance. The bonus we've gotten from these royalty oil sales ran from 35 cents to about a dollar and staff recommends approval.

ACTING CHAIRPERSON HARVEY: Before we take all of those, one question with respect to Item 31. There was prior question raised by the chairman whether or not this Cal-Jet application had any involvement with an entity known as Loujet?

EXECUTIVE OFFICER DEDRICK: Mr. Thompson will speak to the question.

MR. THOMPSON: My name is Thompson, Extractive Development. Al Willard has looked into this and he'll comment on this.

MR. WILLARD: Yes. We've had several discussions with Cal-Jet and it appears that there was a relationship between Laujet Crude Oil Inc. which was merged into Cal-Jet. The surviving company is Cal-Jet. They are in a good financial condition. They have an outstanding $20 million line of credit.

ACTING CHAIRPERSON HARVEY: There is no separate involvement. We are dealing strictly with Cal-Jet at this point?

MR. WILLARD: That's correct.
MR. THOMPSON: That's the corporate structure as we see it.

ACTING CHAIRPERSON HARVEY: You want to take, then, Items 29, 30, and 31; is that correct?

EXECUTIVE OFFICER DEDRICK: And 33.

MR. TROUT: 33 and 34.

ACTING CHAIRPERSON HARVEY: And 33 and 34.

EXECUTIVE OFFICER DEDRICK: They're all royalty oil sales and we recommend them.

ACTING CHAIRPERSON HARVEY: Without objection, those are all adopted.

Let's go then to Item 32, MacMillan.

EXECUTIVE OFFICER DEDRICK: Mr. Thompson has some comments.

MR. THOMPSON: Since this calendar item was written, the statement of course is made in here that we have reviewed the financial ability. Since that time we have followed up and the operators do have some questions about the financial status of this company. The Commission of course receives the benefit of any bonus we receive in additional revenue. There is a downside that if any of these sell off contractors default on the contract, then we have the potential of having to dispose of oil at less than post and certainly loose the bonus. So, therefore, we have two types of protection. We have
protection after the contracts start for the oil that the contractor takes and has in his possession and hasn't paid us for yet, that if he defaults from that then we have a letter of credit or a bond to protect us from that. We also then want a performance bond ahead of time before that contract starts so that if they default before the contract starts, then we have to go out on an emergency bar' and sell, that we're protected for any loss there. This happens to be a case in which we have to give notice 180 days ahead of time to give the oil back. So, therefore, we would then have a six-month period in which we would have to dispose of this oil at some distress condition. Mr. Williams is here. I think he has some proposals that may protect the Commission in this respect and I think you should hear from him.

ACTING CHAIRPERSON HARVEY: Mr. Williams.

MR. WILLIAMS: Thank you, Mr. Harvey. I'm Kenneth Williams. I'm an attorney in Long Beach. I'm representing MacMillan Oil Company today. MacMillan has been on this contract for royalty oil at 690 barrels a day and MacMillan's bid was 81.6 cents. The next bid was Edgington which was 42.6 cents. There was about $114,000 difference over the life of the contract which is a 14-month contract.

The MacMillan Oil Company has had this bid —
it's the Carpinteria field -- through the last year and MacMillan has been in business a good, long time. They, as other businesses that are in the independent refining end, are having more difficult times these days and they don't deny it but they are one of the survivors and they plan to be around and keep surviving. They have always made their oil contract payments and they have always made their oil contract payments to the state. They plan to continue doing so.

The proposal that we have for you to consider today which I think is a good and business-like proposal is that we will post the $1 million bond on November 1st, that is, $1 million letter of credit on November 1st which is two months prior to the commencement of this contract. That we will post a bond in the meantime to guarantee that we will post the letter of credit. The bond in the meantime will be $160,000. We would need two weeks to post the bond right now.

ACTING CHAIRPERSON HARVEY: I think that's a reasonable proposal.

MR. THOMPSON: What we're saying here, by moving it up another month, we then have 60 days if they default on the contract to dispose of it. Plus the fact they say they will put up $160,000 bond which will extend through the life of the contract.
MR. WILLIAMS: The bond would extend until December 31.

ACTING CHAIRPERSON HARVEY: Until he has the letter of credit in place. Once he's got a letter of credit in place, --

MR. WILLIAMS: Until the letter of credit is in place. The letter of credit replaces the bond.

ACTING CHAIRPERSON HARVEY: I don't know why you need a bond if you have a letter of credit.

Yes, sir.

MR. LUDLOW: May I address this point? My name is Rick Ludlow. I'm a staff counsel.

The letter of credit is not, although it would be posted November 1st, it doesn't become effective until January 1. That's why you need the bond.

ACTING CHAIRPERSON HARVEY: The bond is in place until such time as the letter of credit becomes effective.

MR. LUDLOW: Right. But the other point is this, that the bond should guarantee performance under the contract as additional security in addition to the letter of credit and not just guarantee that they're going to post a letter of credit.

ACTING CHAIRPERSON HARVEY: I don't think they have any problem with that.

MR. LUDLOW: I don't think they should have any
problem with that.

MR. WILLIAMS: But the letter of credit goes out when the bond comes in.

ACTING CHAIRPERSON HARVEY: The bond will remain in place in effect --

MR. WILLIAMS: The bond goes out when the letter of credit comes in. I'm sorry.

ACTING CHAIRPERSON HARVEY: That's correct.

EXECUTIVE OFFICER DEDRICK: As long as performance is met.

MR. WILLIAMS: Yes.

COMMISSIONER ALLENBY: I have no objection.

ACTING CHAIRPERSON HARVEY: Without objection, then.

MR. WILLIAMS: We'll have two weeks to post the bond?

ACTING CHAIRPERSON HARVEY: Yes.

MR. WILLIAMS: Thank you.

ACTING CHAIRPERSON HARVEY: You can do it in that time? Do you want three?

MR. WILLIAMS: Two is fine. That ought to give me an extra week.

EXECUTIVE OFFICER DEDRICK: We got a motion on that one?

ACTING CHAIRPERSON HARVEY: Item 35.
MR. TROUT: 35 is the City of Long Beach is going to spend some of its own tideland oil revenues for a downtown marina parking lot. Staff recommends approval.

COMMISSIONER ALLENBY: No objection.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 36.

MR. TROUT: Twice a year the City of Long Beach makes a horizontal and vertical control measurement to see if there's any subsidence. This would approve the cost for the year between July 1 '25 and June 30 '86. Staff recommends approval.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 37.

MR. TROUT: Items 37 and 38 involve geophysical survey permits in the delta area of Solano County around Grizzly Island. They are going to be looking for some oil. These are both the same kind of things in two different areas, and we recommend approval.

COMMISSIONER ALLENBY: No objection.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 39.
MR. TROUT: 39 is a prospecting permit for minerals other than oil and gas in Riverside County. We recommend approval.

ACTING CHAIRPERSON HARVEY: Without objection, that will be the order.

Item 40.

MR. TROUT: Item 40 just gives Norris Oil Company a little more time to provide their royalty payments and --

ACTING CHAIRPERSON HARVEY: Recommended by the staff.

Without objection then, that will be the order. Item 41 and 42 are removed from the agenda.

Item 43.

MR. HIGHT: Item 43, Mr. Chairman, is a disclaimer in a lawsuit in the City of Oceanside. The Commission has no interest in the land subject to that lawsuit.

COMMISSIONER ALLENBY: No objection.

ACTING CHAIRPERSON HARVEY: Without objection, disclaimed.

Item 44.

MR. HIGHT: Item 44, Mr. Chairman, is the assignment of an existing recreational pier permit for Mr. Anolik and Bennett Realtors.

ACTING CHAIRPERSON HARVEY: Recommended by the
staff. Without objection, that will be the order.

Item 45.

MR. HIGHT: It's the retrocession of six acres from federal jurisdiction to state jurisdiction of a railroad spur outside of Mather Air Force Base. This gives local police the authority to enforce local regulations on the railroad spur.

ACTING CHAIRPERSON HARVEY: Without objection,--

COMMISSIONER ALLENBY: No beer drinking for the kids.

ACTING CHAIRPERSON HARVEY: Anything else to come before the Commission?

EXECUTIVE OFFICER DEDRICK: That's all, Commissioners.

ACTING CHAIRPERSON HARVEY: We will stand adjourned.

(Thereupon the meeting of the State Lands Commission was adjourned at 11:35 p.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 meeting before the State Lands Commission of the State of California was reported in shorthand by me, Cathleen Slocum, 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 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 June, 1985.

Cathleen Slocum
Certified Shorthand Reporter
License No. 2822

PETERS SHORTHAND REPORTING CORPORATION
3433 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-8894