STATE LANDS COMMISSION
STATE OF CALIFORNIA

STATE CAPITOL
ROOM 447
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, JULY 25, 1985
10:55 A.M.

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

Lizabeth Rasmussen, Acting Chairperson
representing Kenneth Cory, State Controller

Nancy Ordway, representing Huff,
Director of Finance

MEMBERS ABSENT

Leo T. McCarthy, Lieutenant Governor

STAFF PRESENT

James Trout, Assistant Executive Officer

Robert Hight, Chief Counsel

Lance Kiley

Rick Ludlow

Jane Smith, Secretary

ALSO PRESENT

Jan Stevens, Deputy Attorney General
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PETERS SHORTHAND REPORTING CORPORATION
3420 AMERICAN RIVER DRIVE, SUITE A
SACRAMENTO, CALIFORNIA 95825
TELEPHONE (916) 972-9184
ACTING CHAIRPERSON RASMUSSEN: Meeting will come to order, please.
Apologize for running a little late this morning. We had some meetings that ran over.
The first item of business is confirmation of the minutes.
COMMISSIONER ORDWAY: Motion.
ACTING CHAIRPERSON RASMUSSEN: Minutes are confirmed.
The next item on the agenda is the report of the Executive Officer.
MP. TROUT: You have that in front of you, Madam Chairman. It's just a report on a couple of things that last Commission meeting approval of one item was conditioned on our checking with the Insurance Office of General Services. We've done that and the amount of the insurance was raised.
The other are requests for two letters of permission for an item that's on this calendar and for another one that will be on next month to meet dictated windows of opportunity for working that they're required to do some work in the Delta area within certain time lines. So we ask your permission for that.
ACTING CHAIRPERSON RASMUSSEN: All right.

Are there any questions from Commissioners? No questions. You do need some action on that particular item, then?

MR. TROUT: No.

ACTING CHAIRPERSON RASMUSSEN: The next items on the agenda are the Consent Agenda items. These are items Cl through C19. Have any of these items been removed from the calendar?

MR. TROUT: No items have been removed.

ACTING CHAIRPERSON RASMUSSEN: These are items that have been deemed by the staff to be relatively non-controversial and if anyone would like any item removed, this is the time to speak and we will take it up on the full agenda as a separate item. Otherwise, we will approve the Consent Agenda as presented.

No questions?

COMMISSIONER ORDWAY: I move the Consent Calendar.

ACTING CHAIRPERSON RASMUSSEN: It’s been moved and approved.

Consent Items Cl through C19. The next item is Item 20 of the Regular Calendar.

MR. TROUT: This item is for a demonstration project on the Sacramento River for bank protection. It’s a palisade type project and we recommend approval.
ACTING CHAIRPERSON RASMUSSEN: All right. I have a request to speak here from Robert Manning on this item.

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

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you very much.

Are there any questions from Commissioners?

COMMISSIONER ORDWAY: Move the staff recommendation.

ACTING CHAIRPERSON RASMUSSEN: All right.

The staff recommendation has been moved and is approved.

Item 21.

MR. TROUT: Item 21 is to add two accommodation floats at the Isthmus Cove in Catalina Harbor at Santa Catalina Island to accommodate dinghies during the summer period.

ACTING CHAIRPERSON RASMUSSEN: All right. Any questions?

21 is approved.

Item 22, please.

MR. TROUT: 22 in and of itself is a very complicated transaction. But what this does is allow a different financing organization to be part of the project and we recommend approval.
ACTING CHAIRPERSON RASMUSSEN: Any questions on Item 22?

Item 22 is approved.

23.

MR. TROUT: 23 is approval by the Commission for an expenditure of more than $250,000 for the County of Santa Barbara of tideland trust monies and we recommend approval.

ACTING CHAIRPERSON RASMUSSEN: Any questions on 23? Item 23 is approved.

Item 24, please.

MR. TROUT: Item 24, Mr. Kiley can give a presentation on, but first I'd like to read into the record two letters that we have received. I have a small problem. I have to find them. One letter was from the Off-Highway Motor Vehicle Recreation Commission supporting Mr. Thomas' proposed recreational site development and the other is from the United States Navy in opposition to the site. After Mr. Kiley's presentation, there may be some people here besides Mr. Thomas who would like to comment.

Gerry Hillier who is the Desert District Manager for BLM would like to talk. The Bureau of Land Management is opposed to the proposed transaction. So with that I think maybe the best thing would be for
Mr. Kiley to explain what the project is and we can take it from there.

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you.

Mr. Kiley.

MR. KILEY: This is a proposal to develop a recreational park on basically that portion of this purple parcel which is south of the highway here, around this ranger station. This is a State-owned parcel of school land. The Algodones Desert or wilderness study area is to the north, the Gecko Campground, which is operated by the Bureau of Land Management is to the south, Osborne County Park to the East, and this is a Navy target range over here on this site. I'll let the Navy speak to that issue.

The staff recommends denial of the permit based on the objections of the BLM and the Navy.

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you. I do have four requests to speak. The first is Phillbert Randy Thomas. Use the microphone and identify yourself for the record, please.

MR. THOMAS: My name is Phillbert R. Thomas and this thing all started in September --

ACTING CHAIRPERSON RASMUSSEN: You can sit down if you like and be more comfortable.
MR. THOMAS: -- when I called the Bureau of Land Management and said I'd like to put in an RV park in sand dunes, do you have a piece of property. They said no, we don't, and I talked to Steve Johnson there. He said no, we don't, but the State Lands Commission does, gave me the telephone number, and the name of the person to talk to.

I called them up, got an application, sent it in. The application was accepted. Meanwhile when Gerald Hillier from the Bureau of Land Management found out what the project was and I went over to the Bureau of Land Management in El Centro to get a copy of the water report from the well on the property I was informed by Barry Ashworth that, hey, don't you know we're trying to run a campground just south of here and we want to improve it and someday charge a fee to get in and we won't tolerate your competition moving into the area.

So I talked to Don Reese. Don Reese says, well, if they say that they're trying to get the land to stop the project, we will recommend to the Commission that it's not of our best interest to let the Government have it and we'll back your proposal 100 percent. Meanwhile, we got ahold of the Executive Officer and the Bureau of Land Management in Sacramento. They told us they don't care what we do to that property, they have no intentions
for it, no use for it, do what you may.

Three days later Gerald Hillier sent some executives over to the Lands Commission, talked to Claire Dedrick and said we want to get that land, don't process the application, and that's about where we are right now.

The only reason they're trying to keep me out of there is because they intend to develop their campground and charge a fee for it and they don't want my competition. For the State to let a piece of property go to them for $360 worth of desert land in a trade and turn down approximately a million point six, $1,600,000 a year for the lease, is totally ridiculous. That's over 10 percent of what you collect on all your land now and to stop this project so that they don't have to have the competition is ridiculous. For the Navy to object to it is also ridiculous because it's in a C zone and it's in a zone for unrestricted use.

ACTING CHAIRPERSON RASMUSSEN: Is that a county designation, C zone?

MR. THOMAS: That's a Navy designation.

And after them telling me it's unrestricted, it's a safe zone, now they're saying that, well, we don't want you there. It's in a bad zone, but it also happens to sit on the same property that the ranger station sits
on. If it's not safe for my project to be there, it's also not safe for the ranger station to be there or for Highway 78. If it's not safe for the project, it's also not safe for the highway and that should also be removed. Common sense tells you that if it's safe for a highway to go through there, it's safe for a project to go through there.

MR. KILEY: I might point out that there is a difference in density of use.

COMMISSIONER ORDWAY: I'm aware of the difference, the fact that the highway is moving traffic as opposed to individuals remaining on a parcel for a period of time.

Have you talked with the Navy?

MR. THOMAS: No.

COMMISSIONER ORDWAY: Okay. Is the Navy scheduled to speak?

ACTING CHAIRPERSON RASMUSSEN: Yes, I think there is someone here.

Yes. Captain Emil Gram.

All right. Any other questions of Mr. Thomas?

MR. THOMAS: If you look at the area, if you knew about the area, Gerald Hillier and the BLM can show you all they want because they've never been there and don't know. But if you look on this map where the Gecko
Park is, on a weekend there will be 10,000 people in that area, 10,000 vehicles. In the Osborne area just on the other side of Osborne Hill that's called competition hill. Every night the entire, everyone who's there, which is usually between 100 and 200,000 people, are in that valley just two miles to the west, to the east of the project, and to say that right there to have 100 to 200,000 people in the area is safe, but two miles this way is not, is ridiculous.

Same way with the Gecko Campground south. If this project isn't needed, why in 1986 are the BLM building another campground just a half a mile south of the one they have now? If this project isn't needed, I'd say that that project isn't needed and what works for one has to work for all. But the BLM hasn't seen it that way. They think they can run a monopolitical no-competition situation there and this is the United States free enterprise system. To let this go on is ridiculousness.

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you.

Are there any other questions?

COMMISSIONER ORDWAY: What would be the capacity of your RV?

THOMAS: 4400 and that's been cut down
from 5600.

COMMISSIONER ORDWAY: Okay.

ACTING CHAIRPERSON RASMUSSEN: But you estimated that it would attract a lot more people than that because you had some additional facilities?

MR. THOMAS: I don't think it will attract more people than that. It's not bringing more people into the area the way Gerald Hillier claims it is. There's already 100 to 200,000 people there every weekend during the season.

ACTING CHAIRPERSON RASMUSSEN: I thought you had told me that it was going to attract quite a few people.

MR. THOMAS: Just the people who are there. There's not going to be any advertising for the place. You'll see it and you'll go there because you are there.

ACTING CHAIRPERSON RASMUSSEN: Do you have any questions?

COMMISSIONER ORDWAY: Not right now.

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you, Mr. Thomas.

The next slip I have is for Gerald Hillier. Hopefully he can answer some of the questions that have been raised.
MR. HILLIER: Good morning. My name is Gerald Hillier. I'm District Manager for the Bureau of Land Management, California Desert District, Bureau of Land Management.

It's unfortunate that Mr. Thomas thinks that I have launched into some kind of a personal vendetta against him. Quite to the contrary, I don't doubt for a moment his sincerity in proposing this project.

The Bureau of Land Management of course has been interested in the management of the sand dunes for off-highway vehicle recreation for a number of years. Our first plan was prepared in 1972 and it was shortly after that that we build the Gecko Road and established a ranger station and established the first primitive camps in the area.

Subsequently we have continued to plan and expand, but concurrently we have received, we got into a difference of opinion with some of the off-highway groups relative to the use north of Highway 78. Noted on the map on the plat is the Algodones Wilderness study area, and during the California Desert Plan effort in 1978 that was designated a study area and in 1977 we closed it so as to protect rare plants within the overall region. It was a multiple use trade-off decision in which we made a decision to totally close
and protect the area north of Highway 78 to ensure that
this area south of Highway 78 could remain an open
area, which in fact it has.

That decision was appealed and was finally
upheld by the Ninth Circuit Court of Appeals.

Subsequently the Bureau has fallen or I guess
you'd describe fallen on some hard times relative
to funding, but concurrently the State of California
has come to the aid of users and BLM and has financed
about a million and a half dollars of additions and
maintenance and work in the campgrounds south of
Highway 78, including resurfacing of the Gecko Road and
the Gecko Campground and has approved construction of
the small Roadrunner Camp, which will house about 500
units.

The objective of our management has been
to primarily disperse users south of the area.

When I first heard of Mr. Thomas' proposal,
it was in the context of 5600 units and on review of it
I continued to question the various aspects of it.
One of the things of course is that it would place and
has modified some 4400 units at the junction of the
Gecko Road and Highway 78 and there has been a latent
demand to reopen the area north of Highway 78 by off-
road groups, and of course that has been opposed by
wilderness groups and others, and there are other uses of the public land which we have to manage the lands for.

Our fear is that it will put several thousand additional users into an area and increase an already congested area when the management of the area basically is aimed at dispersing the uses. This results in safety hazards and a great deal of congestion and, frankly, not a very good experience for many of the users.

We have just finished scoping a redo of our management plan. Some people did speak in favor of some additional campgrounds and some additional developments. The bulk of these were in the extreme southern end of the area along Interstate 8 where there are no facilities for users right now. At the same time many users expressed a desire that facilities be left primitive, that the area not become a Disneyland and a number of other comments.

I will leave with the Commission the Imperial Sand Dunes Planning Workbook that we used for public comment and on about the 5th or, no, beginning on page 14 of that are these public comments from these various meetings in Riverside, Yuma, El Centro and San Diego that we held and the summary of those
public comments and I'll leave those with the Commission staff.

Besides the congestion and the potential effect on wilderness values north of the highway, of course the Navy issue is new and I'll let the Navy speak to that. They are here today.

Mr. Thomas alleges that we somehow fear competition from a private enterprise development and I have to categorically deny that. Quite to the contrary, we recognize that the users through the Off-Highway Vehicle Fund have supported development of a number of facilities in the area and the maintenance thereof and have in fact paid for those and it's been Bureau policy that we not charge a fee for the use of these camping facilities, that we already have camping, toilet and garbage facilities. They do not totally meet the needs on very large weekends such as Washington's Birthday, but they also sit empty a good part of the year also. We do not charge a fee. To the contrary, we feel or would suspect or would offer that probably with a fee facility north of the road that the government's, which I have to remind is a State, cooperative State-Federal project, would probably fail first and Mr. Thomas' might not fail at all and the Commission very easily could get into a posture of having to reflect on unfair competition from a non-fee area versus
a fee area. You know, it's death on all of our parts in terms of how that would finally materialize. We aren't afraid of competition. In fact, we're not in a competitive business. There are some commercial enterprises in the area right now such as the Gecko Store that do offer some facilities. There's a county facility at Osborne Park a couple of miles to the east and we're not in this thing to worry about competition. What we want to do is provide for the users who use the area down there and provide for all of the users who are interested in the management of public lands.

COMMISSIONER ORDWAY: Does BLM have any plans to expand beyond this 500 units that you spoke about?

MR. HILLIER: At the present time no. Back in 1977 when we got into the difficulty on the rare plants, this actually even predated the wilderness issue. At that time we intended to extend the Gecko Road completely south through the dunes, and eventually make a hookup with Interstate 8. Part of the settlement of that issue involved a decision not only to close the north end of the dunes, but not to extend the Gecko Road further south. When we did wilderness inventory the central core of the dunes was also designated a wilderness study area. Now, it was not finally recommended as suitable for inclusion in the National Wilderness System as part of the Desert Plan.
but I do know from talking to various interest groups that there is and will be when the BLM wilderness bill finally hits the floor of Congress, there will be a thrust by some of the interest groups to include that central core area in a wilderness proposal. We would oppose it, and what the Congress does with it, I don't know. But in the meantime, any extension of the Gecko Road I'm sure would be fought by the environmental groups and so at the present time we do not have any plans to extend that road, certainly not until the wilderness review is finished by the Congress sometime around 1990, 1991.

ACTING CHAIRPERSON RASMUSSEN: Any other questions of Mr. Hillier at this time?

Thank you very much.

MR. HILLIER: Thank you.

ACTING CHAIRPERSON RASMUSSEN: The next person is Paula Carrell, and we need your name and organization, please.

MS. CARRELL: My name is Paula Carrell, and I'm here to represent the Sierra Club this morning. I don't need to repeat the points that Mr. Hillier made. I guess that the Sierra Club's primary concern from the desert activists in the area is that basically they feel I think that use in that area is at capacity at present and this would be
exemplified by any existing impacts on the dunes that are south of the highway. The dunes have been denuded, compaction is obvious. It is a heavily used, and in some people's minds excessively used area. The fear is that by putting this sizeable campground at the road junction and immediately across the road from what is a BLM recommended wilderness area, the north dunes, that it would draw heavily increased use and there would be increased trespass and other problems on the recommended wilderness area north of the road.

The feeling is, the underlying feeling is that the area is at capacity. If there is a need for increased camping facilities, it should probably be as Mr. Hillier suggested in the south off Highway S where there is use now and there is no camping provided, but not in this particular site.

The Club has supported a proposal for a land exchange between the State and the BLM which would include this property and thereby guarantee its protection and possibly you could describe it as a buffer to the north dunes area possibly. Those kinds of things I'm sure will await the final action on the proposed BLM wilderness as he mentioned in Congress in the ensuing years. And possibly decisions on where increased camping should be provided should also await Congress' action on the BLM
wilderness decisions because then at that point we would all have a better judgment on where we stand in reference for appropriate use and appropriate campground siting in the Imperial dunes area.

I can answer questions, although I'm not an expert. I'm basically, because I work for the Sierra Club in Sacramento, our desert activists called me and said because you're in town, we hope you can be there. I am not really an expert on the area. They've mentioned for instance that they're concerned about the rare and endangered plants in the north dunes area. They neglected to give me the specific names. I understand that I can get those from the Native Plants Society and if the Commission would like that information, I can get it for you, but I don't have it with me today.

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you. Any questions?

Thank you very much.

MS. CARRELL: Thank you.

ACTING CHAIRPERSON RASMUSSEN: The last person I have a slip for is Captain Emil Gram from the Naval Air Facility.

CAPTAIN GRAM: Good morning. I am Captain Emil Gram, the Commanding Officer of the Naval Air Facility located just east of El Centro.
COMMISSIONER ORDWAY: While you're checking your map, one question of staff. What's the population of the ranger station?

MR. KILEY: The population of the ranger station itself?

Gerry.

MR. HILLIER: The question is what is the population of the ranger station?

COMMISSIONER ORDWAY: Right.

MR. HILLIER: There is no permanent population assigned. The rangers have residence and office space in our El Centro office. They utilize the area on a weekend basis and there can be as many as half a dozen employees plus volunteers in the ranger station when it's being used.

COMMISSIONER ORDWAY: Twenty-four hour coverage on the weekend or sunrise-sunset?

MR. HILLIER: It's about 12 to 16 hours coverage, but they also use it for a dormitory. So there is occupancy 24 hours per day.

COMMISSIONER ORDWAY: On the weekends?

MR. HILLIER: Yes.

COMMISSIONER ORDWAY: Not during the week?

MR. HILLIER: On most weekends. There are weekends obviously during the summer season during the
three months which use is very minimal that there would be nobody in there at all.

COMMISSIONER ORDWAY: Thank you.

ACTING CHAIRPERSON RASMUSSEN: Captain Gram.

CAPTAIN GRAM: My interest in this whole issue is as the manager of the targets that the Navy has been using for some 40 to 50 years in the Imperial Valley, two of which are located on this chart, it's sort of accurate, the Target 68 there.

There's another one just north of Highway 78 called Target 95. There's kind of a long shaggy dog story to this, and I don't want to belabor it.

About 10 years ago the Navy became increasingly interested in encroachment problems certainly around our airports, populated areas, the obvious ones, but also in areas where we have targets. There aren't many left in the United States. There's some up around Fallon, Nevada, that has made a lot of press interest in recent months.

In Imperial Valley we have this and some other targets. I'm prepared to go into whatever detail you might want.

Last year, the Navy felt so concerned about this issue that we embarked upon a plan to withdraw some 325,000 acres of public land. The boundary of that included what is now under proposal, the surrounding
area of Parcel 36, where the proposed --

COMMISSIONER ORDWAY: Could you go to the map
and show us that?

CAPTAIN GRAM: Well, it goes on off to the side.
Again, the proposed withdrawal went out to this extreme.

COMMISSIONER ORDWAY: So it would include the
County park?

CAPTAIN GRAM: Yes. The intent was not to
curtail park usage, but it was to try to control growth.
Our concern is population density, pure and simple.
Like everything else, there has to be compromises. We're
concerned about public safety.

Depending on who you talk to, you could make
various arguments about what's safe and what's not safe.
We spent a lot of money and studied these problems rather
exhaustively. The net result of this withdrawal plan was
basically a three tiered organization of the land areas.
Now, the proposer here talked about the Zone C area.
Well, that's one of three zones that were identified in
the plan. There's A, B, and C. A being the area
immediately around the targets, the most hazardous;
B being somewhere in between; C being the least.

There was never any intent nor is it explicitly
spelled out that the C area is not hazardous. We have not
said that and we do not claim that. We are concerned in
C zones that we have a very close control both on new construction, because of the height limits -- aircraft flying around these areas do not need to encounter new hazards -- and also about population density.

The big difference in what the BLM has planned and has in existence and what this proposal is is density and we are very much opposed to that because we feel it would only add an increased hazard to the population. We walk a very delicate tightrope in protecting the public safety. But we take it very seriously and we try to watch it very closely so that we aren't unnecessarily endangering the public.

We feel that a developed campground would clearly be incompatible with what the Navy's needs are and I would go so far as to say I think it's probably unnecessary.

The Gecko Campground and the surrounding areas are unimproved and they're very transitory. To go in and construct a permanent campground with the kinds of improvements as proposed we feel would only encourage more people to move into the area and is tantamount to creating a city in there. That kind of encroachment would create a huge amount of expense to the American taxpayer and cause the Navy to lose this target. We feel we cannot accept that and we ask that your indulgence please to understand this problem and may the proposal.
ACTING CHAIRPERSON RASMUSSEN: Thank you.

Any questions, comments?

CAPTAIN GRAM: I have more detailed charts here that show the targets and be glad to leave these with you if you, and you can glance at them at your leisure.

ACTING CHAIRPERSON RASMUSSEN: Thank you.

Are there any other comments or questions that staff would like to make, any comments at this time?

MR. KILEY: Let me point out what the alternative will be for the staff. The Bureau of Land Management originally applied for an exchange involving this parcel in 1983 which predates this current application. Because of staffing limitations and the inability to prosecute the exchange, it hasn't been prosecuted to date, but they did have and in front of us in letter form an application to go ahead and exchange this out with us. It's kind of unfortunate that maybe the thing hadn't gotten exchanged before this proposal ever came to us.

But that's the way things are. We will probably go forward with the exchange in the event --

COMMISSIONER ORDWAY: In view of the recent request of the Navy, what impact would that have on BLM's request for an exchange?

MR. KILEY: The BLM would go forward with the exchange. It fits in well with their plans.
ACTING CHAIRPERSON RASMUSSEN: Any further questions?

COMMISSIONER ORDWAY: Not right now.

ACTING CHAIRPERSON RASMUSSEN: I think we find ourselves in a dilemma here of trying to maintain a delicate balance between allowing people into enjoy an area and yet protecting the area and the very reasons that the people come in to use that area.

Are you ready to make a motion?

MR. THOMAS: May I have a chance to --

ACTING CHAIRPERSON RASMUSSEN: Mr. Thomas, would you like to say something else?

MR. THOMAS: Yes. I'd like to show you this map, BLM map of the area, that we can ride in and it's unrestricted area and this is all you have right here. That is the ranger station where the project is supposed to be. That's Gecko Park and that's, this is what we get to ride in. Competition hill is located right where this little road right here is.

On the weekends is about the only time anyone is here at all. The rangers, they said that the rangers are here most weekends. Most weekends they are not there. There may be four weekends out of the entire 10-month season. This Roadrunner Park that holds 500 people has approximately two to three thousand there on any given
weekend. This holds approximately 5,000, has approximately 20,000 at any given weekend. Between the amount of area that we have, this is unrestricted. The area that this is in is unrestricted.

ACTING CHAIRPERSON RASMUSSEN: I'm not sure that anyone would dispute that. I think that's part of what they're saying.

MR. THOMAS: But in an unrestricted area, how can they say that they want to restrict it and I'll draw your attention to the letter that was sent by the Off-Highway Commission where they were standing in this --

ACTING CHAIRPERSON RASMUSSEN: Are you able to get this? I think we need you at the microphone, please.

MR. THOMAS: While the Off-Road Commission is standing in the A Zone, not the C Zone, while bombs were being dropped around them, it says right there in their letter right here, one of the Navy's bomb sites in the area, the proposed construction would fit into one of the ABC zones. Most prudent people agree that the Navy could delete the C category from their bomb site as there is virtually no danger within the area. I and other members of the Commission were privileged to watch the Navy's bomb runs at one of our March
meetings in El Centro. We were in an A Zone and were not in danger. There's no conflict between the Park and the Navy, and everything that the Navy just said here telling you was complete ridiculousness.

As far as keeping us out of the area because the area across the street is closed, the area across the street is closed. The area that we're in is not closed. The only reason for this is the Navy wants to run a monopoly. That's the only reason, not the Navy, but the Bureau of Land Management. If you look at all the evidence that they've told you and if you knew, if you'd been down there and seen what goes on, you'd know that this was total ridiculousness. To give the land to the government and take the California land out of California and put it into the government so that they can run a monopoly is ridiculousness, total ridiculousness. And for them to get up here and say that is ridiculousness.

ACTING CHAIRPERSON RASMUSSEN: Thank you, Mr. Thomas.

Are you ready to make a motion?

COMMISSIONER ORDWAY: For me the most convincing arguments are those of the Navy. I'll have to admit that having been around military establishments for parts of my life and because of the recent actions
of the Navy in broadening their interests, I would move
to deny without prejudice the application.

    ACTING CHAIRPERSON RASMUSSEN: I'll second

that. The item is approved per the staff's recommendation
and I hope that Mr. Thomas understands that he is free
to apply in some other area and I think that that is
a very reasonable alternative. That this is a project
that may be quite compatible in a different area.

    MR. THOMAS: In an area where there is no
population --

    ACTING CHAIRPERSON RASMUSSEN: Thank you
very much.

    Let's move on to Item 25, please.

    MR. TROUT: Item 25 is a 60-day --

    MR. THOMAS: I'll spend my $20 million in
Russia where I know there's no point in being energetic
and --

    ACTING CHAIRPERSON RASMUSSEN: Continue,
please.

    MR. TROUT: A 60-day extension of a letter
of authorization for Chevron to do some test boring in
Santa Barbara and we recommend approval.

    COMMISSIONER ORDWAY: Motion.

    ACTING CHAIRPERSON RASMUSSEN: It's been moved.

    Item 25 is approved. Item 26, please.
MR. TROUT: 26 is a dredging permit for Leslie Salt Company, 20,000 cubic yards in China, Napa, and Dutchman Sloughs in the Napa River. We recommend approval.

ACTING CHAIRPERSON RASMUSSEN: Any questions on 26?

26 is approved. Item 27.

MR. TROUT: Item 27 is a two-year extension of a geothermal prospecting permit for Kennecott Corporation. We can get into the details if you want, but they're having difficulty in finding a buyer for potential electricity. They are meeting all of the requirements of the agreement with the Department of Fish and Game. So we recommend approval of the extension.

ACTING CHAIRPERSON RASMUSSEN: Questions on 27?

27 is approved.

28.

MR. TROUT: Item 28 would authorize the notification of GRI Corporation of a default under seven different geothermal leases for reasons that have something to do with the imp. of the perverse or something. We have seven leases, but in two spots we only have six. But the leases are 5819, 6114, 5862, 5999, 6080, 6081, and one other. But the key point that
I'd like to add lease No. 5999 to the recommendation so that the recommendation is complete and has all seven leases in it.

We should like to point out that we have had the best relationships with GRI Corporation. The fact that they have not been able to meet their drilling obligations results from circumstances both beyond their control and our control. What we are proposing that we do is take another look at the leasing of these areas. It has to do with whether they can actually be developed under the net profit amounts that are currently in the leases. I think that we would like to continue the relationships we've had with GRI. They have been very cooperative. But we feel it's time to bring this issue to a head.

Mr. Peter Hansen of GRI would like to make a brief presentation. While he's coming up, I'd like to tell you that this is a notice of default. The corporation would have 30 days to cure that default and the item would be back on the August calendar either for actual termination of the leases or acknowledgement that the defaults have been cured or for some other kind of action that might be appropriate.

The corporation was not able to put on a full presentation today because a number of their staff are
in New York and they are looking forward to giving a more
detailed presentation to the Commission at the August
meeting, but Mr. Hansen said he would like the opportunity
to make a brief statement here.

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you very much.

We need your name and organization.

MR. HANSEN: I am Pete Hansen, President of
GRI Exploration Corporation.

As I've stated, I am President of GRI
Exploration Corporation, the lessee of record for the
seven State leases that we're talking about today at this
meeting.

For several months, representatives of
Geothermal Resources International, and its subsidiaries,
including GRI Exploration, have been attempting to resolve
certain issues with State Lands Commission staff members,
which, if resolved, would allow for development of the
seven State leases.

I am here to ask that the members of this
Commission become directly involved in evaluating our
position by giving us an opportunity to make our case
directly to you. We did not receive formal notice that
the staff had unilaterally terminated our negotiations
until we received notice of this calendar item on July 17th.
We therefore had insufficient time to prepare a proper presentation for you at this meeting.

We can make a clear, to the point presentation to the Commissioners at its next regularly scheduled meeting since a presentation, with the answers our experts can provide to any questions you may have, should give you the ability to make a more informed decision on how to proceed with development of these State leases at The Geysers area.

To that end, we request an extension of all leases' drilling commitment dates for one month until September 1st, and we further request that we be allowed to make a presentation at the Commission's regularly scheduled August meeting.

Thank you.

ACTING CHAIRPERSON RASMUSSEN: All right.

In essence, I think that the staff is recommending that you be given 30 days. So I think we agree.

MR. TROUT: The difference is he is asking that the permits be extended for 30 days. We are asking you to approve sending out notices of default next week which would put a 30-day time clock into operation. That would not expire until after your next meeting and you would clearly at that time have a chance to either extend them further or to take such other action as you might deem.
appropriate.

COMMISSIONER ORDWAY: If we stuck a 30-day
clock with letters tomorrow, we would be able to at our
August meeting extend the lease?

MR. TROUT: That's my understanding. Now, the
30-day clock would not start running until August 1st.
The leases don't expire, I think some expire on the
1st and some on the 31st. So the letters would go out
on August 2nd and that would make it several days,
three or four days beyond the next scheduled Commission
meeting.

MR. HANSEN: If we did not have the Commission
vote on the extension of the drill by dates at this point
in time, I think it would put us in the position of
being in technical default as of the 1st of the month
coming up on the drill by dates.

So I believe we need a decision to give us an
automatic 30-day extension of the drill by dates at this
meeting for us to not be in technical default and present
our case. The Commission can always, at the next
scheduled meeting, put us in this position again if they
desire to do so.

COMMISSIONER ORDWAY: Could the attorneys
respond to that? I'm not sure --

MR. HIGHT: I don't think I understand your
statement, sir. Could you go through that one more time?

MR. HANSEN: I'm saying that are you going to vote at this point in time of giving us a 30-day extension of the commencement of the drill by dates?

MR. HIGHT: No.
The proposed action would authorize a notice as of the 1st and there would be no extension.

MR. HANSEN: But that automatically puts us in a position of being in default.

ACTING CHAIRPERSON RASMUSSEN: On September 2nd.

MR. HANSEN: On the 1st of August. Is that correct?

MR. HIGHT: Right.

MR. HANSEN: That's not the position we'd like to be in, naturally. Is there any reason why we can't get an extension, a 30-day extension of the drill by dates at this meeting and not put us in that position of being in default?

COMMISSIONER ORDWAY: Until the 1st of September.

MR. HANSEN: Until the 1st of September. To give us the opportunity to come before the Commission, present our case and not be in that position of being in default.
COMMISSIONER ORDWAY: In technical default.

MR. HANSEN: Right.

ACTING CHAIRPERSON RASMUSSEN: You would have the opportunity to make a presentation in August.

COMMISSIONER ORDWAY: Does that present a problem?

MR. HIGHT: Go ahead.

MR. TROUT: This is Rick Ludlow who is one of our staff counsel who heads up the extractive development side of the legal operation.

MR. LUDLOW: Basically the effect of this notice is just what it is. It's basically a notice of default. It does not terminate the leases. The Commission at its next meeting can either continue the process, could terminate the leases, or do something else. It does not in effect --

COMMISSIONER ORDWAY: When do the leases terminate now?

MR. LUDLOW: Right now --

COMMISSIONER ORDWAY: Right now.

MR. LUDLOW: Right now if they don't get an extension, the leases will still be in effect. They do not terminate of their own force and effect.

MR. HANSEN: Except we will be in default as of the end of this month for not making the drill commitment.
MR. HIGHT: That's the intent of the letter.

COMMISSIONER ORDWAY: Just a minute.

MR. LUDLOW: So the leases don't terminate at all.

They're not self-terminating leases.

COMMISSIONER ORDWAY: When do they automatically go into default?

MR. LUDLOW: They will go into default at the end of this month when they do not make the drill by requirements, drilling requirements. That's why the notice of default will go out, because they will then be in default at that time.

COMMISSIONER ORDWAY: And what we're being asked by Mr. Hansen is to extend that date one month.

MR. LUDLOW: So that they will not be in default. What the other alternative would be to give them a notice of default so that the Commission can at that time, at the next meeting, terminate the leases or extend them or do whatever you like then rather than going through a notice of default procedure then.

ACTING CHAIRPERSON RASMUSSEN: So we have all the options available to us really for the next meeting and we can extend the lease, we can terminate it, we can extend the period of time that we're giving them to come into compliance, and they would have the
opportunity at the August meeting to make a full presentation --

MR. LUDLOW: Yes.

ACTING CHAIRPERSON RASMUSSEN: -- and whatever.

COMMISSIONER ORDWAY: Mr. Hansen seems to be concerned, though, about going technically into default.

MR. HANSEN: Yes, I am concerned about that. I don't think anybody wants to be put in that position. I don't think it's necessary at this point in time to put us in that position of working on a presentation knowing we are in technical default. All right.

I would like to see us get an extension. There's no reason why they cannot come up with this same recommendation to authorize them to give us a default notice in 30 days.

COMMISSIONER ORDWAY: Could I ask Moose to respond to this point?

MR. TROUT: Yes, I'd like to have Mr. Thompson express his feelings with regard to a 30-day extension of the drilling requirements.

MR. THOMPSON: As far as the staff's concerned, we'd like to put a time certain on this. GRI's expressed to us a definite requirement that the Commission must revise the lease commitments as they originally accepted them or they would not meet these
drilling requirements. So I would like to put a time
certain in that the drilling obligation period is closed.

COMMISSIONER ORDWAY: Given what was just said,
what does 30 days buy you?

MR. HANSEN: What does 30 days buy us?

COMMISSIONER ORDWAY: Yes.

MR. HANSEN: It buys us the time to work up a
presentation and not having this default hanging over
our heads during that period of time. All right? You
can always —

COMMISSIONER ORDWAY: But you're not going to
be able to comply in the next 30 days; is that correct?

MR. HANSEN: That's correct.

MR. THOMPSON: It's not their intent to comply
with the drilling obligation.

COMMISSIONER ORDWAY: Are you concerned that
we won't take you as seriously if we put out default
notices on the 2nd of August versus the 2nd of September?

MR. HANSEN: I'm saying there's a possibility
in my mind, maybe far reaching, very slim possibility,
that even though we've exhausted all of our approaches
to resolve these issues with the staff, that maybe after
a presentation to the Commissioners, some other solution
that no one's thought about could be brought up at that
meeting.
COMMISSIONER ORDWAY: But putting out notices on the 2nd of August doesn't preclude us from doing that.

MR. HANSEN: No, but you're still putting me in that position of being in default and I don't want that.

MR. THOMPSON: As far as the staff's concerned, we'd like to have a time certain. We'd like to have you pull the pin on that grenade and hand it to GRI.

MR. HANSEN: That's fine. Let's do it 30 days from now. Let's get an extension and be able to pull that pin 30 days from now.

ACTING CHAIRPERSON RASMUSSEN: The staff has expressed that they have met with a great deal of cooperation by GRI and that they've been very appreciative of your efforts and I don't see any reason why between now and the next Commission meeting that you might not be able to make some progress.

COMMISSIONER ORDWAY: Does that mean you're leaning toward a 30-day extension?

ACTING CHAIRPERSON RASMUSSEN: I'm leaning toward the staff recommendation.

COMMISSIONER ORDWAY: Given that it doesn't really change what we have the capabilities of doing in August, I am also. You will not be taken any less seriously.

MR. HANSEN: Correct.
COMMISSIONER ORDWAY: Nor will people work less
hard to see if there is a solution.

(Thereupon a discussion was held off
the record.)

COMMISSIONER ORDWAY: I'm also leaning with
staff because if there had been any way that it would
change how we handle ourselves at the August meeting,
then to me a 30-day extension would be appropriate.
But given that it does not change what we can do and what
our options would be at the August meeting, I am also
leaning towards the staff recommendation. You haven't
convinced me that something bad happens because of the
staff recommendation.

MR. HANSEN: Well, nothing bad happens except
if you put us in the position of technical default,
let's put it that way, as of August 31st or July 31st,
we want to present something to the Commission. You say
we can do that in a month. But we're still -- maybe
I am more concerned about this quote technical default
than I should be, but I think it's important enough to
know that we may have to, if I go back and tell our
people that this is what's happened and they say, well,
we haven't got a 30-day extension of the drill by Gate,
and so we are in default and the only way, or we will be
in default, we might just quit claim the leases prior
to that time and not get into the position of being
in default. There is no reason to talk anymore.

COMMISSIONER ORDWAY: I guess my feeling is if
you and your company want to make the presentation before
this Commission in August, I know I speak for both of the
Commissioners here, not only will that not be a problem,
but I think we will look forward to it.

I don't see where the recommended action before
us really changes that a whole lot.

MR. HANSEN: It doesn't change your attitude
and my attitude towards resolving the issues and trying
to work on something, but we have something here that's
black and white that says Geothermal Resources Internation-
al is going to be in default on July 31st and I don't
want that to happen.

MR. HIGHT: The Commission has the ability at
the August meeting to cure that default or do any other
option and this action merely starts the time frame
running in which to clear up the problem one way or the
other.

MR. THOMPSON: The staff fully realizes that
we cannot terminate the lease. That's a Commission,
action.

ACTING CHAIRPERSON RASMUSSEN: This may in
fact facilitate resolving the problems.
COMMISSIONER ORDWAY: Otherwise it sounds like it sits in limbo until it's over.

ACTING CHAIRPERSON RASMUSSEN: It may drag on.

COMMISSIONER ORDWAY: I will move the staff recommendation.

ACTING CHAIRPERSON RASMUSSEN: And I will second that.

Item 28 is approved as presented.

MR. HANSEN: Thank you.

ACTING CHAIRPERSON RASMUSSEN: Thank you very much.

Item 29, please.

MR. TROUT: Is the issuance of a core drilling and trenching permit for section of school lands for gathering geologic and engineering information. This had to do with the other application by the same applicant for proposed toxic waste site. The Commission a month or two ago put a moratorium on any permits for actual toxic waste dump site leasing, but recommended that we go ahead and allow Mr. Cullinan to go ahead with these core drilling and trenching permits and this is the permit. I think a representative of Mr. Cullinan is here if you have questions.

Staff recommends approval of the permit.

COMMISSIONER ORDWAY: It's my understanding this
is data collection only.

MR. TROUT: That's right.

COMMISSIONER ORDWAY: I'll move --

MR. LAURIE: Robert Laurie. I'm prepared to respond to questions.

ACTING CHAIRPERSON RASMUSSEN: Thank you very much.

COMMISSIONER ORDWAY: I'll move Item 29.

ACTING CHAIRPERSON RASMUSSEN: All right.

Item 29 has been moved and approved.

Item 30, please.

MR. TROUT: Item 30 is consideration of the description and consent to incorporation of the proposed City of San Dieguito. This was on the Commission once before. We most respectfully request or recommend that you deny it again. There are considerable problems with the annexation and problems with the incorporation of the adjoining city of Carlsbad. We in the last day or two got an amended legal description which may solve the problem, but we're not sure enough to recommend it to you today. We just request that you deny the, disapprove the description and deny consent to the incorporation at this time without prejudice. Allow our staff to go ahead and work with them and try and get this thing straightened out.
COMMISSIONER ORDWAY: As long as it's understood it's without prejudice, I'll move the recommendation.

MR. TROUT: That's the staff's position, yes.

ACTING CHAIRPERSON RASMUSSEN: 30 has been moved and is approved.

Item 31, please.

MR. HIGHT: Item 31 is the application by the City of Los Angeles for Commission approval of the description and of any interest in the area for annexation of the area Playa Vista to the City of Los Angeles.

ACTING CHAIRPERSON RASMUSSEN: I have one question and that is on the recommendation number four; is that an error, San Diego County?

MR. HIGHT: That's an error. We would like to change San Diego to Los Angeles.

ACTING CHAIRPERSON RASMUSSEN: Now you know that I really read these things, huh? Are there any other questions on Item 31?

No questions.

MR. HIGHT: This is the approval of any interest the Commission has in the area and we'll go through its normal LAFCO processes.

ACTING CHAIRPERSON RASMUSSEN: Fine. No other questions or concerns? Item 31 is approved as presented with the change noted.
Item 32.

MR. HIGHT: Is the authorization to remove a vessel from the Sacramento River near Rio Vista. We have reason to believe that the vessel may have been moved or is in the process of being moved, but we would like the authorization.

COMMISSIONER ORDWAY: It's not the one we burned yesterday?

ACTING CHAIRPERSON RASMUSSEN: No, we're going to remove this one and not burn it, torch it.

MR. HIGHT: We're not going to torch it.

We're on a roll, but we won't torch this one.

ACTING CHAIRPERSON RASMUSSEN: Any questions on Item 32?

COMMISSIONER ORDWAY: No.

ACTING CHAIRPERSON RASMUSSEN: Item 32 is approved.

Item 33.

MR. HIGHT: Is the authorization to eject or bring under lease a marina at the San Joaquin River near Manteca.

ACTING CHAIRPERSON RASMUSSEN: Questions on 33?

None.

Item 33 is approved as presented.

Item 34.
MR. TROUT: Item 34 is your approval for us
to go ahead and execute agreements to do studies
authorized by the Legislature between Point Arguello and
Point Sal. Primarily it's geophysical and geological
work to allow us to work with the federal government
on sharing EG revenues and to do some biological
characterization and cultural resource characterization
to see if there's any impacts of the federal off-shore
activities on the State tidelands.

ACTING CHAIRPERSON RASMUSSEN: Are there any
questions on Item 34? 34 is approved as presented and
Item 35 is our last item.

MR. HIGHT: This is an authorization to
enter into a contract with the firm of Juhl-Wohlleb
Associates to do planning for the area of Playa Vista.

ACTING CHAIRPERSON RASMUSSEN: Are there any
questions on Item 35?

COMMISIONER ORDWAY: No.

ACTING CHAIRPERSON RASMUSSEN: No questions.

Item 35 is approved as presented.

Are there any other items of business to come
before the Commission?

MR. TROUT: The staff has no other items.

ACTING CHAIRPERSON RASMUSSEN: All right.

Thank you very much. The meeting is adjourned if I can
find my hammer.

(Thereupon the meeting of the State Lands Commission was adjourned at 11:45 a.m.)

--o0o--
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, 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 13 day of August, 1985.

CATHLEEN SLOCUM
Certified Shorthand Reporter
License No. 2822