MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 417
STATE CAPITOL
SACRAMENTO, CALIFORNIA

THURSDAY, SEPTEMBER 26, 1985
10:05 A.M.

ORIGINAL

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

Lizabeth Rasmussen, representing Kenneth Cory, State Controller, Acting Chairperson

Nancy Ordway, representing Jesse R. Huff, Director of Finance

Laura Schlichtmann, representing Leo T. McCarthy, Lieutenant Governor

STAFF PRESENT

Claire Dedrick, Executive Officer

James Trout, Assistant Executive Officer

Robert Hight, Chief Counsel

Rick Ludlow, Staff Counsel

Jane Smith, Secretary

ALSO PRESENT

Dave Judson, Deputy Attorney General

N. Gregory Taylor, Deputy Attorney General
# INDEX

<table>
<thead>
<tr>
<th>Proceedings</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Confirmation of Minutes for August 29 and September 9</td>
<td>1</td>
</tr>
<tr>
<td>II. Report of Executive Officer</td>
<td>1</td>
</tr>
<tr>
<td>III. Consent Calendar C1-C-14</td>
<td>1</td>
</tr>
<tr>
<td>C1(A), C2 &amp; C12 off calendar</td>
<td>1</td>
</tr>
<tr>
<td>IV. Regular Calendar Items 15-34</td>
<td>3</td>
</tr>
<tr>
<td>Agenda Item 15 - All American Pipeline Company</td>
<td>3</td>
</tr>
<tr>
<td>Agenda Item 16 - off calendar</td>
<td>3</td>
</tr>
<tr>
<td>Agenda Item 17 - City of San Clemente (Lessee)</td>
<td>3</td>
</tr>
<tr>
<td>Agenda Item 18 - State Lands Commission and Harwood Investment Company (Parties)</td>
<td>4</td>
</tr>
<tr>
<td>Agenda Item 19 - off calendar</td>
<td>4</td>
</tr>
<tr>
<td>Agenda Item 20 - off calendar</td>
<td>4</td>
</tr>
<tr>
<td>Agenda Item 21 - off calendar</td>
<td>4</td>
</tr>
<tr>
<td>Agenda Item 22 - Hershey Oil Corporation (Applicant)</td>
<td>4</td>
</tr>
<tr>
<td>Agenda Item 23 - Exploration Engineering, Inc. (Applicant)</td>
<td>5</td>
</tr>
<tr>
<td>Al Finilla, Vice-President, Exploration Engineering, Inc.</td>
<td>5</td>
</tr>
<tr>
<td>Discussion</td>
<td>6</td>
</tr>
<tr>
<td>Agenda Item 24 - GRI Exploration Corporation (Lessee)</td>
<td>12</td>
</tr>
<tr>
<td>Allan Littman, Esq., representing M &amp; T Corp.</td>
<td>14</td>
</tr>
<tr>
<td>Discussion</td>
<td>17</td>
</tr>
<tr>
<td>Agenda Item 25 - Chevron U.S.A. Inc. (Lessee)</td>
<td>39</td>
</tr>
</tbody>
</table>
Agenda Item 26 - Huntway Refining Company (Applicant) 40
Agenda Item 27 - Union Oil Company of California (Applicant) 40
Agenda Item 28 - Successful Bidder (Applicant) 40
Agenda Item 29 - Ideal Basic Industries, Inc. (Party) 41
Allan Littman, Esq., representing Ideal Basic Industries 41
Agenda Item 30 - Campeau South Beach Properties 43
Agenda Item 31 - United States v. 75.45 acres of Land, et al. (Party) 44
Agenda Item 32 - off calendar 44
Agenda Item 33 - City of Huntington Beach (lesses) 44
Peter Von Elten, Executive Vice-President Mola Development 44
Agenda Item 34 - State Lands Commission (Party) 46
Adjournment 47
Certificate of Shorthand Reporter 48
PROCEEDINGS

ACTING CHAIRPERSON RASMUSSEN: Meeting come to order, please.

The first item of business is the minutes. Are there any questions, changes, corrections. Seeing no hands, and hearing no voices, the minutes are approved by consensus.

Miss Dedrick, you have the Executive Officer's report?

EXECUTIVE OFFICER DEDRICK: Yes, Commissioners. I have or will be issuing a public agency use permit, general permit to the City of Imperial Beach. The city has requested -- well, the permit is in existence. The city has requested that the construction date be amended to October 14th. We will bring the item to the Commission for final action on October 24th.

ACTING CHAIRPERSON RASMUSSEN: Can everyone hear --

EXECUTIVE OFFICER DEDRICK: That is all of the Executive Officer's report.

ACTING CHAIRPERSON RASMUSSEN: I don't know if your microphone's --

EXECUTIVE OFFICER DEDRICK: Oh, is my mike not on?

COMMISSIONER ORDWAY: Speak closer to it. We have a little wind tunneling effect going on.

ACTING CHAIRPERSON RASMUSSEN: They say they can
hear you, so --

EXECUTIVE OFFICER DEDRICK: Anyway, that's the full extent of the EO report.

ACTING CHAIRPERSON RASMUSSEN: Any questions about the Executive Officer's report?

We have several items that have been removed from the calendar.

EXECUTIVE OFFICER DEDRICK: Excuse me, Commissioner, before you start on that would you like to confirm the minutes?

ACTING CHAIRPERSON RASMUSSEN: We did.

EXECUTIVE OFFICER DEDRICK: You did. Sorry.

COMMISSIONER ORDWAY: It was a good time.

ACTING CHAIRPERSON RASMUSSEN: It was one of our better moves.

The following items are off the calendar today. Items on the consent agenda, C1 (A), C2, C12 and on the regular calendar, 16, 19, 20, 21, and 32. Did I miss any?

COMMISSIONER ORDWAY: I'll move C1 (B) through (H), C3 through 11 and 13 and 14.

ACTING CHAIRPERSON RASMUSSEN: All right. Any questions on any of these items on the consent agenda or anyone wishing to speak on any of these items or have them removed from the consent agenda? No. All right, then the consent agenda is approved as presented.
You want to make a statement about the --

MR. HIGHT: Yes. For the record, the Lieutenant Governor's Office will be sitting in a nonvoting capacity.

ACTING CHAIRPERSON RASMUSSEN: All right. Thank you.

All right. The next item is Item 15.

EXECUTIVE OFFICER DEDRICK: Approval of a 30-year general lease right-of-way use permit for a parcel of land in San Bernardino County for the All American Pipeline Company for an oil transmission pipeline. All of the work on that has been, that's required has been done.

ACTING CHAIRPERSON RASMUSSEN: Are there any questions on Item C 15 (sic.) or anyone wishing to address the Commission?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: Item C 15 (sic.) is approved as presented.

EXECUTIVE OFFICER DEDRICK: This is approval of a sublease and an amendment to a general permit for the City of San Clemente for various detailed items of the general permit. Consideration is the public benefit with the state reserving the right to set a monetary figure if it is in the public interest.

ACTING CHAIRPERSON RASMUSSEN: This is Item 17. Are there any questions or comments or anyone wishing to address
the Commission on this item?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: We have a motion.

Item 17 is approved as presented.

Item 18.

EXECUTIVE OFFICER DEDRICK: Item 18 is an approval of an amendment to the exchange agreement between Harwood Investment Company and the State Lands Commission which was approved in June of '85. We will add 144 acres of school land, an additional 88 acres of Harwood land. The values are equal.

ACTING CHAIRPERSON RASMUSSEN: Any questions?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: We have a motion.

Item 18 is approved as presented. Nineteen, 20 and 21 are off calendar.

Item 22.

EXECUTIVE OFFICER DEDRICK: This is a negotiated subsurface oil and gas lease in Solano County with the Hershey Oil Company.

ACTING CHAIRPERSON RASMUSSEN: Any questions on item 22?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: Item 22 has been moved and it is approved as presented.
Item 23.

EXECUTIVE OFFICER DEDRICK: Item 23 is a recommendation for denial --

COMMISSIONER ORDWAY: Excuse me. Somebody's standing.

EXECUTIVE OFFICER DEDRICK: --of an application for Exploration Engineering, Inc. Someone appears to be interested in speaking on this.

ACTING CHAIRPERSON RASMUSSEN: Yes. You wish to address the Commission on the last item or Item 23?

MR. FINNILA: No. Item 23.

ACTING CHAIRPERSON RASMUSSEN: Twenty-three, all right.

MR. FINNILA: My name is Al Finnila and I'm the --

COMMISSIONER ORDWAY: Would you sit down please and speak into the microphone so we can --

MR. FINNILA: My name is Al Finnila. I'm the Vice President of Exploration Engineering and I'm also a civil engineer. And I have financed this project up to date and I have expended somewhat around a half million dollars. The reason I state this is because in the letter of denial of our permit they claim that we were not diligent in trying to find financing for the project. And I submit that we have been very diligent and as an example we contacted Bunker Hunt and spent a lot of money on him and then we found out that he was
financially unable to support the project. And then also we had the litigation with the group of Mormons who financed the drilling of the well for 1500 feet, and that took up a whole year.

And during that time we contacted quite a number of investors and they wouldn't have anything to do with the project until the litigation was resolved.

After the litigation was resolved we did get ahold of Catalytic Energy and they agreed to drill the well and do a geothermal cogeneration plant on the geothermal part. And the last meeting we were here, their application was denied because they didn't have a certified check with them. I believe that's the first time that the Commission ever demanded a certified check for the full amount of the project.

They have been very successful in obtaining financing for other projects that they have done.

So in conclusion I want to state that the facts of the case are that we did drill the well for 1500 feet and when the well was drilled, that was the only well that was ever drilled to that depth in the valley, and the geologists from the interpretation of the log of that well could determine features that they never could before, before the well was drilled. And we did find a geothermal resource in the well. We did get ahold of Catalytic Energy who would
develop the resource. Those have all happened in the past. Now we have this product to show our determination. We didn't stop there. We found a source for this geothermal water and we distill the water and applied the water to making what we call a Spa in the Bar. And we have Macy's and Safeway Stores, they each want to buy at least 100 thousand of these.

ACTING CHAIRPERSON RASMUSSEN: When did you make that discovery?

MR. FINNILA: I'll show you.

ACTING CHAIRPERSON RASMUSSEN: Mr. Finnila, when did you make this discovery?

MR. FINNILA: Yes, Spa in the Bar.

ACTING CHAIRPERSON RASMUSSEN: When did you make the discovery? When did you discover the mineral?

MR. FINNILA: We discovered the mineral quite sometime ago, but the important part there was in discovering a use for the mineral.

And here is a letter that I submitted.

ACTING CHAIRPERSON RASMUSSEN: We need you on the microphone back there, please.

Does the staff have any response?

Are you finished, Mr. Finnila?

MR. FINNILA: Yes, I'm through now.

ACTING CHAIRPERSON RASMUSSEN: All right. Thank
you.

Does the staff have a response?

EXECUTIVE OFFICER DEDRICK: Yes. Commissioners, Moose Thompson who is as you know Chief of your Extractive Division can speak to the points this gentleman has raised.

In regard to the question of the discovery of a mineral which I think we would say is an asserted discovery, applicant failed to notice the Commission as required under its permit, prospecting permit within 90 days.

The discovery apparently was made quite a long time ago and it was not announced until January of '85. Apparently it was discovered in July of '82.

You have a legal memo before you by Carla Caruso which covers some of the legal points in regard to the violations of the prospecting permit. But Mr. Thompson is over there and Mr. Willard will answer any of your questions. Give you a brief rundown.

MR. THOMPSON: I think one of the issues here is this is for extension of a geothermal lease, and I don't know what this product he has here, but it has nothing to do with a geothermal lease issuing.

We've had a lot of problems in the past. In fact, I believe the State Hospital has requested that we not extend or give any leases to Durkan.

COMMISSIONER ORDWAY: I think we have a Mr. McDonald
here.

ACTING CHAIRPERSON RASMUSSEN: Right. We have Craig McDonald who's the Chief of Plant Operations at Sonoma State Hospital. He's here and is prepared to speak if we should so desire.

Does Mr. McDonald wish to?

MR. THOMPSON: So as far as the staff's concerned, there never was a geothermal discovery made on this lease.

COMMISSIONER ORDWAY: The issue that we are discussing is in fact a geothermal lease, not a mineral lease?

MR. THOMPSON: That's right.

COMMISSIONER ORDWAY: With respect to the issue of the certified check.

EXECUTIVE OFFICER DEDRICK: Yes.

COMMISSIONER ORDWAY: What has been the policy on --

EXECUTIVE OFFICER DEDRICK: Our policy has been to require them when the facts of the case make it a reasonable thing to require. In this case the facts of the case very clearly made it a very reasonable thing to require. But, Al, would you like to speak to that?

COMMISSIONER ORDWAY: We have done this in the past?

MR. WILLARD: The issue at that time was under the prospecting permit. They were seeking an extension of the
prospecting permit for an additional year, and one of the considerations that the Commission was asking for was showing that there was sufficient funds to actually go forward with and deepen and complete the well that had been started.

The applicant was asked to come forward with some good evidence that indeed they had the funding to complete the well. I don't know that I recall any specific certified check request, but we were asking for evidence of adequate funding and they could not come up with that.

MR. THOMPSON: That was one of the terms of the prospecting permit that they actually go in and prospect, actually drill a well.

EXECUTIVE OFFICER DEDRICK: Commissioners, we always require evidence of financial ability from any of our lessees and that's included in the prospecting permits and in the leases. We also always require money up front as required by whatever the terms of the prospecting permits are.

We don't always require that in the form of a certified check and in this instance I cannot say that we did or did not require it in that form, but we always require something, a bond, a letter of credit, cash, something that fits the facts of the case.

MR. THOMPSON: I think the main issue here is that we had a prospecting permit. The terms of that prospecting permit was not met and all we are asking to do now is not to
give an extension or a lease.

ACTING CHAIRPERSON RASMUSSEN: I understand that we've had kind of a history of problems on this, late rent over the entire three or four year period of time were --

MR. THOMPSON: That and very serious problems with the hospital.

ACTING CHAIRPERSON RASMUSSEN: Are there any questions? Commissioners or anyone else present wish to --

Mr. Finnila, did you have anything you'd like to add?

MR. FINNILA: I still maintain that we fulfilled our commitment. The well has been drilled and we also have a product for the minerals that we found there.

MR. THOMPSON: I would question that. The well I believe, as I recall, was supposed to go to somewhere around 6500 feet. The only thing that was done on the well was set surface pipe at 1500 feet and was shutdown at that particular time. There was a lot of litigation. This has been a very awkward situation for us because we started an operation, the rig was still over the well for many weeks after it was completed and the hospital was very unhappy all during this time.

ACTING CHAIRPERSON RASMUSSEN: Any questions?

What is the pleasure of the Commission?

COMMISSIONER ORDWAY: I'm going to move to deny the
application.

ACTING CHAIRPERSON RASMUSSEN: It's been moved to deny per the staff's recommendation. Are there any other comments or questions?

All right. The item is approved as presented by the staff, and I'd like it made very clear that it's our understanding that this lease is terminated and there is no extension of the lease.

EXECUTIVE OFFICER DEDRICK: The prospecting permit, yes, Commissioners.

ACTING CHAIRPERSON RASMUSSEN: Of the permit, right.

Thank you.

Item 24, please.

EXECUTIVE OFFICER DEDRICK: This is the authorization for the cancellation of seven geothermal leases which are currently held by GRI Exploration Corporation in the Geysers and fields in Mendocino, Lake and Sonoma Counties.

Commissioners, we received your permission and I think it was July to give a 30-day notification that termination, that the leases would be cancelled. In August at your request GRI came in and made their case for not cancelling the leases or at least presented their case as lessees and at that time you deferred your action properly to the appropriate time which is now and the staff recommends
that the leases at this point be cancelled.

COMMISSIONER ORDWAY: Has GRI requested any extension?

EXECUTIVE OFFICER DEDRICK: To my knowledge, no, Commissioner.

COMMISSIONER ORDWAY: Is there anybody here from GRI?

ACTING CHAIRPERSON RASMUSSEN: We have two requests --

COMMISSIONER ORDWAY: I just want to find out if GRI is asking for an extension. Since the staff has not received any communique, there is no one in the audience, I assume we can take that to be they have not asked for an extension.

EXECUTIVE OFFICER DEDRICK: That's correct, Commissioner.

ACTING CHAIRPERSON RASMUSSEN: We do have two requests to speak and one is from Mike Koester. Actually his slip says that he is available to answer questions and comment, if necessary. He's the Chief of Facilities Planning at the Department of Developmental Services. And we also have a request from Allan Littman.

EXECUTIVE OFFICER DEDRICK: Excuse me, Commissioners, you might ask Mr. Koester whether he wants 23 or 24.
SECRETARY SMITH: Item 23. He's put the wrong number on there.

ACTING CHAIRPERSON RASMUSSEN: Thank you.

Item 24, Allan Littman. Is Mr. Littman here?

MR. LITTMAN: Yes.

Good morning.

I'm Allan Littman. I'm a lawyer in San Francisco, Pillsbury, Madison & Sutro. My client is M & T Corporation and I need a few minutes just to tell you who they are.

COMMISSIONER ORDWAY: Could you get just a little bit closer to the microphone?

MR. LITTMAN: Yes, of course.

EXECUTIVE OFFICER DEDRICK: Pull it over, Allan.

MR. LITTMAN: Ned Towne, Edward C. Towne, Jr.

prospected these lands in the early 60's. He and M & T had leases for about 30,000 acres including this acreage.

In 1968 M & T signed an agreement with Aminoil in which they turned over the leases including the prospecting permits on these areas to Aminoil in exchange for and it was an assignment reservation and agreement in exchange for 12 and half percent net profits interest with a specific proviso that -- it was Signal Oil and Gas Company then --should Signal wish to surrender any of the leases they would provide M & T with 60 day's notice so that M & T could decide whether it wanted to regain its own leases and rights.
Just incidentally, I know the State Lands Commission has had a great difficulty in seeing that its geothermal lands and interests are developed. I want you to know that of the acreage that M & T has turned over to Signal, there are presently over 350 megawatts of operating capacity and that includes PG & E Unit 13, PG & E Unit 16, and SMUD Geo Unit Number 1.

But to get back to this story, without our consent whatever, in 1980 and 82, Aminoil which was the successor to Signal entered into an agreement turning over these leases to GRI.

You must remember that we were charged, M & T was charged with the expenses of any geophysical, geological or drilling work done on these leases which were issued by the state at various times.

So we've actually been charged with that amount.

Now, in October or November, I forget which, of 1984, I went down to visit Mr. Thompson and asked him if we could, as M & T, could negotiate with respect to these leases because we were aware that they had not been developed and we were very anxious to see that they were developed both in our interest and in the state's interest.

I was received very courteously by Mr. Thompson and he indicated some interest in that matter, but I was told that he could not negotiate with us until after it had been
decided that GRI was not going to go ahead with the matter.

   So I was patient about it and then I had the
privilege of seeing Ms. Dedrick in Sacramento on two
occasions and we also discussed the question. And I was told
by Ms. Dedrick that at some point we might be able to discuss
the matter.

   I was led to believe, and I'm not asserting anything
heinous or anything, but I was led to believe that when the
negotiations with GRI proved unproductive, that we would then
have a fair opportunity to come in and operating under I
believe it's Section 39 of the leases which provide for
modifications, if necessary. But we would be able to see the
data and try to work out something with the state so that
these lands would be developed.

   If you cancel these leases entirely today, we will
not have that opportunity and it's something we frankly have
relied upon.

   I would respectfully suggest to you that the equitable
way to proceed would be to terminate GRI's interest under the
leases but to provide for a period of 60 days within which
representatives of M & T could negotiate with the State Lands
Commission staff as has been promised.

   I think really that is something that we had been
led to believe we would have. If we had any idea that there
was going to be a total cutoff, we would have been in here at
the last hearing -- I happened to be up in Sacramento on that
day, so it would have been very easy for me -- and I would
have presented this matter to you then.

I submit to you as a matter of elemental fairness we
ought to be given that opportunity.

ACTING CHAIRPERSON RASMUSSEN: Who gave you this
indication, who led you to believe that you would have this
opportunity?

MR. LITTMAN: Both Mr. Thompson and Ms. Dedrick.

EXECUTIVE OFFICER DEDRICK: I'd like to speak to
that. There was never any intention in my discussions with
Mr. Littman to make a commitment by the state, and I made it
very clear in those discussions that that was the case.

What I did say to Mr. Littman was that if in fact
you have rights in this lease, at the time the Commission
addresses whether or not to cancel them, I will be sure that
your rights are presented and you will have an opportunity to
speak.

In the interim staff and staff counsel, and I
believe the Attorney General's Office, although they wish and
I cannot speak for them, but certainly staff counsel has come
to the conclusion that M & T has no claim whatsoever on these
leases with the state, that is to say the leases which are
the state's property, which are the state's discretion
whether to grant or not or remain in the control of GRI. On
that item, that legal right, M & T has no claim.

Now, M & T may well have claims against GRI in other ways that do not relate to the state's involvement, but I've been assured by staff and by the staff counsels that they do not have any rights here.

So that it is my recommendation, based on the information provided me by our staff counsel, that in cancelling GRI's leases, you neither endanger nor enhance any concerns that M & T has. Certainly when those leases go out to bid again which may well be what the Commission chooses to do down the road, M & T would be free to bid on them.

COMMISSIONER ORDWAY: Would someone just refresh my memory. When was this first calendared board cancellation of the leases with GRI?

EXECUTIVE OFFICER DEDRICK: I believe it was July, wasn't it, Moose?

COMMISSIONER ORDWAY: June or July.

EXECUTIVE OFFICER DEDRICK: It was July of this year it was calendared. I can't remember exactly Allen, but I think I met with you earlier than that.

MR. LITTMAN: We were actually on something else.

EXECUTIVE OFFICER DEDRICK: April or May. We were talking about something else and at that time I told you that we were not sure whether -- at that time the negotiations were still ongoing with GRI. It was in about June that we
all came to the conclusion, including GRI, that we could not negotiate changes in leases that had been awarded by the bidding process, and there was no way we could solve GRI's problem that way and the state's problem. And if the Commission decided it was in the best interest of the state to cancel those leases and start with the fresh slate, so to speak, although that's a lousy choice of words, to be able to re-examine the leases on the merits of today's facts and decide whether or not to go out to bid on them.

As I said, I've been assured by staff counsel, I'm sure Bob will be glad to speak to that if you wish, that that does not in any way jeopardize M and T's claim against GRI or its predecessors in interest.

COMMISSIONER ORDWAY: Mr. Taylor.

MR. TAYLOR: I would agree with Miss Dedrick that we don't have any, the state has no contractual relationship with M & T. What M & T's problem is is it feels it has a right to reassert its interests in the lease as against GRI. There may be some misunderstanding between everyone as to where the past conversations were. I think what GRI is really saying is it doesn't have any rights against the state, but it wanted to have a right to substitute itself in for GRI and talk to the state before GRI's rights were terminated. That's disputed I understand between M & T and GRI. I think it's a matter of discretion. I'm informed by
staff that there is, that there is no prejudice to any state
position by putting this over for 30 days, but it's also your
perogative to go ahead and to terminate the rights at this
time.

I think basically what Mr. Littman is asking for is
an opportunity though to express M & T's, see what M & T can
work out with GRI and talk to the staff. I think they should
do that fairly quickly though because they have been aware of
this situation for sometime and apparently there has been a
misunderstanding or miscommunication.

COMMISSIONER ORDWAY: One question that, I don't
know, maybe it's only a hold for me. But if this was
calendar noticed two months ago for cancellation, why didn't
M & T do their 60 day thing then? I mean, we don't usually
calendar items that say we're going to cancel a lease and not
be serious about it.

MR. LITTMAN: There are three reasons actually.
Actually, if I may correct you Claire, we actually had our
first conversation in about December I think of 1984.

EXECUTIVE OFFICER DEDRICK: But Allen, at no time
did I represent --

MR. LITTMAN: No.

EXECUTIVE OFFICER DEDRICK: --to you that if you had
no legal rights in this lease that we would hold up action on
the lease for your benefit.
MR. LITTMAN: You certainly never made any such statement. I concur with that. But what we do have -- and I take a little issue with my friend Greg Taylor on this, too -- we had a legal right in a recorded document that the state was well aware of. Now, what I'm saying is I think the state had some kind of a duty to us to tell us, look, we're going to, knowing that, we're going to cancel this lease and we will sit down and negotiate with you. But instead what the state told us, we're thinking of cancelling this lease as respect to GRI and I we can't talk to you until we finished with GRI. I've been saying, like the fellow in Pygmalion, I'm willing to, I'm wanting to, I'm waiting to sit down and talk to the state and every time I've tried to do it on these particular leases, I've been told it's too early. Now, you're going to tell me, I hope not, it's too late. And I think it can't be both too early and too late.

By the way, as to our rights, it has been agreed now, we have reached agreement with both Aminoil and its successor Phillips, and GRI, that we do indeed have the right to be notified whenever any leases are to be surrendered. Everybody's agreed with that.

We don't want to get into litigation with GRI. What we want to do is see if we can look at these leases and see whether they can be developed for the mutual interest of the state and my client. And I would respectfully ask you to
give us 60 days within which to do that.

EXECUTIVE OFFICER DEDRICK: Commissioners, I really
must protest. The implication that M & T and Mr. Littman
have ever had any agreement with me or with our staff counsel
or with Moose Thompson. We have not told him it's either too
early or too late. We have told him at the times that we met
in whatever the dates were, but they were last year, and I
mean last spring and perhaps earlier -- I don't think that's
material -- that the leases were held by GRI. At the time
that he came to talk to us, we were in negotiations with GRI
and I told him that. I assured him that if he had a legal
right, it would be protected.

In no way has the state led Mr. Littman to believe
that he had a commitment or anything whatsoever from the
State Lands Commission staff except whatever rights he
legally holds which the state could legally honor. I have
been advised that there are no such rights. You have heard
the Attorney General agree with me.

COMMISSIONER ORDWAY: Can I just go back and see if
I can get my original question answered.

MR. LITTMAN: Sure.

COMMISSIONER ORDWAY: It's minor, but it's important
to me.

This was calendar noticed two months ago.

MR. THOMPSON: Actually in June.
COMMISSIONER ORDWAY: It was noticed in June for
the July meeting.

MR. THOMPSON: The extension was not issued in the
June meeting which was the triggering in starting of all of
it.

COMMISSIONER ORDWAY: So we have a period of time
here which seems to fit M & T's period of time and I just
would like to know why you didn't do something when we first
did the extension and have you had discussions in the last,
at that 60 day period with staff?

MR. LITTMAN: I have repeatedly and I did at the
very day that was involved, I saw Mr. Thompson and said, "We
would like to talk to you." And I said, "Please let us know
when we can talk to you." I have never been told that it's
all right to talk to you.

MR. THOMPSON: At that particular time he asked for
copies of the leases. Mr. Willard provided him those leases.
I saw Mr. Willard hand those to him in the lobby of the State
Lands building.

MR. LITTMAN: Well, members of the Commission, I
really am going to protest about this. I've seen Mr.
Thompson on three times and I don't want to impugn anybody's
integrity, but I was told that when they finished with their
negotiations with GRI and only then could they sit down and
talk to me. And I really have wanted to sit down and discuss
these very leases.

MR. THOMPSON: I must object. I'm like Claire here. The initial contact in my office in Long Beach had to do with M & T's concern over how their net profits arrangements were going to be. I then set up a meeting because of his interest with the Executive Officer. The main trust of the meeting we had in Sacramento, Claire Dedrick, myself and Littman, involved generally their relationship and their net profit. Their concern at that time was the fact that they were cascading earnings from one net profits to another net profits which was part of the proposal that GRI had made to us.

That was the gist of our conversation. I do not recall these particular representations that there was anything going as far as their negotiating any leases with the state.

COMMISSIONER ORDWAY: Is M & T mentioned in any of the GRI leases?

MR. THOMPSON: To the best of my recollection they are not a party to any action that the State Lands Commission had in regard to these leases. The original leases were given by matching to the surface landowners on all I think except one of them. There were later actions in which the landowner then assigned those rights to I believe Aminoil or MSR had another lease and to the best of my recollection or
the others can speak to this more specifically, M & T was not a party to any of the people we gave leases to.

As to the representation that we should know every party and every portion that is assigned to someone else, I don't think that's our responsibility.

COMMISSIONER ORDWAY: My question was simply is M & T in our, mentioned in our lease agreement with GRI?

MR. LITTMAN: It is not mentioned in your lease agreement, but M & T had a 12 and a half percent interest in the Aminoil lease.

COMMISSIONER ORDWAY: But isn't that GRI's responsibility to deal with you and not the states? I mean, I'm not lawyer. So I'm asking probably a very naive question, but it would appear to me --

MR. LITTMAN: It is GRI's responsibility and the problem is that GRI didn't fulfill its responsibility and we wanted to try to do something about it and get the lease developed and we have the right to take over that lease if they weren't going to.

COMMISSIONER ORDWAY: Again, this is the non lawyer asking. It would appear to me that we have contractual arrangement or at least a lease arrangement with Company A., GRI in this case. You have --

MR. LITTMAN: No, you don't have anything with GRI. You had it were Aminoil.
MR. THOMPSON: That was assigned to GRI. Our relationship is now with GRI.

COMMISSIONER ORDWAY: Company A. is who we have an arrangement with. You also have an arrangement with Company A, but we don't have an arrangement with you.

MR. LITTMAN: That's a very common thing in the law where somebody has noticed that another person has an interest in that which their dealing with and it is you know almost Hornbook law that the party, the lessor does have some obligation in that respect where they're on notice.

I'm not really saying -- I don't want to have a legal argument about whether you are strictly legally required to do what I think you should do. That's a matter for debate.

I'm saying in fairness, we, and in the interest of the state as much as our own I think, we ought to have a short period of time to take a look at these leases to see if we will drill them.

Now, since we've been charged with a portion of these payments all the time, I think we have a very sound, equitable case to do that. That's what I've been wanting to do for nine months to sit down with Mr. Thompson or his designee and discuss those and other items related to the development of the state geothermal leases which if you'll forgive me have not been developed --

ACTING CHAIRPERSON RASMUSSEN: You made partial
payments on these leases to who?

COMMISSIONER ORDWAY: GRI.

ACTING CHAIRPERSON RASMUSSEN: To GRI?

MR. LITTMAN: Not GRI. We were charged from the beginning with 12 and half percent of all of the expenses that were incurred on these leases from the time they were issued by the states.

ACTING CHAIRPERSON RASMUSSEN: By who, you were charged by who?

MR. LITTMAN: By Signal because we were partners with Signal and Aminoil and GRI in an agreement under which where every dollar they expended we were charged 12 and half cents on.

MR. THOMPSON: One of the reasons why this lease is being cancelled is because the drilling commitment was not fulfilled on these leases.

ACTING CHAIRPERSON RASMUSSEN: Any other questions?

MR. LUDLOW: Could I say something?

COMMISSIONER ORDWAY: Everybody else has. You may as well join in.

MR. LUDLOW: My name is Rick Ludlow. I'm a staff counsel with the Commission.

It's true that staff counsel has advised the Executive Officer that with regards to the state, M & T has no rights, and I believe that to be the correct legal
position.

So basically from our point of view what Mr. Littman
is asking you for is to exercise some discretion for him to
have an opportunity to investigate what business
possibilities there might be here.

However, assuming that you are to go along with him
and give him an extension and assuming that there was some
tentative agreement that seemed beneficial to the state, the
fact is that I don't know any way to implement it without
either, one, GRI agreeing to assign these leases or wait
until the litigation that they're probably either involved in
or headed for is resolved and God knows when that may be.

MR. LITTMAN: We have already resolved it.

MR. LUDLOW: Now, we talked with GRI, Jim, was it
two days ago, three days ago?

MR. HIGHT: Tuesday.

MR. LUDLOW: And they said that they had no
agreement and as far as they were concerned M & T had no
rights in these leases from their standpoint.

MR. LITTMAN: Can I be heard on that?

COMMISSIONER ORDWAY: Of course.

MR. LITTMAN: The fact of the matter is we reached
an agreement in principle with Phillips which is the
successor of Aminoil providing for a separate agreement with
GRI in August. It is due to close on Monday of next week.
We have been advised by Phillips that GRI has fully accepted the obligation to notify M & T of any surrender of any lease and give us the 60 day provision required in the original lease and I can give you -- I'd like to do it in confidence -- I can provide you with copies of the agreement in principle that was signed just before I went on vacation in August, I forget the exact date, I think the 17th or 18th, and I'm sure we're going to close on Monday. I will give you copies of those documents.

Now, the fact of the matter is we have, we will have no dispute with GRI about this matter. They have accepted our position and Amooil has accepted our position, too. So the idea that there's going to be extensive litigation is really not fair. It's just not accurate.

MR. THOMPSON: I'd like to speak to the issue that's before the Commission.

I think on the third or the fourth of this month the default period in which they had a chance to cure the default, this is GRI, expired. The decision before you now is with GRI. They were given a default notice during that period to cure. They did not cure. They have gone through all the obligations.

Now it's a discretion at the commission as to whether to finally cancel leases or not. I think that when GRI was in here they told you the problem that has happened
to all geothermal leases in this area. That the utilities are not in position now to build generating plants and will not be.

These particular leases are held with CCPA for developing leases. Part of these leases that GRI holds, not this particular seven, were submitted to CCPA to build a plant and CCPA refused to build a plant. So there's no consideration of any future plants being built in the area. That's the reason that the whole default issue on these leases is coming up. And I believe it's the commission's intent that at sometime in the future when the geothermal market improved that you would at that time go out for lease, structure it as you wanted at that particular time, consistent with the conditions at that time and do as we're required under the competitive bidding situation.

COMMISSIONER ORDWAY: Wouldn't M & T be in a better position just to let this lease cancel and make their own arrangements with the state?

MR. LITTMAN: No, because we can't do that. The fact of the matter is that most of your leases have varying percentages of net profit. Some of them are as high as ninety percent and that's why they haven't been developed at all.

Some of these leases are at a lower percentage. They're 20, 27 percent in some cases. There may well be an opportunity under the existing terms of the lease given the
geology of it to drill on it. You've got that information by the way which we paid for and we haven't got yet. We'd like to sit down look it over, talk to the representatives of the state and see whether something can be worked out to drill them.

MR. THOMPSON: I would like to speak to that now.

MR. LITTMAN: May I finish Mr. Thompson?

Now, Mr. Thompson brings in something else about whether CCPA wants to build plants. Now, there you're getting -- and I'm sure Moose is repeating exactly what GRI says -- but you're getting a very partisan sort of set of circumstances.

GRI is trying to develop other lands for CCPA up in the northwest area of the Geysers and it is true that CCPA turned down their third plant. They are not the only buyers of steam in the area in any event.

There are other potential buyers and to assume on the basis of whatever you heard from GRI that there's no market for this steam, is really an assumption that nobody should make. I don't think I'm asking for very much here. I'm just asking for 60 days to talk to the Commission and explore the matter. But I suppose I've said enough.

COMMISSIONER ORDWAY: Can I just ask one question.

Again this is a non lawyer question. You're supposed to be closing on Monday with GRI. Supposedly you now have an
understanding or close to an understanding. Why aren't they here to ask us to not cancel this?

MR. LITTMAN: GRI is not a very cooperative organization as far as we are concerned. They are going to sign the agreement we're told.

COMMISSIONER ORDWAY: Knowing that it means nothing.

MR. LITTMAN: No. We have many other --No. No.

COMMISSIONER ORDWAY: This is just one piece of your puzzle.

MR. LITTMAN: Exactly. They have agreed to be bound by the provision in the agreement that requires them to give us notice. The reason we put that in there is this kind of a thing that if we, if the properties that we turned over originally to Signal Oil and Gas Company were not going to be developed by them, we wanted to develop them or at least have the opportunity to develop them. That has been recognized by the successor to Signal, Phillips, and it is being recognized by GRI. All I'm really asking for is a fair shake from the Commission I think. I don't think it costs the Commission a thing to give me 60 days to negotiate.

ACTING CHAIRPERSON RASMUSSEN: I have just one statement that I'd like to make. I can't see, I'm wondering if putting this thing off for two weeks, 30 days, 60 days whatever will resolve the problem. I think you're correct in
stating GRI has not been particularly cooperative and they haven't been particularly cooperative with us either. And the fact remains that all that aside, what we have sitting here in front of us is a lease permit with these people, with GRI. And I'm, I question whether putting off this action will accomplish anything. Will we have anything resolved in 30 days?

MR. THOMPSON: Also this is nothing that the State Lands staff can provide Mr. Littman.

We cannot provide him any data for wells drilled off these leases. That's proprietary.

ACTING CHAIRPERSON RASMUSSEN: We would need some cooperation from GRI and they have indicated to both the state and to you that they are not going to cooperate. They haven't provided information. They provided contrary information and I just wonder with the whole thing rotating on that particular point, what are we going to accomplish?

MR. LITTMAN: May I answer that. In the first place I think you'd accomplish some fairness.

In the second place, GRI may not be willing to cooperate voluntarily, but we were forced to file a lawsuit against them and perhaps as a result of that lawsuit they have decided to cooperate in another way to avoid that lawsuit. So we are getting their agreement that they will give us that, they will give us notice in all future cases.
ACTING CHAIRPERSON RASMUSSEN: Is this the lawsuit that you said a few minutes ago didn't exist?

MR. LITTMAN: I said that we have settled the lawsuit, therefore it doesn't exist.

Now, what I'm trying to say is that the, as to Mr. Thompson's statement that they can't give us information, we're entitled to that information, but you don't have to decide that today. There will be no, nothing is going to be drilled in the next two months on these leases. The state is not going to lose anything by giving us a 60 day extension.

MR. THOMPSON: I disagree and I think the legal people will back us up that information from other leases can not be shared with anybody except the lessee.

COMMISSIONER ORDWAY: So GRI would have to give you the information, not us.

MR. THOMPSON: That's right.

MR. LITTMAN: We are entitled to it under the agreement and we can get it, but you don't have to decide that, either we get it or we don't get it within the 60 day period. If Mr. Thompson is right, we won't get it and we'll have to make a decision without the information. If Mr. Thompson is wrong, as he may well be, I don't think he's a lawyer, we will get it.

EXECUTIVE OFFICER DEDRICK: Mr. Thompson's advising the Commission that the State Lands Commission does not have
the legal authority and is in fact barred by law from sharing proprietary information with other sources.

We have several attorneys here and I'm sure that they will speak to that if you wish their input. But I have always been so advised and we have had many cases of this type of thing arise in the time that I've been in office.

MR. LITTMAN: May I read you paragraph 20 of the lease.

It says: After the confidentiality of a matter provided that nothing herein shall prevent use or disclosure of such information by the Commission in its discretion to further the development of geothermal resources or to insure a fair return to the state. And that's in the very lease, in each of the leases that you're talking about.

I'll be happy to show it to you.

COMMISSIONER ORDWAY: Would one of our lawyers care to speak to that?

MR. TAYLOR: I think there's two issues here. One is whether—we can't give him as a member of the public the information.

If he succeeds to the interests of GRI or shows that he has a standing under GRI or GRI authorizes him to receive the information, then he's entitled to ask us for it. That's the situation. That's separate from the question of whether you come in as a member of the public. And I take it that
what he's saying is that he believes he has those rights to
make the demand through GRI or to be substituted for GRI.

So I think both sides are right. One, we cannot
give proprietary information to anyone off the street and,
two, what he's saying is he is going to stand in the shoes of
GRI in some way and that therefore he'll be entitled to
receive the information.

MR. THOMPSON: But GRI in the meantime has not cured
the default. The lease is in default. The cure period has
gone through. You have reached the end of the string.

This is supposed to be the last action by the
Commission because you're the only people who can cancel a
lease or issue a lease. All the remedy time has passed.

Basically to do what is being proposed here you would have to
give an extension I think to GRI and GRI has not requested an
extension.

ACTING CHAIRPERSON RASMUSSEN: That's my problem is
that it's really a very simple problem that we have and that
is we have a lease with a particular party and they have not
fulfilled the obligations of that lease and all this other
stuff is coming into play here.

If we were to put this off for a period of time or
grant an extension, however it would have to work out, 30
days or whatever, and they were able to work out their
problems, what would the Commission, the staff have to do?
Would it just be a simple paper transfer to straighten out the lease and move it to the new party, change names on the documents? What is involved?

MR. THOMPSON: Depends on what the Commission wanted at that time as far as satisfaction of the terms of the original lease which went on for years and years and years without being fulfilled. In other words, the drilling obligations were not done.

MR. HIGHT: They would have to accept the leases under the terms and conditions of the prior Commission authorization to GRI and start the drilling term and I, that's pure speculation at this point whether or not M & T would even be in the position to do that.

All they're saying now is let us look at it and I don't think they've even focused on the next issue which is way down the road.

ACTING CHAIRPERSON RASMUSSEN: That's why I asked the question is I wonder do we then have to go through a process of evaluating their financial capabilities, whether they're going to be able to do the work --

MR. HIGHT: You mean any counter offers that they might have --

MR. THOMPSON: I hate to be simplistic, but you're thinking about something that has not been proposed. GRI has not proposed and has not requested any further extensions.
They have not moved to cure the default. The party that the
State Lands Commission deals with, GRI has had their say
before you. They have been given notice of the default.
They have not cured the default.

ACTING CHAIRPERSON RASMUSSEN: My point in asking
these questions is to kind of clarify for myself. I think,
it sounds to me that there is really nothing or very little
to be gained by granting an extension. I still --

MR. THOMPSON: I don't know how you grant an
extension to GRI who is the party involved here who has not
asked for an extension.

MR. LITTMAN: May I just address that and then I'll
be quiet and you decide what to do.

You know, that is really making obstacles where they
don't exist. This Commission can in its discretion take any
number of actions to continue this matter for 60 days, and we
would then have the answer to what will happen. Now, my
clients are very responsible people. M & T has been in
business for well over 35 years. It's not a paper
organization. It owns shopping centers as well as
geothermal --

ACTING CHAIRPERSON RASMUSSEN: I don't think anyone
is questioning that.

I'm just asking what would be the reward for you or
for the state?
MR. LITTMAN: That is what I want to explore within the 60 days. We may well say that on Lease Number A or B we would like to drill that and we'll drill that just as soon as possible.

We may well say, look, we've looked them over and they're not worth a darn, but all we are saying is please give us the opportunity to do that and give us 60 days to do it.

ACTING CHAIRPERSON RASMUSSEN: Any other questions? What is the pleasure of the Commission?

COMMISSIONER ORDWAY: I still have to sit with the fact that our lease is with GRI and so I will move the cancellation of the seven leases.

ACTING CHAIRPERSON RASMUSSEN: The staff's recommendation --

COMMISSIONER ORDWAY: Uh-huh.

ACTING CHAIRPERSON RASMUSSEN: The staff's recommendation has been moved, and I concur, Item 24 is approved as presented.

EXECUTIVE OFFICER DEDRICK: Item 25 Commissioners is the approval of state participation in a Stockton Gas Unit and extension of an initial drilling term for a unpooled portion of the state leased lands in San Juaquin County.

ACTING CHAIRPERSON RASMUSSEN: Any questions on Item 25 or anyone wish to address the Commission?
COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: It's been moved.

Item 25 is approved as presented.

Item 26.

EXECUTIVE OFFICER DEDRICK: Item 26 is a request for a reduction in the amount of a letter of credit for a Royalty Oil Sales contract with Huntway Refining Company in the Elwood Field in Santa Barbara County.

ACTING CHAIRPERSON RASMUSSEN: Any questions on Item 26?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: 26 has been moved.

26 is approved.

Item 27.

EXECUTIVE OFFICER DEDRICK: This is an approval of an amendment to dredging permit for the Union Oil Company in Humboldt Bay to allow the disposal of materials and the disposal of materials offshore at a Corp of Engineer site with the usual monetary requirements. It doesn't go into public dump.

ACTING CHAIRPERSON RASMUSSEN: Any questions?

Item 27 has been moved and approved.

Item 28.

EXECUTIVE OFFICER DEDRICK: Item 28 is the award of a royalty oil sales contract. The successful bidder was
Anchor. It's from the Belmont offshore field. The price is 39 cents a barrel above the base price. That's the lowest one we've had in a long time, but I think reflects the decreasing price of oil in general right now. We have a minimum 35 cent bid.

**ACTING CHAIRPERSON RASMUSSEN:** Any questions?

**EXECUTIVE OFFICER DEDRICK:** Item 28 is approved as presented.

**EXECUTIVE OFFICER DEDRICK:** Item 29.

**EXECUTIVE OFFICER DEDRICK:** Item 29 is a request for approval of a compromise title settlement which involves approximately 20,000 acres of land in San Francisco, in and around San Francisco Bay in Alameda, San Mateo and Santa Clara County. The party in question is Ideal Basic Industries and Mr. Littman is the attorney representing Ideal on this case. And I don't know that we have any other appearances that I have seen so far.

**ACTING CHAIRPERSON RASMUSSEN:** Yes, I have one request to speak and that's from Mr. Littman. Do you wish to address the Commission on Item 29?

**MR. LITTMAN:** Only briefly to say that this matter was negotiated over a period of many years by myself principally for Ideal and with various members of the State Lands Commission including my friend Jim Trout, Claire Dedrick and Greg Taylor of the Attorney General's office.

It follows the settlement that was made on the west
side of the Bay. I think you heard that, the report that you have about it is about as complete as you can have and in this instance --

COMMISSIONER ORDWAY: I think people in the audience are having a little bit of trouble hearing you. So while you move closer to the mike, I'd like to say that I think the settlement is most fine and most equitable and I think it shows a lot of good work on the part of all parties involved and I'd like to move Item 29.

ACTING CHAIRPERSON RASMUSSEN: I agree. Item 29 has been moved.

COMMISSIONER ORDWAY: If you'd like to continue speaking, you may.

ACTING CHAIRPERSON RASMUSSEN: Did you want to --

MR. LITTMAN: No.

EXECUTIVE OFFICER DEDRICK: It is a very important settlement Commissioners.

There has been some misunderstanding as there usually is among the public as to who owns what.

I will point out that as part of the settlement Ideal has agreed to the public trust easement over lands which are not currently below the mean high tide in the Bay and the Commission has agreed not to exercise the public trust without adequate notice to the Ideal Company in case they have other uses.
The public hearings were held. Some members of the public asked that we exercise the trust now. I wanted to point out to you that a portion of the agreement requires the Commission to hold off for a minimum of 90 days.

COMMISSIONER ORDWAY: So we have a little bit of work to do before we can do that.

EXECUTIVE OFFICER DEDRICK: We have a great deal of work to do before we're ready to hold a trust exercise.

ACTING CHAIRPERSON RASMUSSEN: Any other comments or anyone wishing do address the Commission on this item?

Item 29 has been moved and is approved.

Thank you Mr. Littman.

MR. LITTMAN: Thank you.

ACTING CHAIRPERSON RASMUSSEN: Item 30.

EXECUTIVE OFFICER DEDRICK: Item 30 is a request for authorization to settle a suit Campeau South Beach Properties versus the State of California and the City and County of San Francisco.

Mr. Hight should really be presenting these legal items. We got into those before I noticed where I was.

MR. HIGHT: This is a settlement and it's a complicated title problem. In essence the state will be getting $100,000 to go to the Kapiloff Land Bank in lieu of their interest in this abandoned street.

COMMISSIONER ORDWAY: I'll move it.
ACTING CHAIRPERSON RASMUSSEN: Any questions on 30?

Item 30 has been moved and is approved.

Item 31.

MR. HIGHT: Item 31 is settlement of a condemnation suit in the Carquinez Straits and in lieu of the Commission's interest the Commission will be accepting land in Calaveras County.

ACTING CHAIRPERSON RASMUSSEN: Any questions on 31?

COMMISSIONER ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: Thirty-one has been moved and is approved.

Thirty-two is off calendar.

Item 33.

MR. HIGHT: Thirty-three is an amendment to an existing Commission authorization to the City of Huntington Beach and the issuance of a lease to the Portofino Cove Patio Homes Association. In essence the Commission will be authorizing 14 recreational pier permits and in exchange will be receiving some land that Mola currently owns which will be made into a parking lot, and the additional area which the Commission owns adjacent to that area will also be made into a parking lot.

In addition, there is a problem of eel grass in the main harbor and Mola will remove that eel grass and transplant it to another location suitable to Department of
Fish and Game.

COMMISSIONER ORDWAY: Did you want to speak or just want to be available for questions.

MR. VON ELTEN: Madame Chairman, members of the Commission, I'm Peter Von Elten, Executive Vice President of Mola Development.

I heartily support the staff's recommended action. I know it's been a very long process. I'm very pleased with the final result and I'd like to thank everybody that was a part of that.

The only thing I'd like to bring to the Commission's attention is that in three places in the calendar item for Item 33 at Pages 2, 3 and 4 where reference is made to Portofino Cove Patio Homes Association, there happens to be two sub-associations of which the patio cove, Patio Homeowners Association is one. The one that we're actually asking the right of first refusal for is Portofino Cove Condominium Association. I've discussed this with Mr. Hight and it's just a technical matter.

MR. HIGHT: That's fine.

MR. VON ELTEN: I believe the spirit of the staff's recommended action is that if the Portofino Cove Patio Homes Association desires to assign the recreational pier permit to the individual homeowner, they would have the right to do so.

With those exceptions, I will --
MR. HIGHT: For the record those are implicit I think in the Commission's authorization.

MR. VON ELTEN: Now, Mr. Paul Cook, Public Works Director of the City of Huntington Beach is here as the application would pertain to the city and I believe he's available for comments.

Thank you very much.

COMMISSIONER ORDWAY: Can we make sure that those are explicit in it --

MR. HIGHT: Yes.

COMMISSIONER ORDWAY: And this clarifies it and with that clarification, I'll move Item 33.

EXECUTIVE OFFICER DEDRICK: Recreational pier permits need to be attached to an upland residence by law.

ACTING CHAIRPERSON RASMUSSEN: Are there any other questions?

Item 33 is approved as presented with the clarifications.

EXECUTIVE OFFICER DEDRICK: Item 34 is subventions to cities and counties for the '85-'86 fiscal year. If you're interested, you can see that under current law those subventions are restricted to how many miles of park the city or county has along the waterfront, and they aren't large amounts of money.

COMMISSIONER ORDWAY: I'll move Item 34.
ACTING CHAIRPERSON RASMUSSEN: Thirty-four has been moved. Are there any questions, comments?

Item 34 is approved as presented. The meeting is adjourned.

(Thereupon, the meeting of the State Lands Commission was adjourned at 11:09 a.m.)
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 of the State Lands Commission was reported by me, Cathleen Slocum, and herein after 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 herein set my hand this ___ day of October, 1985.

[Signature]

Cathleen Slocum
Certified Shorthand Reporter
License No. 2822