

1
2 MEETING
3

4
5 STATE LANDS COMMISSION
6

7
8 STATE OF CALIFORNIA
9

10
11 STATE CAPITOL
12

13
14 ROOM 447
15

16
17 SACRAMENTO, CALIFORNIA
18

19
20 THURSDAY, NOVEMBER 21, 1985
21

22
23 11:30 A.M.
24

25 ORIGINAL
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205
206
207
208
209
210
211
212
213
214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236
237
238
239
240
241
242
243
244
245
246
247
248
249
250
251
252
253
254
255
256
257
258
259
259
260
261
262
263
264
265
266
267
268
269
270
271
272
273
274
275
276
277
278
279
279
280
281
282
283
284
285
286
287
288
289
289
290
291
292
293
294
295
296
297
298
299
299
300
301
302
303
304
305
306
307
308
309
309
310
311
312
313
314
315
316
317
318
319
319
320
321
322
323
324
325
326
327
328
329
329
330
331
332
333
334
335
336
337
338
339
339
340
341
342
343
344
345
346
347
348
349
349
350
351
352
353
354
355
356
357
358
359
359
360
361
362
363
364
365
366
367
368
369
369
370
371
372
373
374
375
376
377
378
379
379
380
381
382
383
384
385
386
387
388
389
389
390
391
392
393
394
395
396
397
398
399
399
400
401
402
403
404
405
406
407
408
409
409
410
411
412
413
414
415
416
417
418
419
419
420
421
422
423
424
425
426
427
428
429
429
430
431
432
433
434
435
436
437
438
439
439
440
441
442
443
444
445
446
447
448
449
449
450
451
452
453
454
455
456
457
458
459
459
460
461
462
463
464
465
466
467
468
469
469
470
471
472
473
474
475
476
477
478
479
479
480
481
482
483
484
485
486
487
488
489
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
509
510
511
512
513
514
515
516
517
518
519
519
520
521
522
523
524
525
526
527
528
529
529
530
531
532
533
534
535
536
537
538
539
539
540
541
542
543
544
545
546
547
548
549
549
550
551
552
553
554
555
556
557
558
559
559
560
561
562
563
564
565
566
567
568
569
569
570
571
572
573
574
575
576
577
578
579
579
580
581
582
583
584
585
586
587
588
589
589
590
591
592
593
594
595
596
597
598
599
599
600
601
602
603
604
605
606
607
608
609
609
610
611
612
613
614
615
616
617
618
619
619
620
621
622
623
624
625
626
627
628
629
629
630
631
632
633
634
635
636
637
638
639
639
640
641
642
643
644
645
646
647
648
649
649
650
651
652
653
654
655
656
657
658
659
659
660
661
662
663
664
665
666
667
668
669
669
670
671
672
673
674
675
676
677
678
679
679
680
681
682
683
684
685
686
687
688
689
689
690
691
692
693
694
695
696
697
698
699
699
700
701
702
703
704
705
706
707
708
709
709
710
711
712
713
714
715
716
717
718
719
719
720
721
722
723
724
725
726
727
728
729
729
730
731
732
733
734
735
736
737
738
739
739
740
741
742
743
744
745
746
747
748
749
749
750
751
752
753
754
755
756
757
758
759
759
760
761
762
763
764
765
766
767
768
769
769
770
771
772
773
774
775
776
777
778
779
779
780
781
782
783
784
785
786
787
788
789
789
790
791
792
793
794
795
796
797
798
799
799
800
801
802
803
804
805
806
807
808
809
809
810
811
812
813
814
815
816
817
818
819
819
820
821
822
823
824
825
826
827
828
829
829
830
831
832
833
834
835
836
837
838
839
839
840
841
842
843
844
845
846
847
848
849
849
850
851
852
853
854
855
856
857
858
859
859
860
861
862
863
864
865
866
867
868
869
869
870
871
872
873
874
875
876
877
878
879
879
880
881
882
883
884
885
886
887
888
889
889
890
891
892
893
894
895
896
897
898
899
900
901
902
903
904
905
906
907
908
909
909
910
911
912
913
914
915
916
917
918
919
919
920
921
922
923
924
925
926
927
928
929
929
930
931
932
933
934
935
936
937
938
939
939
940
941
942
943
944
945
946
947
948
949
949
950
951
952
953
954
955
956
957
958
959
959
960
961
962
963
964
965
966
967
968
969
969
970
971
972
973
974
975
976
977
978
979
979
980
981
982
983
984
985
986
987
988
989
989
990
991
992
993
994
995
996
997
998
999
1000
1001
1002
1003
1004
1005
1006
1007
1008
1009
1009
1010
1011
1012
1013
1014
1015
1016
1017
1018
1019
1019
1020
1021
1022
1023
1024
1025
1026
1027
1028
1029
1029
1030
1031
1032
1033
1034
1035
1036
1037
1038
1039
1039
1040
1041
1042
1043
1044
1045
1046
1047
1048
1049
1049
1050
1051
1052
1053
1054
1055
1056
1057
1058
1059
1059
1060
1061
1062
1063
1064
1065
1066
1067
1068
1069
1069
1070
1071
1072
1073
1074
1075
1076
1077
1078
1079
1079
1080
1081
1082
1083
1084
1085
1086
1087
1088
1089
1089
1090
1091
1092
1093
1094
1095
1096
1097
1098
1099
1100
1101
1102
1103
1104
1105
1106
1107
1108
1109
1109
1110
1111
1112
1113
1114
1115
1116
1117
1118
1119
1119
1120
1121
1122
1123
1124
1125
1126
1127
1128
1129
1129
1130
1131
1132
1133
1134
1135
1136
1137
1138
1139
1139
1140
1141
1142
1143
1144
1145
1146
1147
1148
1149
1149
1150
1151
1152
1153
1154
1155
1156
1157
1158
1159
1159
1160
1161
1162
1163
1164
1165
1166
1167
1168
1169
1169
1170
1171
1172
1173
1174
1175
1176
1177
1178
1179
1179
1180
1181
1182
1183
1184
1185
1186
1187
1188
1189
1189
1190
1191
1192
1193
1194
1195
1196
1197
1198
1199
1199
1200
1201
1202
1203
1204
1205
1206
1207
1208
1209
1209
1210
1211
1212
1213
1214
1215
1216
1217
1218
1219
1219
1220
1221
1222
1223
1224
1225
1226
1227
1228
1229
1229
1230
1231
1232
1233
1234
1235
1236
1237
1238
1239
1239
1240
1241
1242
1243
1244
1245
1246
1247
1248
1249
1249
1250
1251
1252
1253
1254
1255
1256
1257
1258
1259
1259
1260
1261
1262
1263
1264
1265
1266
1267
1268
1269
1269
1270
1271
1272
1273
1274
1275
1276
1277
1278
1279
1279
1280
1281
1282
1283
1284
1285
1286
1287
1288
1289
1289
1290
1291
1292
1293
1294
1295
1296
1297
1298
1299
1299
1300
1301
1302
1303
1304
1305
1306
1307
1308
1309
1309
1310
1311
1312
1313
1314
1315
1316
1317
1318
1319
1319
1320
1321
1322
1323
1324
1325
1326
1327
1328
1329
1329
1330
1331
1332
1333
1334
1335
1336
1337
1338
1339
1339
1340
1341
1342
1343
1344
1345
1346
1347
1348
1349
1349
1350
1351
1352
1353
1354
1355
1356
1357
1358
1359
1359
1360
1361
1362
1363
1364
1365
1366
1367
1368
1369
1369
1370
1371
1372
1373
1374
1375
1376
1377
1378
1379
1379
1380
1381
1382
1383
1384
1385
1386
1387
1388
1389
1389
1390
1391
1392
1393
1394
1395
1396
1397
1398
1399
1399
1400
1401
1402
1403
1404
1405
1406
1407
1408
1409
1409
1410
1411
1412
1413
1414
1415
1416
1417
1418
1419
1419
1420
1421
1422
1423
1424
1425
1426
1427
1428
1429
1429
1430
1431
1432
1433
1434
1435
1436
1437
1438
1439
1439
1440
1441
1442
1443
1444
1445
1446
1447
1448
1449
1449
1450
1451
1452
1453
1454
1455
1456
1457
1458
1459
1459
1460
1461
1462
1463
1464
1465
1466
1467
1468
1469
1469
1470
1471
1472
1473
1474
1475
1476
1477
1478
1479
1479
1480
1481
1482
1483
1484
1485
1486
1487
1488
1489
1489
1490
1491
1492
1493
1494
1495
1496
1497
1498
1499
1499
1500
1501
1502
1503
1504
1505
1506
1507
1508
1509
1509
1510
1511
1512
1513
1514
1515
1516
1517
1518
1519
1519
1520
1521
1522
1523
1524
1525
1526
1527
1528
1529
1529
1530
1531
1532
1533
1534
1535
1536
1537
1538
1539
1539
1540
1541
1542
1543
1544
1545
1546
1547
1548
1549
1549
1550
1551
1552
1553
1554
1555
1556
1557
1558
1559
1559
1560
1561
1562
1563
1564
1565
1566
1567
1568
1569
1569
1570
1571
1572
1573
1574
1575
1576
1577
1578
1579
1579
1580
1581
1582
1583
1584
1585
1586
1587
1588
1589
1589
1590
1591
1592
1593
1594
1595
1596
1597
1598
1599
1599
1600
1601
1602
1603
1604
1605
1606
1607
1608
1609
1609
1610
1611
1612
1613
1614
1615
1616
1617
1618
1619
1619
1620
1621
1622
1623
1624
1625
1626
1627
1628
1629
1629
1630
1631
1632
1633
1634
1635
1636
1637
1638
1639
1639
1640
1641
1642
1643
1644
1645
1646
1647
1648
1649
1649
1650
1651
1652
1653
1654
1655
1656
1657
1658
1659
1659
1660
1661
1662
1663
1664
1665
1666
1667
1668
1669
1669
1670
1671
1672
1673
1674
1675
1676
1677
1678
1679
1679
1680
1681
1682
1683
1684
1685
1686
1687
1688
1689
1689
1690
1691
1692
1693
1694
1695
1696
1697
1698
1699
1699
1700
1701
1702
1703
1704
1705
1706
1707
1708
1709
1709
1710
1711
1712
1713
1714
1715
1716
1717
1718
1719
1719
1720
1721
1722
1723
1724
1725
1726
1727
1728
1729
1729
1730
1731
1732
1733
1734
1735
1736
1737
1738
1739
1739
1740
1741
1742
1743
1744
1745
1746
1747
1748
1749
1749
1750
1751
1752
1753
1754
1755
1756
1757
1758
1759
1759
1760
1761
1762
1763
1764
1765
1766
1767
1768
1769
1769
1770
1771
1772
1773
1774
1775
1776
1777
1778
1779
1779
1780
1781
1782
1783
1784
1785
1786
1787
1788
1789
1789
1790
1791
1792
1793
1794
1795
1796
1797
1798
1799
1799
1800
1801
1802
1803
1804
1805
1806
1807
1808
1809
1809
1810
1811
1812
1813
1814
1815
1816
1817
1818
1819
1819
1820
1821
1822
1823
1824
1825
1826
1827
1828
1829
1829
1830
1831
1832
1833
1834
1835
1836
1837
1838
1839
1839
1840
1841
1842
1843
1844
1845
1846
1847
1848
1849
1849
1850
1851
1852
1853
1854
1855
1856
1857
1858
1859
1859
1860
1861
1862
1863
1864
1865
1866
1867
1868
1869
1869
1870
1871
1872
1873
1874
1875
1876
1877
1878
1879
1879
1880
1881
1882
1883
1884
1885
1886
1887
1888
1889
1889
1890
1891
1892
1893
1894
1895
1896
1897
1898
1899
1899
1900
1901
1902
1903
1904
1905
1906
1907
1908
1909
1909
1910
1911
1912
1913
1914
1915
1916
1917
1918
1919
1919

MEMBERS PRESENT

1
2 Kenneth Cory, State Controller, Chairperson
3 Jesse R. Huff, Director of Finance
4 Laura Schlichtmann, representing Leo T. McCarthy,
Lieutenant Governor

MEMBERS ABSENT

5
6 NONE

STAFF PRESENT

7
8
9 Claire Dedrick, Executive Officer
10 Robert Hight, Chief Counsel
11 James Trout, Assistant Executive Officer
12 Frederick Ludlow, Staff Counsel
13 Lance Kiley
14 Moose Thompson
15 Jane Smith, Secretary

ALSO PRESENT

17
18
19 Dave Judson, Deputy Attorney General
20
21
22
23
24
25

I N D E X

	Page
Proceedings	1
I. Confirmation of Minutes for the Meeting of October 24, 1985	1
II. Report of Executive Officer	1
III. Consent Calendar C1-C-24, excluding C3 & C18	2
IV. Regular Calendar	
Agenda Item 33 - State Lands Commission (Party)	3
Assemblyman Dave Elder	3
Agenda Item 25 - State Lands Commission (Party)	8
Agenda Item 26 - Exxon Corporation and Atlantic Richfield Company (Co-Lessees)	9
Agenda Item 27 - Department of Water Resources (Party)	9
Agenda Item 28 - Chevron U.S.A., Inc. (Party)	9
Agenda Item 29 - Robert and Leah Forester (Applicants)	10
Agenda Item 30 - Fred Pfyffer (Applicant)	10
Agenda Item 31 - Don Bargiacchi (Applicant)	10
Agenda Item 32 - Sunset Farms, Inc. (Applicant)	11
Agenda Item 34 - Off calendar	
Agenda Item 35 - City of Hermosa Beach (Party)	11
Staff Presentation - Mr. Trout	11
Gary Brutsch, Councilman, Hermosa Beach	13
Gregory T. Meyer, City Manager, Hermosa Beach	15
Discussion	17
Agenda Item 36 - Shell Western E & P, Inc. (Lessee)	19
Agenda Item 37 - City of Long Beach (Party)	19

INDEX (Continued)

1		
2	Agenda Item 38 - City of Long Beach (Party)	19
3	Agenda Item 39 - ARCO Oil and Gas Company (Operator)	22
4	Agenda Item 40 - Sid Levin (Party)	22
5	Agenda Item 41 - San Mateo City School District (Party)	23
6	Agenda Item 42 - Off Calendar	
7	Agenda Item C18 - Informative - Tahoe Keys Marina (Permittee)	24
8	Dina Schwarde, Tahoe Keys Marina	25
9	Discussion	27
10	Adjournment	29
11	Certificate of Shorthand Reporter	30

--oo--

13
14
15
16
17
18
19
20
21
22
23
24
25

PROCEEDINGS

2 --00o--

3 CHAIRPERSON CORY: We'll call the meeting to order.

4 Jess Huff is in route and will be here shortly.

5 We'll try to take care of some of the items beforehand.

6 First we have the confirmation of the Minutes of
7 October 24th. Without any objections, they will be confirmed
8 as presented and such will be the order.

9 We have a Report of the Executive Officer.

10 EXECUTIVE OFFICER DEDRICK: You have the report
11 before you. Just to emphasize a couple of the items. The
12 10,000 foot well, the experimental well that's being done by
13 the federal government on a piece of state lands at the
14 Salton Sea has been spudded on September 23rd. This well
15 should give us a good deal of information on the deep
16 geothermal capacity of the Salton Sea area.

17 The other item I'd like to call to your attention is
18 that the November net profits payments from the field
19 contractors 80 percent share of Track 1 in Long Beach brings
20 the total net profits payments to the field contractors, by
21 the field contractor to over two billion dollars. From Track
22 1, the total net profits is now in excess of two and half
23 billion. Is that correct, Moose?

24 CHAIRPERSON CORY: That's from the commencement of
25 the --

1 EXECUTIVE OFFICER DEDRICK: That's correct.

2 MR. THOMPSON: Long Beach units.

3 EXECUTIVE OFFICER DEDRICK: From the commencement of
4 the units.

5 CHAIRPERSON CORY: I didn't notice any payments like
6 that this month.

7 EXECUTIVE OFFICER DEDRICK: Gee, you're hard to
8 please.

9 CHAIRPLRSON CORY: Okay. We've got the Report of
10 the Executive Officer.

11 Next item we'll take up will be the consent
12 calendar. For those people in the audience, the consent
13 calendar has the letter "C" ahead of, preceding the number of
14 the calendar item and they go C-1 through 24, and we will
15 take those up in a single motion with the proposed staff
16 recommendation unless someone in the audience has a problem
17 with the proposed action. We have taken off calendar Item
18 C-3. So it will not be taken up. The other items, unless
19 there is some objection by someone in the audience, will be
20 taken up in a single motion. So if there is anyone here who
21 disagrees with the proposed staff recommendation, we'd like
22 to hear from you now.

23 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, could we
24 move C-18 to the regular calendar?

25 CHAIRPERSON CORY: Pardon me. C-18 is no longer cu

1 the consent calendar. It will be taken up as a separate
2 item. So it is Item C-1 through 24 excluding 3 and 18.

3 Is there any other item that needs to be removed?

4 Without objection, the consent calendar will be
5 approved as presented, excluding 3 which is off calendar and
6 18 which is on the regular calendar. Okay.

7 We have a series of items. Mr. Elder is here. Mr.
8 Elder, you are here for --

9 ASSEMBLYMAN ELDER: 33.

10 CHAIRPERSON CORY: -- Item 33. So we would, I think
11 we should take that one up so you can get on with your
12 schedule and we can do our work without you observing us.

13 ASSEMBLYMAN ELDER: Two billion dollars, huh? Well,
14 that's a tidy sum of money and being Long Beach, of course,
15 they're more than anxious to share those revenues with the
16 people in Northern California if they'll just give us a
17 little water. The accidents of geology and geography are
18 such that we can't really control the equitable distribution
19 of those resources, but we all have needs.

20 I have Item 33 on agenda and I appreciate very much
21 the opportunity to address the Commission. I would like to
22 present to the Commission at this time letters from the Long
23 Beach oil royalty owners who are the property owners within
24 the area represented I believe on the map on the wall here in
25 the Long Beach area. These are known as the upland owners.

1 This is the portion of the oil field that's
2 generated the two billion dollars located under the land as
3 opposed to under the ocean. Since 1964 that portion of the
4 oil field was thought to represent approximately 11 percent
5 of the reserves in the field, and subsequent geological
6 information has suggested a figure somewhat less than that,
7 and the terms of the 1964 agreement, Chapter 138, require
8 that if that adjustment is made, it has to go back to 1964
9 and those people have to pay back any additional excessive
10 revenues that were paid them, and the terms of the agreement
11 also stipulate that pay back be in the form of a 50 percent
12 reduction in their future royalties. And that particular
13 provision is extremely burdensome now for these individuals
14 because the oil field is going to last I believe until the
15 year at least 2010, and therefore the 50 percent reduction is
16 no longer required as initially called for in the agreement.

2
17 We have time to recover any overpayment of these
18 individual property owners and these letters suggest support
19 for my AB 2568 which was signed into law this year, well, not
20 signed into law, actually became law this year. And that
21 bill provides for a reduction in that 50 percent payback
22 schedule to as low as ten percent which, of course, will
23 provide an opportunity for the state to receive its share
24 should that be determined to be appropriate.

25 These letters suggest support for AB 2568 and urge

1 the Commission to implement it which the staff report frankly
2 suggests take place. So I'm here frankly to support the
3 recommendations of staff and that 2568 be implemented.

4 I'd like to submit these letters from Long Beach oil
5 royalty owners who we've been able to identify which is a
6 very serious problem, by the way.

7 CHAIRPERSON CORY: That we're very glad to have in
8 the record to get those people identified.

9 It is the staff's recommendation that Commission
10 agree to consider the approval of a reduction in rate of
11 retroactive equity adjustments and that we authorize the
12 Executive Officer to contact the various parties to start
13 negotiating the collection of data and information that will
14 enable us to comply with the statute and to also direct the
15 Executive Officer to report back to the Commission on the
16 progress of the staff and we'd like to have at the next
17 meeting when you think you can conclude this whole thing so
18 everyone knows.

19 EXECUTIVE OFFICER DEDRICK: I would say not before
20 January. Let me ask Moose --

21 CHAIRPERSON CORY: Can you give us a report at the
22 January meeting as to when you will have this concluded?

23 EXECUTIVE OFFICER DEDRICK: Yes, we can do that, Mr.
24 Chairman.

25 MR. THOMPSON: This involves meeting with the City

1 of Long Beach. So it takes some time.

2 CHAIRPERSON CORY: But the January meeting you
3 should give us an estimate of when we can complete it. Not
4 that it's going to be completed in January, but we'll have a
5 time frame.

6 EXECUTIVE OFFICER DEDRICK: Yes.

7 MR. THOMPSON: More important, hopefully we'll get
8 a feeling from the participants who must approve the second
9 part of this. In other words, the Commission has taken
10 action, unless all the participants in the unit agree to it,
11 it would not become effective. So we're trying to get some
12 consensus to see if the participants would go along with the
13 move.

14 ASSEMBLYMAN ELDER: I might indicate for the record
15 that the Long Beach Unified School District is one of the
16 benefiting property owners as is of course the city of Long
17 Beach by virtue of its parks and streets in that area and any
18 public lands it owns. But the principle trust of this is
19 frankly not from them, but rather from the individual
20 property owners many of whom are in advanced years and with
21 these payments cut in some cases to zero because the 50
22 percent repayment schedule was not implemented in a timel
23 way, their checks have been reduced to anywhere from 20
24 percent of what they formerly were to zero percent. As for
25 some, this represented the amount of money necessary for them

1 to make retirement decisions. They're in a very difficult
2 circumstance.

3 Individuals who know and who can wait are in the
4 process of buying up these leases at bargain rates because no
5 payments are being received, recognizing over a two or three
6 year period they would resume at a level yet to be
7 determined. So individuals are being panicked, and I think
8 the Commission's position is totally, the staff
9 recommendation is totally consistent with the objects of the
10 bill as to provide these individuals with some relief in
11 their later years.

12 MR. THOMPSON: I think Assemblyman Elder has brought
13 up a point here that we're having trouble with and that is
14 the fact there's a working relationship between the working
15 interest owner and the royalty owner that is beyond what
16 happens in the unit, and those arrangements sometimes we're
17 going to have trouble in finding real assurance in any
18 benefit that you pass onto royalty owners actually ends up in
19 the royalty owner's hands.

20 CHAIRPERSON CORY: The statute does address itself
21 to that, does it not?

22 EXECUTIVE OFFICER DEDRICK: That is correct.

23 MR. THOMPSON: It puts the burden on the Commission
24 to make sure that happens.

25 ASSEMBLYMAN ELDER: But it would be clear to the

1 individual that the State of California has done everything
2 it can to ease the burden and that if, in fact, the burden is
3 not eased, then the responsibility lies with the oil
4 companies who are refusing to make a pass through.

5 CHAIRPERSON CORY: Okay. We have the item before
6 us. Any questions from Commissioners?

7 MR. TROUT: We just want to add that the Commission
8 at the headquarters office has also received communications
9 from the town lot owners urging this action and we have those
10 for the record, too.

11 CHAIRPERSON CORY: Anybody in the audience on this
12 item?

13 Without objection, Item 33 will be approved as
14 presented.

15 Thank you, Mr. Elder.

16 ASSEMBLYMAN ELDER: Thank you, Mr. Chairman.

17 CHAIRPERSON CORY: Thank you for taking the time out
18 of your schedule.

19 Item 25. This is extension of suspension of further
20 consideration of applications relating to the sighting of
21 hazardous waste management facilities on state lands in Inyo
22 County.

23 Is there anybody in the audience on this item?

24 Any questions of Commissioners?

25 Without objection, Item 25 will be approved as

1 recommended by the staff.

2 Item 26, approval of agreement between Exxon and
3 Atlantic Richfield to remove, Ellwood Pier in Santa Barbara,
4 to remove an abandoned well casing, two-thirds, one-thirds
5 split on the expenditures of that.

6 Any questions from Commissioners?

7 Anybody in the audience on this item?

8 Without objection, Item 26 will be approved as
9 presented.

10 Item 27. This is in accordance with a Memorandum of
11 Understanding with Department of Water Resources for a
12 recreational pier in Montezuma Slough, Solano County.

13 Any questions from Commissioners?

14 Anybody in the audience on this one?

15 Without objection, Item 27 is approved as presented.

16 Item 28, approval of a Letter of Authorization to
17 drill two test bore sites in tide and submerged lands one and
18 a half miles north of Point Conception, Santa Barbara County.

19 This is a request of coastal --

20 EXECUTIVE OFFICER DEDRICK: That is correct.

21 CHAIRPERSON CORY: --for Chevron to see about laying
22 the pipeline underground?

23 EXECUTIVE OFFICER DEDRICK: That's correct.

24 CHAIRPERSON CORY: Anybody in the audience on this
25 item?

1 Questions from Commissioners?

2 Without objection, Item 28 will be approved as
3 presented.

4 Item 29. This is an application of Robert and Leah
5 Forester. Recommended that we deny without prejudice the
6 application for use of state owned land. This is in the Napa
7 River.

8 Is there anybody in the audience on this item?

9 Any questions of the Commissioners?

10 Without objection, we will deny without prejudice
11 this application. Such will be the order.

12 Item 30, approval of a five year renewal of general
13 grazing lease from January 1, '86 on 440 acres of school land
14 three miles northwest of Santa Cruz, livestock grazing \$453
15 per annum.

16 Anybody in the audience on this item?

17 Questions of Commissioners?

18 Without objection, Item 30 will be approved as
19 presented.

20 Item 31 is a five year renewal of a general lease,
21 agricultural use, row crop in Santa Cruz County for \$8610 per
22 year.

23 Anybody in the audience on this item?

24 Questions of Commissioners?

25 Without objection, 31 will be approved as

1 presented.

2 Item 32, one year renewal of general lease,
3 agricultural use, for \$23,584 a year, Santa Cruz row crop
4 land.

5 Anybody in the audience on this item?

6 Questions from Commissioners?

7 Without objection, Item 32 will be approved as
8 presented.

9 Item 33, we've already taken care of.

10 Item 34 is off calendar. Is that correct?

11 EXECUTIVE OFFICER DEDRICK: That is correct.

12 CHAIRPERSON CORY: Item 35, consideration of
13 resolution, Hermosa Beach tidelands drilling, and we have
14 some people here from Hermosa Beach who want to speak on this
15 one.

16 Staff, will you give us a quick rundown on this item
17 while they're coming forward to talk to us? Who's going to
18 fill us in on Hermosa Beach's --

19 EXECUTIVE OFFICER DEDRICK: Mr. Trout, Jim, would
20 you?

21 MR. TROUT: Mr. Chairman, the City of Hermosa Beach
22 has a tideland grant in which the legislature has also
23 granted the minerals.

24 Hermosa Beach joins to the north Redondo Beach in
25 L.A. County. Redondo Beach currently is producing from state

12

1 lands pursuant to their grant. The City of Hermosa Beach has
2 asked the Commission to consider its request to offset the
3 drainage from Redondo Beach and develop the structure
4 offshore of the City of Hermosa Beach.

5 According to what the city has advised us, that a
6 significant percent of the citizens in the city rescinded a
7 prior no oil and gas development drilling ordinance and the
8 City Council has adopted an oil and gas leasing ordinance.

9 In effect, the Commission must take several steps.
10 The Commission is required to approve a resolution that sets
11 forth the terms and conditions of the lease, the time and
12 place for the bid opening and other matters.

13 The Commission also must make several findings. It
14 must make findings that there is oil and gas in the area in
15 which they propose to lease, that there is drainage from that
16 area and that leasing would be in the best interest of the
17 state. This also includes approval of the form of lease
18 proposed to be issued by the city.

19 One of the problems that appears to prevent action
20 by the Commission today and why we're recommending that you
21 defer it is that we do not have completion of the
22 environmental treatment as required by the California
23 Environmental Quality Act. The city has considered that
24 point, but we're not sure that it completely complies with
25 the terms of the act.

1 So what we're asking you to do today is to recognize
2 for the city that the application is in the shop, that you
3 defer any action on the item today, but thirdly that you
4 direct the staff to diligently work with the city to attempt
5 to resolve what differences we have and get back to you as
6 quickly as possible.

7 CHAIRPERSON CORY: Okay. Who wishes to speak first
8 from the city?

9 MR. BRUTSCH: I think I'll do that. My name is
10 Councilman Gary Brutsch and I'm from Hermosa Beach. I'd like
11 to speak in support of the project and I'd like to give you a
12 brief history of what has occurred.

13 In 1907 the State of California granted by deed to
14 the City of Hermosa Beach the right to recover hydrocarbons
15 in the submerged tidelands off its shore. In 1932 the people
16 of Hermosa Beach voted to prohibit any further drilling into
17 the tidelands. In 1984, by a vote of 4354 yes and 2961 no,
18 which is a significant number, the people of Hermosa voted to
19 allow an exception to the 1932 drilling prohibition.

20 The people voted favorably to allow the city to
21 drill into the tidelands from a site specific, the city owned
22 maintenance yard, located approximately one-half mile east of
23 the shoreline in an industrial area approximately 500 yards
24 from any residential structure.

25 The proceedings from this well must be specifically

1 used to acquire and maintain parks and open space,
2 specifically used to maintain parks and open space. The
3 question is what convinced the voters to allow hydrocarbon
4 recovery.

5 Number one, after Proposition 13 and a 17 percent
6 reduction of state and federal bailout monies, the City of
7 Hermosa Beach is experiencing a tremendous general fund
8 revenue shortfall necessitating reduction of staff and field
9 services.

10 Number two, the monies derived from hydrocarbon
11 recovery would give the city a source of income sufficient
12 to purchase and maintain presently available open space and
13 thereby free up general fund money. And this open space is
14 railroad right-of-way property. It's about 21 acres that
15 runs right through the middle of our town.

16 Number three, another mitigating factor is the
17 presence of 48, 48 offshore and 19 onshore wells located on
18 our southern border in Redondo Beach. Since 1956 these wells
19 have produced in excess of eight million barrels of oil and
20 nine million cubic feet of gas.

21 Gentlemen, this production represents millions of
22 dollars to the City of Redondo Beach and the tidelands fund.
23 The City of Hermosa Beach would like to exercise its right
24 under the tidelands trust and utilize hydrocarbon recovery
25 revenues to benefit its citizens as Redondo has.

1 I'm an environmentalist actively working to block
2 offshore oil drilling. However, I believe that with proper
3 environmental constraints, onshore oil drilling can be a
4 tremendous benefit to our citizens.

5 Gentlemen and ladies, the mandate is clear, my
6 constituents demand that we explore every means available to
7 bring new revenues into our city. In the spirit of
8 proposition 13 we do not support increased property taxes.

9 I respectfully submit that we have met the criteria
10 for onshore drilling as promulgated by your State Lands
11 Commission. I therefore respectfully request that you allow
12 our city to proceed with this project.

13 This project has gone beyond the bureaucracy.
14 The issue in Hermosa Beach is we do not have funds. We have
15 an opportunity to acquire some open space and we do not have
16 the money to buy that.

17 If you allow us to go forward and drill our wells,
18 the money will be used to acquire open space needed in a very
19 densely populated area.

20 Thank you very much.

21 CHAIRPERSON CORY: Questions from Commissioners?

22 Mr. Meyer, do you wish --

23 MR. MEYER: Yes. My name is Gregory T. Meyer,
24 City Manager for the City of Hermosa Beach and I wish to
25 make a brief statement urging that you enact the staff

1 recommendation that is before you today.

2 The City of Hermosa Beach is appearing before you to
3 request what we believe we are legally entitled to, the right
4 to drill for hydrocarbon recovery in the tidelands of Hermosa
5 Beach.

6 The city has been very upfront and direct about its
7 intentions and over many months of discussions with
8 Commission staff sought to develop a workable Request for
9 Proposal process. The City Council adopted its resolution of
10 intent to so proceed. We have retained competent legal
11 counsel and employed a geologist in order to insure that our
12 process is proper and that it adequately protects the rights
13 of all interested parties and of the environment.

14 All that we ask of the honorable Commission is
15 authorization to proceed with, number one, the Request for
16 Proposal process, number two, a full environmental impact
17 report process that would be coordinated with a successful
18 driller and, number three, proceed with developing an
19 appropriate lease document that adequately provides for both
20 state and city interests.

21 In the judgment of city staff, the recovery of
22 tidelands oil from the city corporate yard site can be done
23 legally and safely. The oil field has proven and bidders are
24 ready to respond. We are therefore prepared to proceed on
25 any reasonable basis pursuant to the Commission's direction.

1 Thank you, Mr. Chairman.

2 CHAIRPERSON CORY: Okay. I have one question. Do
3 you have any tax on extraction of oil, city tax?

4 MR. MEYER: At this point there is a small barrel
5 tax.

6 CHAIRPERSON CORY: How much is that per barrel?

7 MR. MEYER: It's approximately I believe five cents
8 a barrel. We do have some current wells, all that predate
9 the 1932 prohibition of drilling.

10 CHAIRPERSON CORY: Do you have any plans to increase
11 that?

12 MR. MEYER: The Council has considered it and has
13 taken no action at this time.

14 CHAIRPERSON CORY: At some point as this goes
15 through, that is one issue that at least I as one
16 Commissioner am going to be looking at in terms of if that is
17 used as a device to circumvent the trust, I would have some
18 problems with it.

19 I think the open space probably complies with the
20 trust doctrine. I'm not sure of that. The lawyers of the
21 Lands Commission and AG's office would have to deal with.
22 But I would prefer to have the proceeds of that impressed
23 with the public trust doctrine so it's for all of the people
24 of the state. Obviously the City of Hermosa Beach residents
25 would get much greater use, but if it's derived from the

1 tidelands property, the benefit should extend to people
2 generally in having that trust doctrine on there would be
3 helpful.

4 MR. BRUTSCH: Mr. Chairman, if I might, there's no
5 intent to deceive here. The issue here is solely for the
6 purpose of trying to develop our open space.

7 CHAIRPERSON CORY: I just wanted to put that on the
8 record so you knew and you have looked at the staff
9 recommendations. As I understand it, they want to go ahead
10 and proceed with completing the environmental documentation
11 and the staff is going to move with all alacrity --

12 MR. TROUT: Yes, sir.

13 CHAIRPERSON CORY: --if we approve this to get
14 Hermosa Beach's problem up or down in a way we can live with
15 it.

16 MR. TROUT: Yes, sir.

17 MR. BRUTSCH: We appreciate that support. This has
18 been a long process for us, about a year.

19 CHAIRPERSON CORY: Anybody in the audience on this
20 item?

21 Without objection then, the staff recommendation
22 will be approved as on items, three and four of the item.

23 MR. BRUTSCH: Thank you.

24 MR. MEYER: Thank you.

25 CHAIRPERSON CORY: Thank you very much for coming

1 up. We appreciate it.

2 Okay. Item 36 is request from Shell Western E & P
3 Inc. for deferment of drilling operations on a Ventura County
4 lease.

5 Is there anybody in the audience on this item?

6 Any questions from Commissioners? Without
7 objection, Item 36 will be approved as presented.

8 Item 37, disposing of subsidence cost. Since Long
9 Beach isn't subsidizing, we don't have to pay them anything.

10 Is that what we're --

11 MR. THOMPSON: No. As part of the settlement we
12 agreed to pay these costs.

13 CHAIRPERSON CORY: But this is something we've
14 already approved and it's just closing out the account, that
15 it was within budget.

16 MR. THOMPSON: This is an ongoing thing that's done
17 every year to see if there are any subsidence in the area.

18 CHAIRPERSON CORY: Is there anybody in the audience
19 on this item?

20 Questions from Commissioners?

21 Without objection, item 37 will be approved as
22 presented.

23 Item 38, notification to Long Beach of direct field
24 contractor sale off.

25 EXECUTIVE OFFICER DEDRICK: Mr. Chairman.

1 CHAIRPERSON CORY: This is an item in which there is
2 currently a minimum over bid requirement; is that correct?

3 EXECUTIVE OFFICER DEDRICK: That is correct.

4 CHAIRPERSON CORY: And the staff thinks maybe we
5 ought to eliminate that given the competitive environment.
6 Is that where we're at?

7 MR. THOMPSON: I believe the staff and the Attorney
8 General have come up with this particular recommendation.

9 Mr. Willard can speak to that. I don't know whether anybody
10 from the Attorney General can concur with that, but Willard
11 can speak to that now.

12 They are concerned at the present time that the
13 crude oil market is somewhat depressed and they have some
14 concerns over putting a minimum in and they can explain
15 these.

16 MR. WILLARD: Well, Al Willard, engineer with the
17 Long Beach office.

18 Our concern is that the resent bids that we've been
19 seeing in our sell offs have not been all that large. The
20 terms of this particular sell off is that we're asking for a
21 bid over the highest posted price in the field. The terms of
22 the Long Beach unit agreement is one of the average price in
23 those fields. And it can work out that actually a lower bid,
24 a negative bid could turn out to be a positive bid from the
25 sense of as comparing it with the terms of the Long Beach

1 unit agreement.

2 And we would recommend that the Commission retain
3 the discretion of obviously rejecting any bids that you
4 receive. When and if we receive bids, we'll report back to
6 you. If they're sufficiently low and it doesn't appear that
6 it's in your best interest to accept it, why you can reject
7 it. But not to place a minimum bid on the --

8 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, I'd like
9 to recommend that if you decide to go forward with this
10 change in policy which I have no real opinion on, that we do
11 it on a case by case basis. We won't see the results of this
12 for sometime.

13 CHAIRPERSON CORY: The only request before us is for
14 this particular sell off?

15 EXECUTIVE OFFICER DEDRICK: That is correct.
16 I'd just like to make that clear.

17 MR. THOMPSON: This is rather a complicated one and
18 we have to give long term notice on this and actually we do
19 not sell it off nor neither does the City of Long Beach.
20 Actually field contractor sells it off. It's kind of a very
21 left-handed arrangement.

22 EXECUTIVE OFFICER DEDRICK: I'd like staff to track
23 this one closely and report back to me and to you on what the
24 effects of this change in policy is.

25 CHAIRPERSON CORY: The fact that you had to ask that

1 here, do they sometimes not report back to you, Clare? Are
2 you telling us something?

3 EXECUTIVE OFFICER DEDRICK: I think that problem
4 arises in any organization, Mr. Chairman.

5 CHAIRPERSON CORY: Is there anybody in the audience
6 on this item?

7 Questions of Commissioners?

8 Without objection, Item 38 will be approved as
9 presented.

10 Item 39, modification deferment of drilling
11 operations on state oil and gas leases PRC 308, 309, 3120,
12 3242. These are just changing the actual well numbers; is
13 that correct, Moose?

14 MR. THOMPSON: You had a prior approval by specific
15 well numbers.

16 We're not going to drill one of those, so we need
17 your specific approval to change to another well number.

18 CHAIRPERSON CORY: Is there anybody in the audience
19 on this item?

20 Questions of Commissioners?

21 Without objection, Item 39 will be approved as
22 presented.

23 Item 40, approval of a compromise title settlement
24 agreement concerning 12 acres in San Carlos, San Mateo
25 County.

1 Anybody in the audience on this item?

2 Any questions of Commissioners?

3 MR. HIGHT: Mr. Chairman, in 40 and 41 we need to
4 note for the record that you are acting as trustees of the
5 Land Bank Trust Fund in addition to your capacity as Lands
6 Commissioners because we're accepting money in both items.

7 CHAIRPERSON CORY: So we are accepting that in both
8 capacities?

9 MR. HIGHT: Yes.

10 CHAIRPERSON CORY: And we want the record to clearly
11 show that?

12 MR. HIGHT: Correct.

13 CHAIRPERSON CORY: Did nimble fingers get both of
14 those capacities I hope so I don't have to repeat them?

15 Okay. Questions of Commissioners?

16 Anybody in the audience?

17 Without objection, Item 40 is approved as presented,

18 Item 41, compromise title settlement agreement in
19 which we are acting both as the Lands Commission and as
20 Trustee.

21 Anybody in the audience on the Item 41?

22 Any questions of Commissioners?

23 Without objection, Item 41 will be approved as
24 presented.

25 Item 42 is off calendar.

1 MR. TROUT: Mr. Chairman we still need to dispose of
2 Item 18 I believe.

3 CHAIRPERSON CORY: 18, C 18, pardon me. We're now
4 at C 18. This is a, there was a proposed dredging permit
5 which, as I understand it, the Executive Officer has not
6 signed or issued.

7 EXECUTIVE OFFICER DEDRICK: That's true. It is
8 within my discretion under your direction to issue permits
9 for under 10,000 cubic yards. And as it happens in this
10 instance, that letter was never issued. The applicant,
11 however, has carried out some of the dredging and deposited
12 spoils on the disposal site they proposed which is a marsh.

13 CHAIRPERSON CORY: Is there anybody in the audience
14 on this item? Yes, ma'am. Would you come forth and identify
15 yourself for us.

16 MS. SCHWARDE: I'm Dina Schwarde and I'm
17 representing Tahoe Keys Marina.

18 EXECUTIVE OFFICER DEDRICK: Could you pull the mike
19 a little closer to you.

20 MS. SCHWARDE: I'm Dina Schwarde and I'm
21 representing Tahoe Keys Marina.

22 CHAIRPERSON CORY: To help us since we've got it on
23 the tape, would you spell the last name?

24 MS. SCHWARDE: S-c-h-w-a-r-d-e.

25 CHAIRPERSON CORY: Okay. And what we have before us

1 is a request for a dredging permit or what specifically do we
2 have before us?

3 MR. TROUT: Mr. Chairman, you had an informative
4 item in which the Executive Officer was informing you that
5 she had signed the permit. Between the time the calendar
6 item was prepared and today we found that there were some
7 problems with the proposed permit and, therefore, it was not
8 signed.

9 In the meantime we have determined from, not only
10 from Tahoe Key's Marina, but from others that apparently the
11 dredging project has in fact been started and may have been
12 substantially carried out. And therefore, we wanted to
13 report that condition to you and let the applicant have a
14 chance to explain.

15 EXECUTIVE OFFICER DEDRICK: We are not asking you to
16 take action. In fact we recommend against taking action
17 today.

18 CHAIRPERSON CORY: Could you tell us what the status
19 is and how we got to where we are?

20 MS. SCHWARDE: All right. In August 25th I wrote a
21 letter to the State Lands Division requesting information on
22 the necessity of getting a permit to conduct some urgently
23 needed maintenance dredging in the channel that's the access
24 channel that goes into the marina from the lake.

25 I had gotten an exception from the federal court

1 injunction against the TIPA so that they would be able to
2 proceed since they felt that it was a matter of public health
3 and safety.

4 I went ahead and I've gotten five other permits. I
5 want you to know I'm not adverse to getting permits. This
6 operation had taken place before and in 1979 and I had not
7 been involved in that procedure at the time, and there was an
8 environmental document adopted or certified on it and waste
9 discharge requirements were adopted by the Regional Water
10 Quality Control Board.

11 So all those agencies concurred, the Army Corps,
12 Fish and Game, that the project could proceed. I left. I
13 went on a trip to Europe, but all my permits were in and when
14 I came back because we weren't going to proceed until after
15 we had received our State Lands permit. And when I game back
16 I hadn't heard any or the applicant, he didn't send it in or
17 anything. So it was like he knew that was the last thing
18 that had to be resolved.

19 So I sent it in and I spoke to Miss Martinez and she
20 said that it would be an administrative permit and that it
21 would be issued as soon as possible. I explained to her I
22 had another constraint and that is a grading deadline in the
23 basin. It's a moritorium against moving earth. And we had
24 built the berms around the disposal site, and if it, if the
25 berms should fail, we would have to bring in some heavy

1 equipment into that area which is not, it's pretty
2 environmentally sensitive and the TIPA would not appreciate
3 us doing that during the grading moratorium.

4 So I had those two constraints on me as far as
5 getting going.

6 We did not do it intentionally. It was my
7 understanding that we had been granted the permit and that's
8 the way I understood it and that it was in the mail. She
9 said the Army Corps permit's in the mail and I said yes, I
10 know. And as soon as I got that I jet packed that back down
11 to the Army Corps. She said your permit should be coming in
12 a few days.

13 We proceeded without receiving that permit which I
14 didn't quite understand. I just thought it was going to be a
15 letter and it was a fact that it was signed. So, I'm sorry.

16 CHAIRPERSON CORY: Is there -- the staff would like
17 to sit down and negotiate some resolution?

18 EXECUTIVE OFFICER DEDRICK: Yes, we would Mr.
19 Chairman. We have a problem with the disposal site in
20 question that has come up and we would like to facilitate
21 handling their problem, but we're going to need a few days to
22 do it. So we'll report back to you --

23 CHAIRPERSON CORY: The problem rests not with the
24 dredging site but the disposal?

25 EXECUTIVE OFFICER DEDRICK: That is correct as far

1 as I understand it. Is that correct, Lange?

2 MR. KILEY: Yes.

3 CHAIRPERSON CORY: If you would have time --

4 MS. SCHWARDE: Can I answer any questions?

5 CHAIRPERSON CORY: Well, I would guess it's probably
6 better, rather than take time in this formal a meeting just
7 to get the staff together with you at your earliest
8 convenience to try to get it resolved as to what we can do in
9 terms of the disposal site because I'm sort of reading
10 between the lines of what's said, but apparently there's a
11 problem for some reason of having put it where it's been put.

12 EXECUTIVE OFFICER DEDRICK: I think that is a
13 problem.

14 CHAIRPERSON CORY: Not having taken it from where
15 it's been taken.

16 EXECUTIVE OFFICER DEDRICK: That I think is correct.
17 But we certainly can begin the process again and using the
18 information we have and discuss it with --I missed your last
19 name.

20 MS. SCHWARDE: Schwarde.

21 CHAIRPERSON CORY: Thank you very much.

22 So there is no action required on this item?

23 EXECUTIVE OFFICER DEDRICK: Right.

24 CHAIRPERSON CORY: Okay. Is there anything else to
25 come before the Commission in this meeting?

1 EXECUTIVE OFFICER DEDRICK: No, sir.

2 CHAIRPERSON CORY: So what we should do is adjourn
3 this meeting and open another meeting; is that --

4 EXECUTIVE OFFICER DEDRICK: That's correct.

5 CHAIRPERSON CORY: --the wish of the staff and the
6 legal beagles here? Okay. We stand adjourned of the regular
7 meeting.

8 (Thereupon the Meeting of the State Lands

9 Commission was adjourned at approximately

10 11:30 a.m.)

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 CERTIFICATE OF SHORTHAND REPORTER

2 I, Cathleen Slocum, a certified shorthand reporter
3 of the State of California, do hereby certify:

4 That I am a disinterested person herein; that the
5 foregoing meeting of the State Lands Commission was reported
6 by me, Cathleen Slocum, and hereinafter transcribed into
7 typewriting.

8 I further certify that I am not of counsel or
9 attorney for any of the parties to said meeting nor in any
10 way interested in the outcome of said meeting.

11 IN WITNESS WHEREOF, I have herein set my hand this
12 12 day of December, 1985.

13
14
15
16
17
18
19
20
21
22
23
24
25

17 Cathleen Slocum
18 Cathleen Slocum
19 Certified Shorthand Reporter
20 License No. 2822