REGULAR MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 447
STATE CAPITOL
SACRAMENTO, CALIFORNIA

THURSDAY, AUGUST 20, 1987
10:20 A.M.

Nadine J. Parks
Shorthand Reporter

ORIGINAL

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TELEPHONE (916) 362-2345
MEMBERS PRESENT

Leo T. McCarthy, Lieutenant Governor, Chairman
Jesse R. Huff, Director of Finance, Commissioner
Jim Tucker for Gray Davis, State Controller, Commissioner

STAFF PRESENT

Claire Jedrick, Executive Officer
James F. Trout, Assistant Executive Officer
Robert C. Hight, Chief Counsel

Sue Breece, Executive Secretary
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CHAIRMAN MC CARthy: Good morning, ladies and gentlemen. This is a meeting of the State Lands Commission. My name is Leo McCarthy. I'm the Chair.

Sitting on my right is Commissioner Jesse Huff, Director of Finance. On my left, Commissioner Jim Tucker, who is representing the Controller here.

I'd like to mention at the outset that there were some items that are off calendar. They are C-5, then 15, 17, 22, and 25.

Any of you who are here on those items, please know they will not be taken up today.

Minutes of the last meeting? We'll go through this. Any corrections? All right. They're approved.

All right. First item.

COMMISSIONER HUFF: Mr. Chairman, I suspect there are some people here, probably attorneys, who are curious about the outcome of the vote on at least one item that had been discussed publicly and discussed today in the Executive Session. That would pertain to a potential lawsuit.

CHAIRMAN MC CARthy: The State Lands Commission in Executive Session voted two to one to pursue a lawsuit against the Secretary of Interior Hodel's five-year plan.
Either Commissioners want to make any comment on that action?

COMMISSIONER HUFF: I think I would. I think I must object very strongly to the course the Commission's considering and pursuing. I think basically that we have a weak -- potential for a very weak lawsuit. I think that the National Environmental Policy Act has a statute of limitations that has already run, that being 30 days; that the OCS Lands Act has a process spelled out in it that, as far as I can determine, is being followed.

The Federal Supreme Court has, in fact, approved this process in the last five-year plan. What we are discussing really is that the five-year plan is only a plan. It's only a plan document. There will be and has to be in the process a further EIS considerations prepared on each step as it becomes operational.

I think this circumvents the process. The Governor has made extensive comments on the five-year plan and has forwarded those to Interior. Interior -- the Department of Interior has responded to all of those comments. In fact, the Department of Interior has agreed to deletions, which is really the first time that such agreements have been obtained from Interior.

And I'm afraid that a frivolous lawsuit at this time may, in fact, jeopardize negotiations that are
continuing in this process. And again, the process is one that is spelled out in law and has long been observed.

Finally, I think that this action and the premature announce that was made yesterday could be considered a violation of the open meeting law of this State, at least in spirit if not in the letter.

The law says that we cannot discuss matters except in a properly noticed meeting. In fact, it appears that the decision was made 24 hours in advance of the meeting. I'm a member of the State Lands Commission. As far as I can tell, my vote counts in all these matters. I didn't receive these materials until yesterday.

CHAIRMAN MC CARthy: I would make these comments. The State Lands Commission is a party under Federal and State law to the review process in the implementation of the OCS law. And we quite properly may bring this lawsuit.

I suppose whether there's justification in the lawsuit is in the eye of beholder or the satisfaction each of us may have with how Secretary Hodel or the Federal Government has addressed concerns of innumerable California citizens who have testified in public hearings and -- through the mail and any number of ways -- with Federal officials on how we achieve a balance between oil drilling, management of coastal resources, and environmental
concerns. We all travel around California, and I encounter pervasive across-the-board dissatisfaction with Hodel's answer. Many people two years ago -- and I was one of them -- appeared as a witness in a series of hearings that Secretary Hodel held throughout California.

At that time, he'd been negotiating with members of the California delegation. They had reached a tentative -- and I emphasize tentative -- compromise of 150 tracts off the coast that would be appropriate for drilling, while recognizing other areas as environmentally sensitive.

It was quite appropriate to amend, even in substantial ways, that tentative accord that was reached after months of discussions between Hodel on the one side and our congressional delegation on the other side.

Instead, what happened, of course, is that Secretary Hodel walked away from that tentative compromise and now his five-year proposal goes lopsidedly to the side of oil drilling.

We suggest there is a dual set of important policies that we want to pursue here: oil drilling where it makes sense and protection of environmentally sensitive areas of the coast. And we don't think that the Hodel proposal achieves that. Obviously, many members of the California delegation in Congress don't believe that either.
because they fight yet for moratoriums to attach conditions to budget authorization items. And so we feel this is a very open and entirely appropriate way.

Now, final comment. The reference to the Open Records Act. I'm somewhat familiar with that Act. I authored laws extending it when I was in the Legislature. And what was said at the press conference yesterday was clearly articulated: There was going to be a State Lands Commission meeting today and the attempt would be made to put this matter for a vote. I don't think the position stated yesterday by either Controller Davis or by myself are a surprise to anyone, and in any manner inconsistent with these long series of public statements we’ve been making on these related matters on this subject for several years.

Commissioner Tucker, did you want to make any comment?

COMMISSIONER TUCKER: Just briefly. I think a couple of things were left out by Mr. Huff's statement.

First of all, as Lieutenant Governor McCarthy indicated, the Lands Commission has long, publicly, taken a position in opposition to the proposed plan, including letters of objection written by the Controller, written by the Lieutenant Governor.

The action today of the Lands Commission was
the result of a recommendation by the Attorney General that this lawsuit must be filed in order to protect California's coast. That was an obligation, in effect, that the Lands Commission is concerned about protecting our coastline.

And finally, I think it's important to note that the reason the Lands Commission had to act in this area is because of the failure of the Governor to really provide the kind of leadership California needs on this issue.

The Governor's decided to side with the administration, with the Secretary of the Interior, rather than with the interests of Californians and the interest of the California coastline. That's the reason that the Lands Commission has had to act. This is an action that should have been taken by the Governor and by the other agencies in the administration that are concerned about this issue in conjunction with the Lands Commission. But the Lands Commission has had to take the leadership on this. And I think that's an important point to note.

Finally, the suggestion that, well, this is only a plan and it shouldn't be challenged, because it's only a plan, there's a long ways to go -- I think that's the deficiency in this. It isn't a plan. It isn't anything, other than, let's lease those pieces of property. And
then we'll see, according to Secretary Hodel, what happens. We'll see what the implications are, and we'll work all this out as we go down the line.

That's not good government, not intelligent planning, and the Lunds Commission has indicated by its action that it doesn't want to be part of it.

CHAIRMAN MC CARthy: Thank you. If we may proceed to the file. The consent calendar is 1 through 12, minus 5, which is pulled.

Any questions? All right. The consent calendar is acted upon.

EXECUTIVE OFFICER DEDRICK: Item 13 is a -- the applicant is Standard Pacific L.P. It's an authorization as both the State Lands Commission and the School Land Bank Trustee, in this stance, Commissioners, to tell and subsequently issue a patent to this company for a 1.17 acre parcel of land for a road right-of-way, which will allow that company to build a road which will give the State Lands access to a parcel that is part of the School Land Trust area where we do not now have access.

CHAIRMAN MC CARthy: Questions by either Commissioners? From the audience? Any question about this? Approved. Item 14.

EXECUTIVE OFFICER DEDRICK: All right. Item
14, Mr. Robert Shamblin. This is a staff recommendation to deny the application for a new lease for the continued use of sovereign lands for residential purposes.

CHAIRMAN MC CARTHY: Any questions by the Commissioners? From the audience? Approved. The recommendation's approved. Item 16.

EXECUTIVE OFFICER DEDRICK: This is First South Savings Association, recognition of First South Savings as a lessee on Leases 6504, 05, and 06, as a result of its having foreclosed on its loan to the Burlingame Joint Venture, the State's former tenant on the De Anza landfill in Burlingame in San Mateo County.

CHAIRMAN MC CARTHY: Questions from the Commissioners? From the audience? All right. That's approved. Item 18.

EXECUTIVE OFFICER DEDRICK: Item 18 is consideration of proposed cogeneration facility. Staff recommends that we ask the city to put to bid a proposal for a power purchase contract to see if there's someone out there who wants to cogenerate at Wilmington Field.

CHAIRMAN MC CARTHY: Any questions from members of the Commission? From the audience? All right. Recommendation is approved. 19.

EXECUTIVE OFFICER DEDRICK: 19, request for authority to put out a proposal for crude oil sale on
several leases in Los Angeles, Orange, and Santa Barbara Counties. That's royalty oil sales, excuse me.

CHAIRMAN MC CARTHY: Questions from the Commissioners? From the audience? Recommendation is approved. 20.

EXECUTIVE OFFICER DEDRICK: The Termo Company, approval of issuance of negotiated subsurface lease on 93 acres of land in the bed of the Sacramento River in Butte and Glenn Counties. The applicant is the adjacent leaseholder.

CHAIRMAN MC CARTHY: Questions from the Commission? From the audience? That's approved as recommended. 21.

EXECUTIVE OFFICER DEDRICK: 21, Southern Desert Gold Corporation, approval of an extension of a permit to prospect for minerals other than oil, gas, and geothermal in Riverside County.

CHAIRMAN MC CARTHY: Questions from the Commission? From the audience? 21 is approved. 23.

EXECUTIVE OFFICER DEDRICK: Item 23, the United States Geological Survey, applicant, to do some groundwater monitoring and sampling in Inyo County to see -- looking for an area that would be suitable for a high-level nuclear waste dump.

CHAIRMAN MC CARTHY: Any questions from the
Commissioners? Questions from the audience? Approved as recommended. 24.

EXECUTIVE OFFICER DEDRICK: 24 is the City of Laguna Beach. It's the consideration of consent from the property owner, State Lands, for the City of Laguna Beach to annex tide and submerged lands near the city in Orange County.


EXECUTIVE OFFICER DEDRICK: 26 is an informational report on negotiations that the Commission's staff has been carrying out with the Sheriff's Office and various property owners in the area of Sarah Court in Carmichael along the American River.

Staff proposes to come to boundary line agreements with the adjacent property owners and to propose that the Commission approve a lease to the County of Sacramento for the management of the property.

CHAIRMAN MC CARTHY: Any questions from the Commission?

EXECUTIVE OFFICER DEDRICK: You don't need to take any action on that.

CHAIRMAN MC CARTHY: Any questions on the information? Thank you for the information. All right.
EXECUTIVE OFFICER DEDRICK: 27, we ask you to accept a report of the School Land Management recommendation that the staff has prepared and give us the authority to deliver that report to the State Teachers' Retirement System.

CHAIRMAN MC CARTHY: Any questions from members of the Commission? Anybody in the audience interested in this report? Thank you very much for the information -- for the recommendation.

Next item.

EXECUTIVE OFFICER DEDRICK: The next item are the revenues for the Fiscal Year 86-87 from the tidelands oil and from the geothermal operations on School Land, and the estimated revenues for 87-88, and 88-89. Do you --

CHAIRMAN MC CARTHY: Any comments on these estimates?

All right. Commissioner Tucker?

COMMISSIONER TUCKER: Where the estimate goes down in 88-89, is that a reduction in production or is that an assumption as to price?

EXECUTIVE OFFICER DEDRICK: Mr. Thompson, would you respond, please?

MR. THOMPSON: Actually, it's a reduction in
rate and assumption in price. And there's some nonreoccurring items that come up in the 87-88 that won't be in there. For example, the $26 million settlement for the windfall profits tax suit won't be repeated. And there will be an equity change that won't be carried over into 88-89.

CHAIRMAN MC CARTHY: Anything further?

EXECUTIVE OFFICER DEDRICK: That's it.

CHAIRMAN MC CARTHY: This Commission meeting is over. Thank you very much.

(Thereupon the meeting was adjourned at 10:40 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify that I am a disinterested person herein; that the foregoing meeting before the State Lands Commission was reported in shorthand by me and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of September, 1987.

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