COMMISSION MEMBERS PRESENT

Mr. Gray Davis, State Controller, Chairman
Honorable Leo T. McCarthy, Lieutenant Governor
Mr. Jesse R. Huff, Director of Finance, represented by
Mr. LaFenus Stancell, Assistant Director

STAFF PRESENT

Mr. Charles Warren, Executive Officer
Mr. James F. Trout, Assistant Executive Officer
Mr. Robert C. Hight, Chief Counsel
Mr. W. M. Thompson, Chief, Long Beach
Ms. Gail Moore, Commission Executive Secretary

ALSO PRESENT

Mr. David B. Judson, Deputy Attorney General
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PETERS SHORTHAND REPORTING CORPORATION

3336 BRADSHAW ROAD, SUITE 240
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TELEPHONE (916) 382-2346
CHAIRMAN DAVIS: All right. We will convene this meeting of the State Lands Commission of January 16th. I am reliably informed that the Lieutenant Governor --

ACTING COMMISSIONER STANCELL: Seventeenth.

CHAIRMAN DAVIS: The 17th, excuse me. I am reliably informed that the Lieutenant Governor is on his way so we will just get a few housekeeping things out of the way.

We have the minutes of the previous meeting of December 12th in front of us and I will entertain a motion to approve the minutes.

ACTING COMMISSIONER STANCELL: Since I wasn't at the meeting, I can only assume that they are correct. I will move approval of them.

(Laughter.)

CHAIRMAN DAVIS: Hearing no objections, the minutes are adopted.

Also, staff informs me that items C2b, C9, C21 and C26 have been taken off calendar. Are there any others?

EXECUTIVE OFFICER WARREN: None, Mr. Chairman.

CHAIRMAN DAVIS: Let me make those changes myself here.

Next, we will take up the Consent Calendar.

Can you hear me now?
Next we will take up the Consent Calendar which includes items C1 through C15. Does anyone care to make a comment or does anyone want to speak on those?

It's good to see you.

LIEUTENANT GOVERNOR McCarthy: It's good to see you, too.

CHAIRMAN DAVIS: We are presently dealing with the Consent Calendar.

If there is no comment or concern over the Consent Calendar, is there a motion for approval?

ACTING COMMISSIONER STANCELL: I move the Consent Calendar.

CHAIRMAN DAVIS: Hearing no objections, the Consent Calendar is approved unanimously.

Now, as we start with Item C1 -- or rather C16 -- I will ask the Executive Officer to explain that item. It involves a Lucille Peck.

EXECUTIVE OFFICER WARREN: First off, Mr. Chairman, would it be appropriate for me to announce to the audience that any folks who wish to address the Commission sign an attendance record sheet and bring it forward to us?

CHAIRMAN DAVIS: Yes, it would.

EXECUTIVE OFFICER WARREN: I have two before me presently, one of whom wishes to speak on this item.

Item 16, Mr. Chairman and Commissioners, is for
The purpose of considering a staff recommendation to increase the annual rental regarding a lease, number PRC 4244 and a protest of such increase by the State's lessee.

The existing rent, $225 per annum, is proposed to be changed to $720 per annum as to lessee's use of a .328 acre parcel of tide and submerged land in the Sacramento River at Sutter Island in Sacramento County.

I would like to point out that the present rental of $225 was set by this Commission in 1976. At the five-year rent review period in early 1970, the staff proposed that the rent be increased to $590, along the lines of the value of the parcel. The applicant at that time appeared and protested the increase, and the Commission at that time decided not to increase.

This is another five-year rent review period. The determination of fair rental value has been made by staff at $720 and it is on which we will ask the Commission to adopt.

CHAIRMAN DAVIS: All right. We will hear from Lucille Peck.

MS. PECK: My goodness, I didn't think I'd be the first one to speak here this morning.

I am Lucille Peck from Courtland and I'd like to address you, Mr. Davis, and all the gentlemen here.

First, I want to thank everyone at the State Lands
for being so gracious and nice to me in this project. So I think they are doing a good job in the Commission and so I am very grateful for that.

My objection to this rent increase is that I just really have a small business there at present. I have had a lot of reconstruction to do and everything and gone through the loss of members of my family, and I am trying to get back and get things together again.

But it just seems to me that when you consider the State Lands' request for the rent increase, and I am sure you have your reasons, and then you have property taxes and insurance and the rest of it, the value of your property, it tends to be a little much for a small business. I think it's too much.

But so whatever conclusions you make today, I hope you consider that it's, the dock itself, right now is not functioning. We have had to do a major repair on it and hopefully we will get it back in operation again soon. But I just think it's a service dock.

There aren't permit boats there. There are no boats there. So if you would consider a lesser amount, I would certainly appreciate that kind of consideration.

CHAIRMAN DAVIS: What is the source of revenue?
MS. PECK: There is none right now.
CHAIRMAN DAVIS: Charlie.
EXECUTIVE OFFICER WARREN: I understand that the dock is connected to a convenience store and facility --

ASSISTANT EXECUTIVE OFFICER TROUT: On the uplands.

MS. PECK: Yes, on the uplands, uh-huh.

EXECUTIVE OFFICER WARREN: I'd also like to point out that the maintenance of these facilities on the property is required by the lease, and all such lessees are obliged to undergo whatever is necessary for maintenance, whatever that expense may be.

And finally, that there are other lessees who have had to maintain their properties and had to face the same situation in terms of the properties as the applicant, and we think that on the grounds of parity and equity, that our recommendation should be approved.

CHAIRMAN DAVIS: So all the lessees have to absorb the cost of maintenance.

EXECUTIVE OFFICER WARREN: Yes, sir, that's their obligation.

CHAIRMAN DAVIS: How was the figure arrived at, the $720?

EXECUTIVE OFFICER WARREN: Fair market appraisal by our appraisers.

CHAIRMAN DAVIS: Mr. Stancell.

ACTING COMMISSIONER STANCELL: What was the reason
for not granting or recommending a rent increase for the first review, the first five-year review?

EXECUTIVE OFFICER WARREN: Well, staff recommended a rate increase. The Commission saw fit not to grant it.

ACTING COMMISSIONER STANCELL: Well, yes. What was the rationale for that that the Commission used for that?

EXECUTIVE OFFICER WARREN: Very seldom do we ask the Commissioners for their rationale.

(Laughter.)

ACTING COMMISSIONER STANCELL: They didn't want to say publicly why they decided to be so generous?

EXECUTIVE OFFICER WARREN: I think they found Mrs. Peck very appealing, is what I suspect.

ACTING COMMISSIONER STANCELL: Okay.

EXECUTIVE OFFICER WARREN: I am sorry. I don't mean to be flip but I just don't know, Mr. Stancell.

ACTING COMMISSIONER STANCELL: I was just curious about that.

CHAIRMAN DAVIS: You weren't on that Commission, were you, either, then?

LIEUTENANT GOVERNOR McCARTHY: I don't remember that, no.

CHAIRMAN DAVIS: Okay. Let me ask one question. Does this dock, or has it ever, or do you expect that folks
will use it for service or for what?

MS. PECK: Well, probably for service. I don't see any long-term dockage there because it isn't that type of dock in the first place, but when my husband was killed, that's one place, one business I had to give up to maintain the rest of my life and keep that going. Then I had leased it to some people and that was unsatisfactory and the property became very downgraded and so finally I had just gone through a legal process to remove them and so this last year I spent $17,000 just upgrading the dock because it had just literally broken in two.

And so my intention is to start operating again myself. I just cannot see people, unless you have huge developers or people like that who seem always interested in something like that, and I would be giving up more than just a little bit. It has historical value and it has been in the family since 1848. And it means a lot to me and my family and the rest of my family.

CHAIRMAN DAVIS: I understand that, but we have to balance our concern for your personal situation against our obligation.

MS. PECK: Yes, I understand that.

EXECUTIVE OFFICER WARREN: Just a question. The dock is also used by boats for refueling, where you sell fuel for refueling?
MS. PECK: Mainly that, but you can imagine how much gas you have to pump to keep up all those expenses, and you would be doing that and never come out in the black doing that.

CHAIRMAN DAVIS: Well, I would propose, and I don't know how my fellow Commissioners feel about this, but I would propose that we split the difference between the two, but that is only my opinion and I will entertain any other thoughts you might have to resolve this issue.

ACTING COMMISSIONER STANCELL: Well, what would be the basis of split... the difference?

CHAIRMAN DAVIS: Just as the 1980 Commission did that.

(Laughter.)

ACTING COMMISSIONER STANCELL: I just wanted to make sure I understand.

CHAIRMAN DAVIS: I don't know. I am open to whatever resolution you may have.

ACTING COMMISSIONER STANCELL: I see it as just a cost of doing business. We shouldn't be in the business of subsidizing businesses, and it's not consistent with our policies as we treat others in the same situation.

CHAIRMAN DAVIS: Leo.

LIEUTENANT GOVERNOR MCCARTHY: This is your first leadership decision.
(Laughter.)

CHAIRMAN DAVIS: All right. I will move from the Chair to make a motion, or allow myself to make a motion, that we split the difference.

So is there a second to that or what do you want to do?

EXECUTIVE OFFICER WARREN: That would be $475 per year Mr. Trout advises me if you wanted to split the difference between the two, or we could go back to the rent level that we suggested five years ago, the $590.

LIEUTENANT GOVERNOR McCARTHY: That's fine.

EXECUTIVE OFFICER WARREN: Whichever one you want to choose. That's another option that you might want to consider.

CHAIRMAN DAVIS: Well, all right. Let me withdraw my motion and take the staff's recommendation for the $590 figure and offer that as a motion.

ACTING COMMISSIONER STANCELL: Is that the staff's recommendation?

CHAIRMAN DAVIS: Well, in 1980 it was.

(Laughter.)

CHAIRMAN DAVIS: I like to pay attention to staff where I can, even if it is maybe a decade late.

(Laughter.)

LIEUTENANT GOVERNOR McCARTHY: We don't want the
staff to feel, Mr. Chairman, that we never listen to them.

(Laughter.)

CHAIRMAN DAVIS: I wasn't here in 1980 but it made good sense.

Do we have a second or do we vote?

LIEUTENANT GOVERNOR McCARTHY: Sure.

CHAIRMAN DAVIS: Oh, all right. So the Commission, two to one, votes for $590 rent.

EXECUTIVE OFFICER WARREN: Thank you, Mr. Chairman.

MS. PECK: May I ask for what period of time?

EXECUTIVE OFFICER WARREN: Five years.

CHAIRMAN DAVIS: Five years.

MS. PECK: I thank you very much. Thank you.

CHAIRMAN DAVIS: All right.

Item 17. Can you explain that, Charles?

EXECUTIVE OFFICER WARREN: Yes, Mr. Chairman.

This item is to approve the Fifth Amendment and the Second Renewal of a General Lease-Commercial Use for a period of ten years, beginning April 1, 1990, of a .115-acre parcel of tide and submerged lands located in Sunset Bay, Orange County, for the continued operation and maintenance of a commercial fuel dock facility.

The consideration is set forth at one cent per gallon for the first 100,000 gallons of fuel sold, and a
one and a half cent per gallon thereafter. Also, five
percent per annum on all other gross income attributable to
the leased premises with a $4,050 minimum annual rental.

It has also provided a five-year rent review and
no opposition is known.

CHAIRMAN DAVIS: All right. Does anyone care to
speak on this item?

Is there a motion to adopt the staff
recommendation?

ACTING COMMISSIONER STANCELL: So moved.

CHAIRMAN DAVIS: All right. Hearing no objection,
that item is approved.

Item 18.

EXECUTIVE OFFICER WARREN: Item 18 is to approve
acceptance of a lease quitclaim deed and termination of a
ten-year General Lease - Industrial Use, effective April
30, 1990, on a 38 plus acre parcel of tideland and
submerged land located offshore from El Capitan State Beach
in Santa Barbara County.

This is abandonment of the marine terminal. The
county has made extensive conditions concerning its
abandonment. We are involved to the extent that the lessee
will be permitted to leave a portion of the pipeline,
anchors and chains on site at or below bedrock.

The company has provided us with an indemnity
agreement in case any of those objects cause harm to any
citizen. Mariners have been notified of the location, the
approximate location of the objects.

CHAIRMAN DAVIS: Is there any rent that we are
charging for leaving those items in place?
EXECUTIVE OFFICER WARREN: None, no.
CHAIRMAN DAVIS: Staff doesn't think that's
appropriate?
EXECUTIVE OFFICER WARREN: No.
CHAIRMAN DAVIS: Would anyone like to speak on
this item?
Any objections to it?
Hearing none, is there a motion to accept it?
LIEUTENANT GOVERNOR McCARTHY: Motion.
CHAIRMAN DAVIS: All right. It is approved
unanimously.

Item 19.
EXECUTIVE OFFICER WARREN: Item 19 is to approve
staff revisions to the standard lease covenants for surface
leasing.
The changes relate to payment and modification of
the rental, assignments/subleasing and bankruptcy,
insurance, and topics such as that. It is not
controversial in nature.
CHAIRMAN DAVIS: All right. Does anyone care to
speak on this?

Is there any opposition to the staff recommendation?

ACTING COMMISSIONER STANCELL: So moved.

CHAIRMAN DAVIS: All right. The recommendation is approved.

Item 20.

EXECUTIVE OFFICER WARREN: Item 20, Mr. Chairman and Commissioners, is the other item on which a speaker slip has been received and the item is on calendar for the purpose of considering the staff recommendation that an authorization to applicant permitting salvaging of the vessel Brother Jonathan, sunk in waters off Crescent City, be revoked.

The reason for the staff's recommendation for revocation of this permit is the applicant's failure to comply with significant conditions that were imposed on the permit when it was first granted back in September of '88. The permit enabled the applicant or the permittee to seek what is known as a Doblier safe and its contents aboard the vessel.

The failure of applicant to comply with permit conditions pertaining to its failure to post bond, to provide insurance and no plan for conserving either the salvage or minimizing damage to the vessel, which is on the
National Historic Vessels list, and we think that such failures are significant and that the permit should not be left outstanding.

CHAIRMAN DAVIS: All right. Mr. Knight, I believe, Don Knight, is here and wants to testify.

MR. KNIGHT: Yes, Mr. Chairman, thank you very much.

Mr. Chairman, Mr. McCarthy, Mr. Stancell, before we begin, I would like to take this opportunity to thank the Commission for allowing me to speak. I would also like to have the Commission entertain the possibility of a continuance or a stay on this since our counsel is not due back in Diamond Bar until this afternoon. He has been out for four days. And we just received a letter from Mr. Pelkofer on Friday, and we really have not had an opportunity to put together a decent defense for the continuation of the authorization for the permit.

There is more issues at hand here than just the fact that number one, it's an impossibility to take a look at the historic record until you can pronounce the name of the safe correctly, and it is Doblier, which is a French term for the family that was developing safes during the 18th Century, 19th Century, and it has been construed here in America to be referred to as a Doblier type safe.

CHAIRMAN DAVIS: Let me interrupt you just a
second.

MR. KNIGHT: Yes.

CHAIRMAN DAVIS: If this Commission was willing to put the item over a month, would you be in a position to speak to the concerns the staff has raised, namely lack of a bond and insurance?

MR. KNIGHT: We have applied for the bond, and, in fact, Morris and Dee has sent us a copy and I believe that Mr. Pelkofer has the copy with him. The bond is underway and the insurance policy is underway.

I have spoken with Betty Louie this morning and indicated to her that within a 30-day period I can complete items five, six and seven, and obviously items one, two and four would have to wait until 30 days prior to us beginning another operation.

CHAIRMAN DAVIS: The Lieutenant Governor just mentioned something which I think is important. Why have you waited so long, this permit was granted over a year, before seeking a bond or insurance?

MR. KNIGHT: Well, it has been very difficult to seek a bond or insurance without proper funding. We had a contract go sour on us basically, a contractor for $500,000, to do the project properly and complete the project. It was a package put together by Melvin Fisher in Florida and some of his compatriots, to support the operation, and at
the last minute, the end of November of 1988, Mr. Fisher reneged on his contract. We currently have a suit going against Mr. Fisher for damages.

Without funding, obviously it's very difficult to continue the project. We now are in contract with a new investor here on the West Coast that seems to be much more concerned about number one, preserving the site as what we are, and I think that Mr. Pelkofer and Mr. Walker will confirm with you that so far we have left the site untouched. All we have done to date is just mapping and surveying, and it is my intention to continue to do that until we have located our primary target. Once we locate the primary target which --

CHAIRMAN DAVIS: Lieutenant Governor.

LIEUTENANT GOVERNOR MCCARTHY: Mr. Chairman, if the applicant wants his counsel here and he is telling us that it's impossible -- normally, you know, we have a rule that we have to mail out notices at least ten days in advance, and we try to follow the law very precisely.

MR. KNIGHT: I see.

LIEUTENANT GOVERNOR MCCARTHY: You are telling us you received notice of this meeting on Friday?

MR. KNIGHT: I received a letter from Mr. Pelkofer on Friday. I believe the notification of the meeting had come the Monday previous.
LIEUTENANT GOVERNOR McCARTHY: Okay. So you received notice of the meeting, or he did, representing you, ten days before this meeting?

MR. KNIGHT: Yes.

LIEUTENANT GOVERNOR McCARTHY: But you are saying he couldn't arrange his schedule so as to be here to represent you?

MR. KNIGHT: He had something else going back East.

LIEUTENANT GOVERNOR McCARTHY: Okay, that's reasonable from my point of view, but I would, speaking as one Commissioner, be interested in knowing just how diligent you were in seeking the bonds and fulfilling the other requirements we are talking about here, and whether you notified the Commission that you were having difficulties with the original party in Florida that you intended to be a partner in this matter, and whether you sought some understanding from the Commission staff that handles such matters so that when we reached this point, a year and a half after now, they would have been conditioned to whatever problems you were encountering and maybe view it in a different light.

If you have not advised them, you have not shown due diligence, is what we usually look for in these things, and I am not going to be sympathetic to your request.
MR. KNIGHT: I understand, sir.

LIEUTENANT GOVERNOR McCARTHY: So that's what you are going to have to demonstrate if the Chairman and Mr. Stancell agree that we should allow your counsel to appear here and if he appears here, whether you appear here, unless you make the due diligence case, from one point of view, you are not going to win this one.

MR. KNIGHT: It may be rather difficult because my correspondence with the Commission primarily is telephone calls periodically to Mr. Walker, and we discuss it.

LIEUTENANT GOVERNOR McCARTHY: Clearly there will be some memos or notes on such things, if there is, and if you have showed due diligence, and I am speaking for one-third of this body.

MR. KNIGHT: And of course the meeting that we had in October with Mr. Pelkofer, Mr. Walker and Betty Louie, that at that time they had indicated to us that they were willing to, since they were trying to execute this on the 25th of July of 1989, that it obviously would be extended to 1990 --

LIEUTENANT GOVERNOR McCARTHY: I wasn't really asking you to make that case now since you are asking us to postpone this so you can have your counsel here.

MR. KNIGHT: Yes.

LIEUTENANT GOVERNOR McCARTHY: I am only advising
you that if you don't want to waste a trip for both you and
your counsel, please be prepared to show due diligence,
because if you are not able to show that, you might want to
save your travel fare as far as one vote is concerned.

CHAIRMAN DAVIS: No. I think that the Lieutenant
Governor's sentiments accurately describe my state of mind
in that the Commission gave you the permit expecting some
activity to occur and nothing has occurred, so we are not
disposed to just let that permit sit out there. We would
rather take it back and give it to somebody else who is
going to move more expeditiously.

MR. KNIGHT: We understand, Mr. Chairman.
Also understand our point of view that we have
spent the better part of four years physically trying to
gain enough data. We have spent over $50,000 so far, a lot
of it our own money, to try to ascertain just exactly what
the parameters of the site are, how badly the wreck is
broken up, where, obviously, our primary target is, and it
was on the recommendation of Mr. Walker that we proceeded
in this direction in the first place to gain the salvage
permit, and that was to seek our primary target in the open
field. We are still looking for that.

We are not trying to do anything around the
Commission or anything like that. In fact, each time that
I go to Crescent City, I contact the Coast Guard
specifically. In fact, this last time was with the Executive Officer of Edisto, Mr. Murphy, and let them know that we are on site and let them know exactly what we are doing.

CHAIRMAN DAVIS: All right. Thank you. There are at least two votes and maybe three votes to continue this matter a month.

MR. KNIGHT: We would appreciate that very much.


EXECUTIVE OFFICER WARREN: Mr. Chairman, before you vote, I'd just like to point out that this matter, this item, was on the October calendar of this Commission and was pulled by the staff in order to accommodate the applicant at that time. Following our accommodating him at that time, we wrote him again setting forth the precise conditions that had to be met and advised him then that if they weren't met by the end of the year, 1989, that the item would be reset on the January calendar.

I know it's difficult to deal with the request for a continuance to have counsel, but I am still not quite sure that that is the reason for his request. He also indicated that with the additional time, he could comply with the conditions. I think it would be nice if we could have that clarified at this time. If he wants the 30 days to comply with the conditions and to have the counsel with
him at that time, that's fine. If he has no intention of complying with the conditions within that period of time, but merely to have a counsel to explain away his failure, I think he has been amply notified.

CHAIRMAN DAVIS: That's a good point.

MR. KNIGHT: Well, I have every opportunity of complying with the items in the letter there that requested it, and of course I will have my counsel with me.

LIEUTENANT GOVERNOR McCARTHY: Mr. Chairman, just to bring this to a conclusion, I forgot about the October meeting, so you really have had plenty of notice already and your counsel knew we would be meeting in January and he could have arranged his schedule. So we actually could close this meeting to your prejudice today. But I am willing to vote to give you an additional month to the next hearing, I think you suggested, Mr. Chairman --

CHAIRMAN DAVIS: Yes.

LIEUTENANT GOVERNOR McCARTHY: -- and if you show compliance with the conditions by then, we have still got a deal.

MR. KNIGHT: We appreciate that very much.

LIEUTENANT GOVERNOR McCARTHY: If you don't show that you can fulfill their conditions by then, sorry.

MR. KNIGHT: I understand. I understand.

CHAIRMAN DAVIS: Just so that there is no
misunderstanding, the minimum that we would be looking for
is your having obtained a bond and insurance --

MR. KNIGHT: Yes.

CHAIRMAN DAVIS: At least by the time the next
meeting convenes.

MR. KNIGHT: All right. Although Mr. Pelkofer has
pointed out in his letter that the bond and insurance is
not necessary until 30 days prior to us arriving and
getting ready to do work. In his letter of January 8th, he
says:

"You need not furnish a bond or evidence of
insurance coverage until 20 days prior to your actual
commencement of work."

We have always been under the assumption here that
these two items were the most crucial and this is why we
have been endeavoring to work on those rather than items
four, five, six, seven and eight.

CHAIRMAN DAVIS: Well, isn't that the basis of
your concerns, Charlie?

EXECUTIVE OFFICER WARREN: Well, that plus others.
There are other conditions. For example, no plan for
dealing with the salvage has been filed.

MR. KNIGHT: It's not easy to find a conservatory
that will take something this size, that has the capability
of taking something this size, in the United States. It
appears that we may have to go to Ottawa, Canada.

CHAIRMAN DAVIS: Would you please sit down with Mr. Pelkofer right now -- and is Mr. Walker here?

Just go out and let's just put this matter over, go out of the room, agree between yourselves what items should be completed by our next meeting, come back in and if he is willing to abide by those requirements, we will put the matter over. If he is, we will vote on it now. Okay?

Okay. We will proceed on that basis.

MR. KNIGHT: Okay. Thank you very much, Mr. Chairman.

CHAIRMAN DAVIS: Where are we now?

EXECUTIVE OFFICER WARREN: Item 22.

CHAIRMAN DAVIS: Twenty-two.

EXECUTIVE OFFICER WARREN: Yes.

ACTING COMMISSIONER STANCELL: Twenty-one.

EXECUTIVE OFFICER WARREN: Twenty-one has been pulled, Mr. Stancell.

Item 22?

CHAIRMAN DAVIS: Yes. Please proceed.

EXECUTIVE OFFICER WARREN: Item 22 is to authorize removal of 3,000 cubic yards of material from within the confines of Lakeside Marina which is located at Lake Tahoe. The removal is for the purpose of providing an
access channel to the Marina. The material that will be removed will be dried at the base of the Marina launch ramp and then trucked from the site to be permanently disposed of at a local asphalt plant.

I know of no objections.

CHAIRMAN DAVIS: Does anyone wish to comment on that?

Is anyone opposed to it?

Is there a motion to approve the staff recommendation?

LIEUTENANT GOVERNOR McCARTHY: So moved.

CHAIRMAN DAVIS: All right. It is approved unanimously.

Item 23.

EXECUTIVE OFFICER WARREN: Item 23, Mr. Chairman and Commissioners, is to approve a two-year mineral prospecting permit to conduct an exploration program for precious metals and valuable minerals other than oil and gas, geothermal resources, or sand and gravel.

The prospecting will take place on approximately 640 acres of state school land located in San Bernardino County. I might point out that the prospecting will involve drilling nine holes, each approximately six inches in diameter, to a depth of about 2,000 feet at six locations. The locations will be on roads or trails which
already exist so as to minimize any damage to the
environment, and the holes will be filled upon conclusion
of the drilling.

CHAIRMAN DAVIS: Okay.

EXECUTIVE OFFICER WARREN: Again, I know of no
opposition.

CHAIRMAN DAVIS: Does anybody want to speak on
this item?

Any opposition to it?

Well, let me ask one question. Has the county
signed off on this?

EXECUTIVE OFFICER WARREN: Yes, they have.

CHAIRMAN DAVIS: All right. Is there a motion to
approve the staff recommendation?

ACTING COMMISSIONER STANCELL: Moved.

CHAIRMAN DAVIS: That is approved unanimously.

Item 24.

EXECUTIVE OFFICER WARREN: Item 24, Mr. Chairman,
is to approve issuance of a negotiated subsurface State oil
and gas lease on 33 acres of tide and submerged land in the
bed of Beaver Slough in San Joaquin County.

The applicant has the right for development on all
the land surrounding the site. If the applicant proceeds
with the development, there is a likelihood of drainage.
The bed of the slough itself will not be disturbed.
Consideration is $125 an acre per year plus 22 and a half percent royalties on any oil and gas from the 33 acres.

CHAIRMAN DAVIS: Okay. This is in San Joaquin County. Does anybody want to speak on this item?

Is there any opposition to it?

Is there a motion to approve the staff recommendation?

ACTING COMMISSIONER STANCELL: Yes.

CHAIRMAN DAVIS: All right. It is approved unanimously.

LIEUTENANT GOVERNOR McCARTHY: Yes.

CHAIRMAN DAVIS: Twenty-five.

EXECUTIVE OFFICER WARREN: Item 25, Mr. Chairman and Commissioners is to approve a one-year extension to the amendment of State oil and gas leases PRC 2199 and PRC 2894, located in Santa Barbara County.

CHAIRMAN DAVIS: What was the amendment to the lease?

EXECUTIVE OFFICER WARREN: This will permit a continuation of the suspension of production of that site sought by the applicant pending construction of a facility at Gaviota. So they are, in fact, not producing, and this will permit them to continue not producing. I might point out while they are not producing, they are still paying the
State a significant consideration for the lease.

CHAIRMAN DAVIS: Okay. Is anyone opposed to that or does anyone want to speak to that item?

Is there a motion to approve the staff recommendation on Item 25?

ACTING COMMISSIONER STANCELL: Move the staff recommendation.

CHAIRMAN DAVIS: Okay. Without objection, Item 25 is approved unanimously.

Item 26.

EXECUTIVE OFFICER WARREN: Item 26 has been pulled.

CHAIRMAN DAVIS: Twenty-seven.

EXECUTIVE OFFICER WARREN: Item 27 is to authorize the filing of disclaimers in USA v. 104.32 acres of land. As specified in the digest, the State Lands Commission has determined, or the staff has determined, that the State has no interest in the subject lands.

CHAIRMAN DAVIS: It is in your department, Mr. Hight. Is there anything that you would like to add to that?

CHIEF COUNSEL HIGHT: No, Mr. Chairman.

CHAIRMAN DAVIS: Anyone want to speak on this item?

Any opposition to it?
Is there a motion for the staff recommendation?

ACTING COMMISSIONER STANCELL: I move it.

CHAIRMAN DAVIS: Approved unanimously.

Item 28. The Federal Government is taking our land, is that what this item is?

CHIEF COUNSEL HIGHT: Correct, Mr. Chairman, on Item 28.

CHAIRMAN DAVIS: I thought they owned about 49 percent of the State already.

CHIEF COUNSEL HIGHT: I think they own more than 50 percent regrettably.

This is a condemnation for a fuel dock at Martinez. They will pay us $262,500, which we will put in the Kapiloff Land Bank.

CHAIRMAN DAVIS: Exactly how was that figure arrived at?

CHIEF COUNSEL HIGHT: It was the appraised value of the site.

CHAIRMAN DAVIS: Fine. Who did the appraising?

CHIEF COUNSEL HIGHT: Our staff did.

CHAIRMAN DAVIS: Oh, we did?

CHIEF COUNSEL HIGHT: Yes.

CHAIRMAN DAVIS: All right. Is there any opposition to that?

Does anyone want to speak to it?
Do we have a motion to approve it?

ACTING COMMISSIONER STANCELL: Of course.

CHAIRMAN DAVIS: Okay. That is adopted unanimously.

Item 29.

CHIEF COUNSEL HIGHT: Twenty-nine, Mr. Chairman, is the authority to extend the existing contract with Diepenbrock, etcetera, who represent the Commission in the GRI bankruptcy.

CHAIRMAN DAVIS: Why do we have to extend this?

CHIEF COUNSEL HIGHT: This is an amendment to add more money to the contract.

ACTING COMMISSIONER STANCELL: That is a typical ploy of attorneys.

CHAIRMAN DAVIS: Are they representing the Lands Commission?

CHIEF COUNSEL HIGHT: Correct.

CHAIRMAN DAVIS: Does anyone want to speak to that item?

Any objection to it?

All right. Is there a motion to approve the staff recommendation?

ACTING COMMISSIONER STANCELL: Go to the Lieutenant Governor.

CHAIRMAN DAVIS: How much is this?
EXECUTIVE OFFICER WARREN: The contract is for $60,000 to authorize attorney fees up to $60,000.

CHAIRMAN DAVIS: They are representing us for what reason?

EXECUTIVE OFFICER WARREN: They are representing the State Lands Commission in the GRI bankruptcy. GRI is a lessee of geothermal lands that we have in the geysers.

CHAIRMAN DAVIS: Why isn't the Attorney General representing us?

EXECUTIVE OFFICER WARREN: Because of the subtleties of bankruptcy law.

CHAIRMAN DAVIS: So they have signed off on our hiring these people?

EXECUTIVE OFFICER WARREN: I don't know if they have signed off on it.

CHIEF COUNSEL HIGHT: They have approved in the past, Mr. Chairman, and the Commission has independent authority in this area besides.

LIEUTENANT GOVERNOR McCARTHY: What is at stake for the State of California?

CHIEF COUNSEL HIGHT: Pardon?

LIEUTENANT GOVERNOR McCARTHY: What is at stake for the State of California?

CHIEF COUNSEL HIGHT: The leases that the Commission currently has in the geysers are at stake in the
bankruptcy proceeding. They are being fought over by two competing interests, and it is our desire to make sure that the leases hopefully come back to the State.

LIEUTENANT GOVERNOR McCARTHY: What is the estimated value?

CHIEF COUNSEL HIGHT: Of the leases?

EXECUTIVE OFFICER WARREN: I don't know. It could be --

MR. THOMPSON: Annual revenue up there is about $4 million a year now, so you want to compound that by ten and you will get a ballpark figure.

LIEUTENANT GOVERNOR McCARTHY: Thank you. I move it.

CHAIRMAN DAVIS: All right. Second the motion?

ACTING COMMISSIONER STANCELL: I vote aye.

CHAIRMAN DAVIS: All right. That is unanimously adopted.

Now, we will come back to the item that we have put off.

EXECUTIVE OFFICER WARREN: There is one other item, Mr. Chairman, Item 30, which is your appointment of delegates to San Francisco BCDC. We recommend you appoint me to be your representative on the Commission and Diane Jones of our legal staff as my alternate.

CHAIRMAN DAVIS: All right.
ACTING COMMISSIONER STANCELL: I move the recommendations.

CHAIRMAN DAVIS: All right. Is there any discussion?

Does anyone want to speak to that item?

Fine. Approved.

EXECUTIVE OFFICER WARREN: That concludes the calendar, Mr. Chairman. We now can go into the Executive Session.

CHAIRMAN DAVIS: I wanted to go back to Item 20 --

EXECUTIVE OFFICER WARREN: Oh, I am sorry.

CHAIRMAN DAVIS: -- and see if there is any resolution.

Mr. Pelkofer.

MR. PELKOFER: Yes, Mr. Chairman. We have discussed it with the applicant and he has agreed that he will provide the things that we requested, or attempt to provide them within 30 days.

CHAIRMAN DAVIS: Those are what specifically?

MR. PELKOFER: The ones that are outlined in our letter. Without going into detail, I would verify that his statement is correct, that we do not normally require an applicant to provide us either bond or insurance until 30 days prior to his commencement of activity, because it covers the activity itself and it's an undue expense to
expect him to have that for a period of time.

CHAIRMAN DAVIS: All right. What do we anticipate that he will have to accomplish in 30 days?

MR. PELKOFER: The remaining items. If you want me to read them, they are in your exhibit, Mr. Chairman.

EXECUTIVE OFFICER WARREN: I think they should be read into the record as to what he has agreed to do.

MR. PELKOFER: He is to provide us with an agreement --

LIEUTENANT GOVERNOR McCARTHY: Why don't we just get the page number and ask our reporter to put this into the record.

CHAIRMAN DAVIS: I just wonder, is he still here?

MR. PELKOFER: Yes, he is here. Mr. Knight is here.

CHAIRMAN DAVIS: You are willing to comply with the items that have been put in there?

MR. KNIGHT: Items five through eight, yes, sir.

CHAIRMAN DAVIS: All right. And that's what you are looking for?

MR. PELKOFER: That's what we wish to have, Mr. Chairman, and I should point out that Mr. Knight has met with us on a number of occasions at the Commission.

CHAIRMAN DAVIS: All right. You are the one who is telling us to take the thing away so I just want to make
sure that everyone understands what is supposed to be done.

MR. PELKOFER: We have done everything we can, Mr.
Chairman, to make Mr. Knight understand what it is that we
are requiring.

CHAIRMAN DAVIS: Fine. I would assume that we
have unanimous approval from the Commissioners with the
understanding that five through eight will be produced at
our next meeting.

(Thereupon the items previously agreed to
are included in the transcript as follows:)

"A list of specific research questions pertaining
to the Doblier safe and its contents which will be
addressed should the safe be located and salvaged.

"Documentary proof of Sea Epic's financial
responsibility, capability and solvency, such as its most
recent certified independent annual financial statement.

"A copy of an agreement or other documentation
evidencing your arrangements with a professional
conservation facility to fully stabilize the Doblier safe
and its contents if salvaged."

CHIEF COUNSEL HIGHT: Mr. Chairman, I need to make
one brief announcement. Pursuant to Government Code
Section 11126.3, the Commission will consider in Executive
Session two items that were not previously noticed, Lang
vs. The City of Del Mar and U.S. vs. Aranson.
CHAIRMAN DAVIS: All right. Is there any comment or any item that you want to bring up?

We are closing the public hearing. I just want to see if there is any further public comment from the staff?

EXECUTIVE OFFICER WARREN: Nothing further.

CHAIRMAN DAVIS: All right. Then we have concluded our public hearing and we will recess into Executive Session.

(Thereupon the January 17th meeting of the State Lands Commission was adjourned at 11:25 a.m.)
CERTIFICATE OF SHORTHAND REPORTER

I, RONALD J. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify that I am a disinterested person herein; that I reported the foregoing State Lands Commission Meeting in shorthand and thereafter caused my shorthand writing to be 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 4th day of February, 1990.

Ronald J. Peters
Certified Shorthand Reporter
License Number 2780