MEMBERS PRESENT

Leo T. McCarthy, Lieutenant Governor, Chairman
Jim Tucker for Gray Davis,
State Controller, Commissioner
LaFenus Stancell for Thomas W. Hayes,
Director of Finance, Commissioner

Staff Present:
Charles Warren, Executive Officer
Jim Trout, Assistant Executive Officer
Robert Hight, General Counsel
Jan Stevens, Deputy Attorney General

Lance Kiley
Peter Pelkofer
Allan D. Willard
Randy Frey
INDEX

Proceedings

Consent Calendar

Approval of Consent Calendar Items
Col through 21, with the exception of Items 4, 9, 10, 11, 13, 16, and 23.

Confirmation of Minutes of July 15, 1991

Calendar Items

Item 9 & 10

Allan D. Willard
Staff Member

Kevin Stowe
Atlantic Richfield Company

Lee Piper
Property Owner
Humboldt County

Questions/Comments

Commission Action

Item 11
Charles Warren
Executive Officer

Fred Balderston
Sierra County

Tom Young
Tenneco Minerals Company

Questions/Comments

Commission Action

Item 22
Charles Warren
Executive Officer
<table>
<thead>
<tr>
<th>Calendar Items</th>
<th>Index, continued . . .</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 22</td>
<td>Randy Chadock</td>
<td>25</td>
</tr>
<tr>
<td>Applicant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Questions/Comments</td>
<td></td>
<td>27</td>
</tr>
<tr>
<td>Item 24</td>
<td>Peter Pelkofer</td>
<td>37</td>
</tr>
<tr>
<td>Legal Staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gail C. Schulze, Esq.</td>
<td></td>
<td>37</td>
</tr>
<tr>
<td>Sewell, Krueger &amp; Styer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ernesto Perez, Esq.</td>
<td>Counsel for Sacramento Marina</td>
<td>40</td>
</tr>
<tr>
<td>Commission Action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item 25</td>
<td>Charles Warren</td>
<td>45</td>
</tr>
<tr>
<td>Executive Officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission Action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item 26</td>
<td>Charles Warren</td>
<td>45</td>
</tr>
<tr>
<td>Executive Officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission Action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item 27</td>
<td>Charles Warren</td>
<td>46</td>
</tr>
<tr>
<td>Executive Officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission Action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Officer's Report</td>
<td></td>
<td>46</td>
</tr>
<tr>
<td>Adjournment</td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>Certificate of Shorthand Reporter</td>
<td></td>
<td>52</td>
</tr>
</tbody>
</table>
CHAIRMAN MC CARTHY: Good morning, ladies and gentlemen. Welcome to the meeting of the State Lands Commission.

On my left is Commissioner Stancell, Department of Finance. On my right, Commissioner Tucker, representing the State Controller's Office. My name is Leo McCarthy.

Several consent items have been removed from the consent calendar: Item 4, Item 13, Item 16. Also, from the regular calendar, Item 23 has been removed.

Any other changes, Mr. Warren?

EXECUTIVE OFFICER WARREN: Mr. Chairman, I have some indication that there is one witness who wishes to speak on opposition to consent calendar Items 9 and 10. And for that purpose, perhaps, let me -- may I confirm that?

CHAIRMAN MC CARTHY: Yes, please.

EXECUTIVE OFFICER WARREN: Lee Piper? Mr. Piper, are you in opposition to those items?

MR. PIPER: Nine and ten, yes.

EXECUTIVE OFFICER WARREN: Yes.

CHAIRMAN MC CARTHY: So, 9 and 10 will be removed from the consent calendar and placed on the regular
EXECUTIVE OFFICER WARREN: Also, consent calendar Item 11 is removed from the consent calendar and transferred to the regular calendar.

CHAIRMAN MC CARthy: Consent Item 11 will be removed from consent and placed on the regular calendar.

EXECUTIVE OFFICER WARREN: That will be it, Mr. Chairman.

CHAIRMAN MC CARthy: All right. With the changes, the remaining items on the consent calendar, without objection, are adopted.

The minutes of the previous Commission meeting, without objection, are approved.

And let's begin the regular calendar, which now is Item No. 9. Mr. Warren?

EXECUTIVE OFFICER WARREN: Item No. 9 and 10.

CHAIRMAN MC CARthy: We'll take Items 9 and 9 together. And then I'm going to ask Mr. Piper and Mr. Stowe to join us up here in a moment. Let's have staff open.

EXECUTIVE OFFICER WARREN: All right. The presentation will be by Mr. Willard.

MR. WILLARD: Mr. Chairman, Item No. 9 is an application by Atlantic Richfield for a consent to pooling of certain lands they have under lease in Humboldt.
County along the Eel River. The area involved in the pooling would cover approximately 28 acres of State lands. And Arco has requested our consent for the approved pooling of those lands.

This is a subsurface lease of the bed of the Eel River and allows no drilling on the surface of the lands, strictly subsurface lease.

And the staff recommendation is for approval.

CHAIRMAN MC CARthy: All right. Mr. Piper and Mr. Stowe. Mr. Piper and Mr. Stowe, would you please come forward. I don't know if your testimony is related. If it is, you can go in whatever order you choose. So, would you please come up to the table here and use the microphone?

Are you gentlemen on the same side of the issue?

MR. PIPER: No, sir. He represents the oil company. My name is Lee Piper. I'm a property owner in that location. He represents the other side.

CHAIRMAN MC CARthy: Why don't we have the affirmative side first, which follows from the staff presentation. Mr. Stowe, you want to testify?

MR. STOWE: My name is Kevin Stowe. I'm with Arco Oil & Gas Company out of Bakersfield. I'm a land man there. And basically, we're pooling 480 acres total of which -- excuse me --
CHAIRMAN MC CARTHY: Do you have a chair?

(Thereupon, a chair was found for
the witness.)

MR. STOWE: We have a pooled unit, approximately
480 acres. And of that, 28 acres is a State Lands lease
on the Eel River, which runs along the east boundary of
that pooled unit.

There are two wells in the unit, both of which
are gas and both of which are currently shut in. And we,
by pooling this -- the acreage here, we hope to put those
wells on production.

Part of our State lease agreement asked us to
have written consent from the State Lands Commission prior
to pooling.

CHAIRMAN MC CARTHY: All right.

MR. PIPER: Thank you very much.

CHAIRMAN MC CARTHY: Mr. Piper.

MR. PIPER: Yes, sir. First, I'd like to present
in evidence -- this is a plat map in the Humboldt County
area. The drilling activity and the pipeline -- I want to
combine 9 and 10, okay? One of them's the pipeline
agreement; one of them's the lease agreement.

It's all supposed to take place down in this
area here. I want to state that these lines here is
Coastal Commission jurisdiction, and running through here
is what's been zoned as navigable river. Okay?

I've got other information here. I need to show you this to you so you'll get an idea of what exactly is going on. This is what I maintain the State lands property running through here. In the 1850s, the Lands came through there, did a survey, and determined this is State lands here. I've got two illegal gravel companies on the east side of the river conducting illegal gravel operations. And my property is over here on the west side.

I'd first like to read to you a letter that I submitted to the Humboldt County Supervisors on August 26th, 1939. It was written to Stan Dixon, who was Supervisor of the 1st District.

(Reading Rapidly)

Dear Stan: Per our conversation of August 17th, 1989, I respectfully submit the following text and enclosures. After having purchased a 103 year-old farm-house along the wild and scenic Eel River three years ago, I observed solid waste being buried, possibly toxic, along the river channel, possibly contributing to a higher than average Humboldt County cancer rate in Alton, while being subjected to trespassing and theft of gravel on my land. After having contacted various governmental agencies, including the Coastal Commission, the Army Corps
of Engineers, the Humboldt County Health Department, the Department of Fish & Game, the County Assessor, on or about March 1st, 1988, I went into the Building Department to check on any permits issued to Charlie Hanson of Hanson's Coffee Shop and Weiner (phonetic) Road Company of Alton, and the Alton operation of Eureka Sand & Gravel, the individuals apparently responsible for the activities I had observed taking place on the wild and scenic and river.

In 1979, a conditional use permit was granted to Charles Hanson referencing the Department of Fish & Game letter of November 14th, 1979, we are concerned about the potential adverse effects of expansion of the project may have on wildlife utilizing adjacent riparian vegetation and critical habitat type.

The letter further states, as a condition, before the permit is revised, we would like to see some definable boundaries beyond which expansion of the batch plant/rock crushing operation and any other ancillary facilities will not expand. The boundaries should be completely outside the riparian streamside habitat and should be fenced to keep the project from spilling over its boundaries.

On December 3rd, 1986, the Planning Department sent a letter to Daniel E. McLaughlin of Eureka Sand & Gravel referencing Case No. CUP 83-85, notifying
McLaughlin that the application has been in suspense because of no response to the department's letter dated August 1st, 1985.

The letter further states the Department has administratively dead-filed this application. The project is now officially withdrawn without prejudice. There were no building permits issued for the batch plant expansion and buildings being constructed on Hanson's operation.

At this time, I formally filed a complaint with the building inspector. Three weeks later, during the third week in March, I then went to the Building Department and spoke with John Roberts, building inspector.

I requested an on site inspection of the activities occurring on the Eel River. I learned that no surface mining and reclamation permits or plans or permits were ever submitted, applied for, or granted. I also learned that Hanson's landfill with burnt out cars and trucks on the riverside of the levee --

EXECUTIVE OFFICER WARREN: Mr. Chairman, pardon me. I just happened to observe that this letter appears to be four or five pages. And I'm not at all sure -- I haven't heard anything as yet relevant to the issue before the Commission.

I just wonder if there's some way we can
summarize the points relevant to this item; otherwise, you may be here an inordinate amount of time.

CHAIRMAN MC CARTH: Mr. Piper, is there anything in -- the matters you're raising are matters of concern. What I'm interested in doing, is there anything in the letter that has direct bearing upon the issue in front of us?

MR. PIPER: Yes, sir. If you want me to, I can, you know, forego the letter and just try to summarize here for you. I've been fighting with all these local agencies. I should state that in '88, I also wrote to the State Lands Commission as well as some other -- California Coastal Commission, California Department of Fish & Game, Humboldt County Department of Public Health, State Lands, Army Corps of Engineers. I've been fighting this matter now since 1986, when I purchased the property. I've gotten absolutely no response in regards to the gravel operation. I should state that the whole point I'm trying to make here is first comes the Eureka Sand & Gravel operation down here, then the Hanson illegal operation here. Thence, comes county lands -- this is where they want to put the pipeline. Okay?

I submitted -- in 1989, like I say, I testified in front of the supervisors. As we speak, right this very moment, these illegal gravel operations are continuing.
Okay? They're continuing to destroy the rest of the --

CHAIRMAN MC CARTHY: How are they related to the matter in front of us?

MR. PIPER: Okay. The matter in front of us here, I wanted to first set, you know, show you that I've gotten absolutely no help from these local agencies. My last place to come here is State Lands.

Now, as I mentioned to you, down here is Eureka Sand & Gravel, and then comes Hanson property, then comes county property, okay? Now, county, their deed only says it goes up to the bank. The county right now is claiming all the way into the middle of the river. I learned that the county's got deeds from this point all the way up through Fernbridge all the way up through Fortuna into Fernbridge. They've got the next six miles. Okay?

What they're attempting to do here, sir, is -- what the gravel operations have been doing is they've closed off three of the main channels. Right now they've got illegal roads across these channels. Okay?

CHAIRMAN MC CARTHY: Is Arco a graveling operation?

MR. STOWE: No, sir.

MR. PIPER: Arco is trying to put a pipeline in, which is right here, right above the gravel operations.
They want to dredge out the river -- Okay? -- as part of the operation. Army Corps of Engineers does not approve any dredging operations.

What I'm trying to maintain is --

CHAIRMAN MC CARTHY: Who wants to dredge the river?

MR. PIPER: Arco. Part of Arco's plan is to dredge part of the river. And these illegal gravel operations are in the process of trying to dredge in the river. I maintain --

CHAIRMAN MC CARTHY: Just a moment, Mr. Piper. Would you tell us anything you know about Arco dredging the river?

MR. STOWE: Yeah, that pertains to Item C10, which is the pipeline item. And what that is is we plan to channel a hole -- we had first looked at underground pipe. And that doesn't work, because, basically, the river bottom is full of cobble. So, what we plan to do is open a trench 30 feet deep, lay the pipeline in the trench, and bury the trench back to its original condition.

And it would all take place in the period of about two months. We had planned to do that this year.

CHAIRMAN MC CARTHY: You're not withdrawing any gravel.

MR. STOWE: No, we will not be withdrawing any
gravel. All the gravel that's taken out will be replaced back into the original condition.

The only gravel that will be withdrawn, the possibility of, is Fish & Game has asked us to trench out not a hole, but basically a -- what do you call it? -- a deviation in the river in order to make it a resting spot for the fish, the salmon, as they migrate upstream.

So, that gravel will probably be laid out along the river bed or used in the trench as well. But we will refill the trench. We plan no gravel sales or dredging.

CHAIRMAN MC CARTHY: Okay. Mr. Piper, why don't you close on what your main point is.

MR. PIPER: Only the main point is there's a massive land grab going on right now. The county's trying to grab about five miles of State lands. The lease that you're entering into with Arco is a lease for property that is deeded to me. Okay? The State Lands is foregoing all the State lands and allowing these illegal gravel companies to take adverse possession.

Sir, two weeks ago, there was a survey done down there, and I tried to go out and take pictures of it Saturday. And I was thrown off public property. Okay?

CHAIRMAN MC CARTHY: Excuse me.

MR. PIPER: Yes, sir.
CHAIRMAN MC CARTHY: Do we know anything about, Mr. Warren, about what Mr. Piper is talking about here, about any other gravel companies or mining companies using State-entitled lands without permit?

MR. PIPER: I've got the latter here, sir.

CHAIRMAN MC CARTHY: Just a minute, Mr. Piper, please.

MR. WARREN: Let me put that question to Mr. Frey.

Do we have information about dredging activities along this section of the river?

MR. FREY: Recently, we were contacted by several organizations to investigate the State's claim to areas which are being mined near Mr. Piper's property. We have not finished our investigation on that right now. There are apparently several gravel operations in the vicinity.

CHAIRMAN MC CARTHY: Without a permit?

MR. FREY: Well, we don't know if they're on our lands or not yet, Mr. Commissioner.

CHAIRMAN MC CARTHY: And when will you finish your investigation?

MR. FREY: Well, we just started. I think it'll probably be several weeks.

CHAIRMAN MC CARTHY: All right.

EXECUTIVE OFFICER WARREN: I would like to
assure the Commission, as the Commission is well aware, that we've recently undertaken to identify all illegal dredging operations on the rivers where State Lands has jurisdiction, has the fee ownership, and to the point where action has been instituted on alleged transgressions on the Russian River.

We would be more than anxious to have whatever information the witness can provide us about the aggregate mining activities. Because if, as it develops, they are occurring on State waterways, we will aggressively pursue all our rights in that area.

We can assure him of that. But we do not, in this instance, see any conflict between the project that is before us and those activities. We would like to work with the witness on those. All right?

MR. PIPER: Okay.

EXECUTIVE OFFICER WARREN: And we are undertaking now to determine the State's ownership interest in that stretch of the river.

MR. PIPER: I ask, then, sir, if we could have a postponement on this until all these matters are resolved. And I'd like to state --

CHAIRMAN MC CARTHY: Mr. Piper, that's not a reasonable request. This item before us has nothing to do with any of the possible illegal gravel operations that
you're referring to.

MR. PIPER: Okay, sir.

CHAIRMAN MC CARTHY: You've just had an offer to work with you on those to obtain any evidence that such is occurring.

MR. PIPER: The point I want to make is there's been a study done up in Washington State on some of the big rivers up there. And they've found that there's two levels of gravel. Okay? There's an upper layer of gravel that moves about every hundred years. There's a foundation level of gravel that is ancient. It's been there for -- since time began. And these dredging operations are going 40-foot deep. There's a levee on my side of the river. There's a levee on the other side of the river.

I maintain, sir, if they do the dredging, it's going to undermine the levee. I mean, I think we need to take a look and see what effect we're doing here, before we go ahead with this project. This is stuff that's never been done before. And this is the wild and scenic Eel River, sir, as designated by law. This expires this year. We need to look at these matters.

CHAIRMAN MC CARTHY: Mr. Piper, I don't know how much you're aware of what this State Lands Commission has been doing in the last several years. But we have been
very aggressively protecting under the public trust doctrine the public's recreational and environmental rights in all navigable waterways.

So, if you have some -- and our staff has a lot of technical people on it to look at the very kinds of questions you're raising, with an eye towards protecting those public rights.

So, we thank you for your testimony. Any questions by members of the Commission? Mr. Tucker?

COMMISSIONER TUCKER: For staff. Just so I'm clear on this, I take it, looking at the list of lessors here, that Arco's project only impacts those lessors, and that it's withdrawing some mineral rights -- some gas from underneath their property. They're not crossing their property or locating a well on their property, or anything like that other than the State lands?

MR. HIGHT: The State would be a portion of the large pooled area. And I can't speak to where the wells are.

ASSISTANT EXECUTIVE OFFICER TROUT: Look on page 150, If you look at page 150 in your package, it shows the outlines of the unit and the location of the two wells, and shows the boundary of the unit running around the right bank or the easterly bank of the river.

COMMISSIONER TUCKER: Their wells are not on
Mr. Piper's property?

MR. PIPER: But their pipeline is to go across my property, sir.

COMMISSIONER TUCKER: The pipeline is?

MR. STOWE: Excuse me for a second. Without the benefit of a microphone -- but we have two wells in the pooled area. The Christiansen 215 there to the west and the Christiansen 115 to the east, located close together. Two and one.

Mr. Piper's property lies in this vicinity right--in this vicinity there (indicating on map).

Our pipeline crosses his surface on the uplands portion about 525 feet across his property, continuing on up to a point which all of these owners here have signed oil and gas leases and pipeline right-of-way agreements, including Mr. Piper, both oil and gas lease and the pipeline right-of-way agreement.

MR. PIPER: Excuse me, sir, but I have submitted --

CHAIRMAM MC CARTHY: You'll have an opportunity to close, Mr. Piper. This is not -- go ahead.

COMMISSIONER TUCKER: Did he sign the agreement or was that something that ran with the property?

MR. STOWE: We signed an oil and gas lease originally, and then later on, when we went to put the pipeline in, we went back and signed a separate pipeline
right-of-way agreement.

COMMISSIONER TUCKER: With Mr. Piper.

MR. STOWE: With Mr. Piper.

COMMISSIONER TUCKER: Okay.

MR. STOWE: The pipeline course continues on up, and this is the point where it crosses the Eel River.

And this is the point here, from this point to this point (indicating on map), where it would be trenched across the river. And then we have a Humboldt County levee, which we're jacking and boring underneath, since we wanted to get through there without disturbing the levee.

Coming across here to the Caltrans Highway 101, which we are jacking and boring across there as well. The whole thing was approved by the Humboldt County Planning Commission as lead agency; and since, the Coastal Commission's also approved it.

COMMISSIONER TUCKER: Okay. I just want to be clear on what we're approving. We're approving the crossing of the river.

MR. STOWE: Right. Right here.

COMMISSIONER TUCKER: And we're approving the withdrawal of gas from underneath our property.

UNIDENTIFIED SPEAKER IN AUDIENCE: Excuse me.

We already have a lease there. That approval was given a
year ago. The other — all we’re doing is agreeing to pool our interest with the other oil and gas interests in the area, an existing oil and gas lease.

COMMISSIONER TUCKER: Okay. So, we’ve already approved the lease to cross the river and the lease for the drilling?

MR. STOWE: No. What we’re approving here is two things: One is the declaration of pooling for all the leases in the area. And then, two, we’re approving the trench to go — the 500-foot surface lease basically to go across the river.

COMMISSIONER TUCKER: Okay. So, we’re not approving any activities that are occurring on any lands other than State lands.

MR. STOWE: Right, sir.

COMMISSIONER TUCKER: Okay. Thank you.

CHAIRMAN MCCARTHY: Mr. Piper, do you want to close succinctly?

MR. PIPER: Yes, sir. I’d like to state first of all that I have filed a declaration of forfeiture regarding my lease and pipeline agreement with Arco, because of their failure to live up to the terms of the agreement. I filed with Mr. Stowe three months ago, two months ago, one month ago (sic). We’ve had a couple of letters here. Additionally, I’d like to state that the
lease that you are approving today, sir, is for lands
that are deeded to me. I maintain that you are
relinquishing State lands to these illegal gravel
operations. And I've got all the evidence to substantiate
that.

And, secondly, you are approving a 40-foot
dredging activity for them to be able to put their
pipeline across the Eel River. They're going to be
dredging 40 feet into this ancient gravel, sir.

COMMISSIONER TUCKER: I'll move the item.

CHAIRMAN MC CARthy: Commissioner Tucker moves.

Commissioner Stancell supports. The authorization is
granted. Thank you very much.

Item No. 11.

EXECUTIVE OFFICER WARREN: Item No. 11,

Mr. Chairman and Commissioners, is to approve a
prospecting permit for minerals other than oil and gas
and geothermal on 320 acres of lands administered by
the Fish & Game Commission.

This is for exploratory core drilling. And we
recommend approval.

There's a Mr. Fred Balderston.

CHAIRMAN MC CARthy: Mr. Balderston, would you
like to testify on this, sir?

MR. BALDERSTON: Yes, sir. Governor McCarthy,
members of the State Lands Commission, on July 21st,
I wrote to Mr. Warren indicating our concerns about this
negative declaration proposal, and laying out a few points
on which it was our view that the proposed negative
document was at fault.

We have a concern about exploratory drilling
and even a deeper concern about potential future open-pit
mining by Tenneco Minerals Company.

I would like today to submit a brief addendum
to our July 21st letter. The addendum deals with the
question of road access to the area in question and the
Tenneco Minerals exploratory operation.

There is no easement to Sierra County for the
county maintained roads through our property, which
stretches southward from Highway 49 to our south boundary,
approximately two miles farther south.

And we want to make sure that the State Lands
Commission is aware that no such easement exists. There
has been light usage of the customary formal usage. But
if a material change in the pattern of usage were to
occur with any future open-pit mining, we would be
greatly concerned, and we certainly wish to reserve the
right to object to such in the future.

Also, we want to be sure that the Commission is
aware that even exploratory drilling may be environmentally
damaging in the event of contamination of surface water purity.

And we finally want to bring to the attention of the Commission a proposal about this whole Antelope Valley area, that Sierra County adopt a formal coordinating role in conjunction with permits and other matters, because there is not only Sierra County, but the Department of Fish & Game and the National Forest Service, all three of which are concerned with these matters at various times.

So, I would like to submit our addendum letter and request that the Commission maintain a close eye on these matters. We originally anticipated that there would be a need for postponement of this issue, because of the inconsistencies in timing of the drilling activity. Those matters have been partially resolved, we believe, by stipulations which the Department of Fish & Game has indicated it would make.

Thank you very much.

CHAIRMAN MC CARthy: Thank you. I also have requests from Mr. Tom Young and Mr. James Good.

MR. GOOD: Mr. Young will cover our presentation.

CHAIRMAN MC CARthy: All right. Mr. Young.

MR. YOUNG: My name is Mr. Tom Young. I'm the project manager of the project with Tenneco Minerals
I want to say that we conducted a similar program to this one on adjacent ground last year, of which you approved the project. And at that time, we drilled 41 holes on 13 drill sites. The project was a success in terms of the data acquisition that we were able to do and in the reclamation plan that followed. All the sites are reclaimed. Most -- or all agencies have concluded and applauded our efforts to bring the ground back to an applicable status at this point.

This permit is going -- has been in the works since February to drill on this adjacent ground here. We are constrained on our permits to drilling through this next Friday on the 16th, at which time a hunting season conflict with our drilling will occur. We also -- the permit allows us to drill in a window in September between hunting seasons.

This particular program is an expensive one for Tenneco. It has no cost to the State whatsoever. The State will benefit, if a discovery is made, in terms of royalties on the ground if we are able to go through the environmental process at that time, which is a separate issue in a mining scenario.

So, at this point, it looks like a win/win situation, that we can operate -- explore the ground at
this point, and if there is a discovery, we'll have to go through the entire environmental impact study system to ascertain a... (sic).

So, I recommend that we approve the project today so that we can get started on our drilling.


COMMISSIONER TUCKER: When they complete their work, will we get a report back on exactly what happened in terms of the restoration and cleanup, refilling the holes, all that? Some kind of specific verification?

MR. YOUNG: Mr. Willard here is with State Lands. He should answer that question I think.

MR. WILLARD: Yes. Indeed we did, we inspected not only during the drilling operations, but we inspected subsequent to the operations.

COMMISSIONER TUCKER: I'm asking on this, can we get a report back?

MR. WILLARD: Oh, on this particular project? Oh, yes, indeed. We plan to do the same operation that we did before. That is, inspect not only during drilling operations, but subsequent to ascertain whether or not proper reclamation has been obtained.

COMMISSIONER TUCKER: What I'd like to see is that
we put on the calendar that we notify whoever it is that
came in to testify that, you know, here's the report.
This is our perception of what occurred, and ask them if
they have any comments or other information different
from what we observed.

MR. WILLARD: Certainly. No problem.

CHAIRMAN MC CARTHY: Did you intend to include
that we would send a copy of the report, the assessment
on the restoration effort to Mr. Balderston?

COMMISSIONER TUCKER: Yes.

CHAIRMAN MC CARTHY: Any other questions?
The matter's before the Commission. Mr. Stancell
moves. Mr. Tucker seconds. The authorization is

granted.

Next item.

EXECUTIVE OFFICER WARREN: The next item,
Mr. Chairman, is Item 22, which will be presented by

Mr. Kiley.

Item 22 is essentially, Mr. Chairman,
is a staff recommendation that we deny an application for
the continued construction of a recreational docking
facility in Sutter Slough in Sacramento County.

Photographs of the slough and the facility, which
has been partially complete without permission, are in
your packet. Is Mr. Chadock here?
MR. KILEY: Apparently, I had a voice.

EXECUTIVE DIRECTOR WARREN: The project itself has been reviewed by Fish & Game, which has expressed strong opposition to the proposal, because the site is in an area designated as a shaded riparian aquatic cover, which is essential habitat for several species of fish, including those on the endangered species list.

CHAIRMAN MC CARTHY: Mr. Chadock, would you like to come up and join us, please? Mr. Randy Chadock? Why don't you have a seat, sir.

EXECUTIVE DIRECTOR WARREN: I might say that, before Mr. Chadock speaks, on page 357 of your packet, paragraph 18 sets forth the principal objections of the Fish & Game on the project.

MR. HIGHT: The entire letter from Fish & Game is at Exhibit D-2 on 357.33 and 34.

CHAIRMAN MC CARTHY: Has Mr. Chadock received a copy of this Fish & Game objections?

MR. CHADOCK: Yes, I do have the. We had the Fish & Game last year in May, in '90, we got -- we had an okay for that Fish & Game. And it was a year later that they sent us this letter. They didn't even send us this letter. They sent it to the State Lands, and we received this letter a month after the State Lands had got it.

CHAIRMAN MC CARTHY: Lift the mike up just a
little, please, Mr. Chadock.

MR. CHADOCK: Mr. Grabber (sic) of the State
Lands gave us a negative declaration here, saying this
project will not significantly affect the environment,
and they sent this to the Fish & Game. And evidently,
the Fish & Game had changed their mind over the year that
they had. We had this copy of this here. I don't know.
I guess it's not a permit, but the Fish & Game, a warden,
and everybody came out to the site and approved what we
were doing.

And now we get this thing a year later. What
we're really interested in is why we're being denied the
application. I mean, we did have a problem. Once I
got the Corps of Engineers permit, I called on the staff
at Corps and asked them, you know, if -- that we had the
permit, we misunderstood, that if we could go ahead and
build the dock and the deck. And they said, yes, you can
as far as we're concerned.

And at that time, we hadn't any idea that we had
letters from the other agencies and we were trying to
comply with those people, too. And it seems that we have
everybody pretty well ironed out other than the Fish &
Game.

And I did talk to -- last week, I talked to
Captain Dixon on this matter, and he seemed to think that
we might be able to resolve this matter with the Fish & Game. And -- but the problem is that we need some more time. And if this is denied now, I don't know whether we have to go through this whole thing again. We already got a lot of money tangled up in just permits with the Planning Department, Fish & Game, and Corps of Engineers, and we even -- State Lands, you guys have even did a survey that we have to give $2500 for.

It looks to me like, you know, this -- you know, we're not, you know, against that, other than the fact that we don't know why that -- as long as you people have made a negative declaration here, we think maybe that if we could solve the thing with the Fish & Game -- it just amounts to the fact that, evidently it's what's going on the ground. And we don't seem to think that we're hurting any of that staff. And if we could prove that to the Fish & Game -- we talked to Randy Moore Moory at the State Lands and he said that if we could get the Fish & Game to come around to our way of seeing things, that they would soften their position, too.

So, that's where we're at.

EXECUTIVE OFFICER WARREN: In response by me, Mr. Chairman, I'd just like to comment, this matter was initiated by the Commission on November of 1968. And on page 357.1, there are literally a page and a half of
correspondence representing efforts by State Lands Commission to obtain compliance with the processes that the Commission established for such projects.

Despite the fact that compliance was not obtained, the project was initiated and is in the form, as you see it, depicted in the photographs.

Secondly, Fish & Game action -- prior action, to which the witness made reference, appears to be a streambed alteration permit, which was given by the local Fish & Game warden. And I'm advised that the Fish & Game Department considers streambed alteration permits to be a nondiscretionary, mandatory action when requested.

The letter before you represents the official and the only position of the Department of Fish & Game on this issue, reflects concurrence with U.S. Fish & Wildlife Service's analysis of the biological and other qualities of Sutter Slough. This is the only development that is proposed for Sutter Slough. And it is feared that the unique and vital resource value of this slough will be degraded not only by this particular project, but also by subsequent projects that would be encouraged if this one were permitted. So, you would lose the -- prospectively, you could stand to lose the entire slough.

MP. CHADOCK: I'm sorry. But there's only -- there's only two owners of the property right there, and
they're miles and miles of property, and they aren't interested in building docks. They're in the pear farming business, and they probably wouldn't. They've been there since the 1800s.

And I don't think that we would be changing anything, you know. They don't even live on the island where they farm. So, you know, we're not going to encourage other dock building, because they can't even subdivide the properties along the river right there.

So, we are the only one in Sutter Slough for miles, and miles, and miles that could ever think about building a dock or a decking even.

CHAIRMAN MC CARTHY: Mr. Tucker?

COMMISSIONER TUCKER: When did the building start? Does anybody know?

MR. CHADOCK: '89, I think. December, '89.

COMMISSIONER TUCKER: I'm a little confused.

December of '88, we have this letter from Boating & Waterways. They say, such a design -- referring to the changing the design -- such a design is not feasible at this location. We recommend the facility not be installed as designed due to the problem it will create.

Did you change the design?

MR. CHADOCK: We did change design.

COMMISSIONER TUCKER: Did they send you another
letter?

MR. CHADOCK: No, we haven't -- I don't think I have what you people have right there. I have this thing -- Mr. Grabber's (sic) all I have. I don't have this green piece of paper here. Never had one. Who would have sent me this?

MR. KILEY: The Department of Boating & Waterways, if it was sent.

MR. CHADOCK: Yeah, we don't have.

MR. KILEY: The staff is not aware that they've ever withdrawn their objections.

COMMISSIONER TUCKER: The letter's addressed to Dan Black, so I don't know if it ever went to -- who it went to.

MR. HIGHT: The letter's in response to the Corps of Engineers' public notice process. And typically, a copy goes to the applicant. But --

COMMISSIONER TUCKER: Okay. The other question I have is, the circulation of the proposed negative declaration. Given that -- I guess I'm confused on the sequence, given that the construction had begun, and we got this -- at least the Boating & Waterways were saying they had a concern about this back in 1988. And I don't know whether anybody else had expressed a concern prior to that. Why do we start this negative declaration
process when there appear to be already objections from other agencies?

MR. KILEY: One purpose of the negative declaration process is to elicit further comments to find out in writing specifically what the agencies' comments are to the environmental effects of the proposed project.

In this particular context, the neg dec process can be viewed as an attempt by staff to gather more information and more explicit information from the affected agencies on what's going on. And in this case, that's what occurred.

COMMISSIONER TICKER: We ought to have another process. I mean, you know, this may not be contemplated by the law, but it seems like, where, one, the construction had begun apparently without any approval and, two, we knew of at least one objection from one agency. It seems like we'd start a process that says, "Well, we're inclined not to approve this, and we're looking for everyone's comments."

I mean, right off the bat, if you've got a construction that has begun where nobody's signed off on it, or so it seems, it seems like that would raise --

MR. CHADOCK: (Interjecting) That was partly my fault, because we did call back the Corps of Engineers once we got the permit and asked them if we could build
a dock, and did we have a permit? And they said, yes.
Yes, we could as far as they were concerned, we could.

COMMISSIONER TUCKER: Yeah. Sec, those were
the key words, though, "as far as they're concerned."

They're saying, well, assuming that that's what
they said, I assume what they're saying is -- and I'm
sure if they gave anything in writing, I would assume that
it also says, you know, there's 10 agencies involved in
this, and you got to get signed off from everybody.

MR. CHADOCK: Well, I misunderstood that.

COMMISSIONER TUCKER: But as far as we're
concerned, you know, we've signed off and completed our
process, if indeed, that's what happened.

MR. CHADOCK: Would it be, you know, we'd like
to continue with this thing. Would it be -- help us any
if we decided to maybe -- that we didn't the floating
dock, if we could just have the deck? You know, what we'd
like to have is a deck. And maybe, if it would ease the
problem with anybody or everybody, if we took the floating
dock out, if we could keep our poles in the water. We have
a lot of money tied up in poles. We haven't discussed this
with anybody, but I thought maybe that, as long as we're
here and discussing this thing, if we didn't have the
floating dock, maybe it wouldn't cause --

COMMISSIONER TUCKER: No. What I was going to
suggest is that -- if other Commissioners are interested -- that we put this over and you can discuss all of those kinds of things that you want.

My question to staff that there might be some thought given and an answer brought back to us is, if we don't approve this thing, you know, as you go up and down the river, you see these abandoned docks, et cetera, and we obviously don't have the resources to take them out. You know, we try and get the landowner to take them out, et cetera. And clearly, in a lot of those cases, no one's been successful. What's the program for what to do with this other than to sue the landowner and ask them to take it out? But if we're not successful on that, it seems to me -- I'm not sure where -- if we're better off with a completed or not completed. I have no idea. I'm not offering an opinion on it. I just think that we should have a good idea of where do we go next if we were not to approve this in terms of successfully clearing the area, if that was the intention?

EXECUTIVE OFFICER WARREN: We would aggressively seek to require the landowner to remove the trespass.

COMMISSIONER TUCKER: Is it double?

EXECUTIVE OFFICER WARREN: Yes. Secondly, on the other abandoned features which vividly cover our waterways, we have been giving thought to a program which would fund
our independently removing those structures. We have been
giving consideration to posing a boat owner's surcharge
to fund the removal of these obstructions to navigation.

And we have instituted negotiations with boaters
associations to determine whether or not they would support
the program.

We have not concluded those discussions, however.
We feel that given the budget constraints that have been
imposed last year and this year, that to fund such
activities through general funds would probably be
impossible; that some special fund, however, associated
with benefit conferred to the boating public might be
possible.

Certainly, there is a problem that needs to be
remedied. And I think that that's the best opportunity to
do so.

Insofar as this is concerned, it seems to me, to
argue that because of our limited ability to remove these
trespasses, that we should -- that we should permit
structures, which (a) represent trespasses and (b) which
are clearly biologically damaging, reflected by resource
agencies which advise us, would be not an acceptable
response.

COMMISSIONER TUCKER: No, that's not the proposal.

EXECUTIVE OFFICER WARREN: Oh, I thought maybe you
were suggesting --

COMMISSIONER TUCKER: The question is, are we
better off, you know, if we're sure that we can remove
it, if that was the goal, that's fine. If it turned out
that we couldn't, then I think the question is: Well,
you know, which are we better off -- with a partially
completed that sits there forever or completed? And I
don't know the answer to that.

But it seems to me that we should know the
answer to that before we start the process. You want to
know where you're going to get to at the end.

EXECUTIVE OFFICER WARREN: We start the process
by taking action against the landowner to remove the
trespass.

COMMISSIONER TUCKER: Do you have any idea what
it would cost to remove?

EXECUTIVE OFFICER WARREN: I have no idea.

COMMISSIONER TUCKER: Any idea what the
environmental consequences of pulling those piles out
of the side, et cetera, is there some consequence?

MR. KILEY: They would most likely be sawed off
in the removal process, sawed off below the mud line.
That's typically, the pilings are either sawed off or
broken off below the mud line. They tend, if they're
pulled hard, if the piling -- depends on how sturdy the
piling itself is. But they can usually break off several feet below the mud line.

In this case, since the pilings are relatively new, it probably would not be a tremendous project to pull them out. They could be vibrated out, for example.

COMMISSIONER TUCKER: Any sense of what the cost is to do that?

MR. KILEY: Given the incomplete state of the structure, I don't think it would be tremendously significant. I don't have a dollar number, though. I haven't estimated it.

COMMISSIONER TUCKER: But you think it could be restored so that it doesn't represent a hazard or having a negative --

MR. KILEY: I believe so.

COMMISSIONER TUCKER: -- environmental impact by removing it?

MR. KILEY: I believe so.

COMMISSIONER TUCKER: Okay.

MR. CHADOCK: Couldn't we have enough time to maybe try to resolve this thing rather than go in that direction? Maybe -- I mean, we're so close to completion here, that if we could get -- evidently, just the Fish & Game, and if the Boating & Waterway thing is the problem with the deck being in the water -- the dock being in the
water, we might be able to take it out.

CHAIRMAN MC CARTHY: I want to recommend this to the members of the Commission, that we give the staff the authorization to proceed as they have requested, to give Mr. Chadock one month to talk to the Fish & Game Department if there's a way you can sort this out with the Fish & Game Department, because we can't cavalierly ignore their concerns in this matter, Mr. Chadock. I hope you --

MR. CHADOCK: I understand that.

CHAIRMAN MC CARTHY: -- understand that. Is that an appropriate way to go? You have one month, sir, to try to work this out with the Fish & Game Department. We're going to authorize our legal staff to -- give them the authority to proceed ahead on this. I don't believe we have any other choice.

And we hope you are successful in sorting out with the Fish & Game over the next month.

Thank you very much.

MR. CHADOCK: Thank you.

CHAIRMAN MC CARTHY: Next item, 24.

EXECUTIVE OFFICER WARREN: 24, Mr. Chairman and Commissioners, is a renewal of a commercial lease in Freeport, of a marina. I'd like to be joined in presenting this by Peter Pelkofer of our legal staff.

MR. PELKOFER: Mr. Chairman, members of the
Commission, the item, as before you, the staff requests a modification of the proposal that's being presented to you. We received late correspondence on Friday afternoon from the applicant some additional -- an additional six-page letter seeking to negotiate a different lease arrangement. We wish some time in which to work with them on that part of the proposal.

You are aware, however, that we are also in litigation with these individuals, they having filed a lawsuit against us. And we feel that unless there is continued pressure, if you will, to resolve this matter, it will not be resolved. Therefore, staff's recommendation at this point is that you put the matter over for 30 days; however, give the staff authorization at that time, if there has been nothing accomplished, to proceed with an ejectment action.

CHAIRMAN MC CARTHY: We're going to hear from Mr. Schulze.

MR. PELKOFER: It's Ms. Schulze.

CHAIRMAN MC CARTHY: I'm sorry. Ms. Schulze.

Am I pronouncing your name correctly, Ms. Schulze?

MS. SCHULZE: It's Schulze. Thank you.

Mr. Chairman.

CHAIRMAN MC CARTHY: Schulze.

MS. SCHULZE: Schulze.
CHAIRMAN MC CARTHY: Schulze. Thank you. Would you like to testify?

MS. SCHULZE: Yes. There has been an ongoing dispute between the various marina operators and the State Lands Commission as to the various rates that are used in the setting of rentals for marinas.

Various marina operators have joined together to form a marina operators association, who have sought to negotiate with the State Lands Commission. Freeport Properties apparently is --

CHAIRMAN MC CARTHY: Move the microphone more directly in front of you, please.

MS. SCHULZE: Is that better?

CHAIRMAN MC CARTHY: Yes.

MS. SCHULZE: Freeport Properties is apparently one of the first leases to come up for renewal during this negotiation process, which has caused Freeport some consternation, in that there are no guidelines at the moment.

Freeport Properties would ask this Commission to become involved in the setting of future guidelines, so that the rental charge to marinas is done so on a consistent basis.

At the moment, what Mr. -- what the staff is recommending is that we have 30 days to negotiate or face
My clients have spent over a half-million dollars in developing this marina in putting in the improvements that are there at the present time. It seems rather onerous to say, either work something out or ejectment.

Mr. Perez is here on behalf of the marina operators association, and I think he would like to address the Commission.

CHAIRMAN MC CARTHY: Would you identify yourself, sir?

MR. PEREZ: Yes, sir. My name is Ernesto Perez, P-e-r-e-z. I'm an attorney in West Sacramento, California. And I represent the recently formed Sacramento Marina Delta Owners Association, which is an unincorporated association of approximately 13 marina operators primarily located along the Sacramento River.

CHAIRMAN MC CARTHY: Move that mike in front of your mouth, if you would, please, to make it a little bit easier on our reporter.

MR. PEREZ: Is this better?

CHAIRMAN MC CARTHY: Yes, it is. Thank you.

MR. PEREZ: Primarily located along the Sacramento River within the jurisdiction of Sacramento County, Yolo County border.

The purpose of our statement this morning is to
urge the Commission to provide additional time on the
matter of the Freeport Marina lease.

The basis for our recommendation is that the
association has been in a regular contact with Commission
staff in order to ascertain the fundamental bases by which
the Commission staff calculates individual lease payment
requirements.

To that end, I have been in written and oral
contact with the staff. And since March of this year,
have been waiting for an overview the staff has agreed to
provide to our association inventorying the various
leases, the various methods by which these payments have
been calculated.

Initially, in March, the staff requested that I
wait 60 days in order to receive a response consisting of
this overview. And at about Day 75, I inquired again. And
I have a meeting scheduled tomorrow morning with Mr.
Pelkofer in order to go over the status of work by staff
in progress.

Mr. Pelkofer represented to me last week by

one that the overview is not yet complete. The
purpose of the association organizing itself is to provide
constructive participation with the State Lands
Commission staff in order to achieve some uniformity,
equity, and regularity in the calculation and determination
of lease payments.

So, the recommendation of the association with regards to the Freeport Marina is that it's inextricably involved in this discussion with staff, and we have been attempting to operate in a good-faith manner to come up with a constructive resolution of this issue.

Thank you very much.

CHAIRMAN MCCARTHY: Are you the attorney who brought the lawsuit?

MR. PEREZ: No, sir.

CHAIRMAN MCCARTHY: So, that's just a single party that brought the lawsuit, not the association.

MR. PEREZ: Correct.

CHAIRMAN MCCARTHY: Would staff like to respond to this? Mr. Warren, would you or anybody else wish to respond?

EXECUTIVE OFFICER WARREN: Just a couple of points, Mr. Chairman. First, is the policy. I think it's not unfair to characterize the rental -- marina rental structure, as proposed by the agency in the past, as somewhat difficult to understand. They were subject to individual negotiations. And the result was that individual marina owners found it difficult to understand why they might be charged more than others.

This point was raised with me on several
occasions many months ago. As a result of the
dissatisfactions expressed by the industry representatives
at that time, we have undertaken to develop a unified
and simple rent determination policy.

And, as you will recall, the lack of such a
policy was involved in the lawsuit filed against us by
Riverbank. Riverbank was complaining that some other
lessees had received more favored treatment in the
assessment of rentals.

Based on that experience, we undertook to
develop a marina fee structure similar to that, identical
to that that we established for Riverbank.

What you have before you, as the witnesses have
indicated, is one of the first occasions where that fee
structure will be imposed on a renewing lessee.

It is the fee structure we propose will be
established for each new lessee and on each -- whenever
the lease is up for rental renewal determination.

It's one which will be consistently applied. It
will be fairly applied. It's based upon the fee structure,
as I said, of Riverbank.

Insofar as this specific marina is concerned,
they're the ones who filed suit against us in November of
last year. We have tried to move fairly and equitably.
And what we have presented to you today is in response
to that approach.

I have no objection to further discussions in this 30-day period. But it would seem to me that inasmuch as there was at one time an understanding with the applicant on the adequacy and the suitability of this renewal, that we move ahead as staff recommends.

CHAIRMAN MC CARTH: Questions of Mr. Pelkofer from the Commissioners?

MR. PELKOFER: I have some fundamental disagreements with what has been said, but I don't think this is the place to discuss them because of the lawsuit, which is pending at this time.

CHAIRMAN MC CARTH: What's the timing on that lawsuit?

MR. PELKOFER: The lawsuit was filed, I believe, in November. We were given an open extension to respond to the lawsuit with the idea in mind that the lawsuit would be terminated at the point at which a lease was entered. And nothing further has progressed with the lawsuit at this point: again, on the basis that we felt that we would solve the claimant's problems -- applicant's problems, and the lawsuit would be dismissed at the point a lease was entered into.

CHAIRMAN MC CARTH: Any questions? All right. We will accept the recommendation of the staff. We'll
give 30 days more to try to resolve this matter.

MR. PELKOFER: Thank you, Mr. Chairman.

CHAIRMAN MC CARTH¥: Thank you. 25.

EXECUTIVE OFFICER WARREN: Item 25, Mr. Chairman and Commissioners, is to authorize the State Lands Commission, as School Land Bank Trustee, to sell and issue a patent to the State of California for the sale of 4,331 acres of State school lands to add to the existing Ocotillo Wells State Vehicle Recreational Area. The consideration for the transfer is $596,000, which will be deposited in the State School Land Bank, which we continue to administer as Trustee.

And we request approval.

CHAIRMAN MC CARTH¥: Questions? Approved as recommended.

26.

EXECUTIVE OFFICER WARREN: Item 26, Mr. Chairman and Commissioners, is two parts: First to approve the certification of and permit the replacement of the presently obsolete power cable between Huntington Beach and Platform Eva. The current power cable is way beyond its design line. And the new cable is necessary to accommodate the needs of the platform.

The second phase is to approve an assignment of the lease from Chevron to Union Oil and, as a result of
which, a dispute concerning back rent has been resolved.
And the State will receive the sum of $309,000
representing the back rent due.

We know of no opposition and ask for approval.

CHAIRMAN MC CARthy: Questions? The
recommendation is accepted.

EXECUTIVE OFFICER WARREN: Bush Oil Company.
This is to seek approval of workover of existing oil and
gas wells on Rincon Island and one onshore well in
Ventura County.

There have been some questions about the air
pollution impacts of the project. But those questions
appear to have been satisfactorily resolved, and we ask
for approval.

CHAIRMAN MC CARthy: Mr. Bryant and Mr. Reese.
Do you care to testify?

UNIDENTIFIED VOICE IN AUDIENCE: We'll testify
only if it's necessary in answer to any opposition.

CHAIRMAN MC CARthy: Thank you. Questions from
members of the Commission? Anyone else in the audience
wish to testify?

If not, the recommendation is accepted. Thank
you, ladies and gentlemen, that concludes --

EXECUTIVE OFFICER WARREN: I'd like to distribute
to the Commissioners --

CHAIRMAN MC CARTHY: We have concluded on Item 27. Item 27 is concluded.

EXECUTIVE OFFICER WARREN: That concludes the --

CHAIRMAN MC CARTHY: Concludes the regular calendar.

EXECUTIVE OFFICER WARREN: The Executive Officer would like to have a couple of minutes to make a report.

CHAIRMAN MC CARTHY: Please.

EXECUTIVE OFFICER WARREN: Mr. Morris, our legislative liaison, has prepared a summary of the significant bills facing -- which the Legislature will address upon its return. I'd like to distribute it to the Commission.

And copies will be given to your staff for review. This is in line with Mr. Morris' usual fine work in keeping us informed of what is taking place during the legislative process.

CHAIRMAN MC CARTHY: Excuse me. The audience is welcome to stay, but is not required to do so. We're going over some legislation on other matters. You're welcome to listen in or to leave, whichever. Mr. Warren.

EXECUTIVE OFFICER WARREN: I also want to direct the Commission's attention to the fact that on September 12th, in Washington, D.C., there will be a committee
hearing on a proposal by a number of congressmen to create the Desert Protection Act involving the School Lands in Southern California. The bill, as presently proposed, contains language which we have recommended to ensure that School Lands involved in the creation of the protected area would be compensated by an exchange for other Federal lands.

We do understand that some staff of the authors question whether that language should be retained. We do think it will be -- it's of sufficient importance for the State Lands Commission to be represented in Washington at that time, and we would welcome to work with any -- the Chairman or any Commissioner he designates in preparing testimony to be delivered at that time. That is September 13th. We merely wanted to call your attention to that.

Thirdly, the Bureau of Land Management's Regional Director, Ed Hasting, has submitted to a number of State and Federal Agencies a proposed memorandum of understanding to form a council which would seek to establish guidelines and policies establishing biological corridors and land acquisition and management practices.

We think that this is a very innovative and exciting step proposed by BLM and Federal agencies. It
would enable this Commission to work closely with other related State agencies and Federal agencies in a collaborative manner. And I would -- copies of the MOU have been delivered to you. I would like to have your permission to go ahead and sign the MOU in order to encourage and to assist Mr. Hasting in his efforts to get other signatories. We can condition -- your staff has indicated a couple of points that need to be clarified, which I think we can do in a letter accompanying the return of the MOU.

If there are any questions arising subsequently, we could also say that -- well, I'll stop there.

CHAIRMAN MC CARTHY: Any reaction of the Commissioners?

COMMISSIONER TUCKER: Can we see the letter?

EXECUTIVE OFFICER WARREN: The MOU or the letter?

COMMISSIONER TUCKER: The letter that would go --

EXECUTIVE OFFICER WARREN: With the MOU?

COMMISSIONER TUCKER: With the exceptions.

EXECUTIVE OFFICER WARREN: Yes. That has not been drafted. We're waiting for your comments, and I'll incorporate your comments in the letter to make sure --

COMMISSIONER TUCKER: I'd just like to see the letter before you sign it.
EXECUTIVE OFFICER WARREN: Very good. We'll do that.

Thank you very much.

CHAIRMAN MC CARTHY: All right. So the signed MOU will not go until we agree on that letter.

EXECUTIVE OFFICER WARREN: Yes.

CHAIRMAN MC CARTHY: Okay. Anything else?

EXECUTIVE OFFICER WARREN: Yes, a couple of other things. I would like to remind you that on September 11th, the Delta Workshop will be held here in Sacramento. The Commissioners are invited, and indeed urged to attend. We think that there will be very interesting and revealing presentations by those individuals invited to attend. That's September 11th in the morning. It's Wednesday, September 11th in the morning here in Sacramento.

Finally, we have last week been notified by the Department of Finance to report back to it the revenue impacts of the proposed budget cuts. And it was suggested that we prepare a budget change proposal to -- how shall I put it -- to make adjustments in the proposed budget curtailments necessary to ensure and enhance the revenue producing potential of the agency.

We see that as a welcome opportunity, and we can definitely, we'll work hard to demonstrate how budget
constraints on this agency affects the revenue flow to
the State as a whole.

What the ultimate result will be, we don't know.

That concludes my Executive Officer's report,
other than to one other thing. I did meet with Mr.
Dean Lesher Friday of Lesher Publishing Company, written
each of you, I believe, concerning the lawsuit this
agency has with Contra Costa. The meeting was very
cordial, very lengthy. He was in good health. He sends
his best wishes to all of you.

And I gave him a copy of our Delta report.

He seemed to be interested. He assured he he would read
it. I told him the executive summary was all that was
necessary. We arranged that after the lawsuit, the
legal issues with Contra Costa resolve, we will meet
again to discuss matters of importance to him. It went
very well, and I'm pleased by the reception.

That concludes my report.

CHAIRMAN MC CARTHY: Thank you very much.

(Thereupon, the meeting was adjourned
at 11:03 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 of the State Lands Commission was reported 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 am I interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of August, 1991.

Nadine J. Parks
Shorthand Reporter