MEETING OF THE
CALIFORNIA STATE LANDS COMMISSION

TRANSCRIPT OF PROCEEDINGS

City of Santa Monica
City Hall Council Chambers
1685 Main Street
Santa Monica, California

July 11, 1997
11:15 A.M.

REPORTED BY:
Hope Alwardt,
CSR No. 10095
Our File No. 36953
APPEARANCES:

COMMISSION MEMBERS PRESENT:
GRAY DAVIS
Lieutenant Governor
Chairman

KATHLEEN CONNELL
State Controller
Member

STATE LANDS COMMISSION STAFF PRESENT:
ROBERT C. HIGHT, Executive Officer

JACK E. RUMP, Chief Counsel

RICK LUDLOW, Senior Counsel

PAUL B. MOUNT, Chief, Land Management Division

SHARON SHAW, Administrative Assistant II

ATTORNEY GENERAL'S OFFICE PRESENT:

DENNIS M. EAGAN, Deputy Attorney General
MR. DAVIS: We're bringing the meeting of July 11th of the State Lands Commission to order. I notice the absence of a quorum, but I believe we can operate as a subcommittee until the controller arrives.

And in that capacity, I'd like to ask our executive officer to brief us on the issue that is before us in open session, which is the retrocession of Treasure Island. Then we can commence that discussion and presumably we will have a quorum in time to take action on that.

MR. HIGHT: Thank you, Mr. Chairman.

Item No. 80 is the retrocession of criminal and civil jurisdiction at Treasure Island.

As you know, the military is closing out about 20 military bases throughout California. 12 of those contain sovereign land. And in this case, when the military leaves the base, they return the base to California jurisdiction. And so this item is the approval of the return of Treasure Island to the jurisdiction of the State of California. In
other words, California’s police power and criminal
laws would apply to this base. And this is something
that is agreed upon by the navy and by the city.

The city -- you have a letter in the
blue folder. It’s inside your binder -- from the
city basically saying that they approve of this
retrocession.

MR. DAVIS: And the retrocession
involves the use of the city’s police powers in the
application of state laws?

MR. HIGHT: Yes.

And there’s a major advantage to, I
think, the citizens of California as a whole in
having California law applied to them as compared
with federal law just because I think due process
provisions are a little better than California law.

MR. DAVIS: Is the San Francisco Police
Department prepared to allocate the resources
necessary to fulfill those responsibilities?

MR. HIGHT: Yes, they are. And the
exact date for the switchover has not been negotiated
but it will be very soon.

MR. DAVIS: Are there any --

(Controller Connell enters the
meeting.)
MR. DAVIS: I see that the controller is arriving.

MS. CONNELL: Rolling in so to speak.

MR. DAVIS: Good morning.

MS. CONNELL: Good morning to you.

I’m happy to see this meeting room is wheelchair accessible.


MS. CONNELL: Yes. Well, I’m going to publish my own list of those places that don’t meet the code, including all the movie theaters and restaurants in L.A. that fail to be sensitive.

MR. DAVIS: It’s your personal experience they are not up to code.

MS. CONNELL: That’s right. I have new constituency to support.

MR. DAVIS: We are just operating as a subcommittee discussing the item before us in open session, which is the retrocession of Treasure Island. We’ve just begun to talk about the implications of that. Bob Hight was assuring us that the city was prepared to assume police powers to enforce the laws of the city and the State of California on Treasure Island.
I'm just about to ask whether or not there was any navy personnel or any civilian personnel operating on Treasure Island now.

MR. HIGHT: There are still navy personnel there. And as soon as this action is approved, they will start to phase out of navy police power. And the exact date of that I have tried to get from the city yesterday but it's still in negotiation. But it would be in the next several weeks that the navy military presence for police power will leave and the city will take over for police power purposes.

MR. DAVIS: Does that mean that the MP's will no longer be in charge of enforcing order and ordinances on the base itself?

MR. HIGHT: That's correct.

Until the title to the land comes back to California, the military will still have concurrent jurisdiction, although they do not intend to have a police force there. The city will take over all of those duties.

MR. DAVIS: So when you go on the base, the city -- it will be a city official that waves you on and --

MR. HIGHT: Correct.
MR. DAVIS: This will be interesting.

MR. HIGHT: It will be a major change.

MR. DAVIS: Certainly will be.

MR. HIGHT: Because Treasure Island has been a military installation since the mid-thirties.

MR. DAVIS: And approximately how many people are there now? How many -- total of military and civilian personnel?

MR. HIGHT: They are winding down, and my guesstimate is less than a hundred left. They had an official closing ceremony about three weeks ago at which point everybody started leaving the base. And so it will take a process of winding down.

MR. DAVIS: Do you have any questions?

MS. CONNELL: No.

MR. DAVIS: Well, first, let's take the roll to establish a quorum and then we can act on this item.

MS. SHAW: Controller Connell?

MS. CONNELL: Present.

MS. SHAW: Governor Davis?

MR. DAVIS: Present.

The quorum is present, so we are officially constituted.

MR. HIGHT: And, Mr. Chairman, for the
record, let me state that there are some items pulled from the agenda, and we will also take up the executive session at the end of this session.

Item C24, C26, C34, C56, C72, C29, C14, and C70 will not be heard today and will be heard at a future date.

MR. DAVIS: Then I would also like to pull Item 79 largely for discussion purposes but we don't intend to act on it today.

MR. HIGHT: Okay.

MR. DAVIS: Thank you.

All right. Let's first approve the minutes of the previous meeting, the May 12th meeting, if I could have a motion on that.

MS. CONNELL: I move approval of the minutes.

MR. DAVIS: All right. The minutes being unanimously adopted.

Now let's act on the consent calendar as described to us by executive officer Bob Hight.

MS. CONNELL: I move the consent calendar as described by our executive officer.

MR. DAVIS: All right. I concur.

That's unanimously adopted.

That leaves before us the directive
session of --

MS. CONNELL: 79.

MR. DAVIS: Well, it leaves before us 79, which we'll get to after we finish the retrocession of Treasure Island.

Is there anyone from the public that would like to comment positively or negatively on the transfer of police powers from the navy to the City of San Francisco and the transfer of applicable law from navy code to the State of California?

(No response.)

MR. DAVIS: Hearing none, is there a motion to approve the retrocession?

MS. CONNELL: I move the approval.

MR. DAVIS: All right. That's unanimously approved as well.

MS. CONNELL: I love these meetings where we have no opposition. It's so rare for me in public service.

MR. HIGHT: We work very hard to produce that.

MS. CONNELL: It's so rare, I might add, in the City of Santa Monica chambers.

(Laughter.)

MS. CONNELL: It's particularly ironic.
No offense to the leaders of Santa Monica.

MR. DAVIS: It takes a lot of good staff work to make it easy for us.

All right. Let's discuss Item 79.

MR. HIGHT: I'll ask Mr. Mount, who is in charge of the Commission's Long Beach oil and gas.

Go ahead, Paul.

MR. MOUNT: Good morning, Commissioners.

Item 79 is a considered approval on proposed development plan for oil and gas leases PRC 2199, PRC 2894, and 2890 -- 2920.1 to drill gas wells from Gaviota to Santa Barbara County.

This is a project, the lease was assigned last year to Molino Energy. As part of this item, one of the calendar items, we transferred part ownership, 40 percent, to Benton Oil and Gas. That's calendar Item 73, which is on the consent calendar.

Let me show you a little background of this project.

(Slides being shown.)

MR. MOUNT: It's located off the Santa Barbara coast across from Gaviota, the Chevron Gaviota gas plant. You can see it there.

That Chevron Gaviota gas plant is a
consolidated site approved by the County of Santa Barbara. It's one of two. The other being Lost Forest Canyon.

It's between Santa Barbara and Point Conception -- or Point Arguello actually. And you can see in the yellow part, those are the leases we're talking about.

(Next slide) This is an expanded view. Again, there's the Molino site. The Gaviota plant is right here. These are the three fields we're interested in and drilling to and producing gas from.

(Next slide) This is a plan view of the site. The area in green here is the existing facilities. These are the gas plants that exist.

The area that's surrounded by red is area approved as consolidated site by the County of Santa Barbara. The area in blue is the proposed Molino drill site.

(Next slide) This is an aerial view. The coast is at the bottom of the picture. The Gaviota gas plant is up here. And to the right over here and a little bit off of this picture is where the gas well drilling will occur.

(Next slide) This is a picture of where the drilling will occur. This is a drill rig
superimposed over the landscape to give you an idea what it might look like. Highway 101 is just over the ridge here. And it's barely visible from the freeway.

MS. CONNELL: What's the height of that tower?

MR. MOUNT: Approximately 150 feet.

MS. CONNELL: How much of it would be visible from the highway?

MR. MOUNT: About two-thirds.

MS. CONNELL: Thank you.

MR. MOUNT: This is just a cross-section. Here is the rig that will be drilling offshore under the ocean floor. They will not get in the water at all. All the drilling will occur on land and will occur down into these areas.

It's a five-year project. It's within the approved consolidated oil and gas planning area. The onshore drilling is using extended reach drilling technology. It's a three phased project with peak gas production about 60 million cubic feet a day. We can get as high as -- it's going to be designed to go as high as 250 to 300 billion cubic feet recoverable.

We'll process at the approved Gaviota processing facility. And it's also backed by a
strong international company, Benton Oil.

Just to tell you a little about Benton Oil, it was established in '88. They have international operations in Venezuela, Russia, and China. They are listed on the New York Stock Exchange. They have oil reserves worth 448 million dollars. Their annual revenue is about 165 million per year. Their corporate headquarters is in Carpinteria, and they are a proven operator overseas.

There are a lot of mitigations related to this project mostly through the EIR, approved by the County of Santa Barbara. These are just some of the mitigation measures they are required to take.

One of the most important is the Gaviota tarplant mitigation plan. There's a Gaviota tarplant endangered plan in the area, and it's going to be gathered, the seeds will be collected and replanted elsewhere, plus the parts of the area that still have tarplant will be maintained and actually enhanced. So they are going to do a lot to improve the development of the tarplants in the area.

Here's some more mitigation measures that were approved by the county (next slide):

Potential revenue of 85 million to the state and revenue sharing 17 million to the County of
Santa Barbara.

MS. CONNELL: How does that compare to other projects of this nature?

MR. MOUNT: This is unique in that it's a gas only project. Most of our projects are oil projects. Generally, the state could reap a hundred million dollar revenue or greater.

But because we're only developing gas, our revenue take is a little less. This will be the first project that we've shared revenues with the county like this. So they will participate in our money.

Some of the oil fields offshore, if they were developed, could have the potential for several hundred million dollars. So this is relatively small.

MS. CONNELL: Thank you.

MR. MOUNT: That is my presentation.

MR. DAVIS: Is the formula which determines the revenues to the State different for gas than oil?

MR. MOUNT: Same formula, straight royalty.

MR. DAVIS: So it's just the field is smaller or the anticipated --
MR. MOUNT: The field is smaller.

MR. DAVIS: Now, you mentioned that Benton is a proven operator overseas. Have they drilled off the coast of California before?

MR. MOUNT: No, to my knowledge they have not. It is strictly overseas operations to this point.

MR. DAVIS: But you have no doubt about their competence?

MR. MOUNT: I have no doubt about it. They've drilled a lot of wells in Venezuela. I believe they've drilled some near lakes as well. And there's a lot of areas they have drilled that were sensitive areas, let's put it that way.

MS. CONNELL: Why was there a decision made to share with the county in this circumstance?

MR. MOUNT: That was by a law that was passed last year, a bill carried by -- was it O'Connell, Senator O'Connell?

MR. HIGHT: No, it was Senator Mattie.

MR. MOUNT: Mattie.

And 20 percent of our revenues go to the counties where a offshore drilling requires an onshore facility, a new onshore facility, then we then share state revenues.
MR. DAVIS: I know some of us are fighting to get the counties a piece of the action for a long time because they get 100 percent of the environmental degradation and in the past very little of the revenues.

Does that law apply to offshore drilling or just onshore drilling, the Mattie bill?

MR. MOUNT: It applies to drilling from onshore to offshore or drilling from where we're being -- it's just generally onshore to offshore.

MR. HIGHT: It applies to new developments.

MS. CONNELL: It's not retroactive.

MR. MOUNT: No. No.

MR. DAVIS: But if we were to site for some reason additional offshore drilling --

MR. MOUNT: Yes.

MR. DAVIS: -- the counties would benefit?

MR. MOUNT: That's correct.

MR. LUDLOW: Any new offshore development --

MR. MOUNT: From an onshore site.

MR. LUDLOW: It could be up to the platform.
MR. MOUNT: It could be up to the platform, too.

MR. DAVIS: With the moratoriums and all that. I think that's a good chance.

MS. CONNELL: It's a fair relationship.

MR. DAVIS: Much fair.

All right. Thank you for that.

Is there anyone from the public that has a comment either in favor or opposed to Item 79?

MS. CONNELL: If not, Mr. Chair, I can move approval.

MR. DAVIS: I approve as well. So that passes unanimously. Thank you, staff, for that explanation.

MR. HIGHT: And that is the end of the commission, Mr. Chairman. And if we could then go into executive session and have the public leave.

MR. DAVIS: I have one other item in the public session, and I think this meeting illustrates the good work our staff does to try and resolve difficulties that otherwise would be laid in our lap.

I might note that our briefing indicated four environmental agencies were initially opposed to the item we just voted on before various
concessions or arrangements were worked out before the County of Santa Barbara and the California Coastal Commission, which meant virtually everybody was in favor of it before it came to us, and our staff played a role in that. They played a very significant role in the acquisition of the Bolsa Chica weapons.

And for that and many other reasons, when I was acting governor a couple of months ago, I took the opportunity to proclaim February 14th, which is the day we concluded the action on the Bolsa Chica --

MS. CONNELL: With Gray's pen.

MR. DAVIS: With the controller's green pen, although I signed this with my own black pen -- as Bob Hight Day in the State of California.

So, Bob.

(Handing proclamation.)

(Applause.)

MS. CONNELL: I might add, Bob, like everything else in the state government, it's a bit delayed.

MR. DAVIS: And I also might add that like everything else in government, it is the product of a lot of good people's work, many of whom are
sitting in this audience, who have made the lands
commission a very responsive and a very
well-respected agency.

So on behalf of everybody who makes Bob
look good, Happy Bob Hight Day.

(Applause.)

MR. HIGHT: Thank you very much.

MR. DAVIS: With that, we will adjourn
the open session, and all the people who won’t
participate in the executive session should now
depart.

(The proceedings were concluded at
11:35 a.m.)

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I, Hope Alwardt, CSR 10095, a Certified Shorthand Reporter in and for the State of California, do hereby certify:

That the foregoing proceeding was taken down by me in shorthand at the time and place named therein and was thereafter reduced to typewriting under my supervision; that this transcript is a true record of the testimony given by the witnesses and contains a full, true and correct record of the proceedings which took place at the time and place set forth in the caption hereto as shown by my original stenographic notes.

I further certify that I have no interest in the event of the action.

EXECUTED this 22nd day of July, 1997.

Hope Alwardt