APPEARANCES

BOARD MEMBERS

Mr. Gavin Newsom, Lieutenant Governor, Chairperson
Mr. John Chiang, State Controller, represented by
Ms. Cindy Aronberg
Ms. Ana J. Matosantos, Director of Finance, represented by
Mr. Pedro Reyes

STAFF

Mr. Curtis Fossum, Executive Officer
Ms. Jennifer Lucchesi, Chief Counsel
Mr. Gregory Scott, Chief, Mineral Resources Division
Mr. Rick Ludlow, Staff Counsel (Ret.), Legal Division
Ms. Marina Voskanian, Assistant Chief, Mineral Resources
   Management Division
Mr. Alex Reid, Petroleum Reservoir Engineer, Mineral
   Resources Management Division
Mr. Alan Hager, Retired Annuitant, Attorney General's
   Office
Mr. Joe Rusconi, Deputy Attorney General, Attorney
   General's Office
Ms. Jessica Rader, Staff Counsel, Legal Division
Ms. Kim Lunetta, Executive Secretary
Mr. Dave Brown, Chief, Fiscal & Administrative Services
Ms. Pamela Griggs, Senior Staff Counsel
Mr. Mark Meier, Assistant Chief Counsel
APPEARANCES (continued)

ALSO PRESENT

Mr. Curtis Henderson, City of Long Beach Gas & Oil Department

Ms. Sofia Carrillo, Coalition for a Safe Environment

Mr. Jesse Marquez, Coalition for a Safe Environment

Mr. Drew Wood, California Kids IAQ

Mr. Charles Parkin, Deputy City Attorney, City of Long Beach
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EXECUTIVE OFFICER FOSSUM: All right. Let me call the roll. Initially, since we're doing a -- this is Curtis Fossum, the Executive Officer. Since we're doing a conference call today, before each person speaks, please identify yourself for the court reporter so that he can be accurate in his transcription. Um -- go ahead.

CHAIRPERSON NEWSOM: This is Gavin Newsom, Chair of the State Lands Commission, and we thank everybody for taking the time to be on this call. We've got just a few items, and we'll try to move that -- through them as efficiently as we possibly can.

The first item for consideration is the approval of minutes from our last Commission meeting. Any discussions on those minutes?

Is there a motion to approve the minutes?

ACTING COMMISSIONER ARONBERG: Aronberg moves approval.

CHAIRPERSON NEWSOM: And is there a second?

ACTING COMMISSIONER REYES: I second, Pedro Reyes for the Director of Finance.

CHAIRPERSON NEWSOM: Without objection, those minutes are approved.

Our next order of business is the Executive Director's -- or rather, Executive Officer's Report.
Mr. Fossum.

EXECUTIVE OFFICER FOSSUM: Thank you, Mr. Chairman.

I'd like to also identify the members of the staff of the Commission and the Attorney General's Office present on this conversation.

In the Los Angeles office we have Alan Hager, the Attorney General's Office; Greg Scott, the direct -- the Chief of the Division of Mineral Resources, and his assistant Marina Voskanian; and Alex Reid who's the staffer on this particular project, Item 1.

In Lieutenant Governor's office is Jennifer Lucchesi, Chief Counsel, Rick Ludlow, staff counsel, and me.

In the Department of Finance we have Joe Rusconi from the Attorney General's Office, and Jessica Rader, Staff Counsel for the Commission. And we also have several of our division chiefs in our offices in Sacramento.

So with that, let me just begin the Executive Officer Report and say that, in response to the request by the Department of Finance and the Governor's Executive Order, I notified staff of the travel restrictions. And my secretary, Kim, has in fact now reserved meeting locations in Sacramento for the rest of year, at those offices. Today, the only person who was going to be traveling was
Greg Scott. And instead, he is staying in the Los Angeles area.

Secondly, the Governor's Executive Order regarding travel and salary advances, I'd like you to know that your staff has no salary advances at this time. And that the five travel advances that are out, all travel has already been completed and the claims should be processed within two weeks.

On the legislative update, we have two State Lands Commission sponsored bills that passed out of committee this week, SB 152 (Pavley), the fair rent for private piers bill, and SB 595 (Wolk) dealing with abandoned vessels. Two other bills supported by the Commission also passed out of their first committee, AB 752 (Brownley) dealing with sea level rise that was sponsored by the Controller, and AB 1112, the Huffman bill dealing with the Oil Spill Prevention Fund.

At the last meeting I discussed our update of our website, and Chairman Chiang suggested linking the Coastal Commission's public access info. That has been done. We've also linked the Ocean Protection Council and BCDC websites dealing with sea level rise. There's significant information on those sites as well.

Following up on our last meeting dealing with Japan's tsunami and the nuclear disaster, the following
week the Commission staff met with PG&E representatives regarding their plans to conduct geophysical research and a seismic study offshore Diablo Canyon, the two faults that are offshore there.

PG&E gave a brief introduction to the staff on the three phases that they intend to conduct involving a survey of that area. The first one would deal with some seafloor seismometers for a short four-week study just to get the background noise in the area. That would be followed by -- and that's expected to come before the Commission in October.

The second part of it would be a more in-depth fiber optic cable and seismic -- seismometers that are being developed to do a much more in-depth study that would last several years.

Then there's a third phase that would also require an EIR because of the potential impact to the environment with the use of air gun arrays and hydrophone steamers that are towed behind boats and could affect marine mammals. That third phase would require a full-blown EIR, and we expect that could be heard as early as next spring.

Even before -- even before I received the letter from Santa Barbara County last week, we had inspectors out on the beach in Summerland. The Santa Barbara County Board...
of Supervisors sent a letter, concerned about oil seeps that have been taking place on the beach there.

That area had been drilled by trespassers in the late 1800s and early 1900s, even before the State had authorized any offshore oil drilling, which didn't occur until 1921. It, in fact, was the first offshore oil drilling anywhere in the world. And these wells are still seeping from time to time. They weren't properly abandoned.

Over the last 50 years the State has been end-capping and plugging those, and it's done almost a hundred wells. We've been doing it in the 60s, 70s and 90s as funds became available; and certainly as more funds become available, we will continue that process.

Last week our staff was out and met with county staff as well as Summerland residents and Santa Barbara Environmental Coalition to inspect the beach and discuss the matter. They also met with the Mayor of Goleta regarding the hazard removal program. They were very pleased with that, all those individuals. The county, the Environmental Coalition, and the Mayor all wanted to thank the Commission for that program that's been taking place there and the fact that we met with them and discussed these issues.

And that concludes my report.
CHAIRMAN NEWSOM: Excellent. Is there any comments or questions of the Executive Officer from the Commissioners?

ACTING COMMISSIONER ARONBERG: Aronberg just wants to thank you, staff, very much for putting those links together from your site.

EXECUTIVE OFFICER FOSSUM: Great. Appreciate that.

Anyone else?

ACTING COMMISSIONER REYES: Nope, not here.

CHAIRPERSON NEWSOM: All right. Well, the next order of business is our regular calendar. And the first item for consideration is the Long Breach Unit Program Plan and the Annual Plan.

And let me just begin by thanking everybody. I realize I'm responsible for this unorthodox meeting, and I know how everyone loves these opportunities to get back together in between the more regularly scheduled meetings.

There's nothing more frustrating -- I will acknowledge this as a preamble -- than, you know, going through a process and then concluding that we could have avoided the process. Then again, I'm glad we did because there was some issues that were brought up. There's some questions that I think merit a discussion. And I just want to thank everybody for their sincerity and their commitment
to exploring this item further and giving me an opportunity
to understand it again.

This is -- you know, you won't have to worry about
me being the new guy forever, but this is -- this is what
happens. But I'm thankful. I'm not here to delay.
Nothing frustrates me more, as a guy from the private
sector, and then delaying things and killing things by
analysis and, you know, just going process to process. So
that was not my intent here, but candidly to have more
substantive discussions.

And I just appreciate the good work of my staff --
Mr. Garland and to Mr. Fossum, your team, and to the
Attorney General's Office to -- well, you'll hear in a
moment from one of the managers. We are grateful for the
opportunity to discuss this.

So, with that, I know there's a staff presentation
and we'll go into comments and questions.

EXECUTIVE OFFICER FOSSUM: Yes, Mr. Chair. Greg
Scott, our Division Chief for Mineral Resources will be
giving that report. But before Greg goes into that, I want
to thank you for questioning such an important matter from
last month's consent agenda.

Although the staff for decades has considered this
Program Plan and Annual Plan routine, given its involvement
on a daily basis in monitoring the City and OXY's safe
operation of the unit, clearly questions raised by the
Lieutenant Governor and more thorough review by staff of
the Plan has revealed that the Program Plan document itself
does not have a great deal of detail, and that -- on safety
operations. And, therefore, out of an abundance of
cautions, staff's recommending a plan -- the plan be revised
to conduct a safety and environmental risk audit.

I also want to take this opportunity to thank the
City of Long Beach for its cooperation in allowing the
Commission to take a closer look at the five-year program
so that all parties can be confident that implementation of
the plan will not only be economically beneficial to all
the parties, but also conducted in a safe manner and anyone
reviewing the plan can reach the same conclusion.

With that, Greg.

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF
SCOTT: Okay. Thanks, Curtis.

EXECUTIVE OFFICER FOSSUM: Jennifer's going to be
passing out your slide presentation, here in our office.

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF
SCOTT: All right. We have those handouts already
distributed here.

All right, I will start. Good afternoon,
Mr. Chair and Commissioners. My name is Greg Scott. I'm
the Chief of the Commission's Mineral and Resources
Management Division.

I'm presenting the staff report for our regular
calendar item Number 1, which is consideration of the Long
Beach Unit Program Plan for the period of July 1st, 2011
through June 30th, 2016, and the Long Beach Unit Annual
Plan for the period July 1st, 2011 through June 30th, 2012,
within the Wilmington Oil Field in Los Angeles County.

I've prepared handout material that you can refer
to as I present the staff report. And as part of that
material, on the second slide, is an aerial photograph of
the Long Beach Unit's four man-made islands to help put the
field area in perspective and its proximity to the Long
Beach port area as well as the Long Beach shoreline.

As noted in slides three and four, pursuant to
applicable law, Chapter 941 of the statutes of 1991,
Chapter 138 statutes of 1964 and the Optimized Waterflood
Program Agreement, the Annual Plans are required to be
prepared as submitted to the State Lands Commission for its
review and consideration of any necessary revisions.

On March 17th, 2011, following an adoption by the
Long Beach City Council, the State Lands Commission staff
received both the Program Plan and the Annual Plan for the
city.

As provided by statute, the Commission has 45 days
to take action. The 45-day period ends on May 1st. If no
action is taken by the Commission during this time, the plans are deemed to be accepted.

    Slide five, the scope of the Commission staff review of the Program Plan, as provided for in Chapter 941, entails the finding of consistency with good oil field practice, consistency with the documents that govern the unit -- which include the Unit Agreement, Unit Operating Agreement and the Optimized Waterflood Agreement -- and also a review of the plan to ensure it does not involve significant safety or environmental risk.

    As shown on slide six, the Program Plan is prepared every two years and covers a five-year period, continuing development of the Long Beach Unit. It describes how the Long Beach Unit objectives, our continued field development, will be carried out during the five-year period, including reservoir management methods; field pressure maintenance; well drilling activity and schedule; subsidence prevention and control; well abandonment strategies; waste management; water treatment; and others, to name a few.

    The Annual Plan is a one-year plan consisting of anticipated expenditures needed to carry out the objectives toward the applicable corresponding year of the Program Plan.

    Slide seven shows how the Annual Plan expenditures
are categorized. These are: Development drilling; operating expense; facilities maintenance and plant expense; field labor and administrative expenses; and lastly, taxes, permits, and administrative overhead.

The scope of the Commission staff review of the Annual Plan involves reviewing it for consistency with expenditures, drilling activity, forecast, as stated in the Program Plan, for that same time period.

Slide eight shows the economic projections for both Program Plan and the Annual Plan submitted by the city. Program Plan provides for a total of $1.9 billion in expenditures during the five-year plan period, generating oil and gas revenues of approximately $2.1 billion, and resulting in a net profit of $188 million if oil prices average $45 per barrel over that five-year period.

The proposed Annual Plan for the one year, 2011 through 2012 fiscal year, has expenditures budgeted at $377 million which would yield a net income of $52 million. That's a unit net income of $52 million, again assuming the price of oil average $45 for that year.

The City's use of the $45 per barrel oil price is to assure that revenues will be sufficient to pay for unit operations and still provide net profits to the State, OXY, and the City. This oil price yields a conservative projection of net income and is used by the City partially
because of current and past oil price volatility that
occurred during the first six months of 2008-2009 fiscal
year. But also -- I'm sorry, I got ahead of myself here --
price volatility, as well as the unanticipated drop in oil
prices during the 2008-2009 fiscal year period that caused
the city to receive less revenues than they had expected
for that fiscal year.

   The volatility of that period of time is shown on
slide nine, and you can see that there is a little over 100
barrel -- dollars per barrel drop during the period from

   State Lands Commission staff, however, believe oil
prices during the Annual Plan period will be considerably
greater than $45 per barrel and is presently using a price
of $92 per barrel, derived from a worldwide commodity
forecasting firm which we use for internal oil revenue
forecast purposes.

   Staff's oil price estimate, as shown on slide 10,
unit net profits would be $481 million. The state's net
profit share would be $282 million for fiscal year 2011
through 2012.

   State Lands Commission staff has reviewed both the
programs, the plan, and Annual Plan for their required
consistent criteria as provided by statute. With regard to
the Program Plan, staff finds that it was prepared to
ensure good oil field practices. Attributing to staff's finding of consistency with good oil field practices, and listed on slide 11, are the description of activities contained within the Program Plan, as well as the ongoing oversight by State Lands Commission staff of the Long Beach Unit's engineering methods and practices.

In addition, continuous observations are made by State Lands staff of the unit's adherence to relevant codes, standards, regulations, permits, and accepted oil industry practices, including staff presence in the field observing field operations and surveillance to monitor the unit's safe operating and pollution prevention practice.

As a result of lessons learned from the Gulf of Mexico oil spill last year, State Lands Commission staff, at the Commission's direction, has recently implemented a Blowout Preventive Certification Program for all of our offshore oil and gas lessees, including the Long Beach Unit.

The city and the unit contractor has been proactive in that regard, have implemented the program for the Long Beach Unit, ahead of the deadline when the SLC program was in place.

The Commission will be asked to adopt formal regulations addressing Blowout Preventive Certification at a meeting later this year.
With regard to consistency with the agreements under which the Long Beach Unit operates, as shown on slide 12, staff finds the Program Plan as prepared is consistent with the Articles of Development and Operations; properly allocates produced substances; provides for proper measurements of quantities and qualities of produced resources; plans are prepared and submitted in accordance to submittal schedules; expenditures are itemized by recorded categories; and the plan provides for and adheres to growing strategies, growing schedules and pressure maintenance and subsidence prevention objectives.

The Commission staff's review has also concluded that the Annual Plan is consistent with the Program Plan as it meets the criteria shown on slide 13. And those are consistency with the correct budget categories. Consistency with expenditures, performance objectives and drilling schedule, the Program Plan.

Slide 14 addresses environmental safety and risks. With regard to those risks, Commission staff's ongoing participation in unit meetings, onsite inspections, and engineering review helped form the basis for concluding the operation of the Long Beach Unit was being conducted in a safe manner, and the basis for not recommending any changes to the Program Plan at the April 6th, 2011 Commission meeting.
However, as recognized by the Lieutenant Governor's Office that, despite Commission staff's observations of the contractor's safe operating environmental protection practices, the Program Plan as a stand-alone document lacks adequate detail and description to allow the Commission to determine that the Program Plan does not involve significant safety or environmental risks.

In 2002, Commission Engineering staff completed a Comprehensive Facility Safety and Pollution Prevention Audit for the Long Beach Unit. As a condition of the Commission's approval of the April 2000 contractor assignment from ARCO to OXY Long Beach, that safety audit found a number of action items that proposed a potential safety or environmental risk. Correction of those action items resulted in the overall enhancement to the unit operations.

Because that audit occurred 10 years ago, Commission staff believes that another safety audit, if timely, could provide further safety and environmental answers. Staff therefore recommends, as stated on slide 15, the Commission, under the Program Plan, be revised to include an updated Environmental and Safety -- Utility Safety Review and Assessment to be performed by Commission staff in consultation with the City and OXY, and to be completed within 15 months.
That concludes my staff report, and I'm happy to answer any questions you may have.

CHAIRPERSON NEWSOM: Okay, great. Gavin Newsom here.

Thank you for the report, and thank you for your recommendation.

Just in terms of lack of comprehensive review since 2002, just for purposes of illumination, as you noted, all of the items that were identified in that audit have been corrected. But there were not -- there were more than just a handful of items, correct?

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF SCOTT: That's correct.

CHAIRPERSON NEWSOM: To wit, the obvious point, which is one I concur with, that perhaps it would be wise a decade later to conduct a similar review.

That being said, who pays for it? Who does it? Who paid for it in '02 and who did it?

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF SCOTT: The audit in '02 was conducted by State Lands Commission Safety Audit staff, Engineering staff. It was a 18-month process, and the OXY reimbursed the state up to $500,000 for staff expenses. The -- I think the final total for the cost of the audit was a little over $600,000 which was paid out of the unit cost.
EXECUTIVE OFFICER FOSSUM: And Greg, just to illuminate on that -- this is Curtis Fossum -- was that then considered a part of their operating budget and so that would lessen the net revenues to the other parties, including the state?

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF SCOTT: Well, the differential that -- between 500,000 and the final cost would have gone against unit expenses, and therefore, would have impacted the net income.

EXECUTIVE OFFICER FOSSUM: So the five -- so because this was a part of an assignment and part of releasing ARCO from their prior contract, that is why it didn't come out of unit expenses?

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF SCOTT: That's correct.

EXECUTIVE OFFICER FOSSUM: Okay. Otherwise it would, presumably.

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF SCOTT: If we were to conduct another audit, an update, these would come out of unit expenses. Or at least the unit would pay for the audit. However, we expect staff costs would be reimbursed for the time that we would be involved in this audit.

EXECUTIVE OFFICER FOSSUM: All right.

ACTING COMMISSIONER ARONBERG: This is Aronberg.
From where would the cost be -- I mean, would this come from the General Fund? Where would the funds come from ultimately?

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF
SCOTT: They would come from the unit revenues.

EXECUTIVE OFFICER FOSSUM: Yes. And basically the end result is, because the profit -- this is Curtis -- the profit sharing is such that the State and City have 51 percent of the net profits in the optimized part of the waterflood plan, a substantial part of the net revenues would presumably come out of those revenues that went to the city and state. A like amount would come out of the net revenues that OXY would get.

ACTING COMMISSIONER REYES: You mean the expenses of the survey would come out of those revenues?

EXECUTIVE OFFICER FOSSUM: Yes. And if -- depending on if -- this isn't something that we would know the answer to right now. It would probably be part of what we would have to talk to the City and OXY about in the next few months because -- is how this expense would be treated.

If it was considered a -- and maybe Rick can answer this -- extraordinary expense, then the State would -- it could come 95 percent out of the State's net revenues. If it was based on the percentages overall being brought out of the unit, I think the state would absorb 63
percent of the cost of the study and the --

So it depends on how the conclusion is reached between the parties, as to where those expenses would be.

CHAIRPERSON NEWSOM: And the idea would be --
again, Gavin Newsom speaking. The idea would be to come back next meeting, having scoped that discussion more formally before we move forward with an action.

EXECUTIVE OFFICER FOSSUM: That's correct.

CHAIRPERSON NEWSOM: That we can work through and make a determination of the cost benefit.

Is it -- are you assuming it would be roughly equivalent to the cost in '02, in the margin? Or can be it more focused on it, more targeted? Or is that part of the discussions in the next few weeks?

EXECUTIVE OFFICER FOSSUM: I think that would be part of the discussions. I think Greg -- this is Curtis again. We've had those discussions internally, but we have not brought OXY or the city into those discussions as to what level of depth it would be because the audit was only 10 years ago and, in essence, this might be an update of that audit as opposed to totally starting from scratch.

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF SCOTT: Right. We would have to -- this is Greg Scott. We would have to certainly scope out what we think would be the optimal activity for this audit.
You know, being that the field was audited 10 years ago, many of the existing systems that were in place then most likely would still be -- we would find that those corrections we made back then would still be satisfactory. However, any new systems that may have been introduced in the field during this last 10 years, I think those would be -- those would be systems that we would want to focus on more directly in this updated audit.

CHAIRPERSON NEWSOM: Well, I mean, obviously cost is always a factor, and it's an appropriate question, where's the money going to come from, if the General Fund. So I think, you know, the purpose -- for the purposes of this discussion, to at least illuminate those costs and the scope of this audit so we can make a subsequent determination. I certainly would be supportive of that.

Again, I think there were over 200 items that came out of the last audit. And, you know, in the auditing parlance they're called "significant". But, you know, a lot of times what may be significant to an auditor may not be to the lay person. But enough there that I think it would merit some consideration.

I mean, if there's something that sort of jumped out through this process of getting deeper into this, it was -- you got a 48-page agreement, there's only a couple paragraphs around safety and environmental consideration.
The Annual Audit I think was, what, a paragraph or something.

And, you know, we live in a world where we know a heck of a lot more than we did in 2002. And I think it's -- I think we have a fiduciary responsibility to explore this further. And obviously I support the recommendation staff, and I compliment it.

Without getting ahead of ourselves, it seems perhaps appropriate if Curtis Henderson is here from the City of Long Beach, as our public comments. And I, of course, will open it up to others.

But, Curtis, just because you're sitting here patiently listening, perhaps you can chime in and maybe give us your thoughts. I want to thank you and Mayor Foster and his team for their help and support in the last couple weeks.

MR. HENDERSON: Okay. Thank you very much. My name is Curtis Henderson. I'm manager of Gas and Oil Operations for the City of Long Beach Gas and Oil Department. I just have a few comments here.

In 1964 the State Legislature enacted Chapter 138, granting trusteeship to the City of Long Beach for control of the State's tideland's oil operation in Long Beach.

Chapter 138 states that since the existence of oil and gas under the Long Beach tidelands as it's known should
be developed for the benefit and profit of the State of California. With the trusteeship, the City became the unit operator to control the development of oil and gas in the Long Beach Unit for the state and the 6,000 individual oil rights owners.

The City has submitted next year's fiscal -- next year's Annual Plan and Program Plan which is the subject of this calendar item. Both have been approved by the City Council.

The primary focus of the Long Beach Gas and Oil Department is to ensure that the environment is protected and no adverse conditions are caused by oil operations. Since the Long Beach Unit operations are located just offshore of the downtown area of Long Beach, we work closely with the contractor, OXY Long Beach, to ensure the environmental issues are always considered while conducting the day-to-day operations.

Additionally, the department is charged with the continued control of subsidence. Subsidence is still a threat to areas overlying oil-producing areas and will continue to be long after production ceases in the oil field.

We share your concern for the environment and its protection. I can assure you that we take very seriously our responsibility to safeguard the ocean and to protect
the environment within which we operate and take great
effort to ensure that that occurs.

In over forty years of oil operations in the Long
Beach Unit, we have not had any produced oil from our
operations, in fact we've breached no harm to the marine
environment in the Long Beach Harbor. Although we are very
proud of this record, we will continually strive to do
better.

Environmental stewardship is one of the core
values of the City of Long Beach and OXY Long Beach,
Incorporated. Maintaining and testing our pipelines
through extensive Mechanical Integrity Program is essential
to protecting the environment. The main focus of the
Mechanical Integrity Program is our pipelines, but the
program also covers tanks, vessels, electrical
distribution, and other equipment in the field.

Some examples of the many programs that are in
place are Aggressive Internal Inspection Program, including
smart pigging of section pipelines; leak detection;
corrosion monitoring of pipelines; internal and external
inspections of tanks and vessels; and conducting an
automated shutdown and control system testing quarterly
with representatives of the State and the City present.
I have a list here, and I'm definitely not going
to go through all of them.
(Laughter).

MR. HENDERSON: Unless you'd really like them.

Additionally, the City of Long Beach and OXY Long Beach are committed to ensuring that our employees and contractors work safely. Last year 1.7 million hours were worked in the Long Beach Unit with only four injuries, none of which were severe. This equates to a reportable rate of 4.7 which is significantly lower than the rest of the oil and gas industry which has a reportable rate of 1.5.

We're very proud of this record. That's about -- that's 70 percent better than the industry. And there are many safety programs in place. And, like I said, too many to mention here today. But we will continue to work with OXY Long Beach to come up with additional program to make our work space as safe as possible.

Finally, OXY Long Beach audits operations every two years against both regulatory standards and its own stringent policies. OXY does this on its own without being requested by either the State or the City.

The City of Long Beach welcomes the upcoming audit by the State Lands Commission for the safety and environmental aspects of the Long Beach Unit. The City and OXY Long Beach will assist the State Lands staff in any way possible, any shape that you require.

The City of Long Beach, as a unit of operation,
is charged with overseeing the day-to-day operations of the
oil field and is proud of its environmental and safety
record of the Long Beach Unit.

CHAIRPERSON NEWSOM: Thank you, Mr. Henderson.

Gavin Newsom speaking.

I was going to ask, but you answered in the end
there, that generally you'd be supportive of this audit. I
appreciate that.

Are there any comments or questions or any other
public comments, someone that I can't see physically?

ACTING COMMISSIONER ARONBERG: We have three
public commenters in the L.A. office. And if you'd like, I
can call them out one by one.

CHAIRPERSON NEWSOM: Fabulous.

ACTING COMMISSIONER REYES: We have no -- this is
Pedro at Finance. We have nobody here.

CHAIRPERSON NEWSOM: All right.

ACTING COMMISSIONER ARONBERG: Is there anyone at
the State Lands Commission office on Howe Avenue?

EXECUTIVE SECRETARY LUNETTA: No, there is not.

ACTING COMMISSIONER ARONBERG: Okay. So I'm going
to start with -- we have -- would you like to start?

First we have Sofia Carrillo from Coalition for a
Safe Environment.

MS. CARRILLO: Hi. Good afternoon. My name is
Sofia, and I work for the Coalition for a Safe Environment. I ask today to the State Lands Commission not to approve the City of Long Beach Plans for the new oil exploration and oil wells.

Number two, there was no Environmental Impact Report prepared to disclose the environmental and public health impacts in Long Beach and neighboring cities.

Number three, I ask that you require an Environmental Impact Report, Health Risk Assessment and a Health Impact Assessment be completed before any plan or project approval.

Number four, I ask to -- that you require all negative environmental, public health and socio-economic impacts be mitigate to less than significant. And if it cannot be mitigate to less than significant, the project be denied or that the project require that mitigation funds be established.

Thank you.

EXECUTIVE SECRETARY LUNETTA: Excuse me. This is Kim Lunetta.

Sofia, if you read from a script, would you mind if we could have a copy of that?

ACTING COMMISSIONER ARONBERG: Sure. We've got it right here.

EXECUTIVE SECRETARY LUNETTA: Okay.
ACTING COMMISSIONER ARONBERG: I can fax it to you even if you like.

EXECUTIVE SECRETARY LUNETTA: Thank you.

ACTING COMMISSIONER ARONBERG: Would you like that right now?

EXECUTIVE SECRETARY LUNETTA: Later's fine. Thank you.

ACTING COMMISSIONER ARONBERG: Okay, gotcha.

Okay.

Do we want to have each speaker go in order, or would you like to have staff respond?

CHAIRPERSON NEWSOM: Let's hear from everybody, then we'll have staff respond. It's Gavin Newsom speaking. Thank you.

ACTING COMMISSIONER ARONBERG: Our second commenter in the L.A. office is Jesse Marquez with Coalition for a Safe Environment.

MR. MARQUEZ: Thank you. My name is Jesse Marquez. I am a founder and Executive Director for the Coalition of a Safe Environment. We're headquartered in Wilmington. We also have a Long Beach Coalition for a Safe Environment chapter. And we have members in over 25 cities and Los Angeles County.

I have first a question to ask. Did you have an opportunity to review my public comment that I submitted?
EXECUTIVE OFFICER FOSSUM: This is Curtis Fossum.

Yes, we have.

MR. MARQUEZ: And Lieutenant Governor Newsom, did you have an opportunity to do so?

CHAIRPERSON NEWSOM: I'm going to take the opportunity to do so, now that you have -- you have alerted me. I have not had a chance to see it yet.

MR. MARQUEZ: Okay. We did also provide a copy to Kevin Schmidt who I believe works for you in your office there.

CHAIRPERSON NEWSOM: Unfortunately he's back east, but I appreciate it. Thank you.

MR. MARQUEZ: Okay. The issues we have is that there are several major points, that this is a project and is subject CEQA -- and there's been no CEQA review of this project.

The Port of Long Beach, FIA-type discussion with State Lands Commission office has stated that this is not a project under the definition of the CEQA law and the guidelines. However, if you look at the CEQA law, how it defines what a project is, and if you look at the guidelines as it describes what a project is, there is nowhere in there that it provides an exemption for what they plan to do.

What they plan to do, there's going to be a
variety of things. They plan to do oil exploration drilling. That's a project. They plan to redrill existing oil wells to deeper depth. That's a project. They plan to assembly and relocate various oil well rigs 231 times. That's a project.

They plan to -- there's going to be construction of replacement oil wells involved in this. That is a project. They're going to construct new permanent operating oil wells. That is a project. They're going to construct new pipelines. That is a project. There's going to be 46 wells to be drilled or redrilled in each of five years, for a total of 231 in this project.

They're going to repair existing equipment, which could be piping, tanks and vessels, and that is a project in itself. They're going to be replacing some of this equipment. That is a project. And then they're going to be plugging up abandoned oil wells. That is a project.

So under our understanding of CEQA law and the guidelines, it is subject to an EIR and there has been no place in this whole process where an Environmental Impact Report has been prepared.

So what you have heard is that there have been, in their opinion, no environmental impacts done in the past operations, but that's based on the fact that they did not do an Environmental Impact Report and what was performed in
the past was not adequate.

Many of us are aware that when we're talking about air pollution, that we're talking about not only particulate matter but we're also talking about VOCs, hazardous air pollutants and greenhouse gases that are part of these operations.

And so whatever goes up in the air, which is -- and it comes down is called aerial deposition or atmospheric deposition. So pollution goes in the air and also lands. It lands on the ocean, which means it lands on the coastal tideland waters, it lands in fresh water supply such as in dams and rivers. And since it lands on land, when it rains and it soaks -- it permeates and percolates down into fresh water aquifers.

And so those types of things have not been evaluated. So they've not taken water samples to determine the amount of contaminants that have been put upon the water. They talk about no major impacts to any aquatic life or wildlife. They've done no assessment to determine that.

In terms of public health impact, you know, they've done no Health Impact Assessment. So they don't know what type of affects have been done to workers. They don't know what type of health impacts that have been done to local residents.
Now, even though we're talking about Long Beach, Wilmington is neighbor to Long Beach. And so we're talking about a border that's only, you know, a few hundred feet to a thousand feet away. And in the package that I submitted of my public comments, on the very last page is Exhibit B. And Exhibit B, if you flip it to the last page, are actually a color photo of three photos of one of the oil wells right there having a bad day and a bad night. So what you see is flaring occurring all day and all night.

Now why did that occur? It occurred because there was a malfunction and there was a breakdown. In fact, they did not report it. It was myself and other members of the public that reported this to the AQMD, and that's how they were called on it, otherwise they didn't admit anything was going to happen.

And so no one knew about it, only because it stood out like a sore thumb. In fact, I was leaving Wilmington on the Long Beach freeway, driving north of Anaheim, when I looked in the rear-view mirror and that's when I saw the flames come about, which made me turn around, go get my camera and go take photographs during the daytime, and then come back in the evening because it was still flaring at night.

Now how many of these incidents, we don't know because there's no record of it because they don't maintain
a record of it. And it's only a record if HMD receives a report. Unfortunately, that's a part of the problem that we have is that the public has always requested there be first-line monitoring of flaring. We've also done research and have found out that flaring is preventable.

What we can't tell from the documentation is that in what they're going to be doing in these next project plans, since there's no information provided, we don't even know are they going to build an additional combustion units which are the flare units? If they are, you know, they've done no estimate of those emissions, so we have no clue what they are.

CHAIRMAN NEWSOM: Okay.

MR. MARQUEZ: And if they're going to be doing that, then if there was an EIR, we'd be able to comment as to, well, what are the alternatives to flaring? What is the alternative to a combustion unit?

Well, there is an alternative, and that is what they call a vapor recovery system. A vapor recovery system is actually right off the shelf. You can call up an engineering place that sells them and buy it and install it. And basically what it is, is piping to the place where the gases are being released. It basically sucks them up and goes to an empty storage tank and saves them, and the gases can be reused again.
CHAIRPERSON NEWSOM: Mr. Marquez, can you -- we actually have in front of me -- I have in front of me your letter, and I appreciate your passion and your comments. Can you just conclude?

MR. MARQUEZ: Okay. So we feel that this is a project under CEQA, and it's -- therefore, a CEQA Environmental Report must be performed. We ask that it also include a Health Risk Assessment in that report, it include a Health Impact Assessment and a Socio-Economic Assessment.

Because they are drilling in coastal waters, we also believe it is subject to NEPA, the National Environmental Protection Act.

CHAIRPERSON NEWSOM: Very good.

MR. MARQUEZ: And that has not occurred.

CHAIRPERSON NEWSOM: I appreciate it. Thank you, Mr. Marquez.

And I believe there's one other speaker, public comment?

ACTING COMMISSIONER ARONBERG: We have Drew Wood who's from California Kids IAQ.

Mr. Wood.

MR. WOOD: Hi. IAQ is Inner Air Quality.

"Healthy", I should say, should be in front of it. My interest is air pollution, and my interests are the
children in the area that is in proximity to the Long Beach operation.

I have dealt with the Board of Long Beach extensively, and the staff and so forth, and I have to question the degree to which some of these things have been reviewed.

One question I have, because I spent part of my life growing up in an oil field, has seismic surveying been done in this area to indicate there is oil there, to be found? Seismic -- you know, they do sound detonation and they do sound -- sound technology practices that my uncle would call a doodle-bugger. And they go out and explore land to determine the layer deep down and where there may be oil and so forth. And the area I'm familiar with is East New Mexico and West Texas.

And so I'm wondering if, in fact, they know there is reserves there, or this is a guessing game? And I have reviewed Mr. Marquez's comments, and I do feel they should be addressed.

And I also am working with air pollution and children, asthma children in specific, for 18 years. I am concerned about air pollution, but I also realize that we are going to be dependent upon the oil industry for many, many, many decades to come. So I know it can't be eliminated. It has to be worked with. And they need to
work with the community to make sure things are done properly.

Unfortunately, the records of Exxon Valdez and now, of course, the Gulf -- and I have friends in Saudi Arabia and so forth, and over there it's virtually nothing as far as conservation or pollution measures and concerns.

I think here things can be done and they should be done, and they should be reviewed by people that understand what they're reviewing. And one of the problems I have to deal with is working with L.A. and other school districts is that a lot of people are reviewing things that have no idea what they're doing. And the same thing I ran into with the Port of Long Beach, staff people that didn't know what they were doing. They didn't have any background that they should have had.

So I'm hoping that the appropriate people take the very careful analysis of this and make sure that things are being done right before things move forward. And Wilmington has many, many examples of abandoned oil wells that are eyesores, that have been sitting there for years. And the oil industry certainly is in the financial position these days to take care of those and convert them to something less of an eyesore.

Thank you very much.

CHAIRPERSON NEWSOM: Thanks very much, Mr. Wood.
Any other public comment?

ACTING COMMISSIONER ARONBERG: Anyone else in the room? No.

No more public comments in the Los Angeles office location.

CHAIRPERSON NEWSOM: Very good. And nowhere else. Well then we'll close public comment.

So the theme here around CEQA, Health Impact Assessment, some NEPA questions, projects, etcetera. I mean, if I could, Greg, hear from you or anyone else, just your reaction to the comments that you heard.

EXECUTIVE OFFICER FOSSUM: Well, I think -- this is Curtis -- for purposes of CEQA treatment, we've had over half a dozen attorneys look at this. And the way the legislature created the law in 1991 by Chapter 941 was that they severely limited the role the Commission plays in this plan. And that plan is set up in such a way that the elements the Commission looks at are ones that they're not asked to approve.

The legislation and the agreements that we've entered into previously do not ask the Commission to approve this plan. It's simply a matter of whether the Commission finds that there's some revision necessary to ensure that there isn't a significant -- in this instance, a significant risk to either environment or safety.
And in the 20 some years that we've been reviewing these plans, the Commission has never sought to revise them in the past. We did do the -- 10 years ago we did a audit, but that audit was done as part of changing the operator of the field from -- the contractor in the field from ARCO, who wished to be released from liability, and in order for us to be sure that the operations were being done in a safe manner and release ARCO, we wanted to make sure that OXY was doing it in a safe manner.

So there is no project that the Commission is being asked to approve. The Commission simply reviews the plan and decides whether it needs a revision. It's not a project for CEQA purposes because the Commission is not being asked to approve anything.

CHAIRPERSON NEWSOM: Is the City -- this is Gavin Newsom -- is City Council of Long Beach, is that under their purview, the CEQA assessment, or the Board of Supervisors?

EXECUTIVE OFFICER FOSSUM: If there's a project involved and it triggers CEQA, then the City would presumably be the lead agency. The City actually did a document after CEQA was enacted in 1972, and did an EIR for the operation of the Long Beach Unit. They also did an EIS at the same time, or contemporaneously.

From our understanding, when projects come along
that require CEQA treatment, because there is a permit issued by an agency for a project that in fact CEQA is being complied with, the Department of Oil and Gas is issuing a permit for drilling or something like that, they're looking at CEQA to see whether or not this particular project complies with that. And the same would be true with air quality, water quality, and so forth.

So I think the City can answer the question better than us, but that's the staff's understanding of how it's being treated at this point in time. And I understand the city attorney is -- representative is in the L.A. office as well.

So who wants to speak for the city if they want to speak?

CHAIRMAN NEWSOM: Anyone? I know Mr. Henderson is here with us, if you want to chime in.

MR. HENDERSON: Can I ask a question? Charlie do you want to handle it?

MR. PARKIN: If you want to take the first shot, go ahead. This is Charles Parkin.

MR. HENDERSON: Okay. This is Curtis Henderson again.

Yes, the city is the lead agency, as far as I know, for CEQA. And we do take a look at those issues that come up, when they pop up in the oil field for facilities
for wells. And so it either goes to our Developmental Services Department or through the Long Beach Harbor Department, depending upon where the location of whatever's been planned out in the oil field takes place.

CHAIRMAN NEWSOM: Charlie, are you there?

MR. PARKIN: I am.

CHAIRMAN NEWSOM: You concur?

MR. PARKIN: I concur with that. I think that in the event that a discretionary permit is required for a project in the oil operations as those projects come due, then environmental compliance is taken care of in whatever the appropriate manner needs to be.

CHAIRPERSON NEWSOM: Gotcha. Gotcha. And I did review at least one of those 12 lawyers that put a memo together on this question. And, you know, I will say, just on behalf of the Commission, at least speaking for myself, but I think the other Commissioners have seen the attorney analysis, I concur with Mr. Fossum's point and his assessment.

Is there any -- do the Commissioners have any additional comments before we move on this item?

ACTING COMMISSIONER REYES: Pedro in Finance. No, I do not. Thank you, Mr. Chair.

CHAIRPERSON NEWSOM: Thank you.

ACTING COMMISSIONER ARONBERG: No comments from
CHAIRPERSON NEWSOM: So this is an action item. And I, again, thank everybody for their indulgence in the conference, in not only this conversation but the conversations that have taken place in subsequent weeks.

My inclination is to support this with the understanding that we are going to move forward with an audit. And we'll scope that audit. We'll do it with a judicious eye on the budget and timing considerations.

But I do think it's important and certainly in the spirit of moving this along and the support and cooperation and collaboration of the City of Long Beach and Mayor Foster's Chief of Staff who's been particularly responsive and helpful in terms of being willing to engage in a substantive conversation and comprehensive conversation.

I would encourage, though I don't know if I need to, my two colleagues to move this item forward.

Is there a motion?

ACTING COMMISSIONER REYES: Mr. Chair, with all due respect to the Chair, if we could, if we could bifurcate the two. I am supportive of the motion of an audit, and I understand the City of Long Beach is receptive as well. But I would like to understand the scope and the cost of the audit before I commit the Governor's office to
I am supportive of the staff's recommendation at this time dealing with the modifications proposed, but I am reluctant to bind the two without understanding what the scope of the audit would be and the costs associated. Although I support in concept the audit, I'd like to have a better sense of what it is we're going to get.

CHAIRPERSON NEWSOM: I appreciate that.

In terms of the action item itself, if we make an amendment with the recommendation of an audit, or is the action item silent on the issue of the audit?

EXECUTIVE OFFICER FOSSUM: The action item directs that the plan be revised by the City to include an audit. And it leaves open the costs.

CHAIRMAN NEWSOM: So if we were going to take that out, we'd have to -- well, we're moving in real-time here -- to take a look at that language to see if we can pull that, vote on it separately.

I certainly appreciate the Finance point of view. For me, there's an interdependence on the two issues, and I certainly respect the concern around costs. But I can't, to the extent that I would feel comfortable, I can't support this without the indulgence of a subsequent review.

ACTING COMMISSIONER REYES: Is the audit, the Environmental Safety Review Assessment, to be completed
within 15 months; is that the audit we're talking about?

CHAIRPERSON NEWSOM: Correct.

ACTING COMMISSIONER REYES: Then I'm okay with the staff recommendation. I was concerned that we were looking at an additional audit with the scope to be determined.

So I apologize. I support -- I move the staff recommendation as is.

EXECUTIVE OFFICER FOSSUM: Well, just to make a clarification, Commissioner Reyes, the recommendation is to do an audit that we will be bringing back to the Commission at the next meeting, the scope of that audit. But it is committing that an audit be done at this meeting.

ACTING COMMISSIONER REYES: And what would be the mechanism for -- that's what's causing the angst. Because if we come back with this extraordinary cost, at this point we would then have the Board's approval -- the Commission's approval on an audit with a price yet to be determined. Is that what I'm voting on?

EXECUTIVE OFFICER FOSSUM: To some degree, yes. I mean, we can certainly look at the scope in the next two months, to bring back to the Commission, one that we think would not, you know -- I don't want to call bare bones -- but one that will try -- attempt to keep costs down. But there will be expenses, and as I said before, I think the expenses could be -- and expectation is somewhere between
63 and 95 percent of the costs would be borne by the General Fund. But we would like to keep the costs of that down so that that would be certainly less than the half million it was the last time.

So it's likely to be in excess of a hundred thousand and less than 500,000.

MINERAL RESOURCES MANAGEMENT DIVISION CHIEF SCOTT: Curtis, I might -- this is Greg Scott -- I might comment here that our audit staff presently conducts audits of state leases offshore. And they are funded -- their expenses are funded through the OSPA F Fund of OSPR. If we were to have them continue to be funded through the OSPA F Funds, then those would be the funds that would pay for the, at least the state's share of the audit activity.

EXECUTIVE OFFICER FOSSUM: Yeah. This is Curtis. Just to continue on that theme, the bill did get out of the house, of the first committee in the assembly, as I mentioned earlier, on that -- the bill to augment the OSPA F Fund. We don't know ultimately what it will do. If that's not augmented, we will have some problems with funding staff.

I think the one thing that Greg has told me in the past is that, because of the operation and the Long Beach Unit is such a good operation in comparison with some of the other ones around the state, and we've been monitoring
it well, that the audit we'll be conducting on some
of the other leases would fall behind. And so it's a
matter of not having enough staff to cover both an audit at
this location and the other ones that are scheduled to be
audited. But it could be done. And if that's the
Commission's will, we can certainly go in that direction.

ACTING COMMISSIONER REYES: This is Pedro again
with the Department of Finance.

If we can find alternative funding sources for
this, I will be supportive of it. But as it hits the
General Fund on a scope of an audit that I've yet -- I have
not seen, nor do I understand the whole complexity of the
cost of it, I cannot be supportive, with all due respect.

But if somebody else can tell me that there will
be an alternative funding source for this, then I can be
supportive. But a direct hit to the General Fund when
we're looking at reducing staff travel, for one, as you
pointed out -- I think you brought that up when you and I
met -- and we're looking at several other program cuts, I
just can't be supportive. And I'm sorry, of course,
because of that, Mr. Chair, you and I could not have had
this conversation.

CHAIRMAN NEWSOM: No, I understand. And I
certainly respect your point of view, particularly from
where you're sitting.
EXECUTIVE OFFICER FOSSUM: Staff can make a recommendation at this point for consideration by the Commissioners. One of the things we could do to augment the recommended findings, is to put in the scope that we bring back at the next meeting a plan that does not look at the General Fund for the sources of revenue. And it may limit the scope of the audit to some degree, obviously. But if it's the desire of the Commission, we can limit it to that.

CHAIRPERSON NEWSOM: What do you think of that?

ACTING COMMISSIONER REYES: That would work for me. Again, my main goal here is, you know, we have a plan that, if we did nothing, would be approved in three or four days anyway. And now we're putting an audit behind it, and I'd like to minimize the General Fund exposure. And finding alternative funding source gets us to try to get an assessment or an audit of the issues that you just raised, which are very valid issues, no question about it. But I do have to contend with the hit to the General Fund.

So if alternative funding sources can be found and the motion is amended accordingly, I'll be okay with that.

ACTING COMMISSIONER ARONBERG: Okay. So this is Aronberg.

I have a couple of members of the public with questions based on the discussion that's been going on.
And then I have my own question, which is, Curtis, what if we just took no action today and just directed someone to look into alternative sources for funding for this?

EXECUTIVE OFFICER FOSSUM: The Commission -- whatever the will of the Commission was.

CHAIRPERSON NEWSOM: Look -- it's Gavin Newsom speaking.

Again, I don't know why, but I feel this is really important. And maybe it's just learning a little bit more about what happened in 2002. And I just feel a fiduciary responsibility to explore this audit substantively.

And if we can condition that it's not General Fund supported, and we've got a lot of creative folks around here and we've got a lot of resources -- human resources around this building, then I think we addressed the financial hit from the budgetary perspective, at least in terms of dealing with the crisis at hand.

I would prefer to move forward with that expectation. In fact, not prefer, just speaking for myself, I wouldn't feel comfortable moving forward without the provision of some consideration, substantive consideration of an audit.

And it seems like Finance would be open to supporting the language that doesn't oblige the General
ACTING COMMISSIONER REYES: That is correct. I would be okay with looking at the -- and I understand the environmental safety review is important. Don't get me wrong. It's just that it is competing with other General Fund supported programs that can easily make an argument that are just as critical.

CHAIRMAN NEWSOM: You got it. I would indicate again, sitting where you're sitting and sitting where I'm sitting, I think that is absolutely fair and appropriate.

ACTING COMMISSIONER REYES: Alternative funding source would ease my concern.

CHAIRMAN NEWSOM: Yeah. Well, I certainly would support that.

Is there any additional staff comment? I guess we're working on some language. I'm not filibustering. We're working on some language as we speak, and I think we've now got it.

ACTING COMMISSIONER ARONBERG: Why don't we take the -- can we take the public's questions at some point before --

CHAIRPERSON NEWSOM: Yeah, we did close public comment. Maybe we can limit it just to 60 seconds, and we have the benefit of just a few people. So we might as well listen.
ACTING COMMISSIONER ARONBERG: Okay.

MR. MARQUEZ: This is Jesse Marquez, Coalition for Safe Environment.

Since there was a prior EIR/EIS prepared, that is the legal precedent for having to conduct a new EIR or a supplemental EIR/EIS that the City of Long Beach failed to do, which also violated their trustee responsibility to the public.

State Lands Commission's under a public trust document which also obligates you to also represent the public's best interests in making sure that all laws are complied with, and that is not being done.

And the next question I would like to ask, would the public have been opportunity to review the draft scoping plan of the public -- I mean of the audit, prior to coming up and seeing only a final version waiting for a final approval?

Often times we find out there's inadequacies within the audit document, whereas, if we have an opportunity to review the draft ahead of time, we can make some constructive criticisms or recommendations. And we'd like to ask that.

CHAIRPERSON NEWSOM: All right. Any response to that?

EXECUTIVE OFFICER FOSSUM: Yeah. This is Curtis
Fossum.

We'd be happy to do that. If you want to provide your -- whoever's interested in seeing a draft of that before it's submitted to the Commission for formal approval, we'd be happy to do that prior to the next Commission meeting.

If there's any other comment, otherwise I can provide a proposed amendment by the staff to the recommended findings.

CHAIRMAN NEWSOM: Was there anyone else that wanted to speak?

MR. WOOD: Yes. Drew Wood.

I have to question why any of this project involvement has to come out of the General Fund?

CHAIRPERSON NEWSOM: Well, we're hoping to mitigate that with the following statement of our Executive Officer.

EXECUTIVE OFFICER FOSSUM: In the sentence on the recommended findings, it's about five lines from the bottom of the findings, prior to the review and assessment, I would add the following sentence: The scope of the review and assessment shall be funded in a manner so as not to impact net revenues from the General -- to the General Fund.

MR. WOOD: Sounds good.
EXECUTIVE OFFICER FOSSUM: How does that sound to the Commission?

ACTING COMMISSIONER REYES: So you will not appropriate General Fund money for this? It will be just the expense and then you net out?

CHAIRPERSON NEWSOM: Yeah. It wouldn't be appropriated in any --

ACTING COMMISSIONER REYES: Okay.

CHAIRPERSON NEWSOM: Regardless. It would simply be that the net profits that come to the General Fund would be less if it was an expense.

But we're going to -- and we'll try and work with the City and OXY to make sure that it doesn't impact that in some manner.

MR. WOOD: Of course the problem is, doing something now with the General Fund versus getting something back some years down the road, I think the oil industry should be able to finance -- Occidental should pay for the audit.

CHAIRPERSON NEWSOM: Thank you, Mr. Wood.

We'll close public comment. I appreciate your concern for the General Fund. And I think we have a good amendment that addresses that.

Are there any final comments from the Commission?

If we feel appropriate, we could -- well, is there
a motion to support the amendment?

ACTING COMMISSIONER REYES: Move approval of the amendment to the staff recommendation.

CHAIRPERSON NEWSOM: Without objection, we'll do that.

And then on the item itself, is there a motion to approve? The amended version?

ACTING COMMISSIONER REYES: Move approval of the staff recommendation with the amendment to protect the General Fund.

CHAIRPERSON NEWSOM: And is there a second?

ACTING COMMISSIONER ARONBERG: Second.

CHAIRPERSON NEWSOM: Excellent. So without objection, that will be -- well, that's what we will direct.

There is one other item on this schedule today. This is resolution to oppose the proposed federal legislation to amend the Outer Continental Shelf Lands Act.

EXECUTIVE OFFICER FOSSUM: Thank you, Mr. Chair.

This item recommends a resolution, as shown in Exhibit A to the report opposing HR 1231. It's a bill in Congress entitled the "Reversing President Obama's Offshore Moratorium Act". If this act became -- or if this bill became law, it would open up the Outer Continental Shelf to southern California, to oil gas leasing by the United...
If you look at Exhibit B to the item, you'll have an idea of the other continental shelf lands susceptible to leasing. They're the blue striped areas. They're in Santa Barbara and Ventura County, between the coast and the Channel Islands.

As described in the staff report and resolution, the State Lands Commission has not approved any new offshore oil and gas leases since 1968, before the Santa Barbara spill from a federal outer continental shelf platform in 1969.

If this resolution is approved, it will be the tenth resolution passed by the Commission in the last 10 years, expressing opposition to new leasing and development in the outer continental shelf.

On April 13th the House Committee on Natural Resources defeated a number of proposed amendments, including one by former Lieutenant Governor and Commissioner John Garamendi. Congressman Garamendi's amendment would have excluded California, Oregon and Washington from the effect of HR 1231. After defeating those amendments, the Committee sent the bill to the House floor.

Staff respectfully requests your approval of Item 2.
CHAIRMAN NEWSOM: All right. Well, is there any public comment on this item?

ACTING COMMISSIONER ARONBERG: Just comment from myself, from Aronberg.

I want to thank staff for putting the resolution together at our request. And thank you to Lieutenant Governor, because without this meeting it might not have been timely. So that worked out very well.

MR. MARQUEZ: And our organization supports the State Lands Commission on this position. This is Jesse Marquez, Coalition for a Safe Environment.

CHAIRPERSON NEWSOM: I love ending on a positive note.

(Laughter.)

CHAIRPERSON NEWSOM: Any other public comment?

ACTING COMMISSIONER REYES: This is Pedro, with the Department of Finance. I echo the Controller's comments.

CHAIRPERSON NEWSOM: Excellent. Well, we'll close public comment.

I certainly could not be more enthusiastic in support of the opposition and the recommendation.

Is there a motion to support the resolution or the -- yeah, the resolution?

ACTING COMMISSIONER ARONBERG: Aronberg moves
approval.

    ACTING COMMISSIONER REYES: Second the motion.

    CHAIRPERSON NEWSOM: And without objection, we'll move that along.

    And I believe that concludes the regular calendar. Are there any other members of the public that wish to address the Commission during this portion of public comment?

    Silence. I'm not sure it's golden. That would be unfair of me. But the silence, I assume, means no one. And I will close public comment.

    And I believe, to the Executive Officer, there's no other items?

    EXECUTIVE OFFICER FOSSUM: There's no other items and we have nothing to bring before the Commission in closed session today.

    CHAIRPERSON NEWSOM: Seeing none, then we will adjourn the meeting. Thank you all very much for coming out.

    (Thereupon the California State Lands Commission meeting adjourned at 4:10 p.m.)
CERTIFICATE OF REPORTER

I, KATHLEEN SKIDGEL, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California State Lands Commission meeting was reported in shorthand by me, Kathleen Skidgel, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of May, 2011.

__________________________
KATHLEEN SKIDGEL, CSR
Certified Shorthand Reporter
License No. 9039