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MEETING  
STATE LANDS COMMISSION  
STATE OF CALIFORNIA

STATE CAPITOL  
ROOM 447  
SACRAMENTO, CALIFORNIA

THURSDAY, JANUARY 23, 1986  
10:30 A.M.

**ORIGINAL**

Reported by:  
Cathleen Slocum, C.S.R.  
License No. 2822

MEMBERS PRESENT

Lizabeth Rasmussen, Acting Chairperson, representing  
Kenneth Cory, State Controller

Nancy Ordway, representing Jesse R. Huff, Director of Finance

Susan Wallace, representing Leo T. McCarthy,  
Lieutenant Governor

MEMBERS ABSENT

NONE

STAFF PRESENT

Claire Dedrick, Executive Officer

Robert Hight, Chief Counsel

James Trout, Assistant Executive Officer

Frederick Ludlow, Staff Counsel

Lance Kiley

W. M. Thompson

Jane Smith, Secretary

ALSO PRESENT

Dave Judson, Deputy Attorney General

Jan Stevens, Deputy Attorney General

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PROCEEDINGS

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ACTING CHAIRPERSON RASMUSSEN: Let's call the meeting to order please.

The meeting is in order please. I'd note that all the Commissioners are represented here today and items number 20, 21 and 22 have been pulled off the calendar.

MR. HIGHT: Excuse me, Madam Chairman. For the record I'd like to note that you will be acting as Chairman in a non-voting capacity for the State Controller and Susan Wallace will be in a voting capacity for the Lieutenant Governor.

ACTING CHAIRPERSON RASMUSSEN: Thank you. I'd also like to note that the Commission met in closed session this morning and we have recessed that closed session until 11:00. We will reconvene at 11:00 in the Department of Finance conference room.

The first item of business is the confirmation of the minutes. Are there any questions or corrections?

Hearing none, the minutes are confirmed by consensus of the members.

Item number two is the report of the Executive Officer.

EXECUTIVE OFFICER DEDRICK: No report today, Commissioners.

1           ACTING CHAIRPERSON RASMUSSEN: That's a nice short  
2 one. Okay.

3           COMMISSIONER ORDWAY: I'll move the consent calendar  
4 C1 through C17 unless there are any questions from anybody in  
5 the audience.

6           ACTING CHAIRPERSON RASMUSSEN: Item C1 through C17  
7 are the consent agenda. These are items that have been  
8 deemed to be noncontroversial. If there's anyone who would  
9 like any of these items pulled from the consent agenda so  
10 that we can consider them more fully, this is the time to  
11 speak up. I hear no one, I see no one, so I will assume that  
12 Items C1 through 17 remain on the consent agenda. It's been  
13 moved by Miss Ordway. Any questions?

14           By consensus the consent agenda is approved.  
15 It brings us to Item 18.

16           EXECUTIVE OFFICER DEDRICK: Excuse me,  
17 Commissioners. Assemblyman Elder is here and perhaps you'd  
18 like to address the Item 28 first.

19           ACTING CHAIRPERSON RASMUSSEN: All right.

20           EXECUTIVE OFFICER DEDRICK: I'm sorry, 23.

21           ACTING CHAIRPERSON RASMUSSEN: Welcome, Mr. Elder.

22           ASSEMBLYMAN ELDER: Thank you, very much, Madam  
23 Chair. Members of the Commission, I want to thank you for  
24 allowing me to make a statement or inquire about the staff  
25 report relative to the implementation of my AB 2568.

1 We are in session at the present moment so I  
2 appreciate also being allowed to go at this time in moving up  
3 in the agenda.

4 Basically from what I read in the report, State  
5 Lands Commission is moving as expeditiously as possible in  
6 encouraging the oil companies to implement the provisions of  
7 2568. So far the communications indicate that two of them  
8 are willing to do that at the present time. And I know that  
9 you will be contacting the rest and have some input.

10 If there's anything that any staff member would like  
11 to add at this time I'd be happy to hear it so that I can  
12 take this report back and report to the title and oil people  
13 that everything seems to be moving as expeditiously as  
14 possible.

15 EXECUTIVE OFFICER DEDRICK: I think so.

16 Commissioners, I think Moose would like to comment.

17 ACTING CHAIRPERSON RASMUSSEN: All right. Mr.  
18 Thompson, please.

19 MR. THOMPSON: In addition to the letters you have  
20 in front of you, we have just received one from Pauley  
21 Petroleum who's a nonoperating contractor for ten percent of  
22 Track 1. They say that Pauley Petroleum agrees to amending  
23 the Unit Agreement of the Long Beach unit. This is a  
24 contract and they're agreeing to amending of that provided  
25 the field contractor and other nonoperating contractors also

1 agree to this action.

2 It is our understanding that this approval is  
3 limited to the Seventh Interim Tract Assignment, but it would  
4 seem to follow that, if the Unit Agreement is amended, all  
5 subsequent changes in Tract Assignments would be covered by  
6 the amendment. Please keep us informed of progress of this  
7 proposed action.

8 Our staff recommendation would be, yes, the concept  
9 of allowing the contract to allow this would be one action,  
10 but I would think the Commission would want to reserve the  
11 action, specific action they took to be for each particular  
12 equity adjustment and the one we're proposing now is just for  
13 the seventh.

14 Again, we will be working with the city in trying to  
15 see if we can solicit more response than just the limited  
16 response we've had so far.

17 ASSEMBLYMAN ELDER: I think in summary I would just  
18 add that we in the State of California, we have done  
19 everything to provide some relief to these individuals. And  
20 so if relief is not forthcoming, it's going to be the  
21 responsibility of oil companies who are not willing to amend  
22 the agreements.

23 So as far as the City of Long Beach, its support of  
24 this legislation, the Commission, the legislature, the  
25 Governor, we have I think exhausted all possible remedies to



1 try to provide some relief in the retroactive adjustments  
2 back for 1964 in these equity formulas.

3 With that I'd like to thank the Commission for its  
4 role in 2568 and its efforts so far in its implementation and  
5 I would be happy to answer any questions.

6 COMMISSIONER ORDWAY: I'd just like to thank you for  
7 taking time out of what is a very busy Thursday to come up  
8 and chat with us. We appreciate it.

9 ASSEMBLYMAN ELDER: Thank you.

10 MR. THOMPSON: I would like to recommend that maybe  
11 the Commission direct the staff to come back in February and  
12 report on progress.

13 COMMISSIONER ORDWAY: I think we would expect that.

14 ASSEMBLYMAN ELDER: Thank you, I appreciate you  
15 giving me the floor.

16 ACTING CHAIRPERSON RASMUSSEN: Thank you, Mr. Elder.

17 MR. THOMPSON: Also all of this particular material  
18 we'll put in our part of the record.

19 ASSEMBLYMAN ELDER: Thank you.

20 EXECUTIVE OFFICER DEDRICK: Thank you.

21 ACTING CHAIRPERSON RASMUSSEN: With no other  
22 comments, that will be the understanding then, the staff will  
23 come back to us in February.

24 Item 18.

25 EXECUTIVE OFFICER DEDRICK: Commissioners, this is a

1 report to you on the progress with the City of Avalon on the  
2 City of Avalon's airport proposal and on the proposed  
3 settlements between the Island Company, the Conservancy and  
4 the State Lands Commission on land titles.

5 The City of Avalon study reveals that Jew Fish  
6 Point, the location of the quarry, will not work as an  
7 airport site and they're now studying Pebbley Beach. So we  
8 will as directed by the Commission earlier go forward with  
9 developing agreements on the four areas where title is in  
10 question.

11 ACTING CHAIRPERSON RASMUSSEN: Any questions? This  
12 is an information item. There is no action required.

13 Item 19 please.

14 EXECUTIVE OFFICER DEDRICK: Yes. This is a request  
15 for approval of authorization for the acceptance of an offer  
16 from the Forest Service of \$113,429.32 in payment for a cut  
17 that the Forest Service contractor made on state lands  
18 several years ago. At that time the Forest Service  
19 apparently wasn't aware that this parcel belonged to State  
20 Lands. The settlement is for the amount of the value of the  
21 timber at that time which is higher than the current value.  
22 There is no interest charge because we cannot charge interest  
23 against the federal government.

24 ACTING CHAIRPERSON RASMUSSEN: All right. Any  
25 questions? Item's been moved and deemed approved by

1 consensus.

2 Item 20, 21 and 22 are off calendar.

3 Item 23.

4 COMMISSIONER ORDWAY: We've just handled.

5 EXECUTIVE OFFICER DEDRICK: We did --

6 ACTING CHAIRPERSON RASMUSSEN: Item 24.

7 EXECUTIVE OFFICER DEDRICK: Item 24 is a request for  
8 approval of an amendment to the Parcel A contract removing  
9 the Rothschild Oil Company as a party to that contract.

10 COMMISSIONER ORDWAY: Motion.

11 ACTING CHAIRPERSON RASMUSSEN: Questions?

12 Item 24 is approved as presented by consensus.

13 Item 25 please.

14 EXECUTIVE OFFICER DEDRICK: This is a request for an  
15 award of a negotiated oil and gas lease in Sacramento and  
16 Contra Costa counties with Russell Green, Jr. and Robert  
17 Reedy.

18 ACTING CHAIRPERSON RASMUSSEN: Any questions?

19 COMMISSIONER ORDWAY: Motion.

20 ACTING CHAIRPERSON RASMUSSEN: Item 25 is approved  
21 as presented.

22 I'd remind anyone in the audience that would like to  
23 address the Commission on any of these items, you are free to  
24 do so. We have slips that we need you to fill out or you  
25 need to go up to the microphone.

1 EXECUTIVE OFFICER DEDRICK: Item 26 is a proposed  
2 crude oil sell-off, Long Beach Harbor Department, Parcel A of  
3 the Wilmington Field.

4 COMMISSIONER ORDWAY: Motion.

5 ACTING CHAIRPERSON RASMUSSEN: Any questions? Item  
6 26 is approved as presented.

7 Item 27.

8 EXECUTIVE OFFICER DEDRICK: Item 27 is a request for  
9 granting of a bid to the, to Edgington for, the high bid on  
10 crude oil sell-off in Track 1.

11 ACTING CHAIRPERSON RASMUSSEN: Questions?

12 COMMISSIONER ORDWAY: Is this the letter that was  
13 just received?

14 EXECUTIVE OFFICER DEDRICK: There is something that  
15 Moose would like to --

16 COMMISSIONER ORDWAY: From Mr. Hemphill, the City of  
17 Long Beach to Moose.

18 EXECUTIVE OFFICER DEDRICK: Yes, it is. I'm sorry,  
19 Commissioner. That is correct. That's a the report from the  
20 city to the state.

21 COMMISSIONER ORDWAY: Motion.

22 EXECUTIVE OFFICER DEDRICK: Just a moment. Before  
23 you do that, Mr. Thompson would like to ask for some  
24 clarification.

25 MR. THOMPSON: Going back to the previous calendar

1 item on the flexibility of that term, do we need

2 Commission --

3 EXECUTIVE OFFICER DEDRICK: Could we finish this  
4 calendar item first. I'm sorry. I thought it was on this  
5 calendar item, not the previous one. I apologize,  
6 Commissioners.

7 COMMISSIONER ORDWAY: We had a motion on 26.

8 ACTING CHAIRPERSON RASMUSSEN: Where are we?

9 EXECUTIVE OFFICER DEDRICK: 27 is the item before  
10 you.

11 COMMISSIONER ORDWAY: It's this one.

12 ACTING CHAIRPERSON RASMUSSEN: What do you need from  
13 us?

14 EXECUTIVE OFFICER DEDRICK: On Item 26 is the one  
15 that you're referring to, Mr. Thompson?

16 MR. THOMPSON: Why don't you finish 27.

17 COMMISSIONER ORDWAY: You have a motion on 27.

18 ACTING CHAIRPERSON RASMUSSEN: I thought we'd  
19 already approved 27. I apologize. Item 27 is approved by  
20 consensus.

21 Item 26, you would like to return to that?

22 MR. THOMPSON: We have just found out that the  
23 present oil sell-off contractor probably will be in default  
24 on the 1st of February. We would like some flexibility in  
25 going out and arranging with the city, if possible, to bid

1 earlier than September 1st if we can minimize any damage to  
2 the state on this. This is condition three on Exhibit A --

3 EXECUTIVE OFFICER DEDRICK: On Page 126.

4 ACTING CHAIRPERSON RASMUSSEN: Contract term.

5 MR. THOMPSON: --126 on contract terms. This now  
6 says for a term of 18 months from September 1st, 1986. If we  
7 have the potential of a default in trying to collect damage,  
8 we can mitigate that by re-bidding it possibly and mitigating  
9 part of that particular damage, and we'd just like that  
10 flexibility.

11 ACTING CHAIRPERSON RASMUSSEN: And how would you  
12 specifically change that? Would you like to change the dates  
13 specifically?

14 MR. THOMPSON: No, because the city has to put this  
15 out, so this has just come up. We'd have to negotiate with  
16 the city and see how long it would take us in the paper  
17 process to move this up.

18 COMMISSIONER ORDWAY: Can you keep us informed at  
19 our February meeting?

20 MR. THOMPSON: Yes.

21 MR. HIGHT: I think maybe to clarify the matter,  
22 you would have the authority to amend the September 1st date  
23 to --

24 MR. THOMPSON: Some earlier date.

25 MR. HIGHT: --that would be mutually agreeable to

1 the staff and the city.

2 MR. THOMPSON: And the City of Long Beach.

3 ACTING CHAIRPERSON RASMUSSEN: All right with the  
4 Commissioners. Any other questions or comments from the  
5 audience or anyone? All right. Then that will be the  
6 understanding on Number 26.

7 Item 28.

8 EXECUTIVE OFFICER DEDRICK: Item 28 is the third  
9 modification of the '85-'86 Plan of Development, the Plan of  
10 Development and Operations and Budget for the Long Beach  
11 unit. Essentially we're reporting to you that oil production  
12 is approximately 400 barrels a day lower than our earlier  
13 predictions.

14 ACTING CHAIRPERSON RASMUSSEN: Any questions on 28?

15 COMMISSIONER ORDWAY: Motion

16 ACTING CHAIRPERSON RASMUSSEN: 28 is deemed approved  
17 by consensus.

18 Item 29.

19 EXECUTIVE OFFICER DEDRICK: This is the fourth mod  
20 of the plan and budget which allows a transfer of monies  
21 between accounts and staff recommends approval.

22 COMMISSIONER ORDWAY: Motion.

23 ACTING CHAIRPERSON RASMUSSEN: Questions on 29? All  
24 right, 29 is approved as presented.

25 Item 30.

1 EXECUTIVE OFFICER DEDRICK: Item 30 is the  
2 recommenda .ion for acceptance of a lease quitclaim deed from  
3 an oil and gas lease in Butte County currently held by the  
4 Northern Michigan Exploration Company. That lease was on the  
5 Gray Lodge Wildlife Refuge. They drilled a well and it's a  
6 dry hole.

7 ACTING CHAIRPERSON RASMUSSEN: Any questions on Item  
8 30?

9 COMMISSIONER ORDWAY: Motion.

10 ACTING CHAIRPERSON RASMUSSEN: No questions. Item  
11 30 is approved as presented.

12 Item 31.

13 MR. HIGHT: Item 31 is the authorization to settle a  
14 condemnation action by the City of Eureka and the  
15 authorization to give the City of Eureka the approval of the  
16 City of Eureka's leasing of a portion of the area to Fish and  
17 Game.

18 COMMISSIONER ORDWAY: Motion.

19 ACTING CHAIRPERSON RASMUSSEN: Are there any  
20 questions on 31? Item 31 is approved as presented.

21 Item 32.

22 EXECUTIVE OFFICER DEDRICK: Jim.

23 MR. TROUT: Item 32 is an augmentation of the  
24 contract with the Department of Justice for legal service in  
25 conjunction with the Long Beach operations in Alamitos Bay.



1 An increase of \$43,000 comes out of tideland revenues.

2 ACTING CHAIRPERSON RASMUSSEN: Are there any  
3 questions on Item 32?

4 COMMISSIONER ORDWAY: Motion.

5 ACTING CHAIRPERSON RASMUSSEN: 32 is approved as  
6 presented.

7 And Item 33.

8 MR. HIGHT: Item 33 is the authorization to hold a  
9 hearing under Government Code Section 126 to provide, the  
10 hearing would be for the purposes of determining whether the  
11 state should cede concurrent criminal jurisdiction in the  
12 portion of Fort Irwin to the federal government. We will  
13 hold a hearing and report back to you on the findings of that  
14 hearing before any action is taken.

15 COMMISSIONER ORDWAY: Motion.

16 ACTING CHAIRPERSON RASMUSSEN: All right. Are there  
17 any questions on Item 33. Hearing none, item 33 is approved.

18 Is there any other business to --

19 EXECUTIVE OFFICER DEDRICK: Just a moment, please.

20 Did you have -- No further business.

21 ACTING CHAIRPERSON RASMUSSEN: No further business.

22 COMMISSIONER ORDWAY: Move to adjourn and  
23 reconvene --

24 ACTING CHAIRPERSON RASMUSSEN: The closed session at  
25 11 o'clock in the Finance Conference Room.

1 COMMISSIONER ORSWAY: Why don't we do it now?

2 ACTING CHAIRPERSON RASMUSSEN: We will reconvene the  
3 closed session immediately. Hearing no further business, the  
4 meeting is adjourned.

5 (Thereupon the Meeting of the State Lands  
6 Commission was adjourned at 10:45 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

1  
2 I, Cathleen Slocum, a certified shorthand reporter  
3 of the State of California, do hereby certify:

4 That I am a disinterested person herein; that the  
5 foregoing meeting of the State Lands Commission was reported  
6 by me, Cathleen Slocum, and hereinafter transcribed into  
7 typewriting.

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

11 IN WITNESS WHEREOF, I have herein set my hand this  
12 30 day of January, 1986.

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17 Cathleen Slocum  
18 Cathleen Slocum  
19 Certified Shorthand Reporter  
20 Licens. No. 2822  
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CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing forty-three pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Sacramento, California, on July 20, 1965.

Dated: Los Angeles, California, July 26, 1965.

Louise H. Lillico