

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

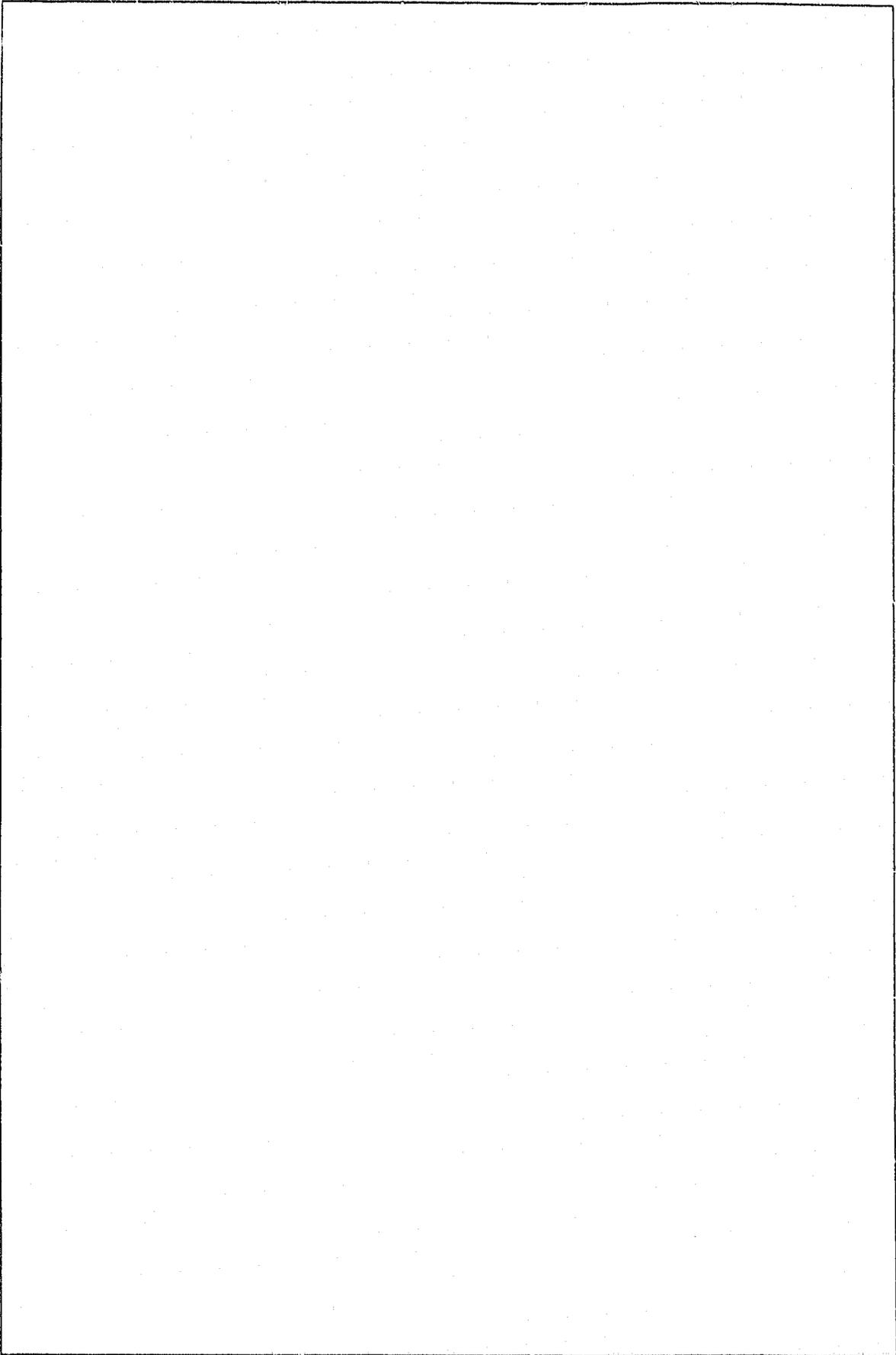
THURSDAY, OCTOBER 27, 1977
10:00 a.m.

C.S.R. License No. 3486

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25



PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

MEMBERS PRESENT

1 Mr. Roy M. Bell, Director of Finance

2 Mr. Kenneth Cory, State Controller, Chairman

3 Ms. Betty Jo Smith, representing Lieutenant Governor Dymally

MEMBERS ABSENT

4
5
6
7 None

STAFF PRESENT

8 Mr. Matt Brady

9 Mr. R. S. Golden

10 Mr. Robert Hight

11 Mr. William F. Northrop, Executive Officer

12 Mr. Jan Stevens

13 Mr. W. M. Thompson

14 Mr. James Trout

15 Mr. Allen D. Willard

16 Ms. Genny Fulp, Secretary

17 Ms. Diane Jones, Secretary

I N D E X

	<u>Page</u>
1	
2	
3	1
4	1
5	1
6	3
7	8
8	8
9	23
10	24
11	24
12	34
13	35
14	35
15	40
16	41
17	43
18	45
19	46
20	46
21	46
22	47
23	51
24	
25	

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
 SACRAMENTO, CALIFORNIA 95826
 TELEPHONE (916) 383-3601

P R O C E E D I N G S

--000--

1
2
3 CHAIRMAN CORY: I will call the meeting to
4 order.

5 Are there any corrections or additions to the
6 Minutes of the meeting of September 29?

7 COMMISSIONER BELL: (Shakes head.)

8 COMMISSIONER SMITH: (Shakes head.)

9 CHAIRMAN CORY: Without objection, they will be
10 confirmed as presented.

11 Report of the Executive Officer.

12 EXECUTIVE OFFICER NORTHROP: Thank you.

13 Mr. Chairman and Members, last month you
14 considered an item for issuance of geothermal prospecting
15 permits on Boggs Mountain State Forest in Lake County.
16 Because of questions relative to possible impacts on
17 archeological values and questions about the size of the
18 permit area, the Commission directed staff to meet with
19 all concerned parties to resolve the issues raised.

20 Meetings have been held with Mr. Clyde Kuhn,
21 who raised the issues of archeological impact. We also
22 had a meeting with a representative of the Office of
23 Historic Preservation, the Department of Parks and
24 Recreation; and the Executive Secretary of the American
25 Heritage Commission. And we will meet again tomorrow with

1 the latter.

2 The applicant and staff hope to have completed
3 its review soon and to have this matter back before the
4 Commission next month. Therefore, Item No. 14 will be
5 removed from the agenda.

6 On September 29 the Commission, in consideration
7 of Calendar Item No. 19, deferred action on natural gas
8 pricing until the Commission had an opportunity to thoroughly
9 review the record. As a result of this review, certain
10 questions were raised. It has been determined that there
11 may be additional evidence available which would be of
12 significance to the Commission in their deliberation over
13 the reasonable value of gas in Northern California.

14 Therefore, in order to obtain additional evidence
15 on this subject, the Division is reopening the record until
16 further notice so that new evidence may be submitted.
17 All interested parties in this matter will be notified
18 regarding the reopening of the record.

19 CHAIRMAN CORY: Do you need an action by us?

20 EXECUTIVE OFFICER NORTHROP: Bob?

21 MR. HIGHT: Mr. Chairman, yes, it would be
22 helpful if you would confirm that.

23 COMMISSIONER BELL: No objection.

24 COMMISSIONER SMITH: No objection.

25 CHAIRMAN CORY: Without objection, we will reopen

PETERS SHORTHAND REPORTING CORPORATION

24 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 the record on that matter, and you will notify all people
2 that have contacted us thus far.

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, my
4 final item is concerning the Davis Lake Project. In
5 October, 1976 the Commission considered the Davis Lake
6 Project for a portion of the Colorado River and approved
7 administrative maps. Efforts were then initiated to have
8 the State of Arizona and the United States agree as to the
9 last natural location of the river in this area. These
10 efforts have failed.

11 At the June meeting this year, the Commission
12 authorized staff to proceed to quiet the State's title
13 to its lands identified on the maps. Staff intends to
14 advise the Lands Commissioner of Arizona that the State
15 of California is proceeding to file the appropriate legal
16 action in the near future. The Attorney General's Office
17 will petition the U.S. Supreme Court for consideration of
18 the action in that venue.

19 Also, Calendar Item No. 11 has been removed from
20 the agenda as well as No. 14, as I mentioned.

21 This completes my report, Mr. Chairman.

22 CHAIRMAN CORY: Any questions?

23 COMMISSIONER SMITH: No.

24 CHAIRMAN CORY: Okay. The next item we have is
25 the Consent Calendar.

1 For those people in the audience, that consists
2 of Items C1 --

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
4 believe the Assistant Executive Officer has a report.

5 CHAIRMAN CORY: I'm sorry. I'm trying to get
6 out of here.

7 (Laughter.)

8 CHAIRMAN CORY: Pardon me, Dick. My apologies.

9 MR. GOLDEN: That's all right. No problem.

10 As your representative on the State Coastal
11 Commission, there was one item that was of some noteworthi-
12 ness.

13 During the month of October, the State Coastal
14 Commission had a lengthy discussion of the Port of Long
15 Beach's application to expand their oil terminal
16 capabilities by constructing three berths. Two of these
17 berths would be for the purpose of off-loading SOHIO's
18 Alaskan oil production. The other berth would be open
19 to all other traffic, although MacMillan Ring-Free Oil
20 Company has been regarded as the chief user. They had
21 proposed their own berth in another area of the Port.

22 A permit was finally approved with many
23 conditions. Primary of these was that the permit was
24 conditional on the Port's receiving clearance from the Air
25 Resources Board and the Southern California Air Quality

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Management District.

2 Another major condition imposed was that oil
3 holding tanks, which were to be constructed on Pier J
4 would not be permitted. These tanks were objected to
5 as being unsightly and that because of seismic problems
6 of placing them on filled lands, an extraordinary hazard
7 to public safety was posed.

8 The Port is now faced with the dilemma that
9 without the Pier J tanks, the tankers will have to stay
10 in port longer to pump their cargo to inland tanks, located
11 some ten miles away. Since tanker pumps are fuel oil
12 operated, this will significantly increase air emissions.
13 Undoubtedly the Port of Long Beach will have to have a
14 rehearing of this decision since it was not clear that
15 all alternatives had been explored.

16 Another issue raised as a condition may have
17 implications for the State Lands Commission. Because of
18 the increased tanker traffic involved in moving Alaskan
19 oil, the Coastal Commission required that a simulated
20 test of an oil spill in the 40,000 to 50,000 barrel order
21 of magnitude must be run to evaluate the ability of
22 present oil cleanup equipment to handle such a problem.
23 The parameters of such a test were not discussed. This
24 project points up yet other areas of interface between our
25 Commission and State Coastal Commission concerns. These

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 areas are tanker terminal safety and oil spill containment
2 capabilities, along with the public access and public
3 trust matters already identified.

4 CHAIRMAN CORY: They're planning on doing a
5 simulated --

6 MR. GOLDEN: Simulated -- that word was
7 injected into the record very late in the discussions
8 and --

9 CHAIRMAN CORY: I mean, given the state-of-the-
10 art, I hope they aren't planning on putting that much oil
11 out there because --

12 MR. GOLDEN: The initial mover of that particular
13 condition wanted to have it carried on in Santa Monica
14 Bay.

15 COMMISSIONER BELL: Really?

16 MR. GOLDEN: Yes, but the word "simulated" was
17 injected into the record, and I haven't seen the final
18 findings yet so I don't know how it came out.

19 CHAIRMAN CORY: That's scary.

20 MR. GOLDEN: Yes.

21 EXECUTIVE OFFICER NORTROP: Mr. Chairman,
22 this operation has been run in the OCS on the East Coast,
23 where they were feeding information to the computer on
24 tides and winds and current conditions and so forth. It
25 has not been acceptable on the East Coast because every day

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 it changes, and so it's not possible to know which day that
2 particular situation is going to change.

3 CHAIRMAN CORY: How many barrels of oil were
4 up here at the Shell Oil thing of last week?

5 EXECUTIVE OFFICER NORTHROP: With the information
6 that we have now, Mr. Chairman, it was about 110 barrels.

7 COMMISSIONER BELL: I thought it was 50,000.

8 MR. GOLDEN: 40,000 to 50,000 was the figure
9 mentioned.

10 COMMISSIONER SMITH: Have they set a date yet?

11 MR. GOLDEN: No. This was just mentioned as
12 one of the conditions of the permit that was issued. It's
13 obvious that there will have to be a rehearing of the
14 permit.

15 EXECUTIVE OFFICER NORTHROP: That will take
16 care of some of the oil gluts that we have on the West
17 Coast, Mr. Chairman.

18 CHAIRMAN CORY: Okay. That's a nice report you
19 have. Now I know why I wanted to miss it.

20 (Laughter.)

21 CHAIRMAN CORY: Anything else, Dick?

22 MR. GOLDEN: No. That's it, Mr. Chairman.

23 CHAIRMAN CORY: Keep fighting for sanity and
24 reality as best you can.

25 MR. GOLDEN: Thank you.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 CHAIRMAN CORY: The next items that we have
2 are the Consent Calendar Items. They are Items C1 through
3 C9.

4 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on
5 Item No. C4, which is a rescission of prior authority granted
6 to the County of El Dorado for the maintenance and
7 removal of hazard mark v buoys, we would like to make
8 this comment for the record. The Division will continue
9 working with the county in cooperately identifying these
10 navigational hazards that are not capable of being removed
11 as part of the Commission's ongoing removal program.

12 Efforts are continuing on securing an effective
13 means of marking the identified hazards. The ongoing
14 hazard removal program at Lake Tahoe is approximately
15 70 percent complete, with equipment now operating near
16 the El Dorado County line along the west side of the lake.
17 Hundreds of obstacles at some 35 locations have been
18 removed. Local agency cooperation, for the most part,
19 has been excellent.

20 Thank you.

21 CHAIRMAN CORY: Okay. Is there anyone in the
22 audience that has any comment on Items C1 through 9?

23 Without objection, said Calendar will be approved
24 as presented.

25 Item 10, Donner Lake Utility Company.

1 This is an existing pipe in the northwest corner
2 of Donner Lake.

3 EXECUTIVE OFFICER NORTHROP: That's correct,
4 Mr. Chairman.

5 MR. HIGHT: Yes. Mr. Chairman, this is the
6 authorization for an assignment and an amendment of an
7 existing lease at Donner Lake and will allow for fire
8 flow protection and some potable water at the Lake.

9 CHAIRMAN CORY: Is there anyone in the audience
10 on Item 10?

11 As I recall, we had a similar straw in the
12 same malt glass that created a substantial controversy.

13 MR. HIGHT: Yes, sir.

14 CHAIRMAN CORY: And the same people who were
15 concerned about that issue were notified of this one?

16 MR. HIGHT: Yes.

17 MR. CHRISTIAN: Mr. Chairman, I'm one of those
18 people.

19 CHAIRMAN CORY: Yes. Do you have any insight
20 you want to give us before we go ahead and approve this?

21 EXECUTIVE OFFICER NORTHROP: Would you come
22 forward, please, sir? Please state your name for the
23 record.

24 MR. CHRISTIAN: My name is Harold Christian. I'm
25 with the Weeks Tract, Donner Lake, and we opposed this before.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 But Mr. Trout and Mr. Golden and the rest of the State
2 Lands have come up with a good idea, and we're in favor
3 of it. So basically, unless there are some changes, we
4 approve it.

5 CHAIRMAN CORY: Okay. I just wanted to make
6 sure we weren't running over the top of you with something
7 that you didn't know about.

8 COMMISSIONER SMITH: Move approval.

9 CHAIRMAN CORY: Without objection, Item 10 will
10 be approved as presented.

11 Item 11 has been taken off.

12 MR. MARQUETTE: I wanted to ask a question,
13 please, on 10, if I might.

14 CHAIRMAN CORY: Come forward and identify yourself.

15 MR. MARQUETTE: I'm Jack Marquette, a property
16 owner at Donner Lake. I find where there's a little
17 doubletalk, and I'm concerned about it. If I might ask --
18 where this line is going in is probably the heaviest
19 commercial area at Donner Lake. I find in the Calendar
20 Item here, on page 2, it says this line will be used only
21 for Donner Pines West and Donner Lake Village.

22 Now, between Donner Pines West and Donner Lake
23 Village there are four fire plugs. There are two private
24 homes, and two 4-unit apartments, and another private
25 home that I know of, plus the country store or what have you.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Is this saying that these fire plugs could not be used
2 in that area for fire flow?

3 MR. TROUT: Mr. Chairman, the intention of this
4 calendar item is to limit the use of the facility to
5 that already constructed. There's a 10-inch pipeline
6 with the four hydrants that runs along the old Highway
7 40 there. And it's the intention to limit it to those
8 facilities which are presently existing and which are
9 presently being served by the pipeline. There's about
10 1200 feet between Donner Pines West and Donner Lake
11 Village.

12 CHAIRMAN CORY: And they would be covered?

13 MR. TROUT: Yes.

14 MR. MARQUETTE: All right.

15 MR. TROUT: There's no intention to limit the
16 Fire Department from hooking into these fire hydrants for
17 any structure endangered within that area.

18 CHAIRMAN CORY: That would be an emergency meeting,
19 I guess, right?

20 MR. TROUT: Yes.

21 MR. MARQUETTE: What my question is -- also,
22 you will notice in your negative declaration that they
23 refer to the Hadley Manor Houses, of which I am part. And
24 we are tearing out eight units, rental units. There was
25 a doctor's office and an apartment and, in one building,

1 there were four individual cottages, which we have moved
2 out. And there is a two-unit apartment that will be
3 coming down. It is our intention to bring it down in the
4 spring. This is a motel that was built in 1955.

5 Now, we're putting back Four Manor houses,
6 not seven condominiums as it says here. And is that
7 telling me that with two fire plugs -- one within a
8 hundred feet to the east and one a hundred feet to the
9 west -- that I would not be allowed to use that water in
10 the event of a fire?

11 MR. TROUT: No. We will work on the language.
12 The intention is to limit it to that pipeline that is
13 now constructed and to those facilities which are now
14 served by that existing pipeline.

15 COMMISSIONER BELL: It says "existing structures
16 only." I was wondering if it could be modified to say,
17 "existing structures or replacements in kind or replacements
18 of comparable --"

19 CHAIRMAN CORY: Let's rescind the action,
20 provided the calendar item is approved.

21 Without objection?

22 COMMISSIONER BELL: No objection.

23 COMMISSIONER SMITH: No objection.

24 CHAIRMAN CORY: Okay. So we now have an unapproved
25 item before us. How do we deal with -- I mean, this gets

1 back almost to the old private enterprise, insurance
2 company fire departments. Each door will have the
3 appropriate symbol on it so the firemen will know whether
4 or not they can use the water from the hydrant on it.
5 Is that --

6 MR. TROUT: We certainly should avoid that
7 problem.

8 COMMISSIONER BELL: There's no way to enforce
9 it.

10 MR. TROUT: Yes. You can't enforce it. The
11 idea is that if development in there requires an
12 extension of this line to serve new structures, that that
13 would be the subject of a separate action which would
14 require its own Environmental Impact Report, including
15 growth-inducing impacts and so forth. The idea is to
16 simply limit it to those facilities now served by the
17 existing pipeline.

18 CHAIRMAN CORY: Okay. Language --

19 MR. MARQUETTE: I sit right in the middle of
20 that 1200 feet so I would say that I'm covered. That's
21 what I'm trying to find out.

22 CHAIRMAN CORY: Okay. But if we use the
23 language "existing or replacement equivalent structures --"

24 EXECUTIVE OFFICER NORTHROP: "Replacement
25 equivalent," that's good language.

1 CHAIRMAN CORY: -- and also make reference to the
2 1200-foot area, the area that's in between the two that
3 are designated by name -- we probably should make reference
4 to that as likewise included. I don't know how we can
5 draft this.

6 Jan, Jim, somebody come up with a solution. I
7 just make policy.

8 MR. TROUT: I would think that if the Commission
9 would approve the concept of the fire protection for -- as,
10 Mr. Chairman, you indicated -- those facilities existing
11 or replacement equivalent now served, that if the
12 attorneys approve, we can work out the appropriate language.

13 MR. HIGHT: Mr. Chairman, I believe the language,
14 as it exists now, is broad enough to cover this conclusion.
15 And we can put in the Minutes that it is the intent of
16 the Commission that this area be covered and that it
17 allow for reconstruction of existing facilities.

18 MR. STEVENS: I believe that would suffice,
19 Mr. Chairman.

20 CHAIRMAN CORY: I see somebody leaning forward.
21 I think we've blown the deal.

22 (Laughter.)

23 MR. CHRISTIAN: Will this also include the 550
24 condominiums that are available to go in there?

25 CHAIRMAN CORY: No.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 EXECUTIVE OFFICER NORTHROP: No.

2 MR. MARQUETTE: No.

3 MR. CHRISTIAN: Well, I was going to say, if
4 we're going to give a couple, let's give them all. Either
5 that, or none.

6 CHAIRMAN CORY: It is my intent at this point
7 that you're only covering if the man is removing seven
8 units and replacing them with four -- that's fine. If
9 they're tearing down 500 and replacing them with another
10 500, that would be okay.

11 MR. CHRISTIAN: The present water system will
12 accommodate four units, but I don't know what he's going
13 to build -- two-story, three-story? I don't know.

14 MR. MARQUETTE: It will be two stories.

15 MR. CHRISTIAN: Two-story. And it will require,
16 what, a large fire flow?

17 MR. MARQUETTE: No. But what I can't understand
18 is why anybody in a forest area would be fighting fire flow
19 to fight in a commercial area.

20 MR. CHRISTIAN: We're not fighting fire flow.
21 Our problem --

22 MR. MARQUETTE: Sure you are. Sure you are.

23 MR. CHRISTIAN: Our problem, Mr. Chairman, is
24 the fact that this area develops heavily with condominiums
25 or anything else. We have one road that goes through this

1 area. There are 600 homes on the other side that would
2 be deprived of use of their homes in the winter time,
3 because we're talking about 10, 12 feet of snow on the
4 ground and one lone road. The fact is, the more buildings,
5 the less fire protection we have. So I'm talking about
6 600 homes sitting back there, and he's talking about a
7 development.

8 MR. MARQUETTE: Are they turning down any
9 homes for building?

10 MR. CHRISTIAN: Well, we --

11 MR. MARQUETTE: You're building your homes
12 within 20 feet of one another, aren't you?

13 Anyway, what my point is is that I'm sitting
14 right in the middle of a fire flow line, and it just
15 doesn't seem sound or reasonable that you would tell
16 anybody -- the people in the apartments across the road
17 or anyone -- that they couldn't pull water from anywhere.
18 Because when we have a fire up there, we don't think about
19 just the structure. We think about that whole forest, and
20 it's a serious thing. These people that have never seen
21 a fire storm, why, they think the firemen can run out there
22 and put the fire out by sitting on it. And it just doesn't
23 happen that way.

24 CHAIRMAN CORY: No. I think the question is
25 that this Commission doesn't want to inadvertently end up

1 providing an approval for a major development that the
2 community may not want. We think that's a local decision
3 that the community should make.

4 MR. MARQUETTE: I would hardly say that my
5 less-than-one-acre piece of property is going to be a
6 major development.

7 MR. CHRISTIAN: Well, one leads to another.
8 If they want --

9 CHAIRMAN CORY: I understand what you're saying --

10 MR. CHRISTIAN: Right.

11 CHAIRMAN CORY: -- and what I think the Commission
12 is prepared to do is that if this gentleman wants to tear
13 down -- he's in the process of tearing down some and
14 replacing them with other structures. That seems to me
15 an equivalent replacement that doesn't impinge upon the
16 local option of what you people want to do in your own
17 community. And the 500, if that seems like a new development,
18 then somebody should come back through with a new program.
19 The lines are there. There are buildings there. Whether
20 they be replaced with 55 buildings or new buildings, I
21 don't see that we should prohibit him from fire protection
22 from the existing lines since his old buildings are being
23 served. I guess that appears to meet his needs.

24 MR. MARQUETTE: Well, as he says, the line that's
25 in there now -- 700 gallons -- would be adequate. But I

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 still can't see why not use everything that's adequate
2 in case the 700-gallon line was down?

3 MR. CHRISTIAN: If 700 gallons is adequate,
4 we have no complaint against him building. It's the fact
5 that if he has to have this 2,000-gallon fire flow, then
6 he's building condominiums or something of that sort,
7 which I think is what our purpose is in limiting this.
8 I mean, if the water company or whoever it is wants
9 to come back with a full-blown EIR and have the public
10 decide that, yes, they want it or no, they don't, then
11 that's something else.

12 MR. STEVENS: Mr. Chairman, actually, I understand
13 that this is in the works. This is essentially --

14 MR. MARQUETTE: It's been approved by the County.

15 MR. STEVENS: -- an interim measure. The permit
16 before the Commission now provides for an existing level
17 of service and therefore, an Environmental Impact Report
18 isn't necessary. But if it's desired to expand for future
19 growth, then I understand that the district will, in fact,
20 prepare an Environmental Impact Report and they'll be backed
21 by the full consequences of that.

22 CHAIRMAN COPY: I think what we have done is
23 not resolved all the problems at Donner Lake but preserved
24 the status quo modicum of fire protection if we go ahead
25 and approve this with those amendments. And we have not

1 addressed ourselves to any proposals for any growth, and
2 we would have to see the full EIRs on those if somebody
3 wants to put in 500 condominiums.

4 Do you have a meeting of the minds? Are we ready
5 to approve the item as amended?

6 COMMISSIONER SMITH: Are we approving it for
7 existing structures and equivalent replacement structures?

8 MR. CHRISTIAN: Equivalent replacement on a
9 750-gallon fire flow, not on the added fire flow.

10 CHAIRMAN CORY: That is correct.

11 MR. CHRISTIAN: We don't want to be building
12 because of the expanded fire flow. I mean, on existing,
13 yes. Anything can be built on the existing fire flow.
14 But on this particular fire flow that we have here of
15 this added 2,000 gallons, well, just existing structures.

16 MR. MARQUETTE: I'm being told the same thing
17 here again.

18 MR. STEVENS: The clincher, I guess, is that --

19 MR. MARQUETTE: I can't use the fire flow.

20 MR. STEVENS: No, the fire flow is available
21 and actually, it's been checked out, as I understand, with
22 both Mr. Williams, the executive of the district, and
23 the Fire Commissioner, Mr. Afeldt. And they're both
24 satisfied with the terms of this permit.

25 I think the clincher with respect to growth is

1 that the domestic output is restricted to the present level.
2 And if that's to be expanded, then a full environmental
3 assessment has to be made.

4 CHAIRMAN CORY: Okay. Ready?

5 MR. CHRISTIAN: There's one other question. This
6 particular fire line for fire flow only is being paid for
7 and for the use only of certain condominiums and buildings
8 there. And in our talks with the Public Utilities
9 Commission, it was their recommendation that the cost
10 of this fire flow only be charged to the units using it,
11 and not the public using the water up there. So, it's
12 going to be a monthly maintenance fee. Maybe if something
13 happens and it's free again --

14 CHAIRMAN CORY: This is something that we can't
15 do anything about. We have a lease process. You can
16 either lease it or not lease it, but it's up to the Public
17 Utilities Commission to determine what goes into the
18 rate base or doesn't go into the rate base. I think that
19 until that ends, we can't help you with that problem.
20 If they decide it shouldn't be, then I would presume they
21 would exclude it from the rate base so that the rest of the
22 users would not be required to pay. But that's what you
23 pay for: nothing.

24 (Laughter.)

25 MR. CHRISTIAN: Thank you, Mr. Chairman.

1 MR. MARQUETTE: Thank you.

2 CHAIRMAN CORY: Okay. Without objection, we'll
3 approve Item 10 as submitted.

4 Item 11 has been taken off Calendar, although
5 I see a note here from Mr. Jack Laven. Item 11 has been
6 taken off Calendar for what reason?

7 MR. TROUT: Mr. Chairman, the purpose of the
8 item was to get a policy decision from the Commission
9 concerning two applications to lease the same piece of
10 property. A private applicant had filed first. The City
11 of Stockton had filed second, but the City of Stockton's
12 application took precedence pursuant to the provisions
13 of the Public Resources Code. Since that time, the private
14 applicant has withdrawn his application or has indicated
15 he would withdraw it. We have not received the letter
16 yet, but by telephone, he's told us he wants to withdraw
17 it.

18 And as such, that leaves us only with the City of
19 Stockton's application -- no conflict. The City of
20 Stockton will have to further develop their proposal so
21 that the Commission can comply with the Environmental
22 Quality Act and review the other concepts.

23 CHAIRMAN CORY: Yes, sir. If we don't have
24 anything before us, do you have something we need to know?

25 MR. LAVEN: I would like to say a few words. I'm

1 Jack Laven, Administrative Assistant, City Manager, City
2 of Stockton.

3 What Mr. Trout has told you is what has happened.
4 I was appearing here today, I thought, to defend the
5 City's position on this agenda item. And the staff's
6 recommendation was to reject our application. And because
7 the other applicant has withdrawn, evidently the staff
8 has changed their position, which was good news for us.
9 But I thought that since I was here, I would like to
10 present for the record the letters from our State
11 legislators -- Assemblymen Waters and Perino -- and I
12 think Senator Garamendi has already sent in a letter
13 supporting our application for a long-term lease.

14 And if this is appropriate at this time, one
15 of the things that the staff had commented on is that we
16 did not have plans prepared for the area. And I have
17 a color rendering here and if appropriate, I'll enter it
18 for the record. Or if you feel that I should discuss
19 it with staff --

20 EXECUTIVE OFFICER NORTHROP: I would recommend
21 that you submit it with the application when it's completed.

22 CHAIRMAN CORY: It should come in with the
23 detailed, formal application. As I understand it, the
24 reason it was on the Calendar before was that there was a
25 private application ahead of it, so we had to deal with it.

1 As soon as you're ready to go, we'll be prepared to
2 entertain it when you put in the formal application.

3 MR. LAVEN: Okay. Fine, Commissioners.

4 The other thing that I wanted to say is that
5 the City Council passed a resolution authorizing the
6 staff to work on this. And they want to see it handled
7 as expeditiously as possible. So I wanted to let the
8 Commission know that our staff will be doing everything
9 we can with your staff and hope we get this back to you
10 as soon as possible.

11 CHAIRMAN CORY: Okay. As soon as you're ready,
12 we're ready.

13 MR. LAVEN: Thank you.

14 CHAIRMAN CORY: Thank you.

15 Item 12, City of Avalon, Tidelands.

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, after
17 consultation with staff, City of Avalon desires that a
18 portion of their grant revert to the State, and this
19 Calendar item accomplishes that.

20 CHAIRMAN CORY: If there anybody in the audience
21 on Item 12?

22 Without objection --

23 COMMISSIONER BELL: Agreed to.

24 CHAIRMAN CORY: -- reversion takes place as
25 presented.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Item 13, Western LNG Terminal Company wishes
2 to assign to Western LNG Terminal Associates their five-
3 year monitoring buoys.

4 Any controversy? Is there anybody in the
5 audience on this item?

6 Without objection, assignments will be approved
7 as presented.

8 Item 14 is off Calendar.

9 Item 15, a Geothermal Task Force recommendation
10 on leasing of State lands.

11 COMMISSIONER BELL: Should we hear the informative
12 report before we take up Item 15? The question is whether
13 we should hear 15 before we have heard 14.

14 CHAIRMAN CORY: 14 was dropped.

15 COMMISSIONER BELL: I'm sorry.

16 CHAIRMAN CORY: Boggs Mountain is out of it.

17 COMMISSIONER BELL: I apologize.

18 CHAIRMAN CORY: We're at 15, which is a question
19 of policy in terms of State agencies in --

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
21 Geothermal Task Force has recommended that State agencies
22 be allowed to lease geothermal property. And the staff is
23 recommending to the Commission that rather than take the
24 position of allowing State agencies to lease property,
25 that we would rather take the position that, knowing the

1 need that water resources have for electrical generation,
2 we take a position that the State agencies be given first
3 right of refusal on steam developed on State lands.

4 COMMISSIONER SMITH: Is there anyone here from
5 the Department of Water Resources?

6 COMMISSIONER BELL: Were they aware of the
7 position to be taken by the Commission on this item?
8 Was the Energy Commission?

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
10 Mr. Willard will address himself to that question, I
11 believe.

12 MR. WILLARD: Yes, the Department of Water
13 Resources is aware of our position with respect to the
14 Task Force. We have expressed this during the Task Force
15 meetings.

16 COMMISSIONER BELL: What was their position on
17 your proposal?

18 MR. WILLARD: They, of course, would like to be
19 able to lease State lands.

20 CHAIRMAN CORY: Do they want to lease them in
21 exploratory or known geothermal?

22 MR. WILLARD: They would like to lease State
23 lands to do the exploratory and development work.

24 CHAIRMAN CORY: What is the adverse effect to us
25 if they do it?

1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we
2 feel that the development of a geothermal resource could
3 probably be better done by a private enterprise in
4 developing the --

5 CHAIRMAN CORY: But if they're bidding on it,
6 what is the detriment to us?

7 EXECUTIVE OFFICER NORTHROP: The detriment to
8 us, frankly, is the fact that if a State agency bids on
9 it and has a right of first refusal on all bids, then
10 there would be no incentive for any private individual to
11 bid the value of the lease, knowing that that bid could
12 be usurped by a State agency. So then, we would have
13 bids that the staff feels would not reflect the full value
14 of the resource, but rather bids without relation to
15 value.

16 CHAIRMAN CORY: What you're talking about, then,
17 is giving them some competitive advantage in the bid
18 mechanism rather than letting them bid just as anybody
19 else and if they lose, they lose.

20 EXECUTIVE OFFICER NORTHROP: Yes. The
21 recommendation is that they have right to first refusal so
22 that is inherent in the objection.

23 COMMISSIONER BELL: They have the right of first
24 refusal after the exploration has developed the resource.
25 I think the question in my mind was the fact that this would

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 deny State agencies the ability to go out and explore this
2 State. What do you call it, prospect for it?

3 CHAIRMAN CORY: It would seem to me that they
4 should be allowed to do that, but they should not be
5 given some advantage which would deter the marketplace
6 for other people.

7 EXECUTIVE OFFICER NORTHROP: I think staff
8 agrees with that.

9 MR. WILLARD: The problem, possibly, is this:
10 That the competitive advantage would be that a State
11 agency would be competing against private enterprise;
12 that is, a State agency would not have to produce a profit
13 as opposed to Standard Oil Company or some other industry.

14 COMMISSIONER BELL: And they might not have to have
15 the State taxpayers pay as much, either, it seems to me.

16 CHAIRMAN CORY: Yes. I've got no qualms about
17 them. But if they aren't the low bidder, then they
18 shouldn't have the right to jump the bid, which would
19 preclude these other people from bidding.

20 COMMISSIONER BELL: Right.

21 CHAIRMAN CORY: I understand what you're saying
22 here, but I'm not concerned about Water Resources putting
23 in a bid. They may be the highest bidder. I mean, I
24 don't see excluding someone from bidding if they're not
25 getting an inordinate advantage. Now, am I missing

1 something or what?

2 EXECUTIVE OFFICER NORTHROP: The only other
3 area to look at is the net profits concept. The way that
4 we have found to be very successful in geothermal bids
5 is a net profits concept. And with the definition of net
6 profits with a State agency is a difficult thing to
7 determine.

8 COMMISSIONER BELL: Mr. Chairman, as you know,
9 our exploration contracts at this time normally call for
10 the first right to go to the guy who's out prospecting.
11 Now, this would then change that concept, wouldn't it?
12 To that extent then, I would think it would also change
13 his interest in bidding on the prospective exploration.

14 EXECUTIVE OFFICER NORTHROP: Mr. Bell, we have
15 a bill that is halfway through -- it's through the lower
16 House and into the Senate -- which would allow this
17 Commission to put areas out for bid that have been
18 nominated on the net profits basis by industry or anyone
19 interested. And that way would eliminate the preferential
20 treatment of a prospector.

21 COMMISSIONER BELL: Yes. I saw this as almost
22 a necessary change, and I was wondering how you were
23 going to do it. If it takes a law change to do that, I'm
24 not sure how we would adopt this.

25 MR. WILLARD: This wouldn't necessarily require

1 a statutory change, I'm advised by our attorneys.

2 COMMISSIONER BELL: I see, because this doesn't
3 deal with the prospector. It deals only with the
4 development after something is determined.

5 MR. WILLARD: Well, certainly, a State agency
6 could apply for a prospecting permit, just as they could
7 submit a bid or a competitive lease.

8 COMMISSIONER BELL: And under existing law,
9 they would have first rights to it, wouldn't they?

10 MR. WILLARD: That's correct.

11 COMMISSIONER BELL: And if we don't get the
12 law changed --

13 MR. HIGHT: Wait a minute, Mr. Bell. Under
14 existing law, the surface owner has the first right to
15 buy the lease. But if a prospector goes out and prospects
16 for it, then the surface owner then has the right to match
17 that bid. And if the surface owner were the State, then
18 under existing law, they would have the right to match
19 that bid.

20 COMMISSIONER BELL: "State lands" means the
21 State owns them?

22 MR. HIGHT: No. Typically, in geothermal
23 prospecting, the surface is owned by private enterprise.

24 COMMISSIONER BELL: Okay. Yes.

25 MR. HIGHT: In a few cases, the State -- like in

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 the Boggs Mountain instance --

2 CHAIRMAN CORY: Isn't that what we had happen
3 with the bid that was made by the fellow from Oklahoma?

4 EXECUTIVE OFFICER NORTHROP: The last two bids,
5 the surface owner walked under and picked up.

6 COMMISSIONER BELL: He did.

7 CHAIRMAN CORY: Yes.

8 EXECUTIVE OFFICER NORTHROP: The only two
9 net profits we've had have been the property owner, I
10 think in the Aminoil situation bid sixteen and two-thirds
11 percent. And yet, they walked in and picked up a forty
12 plus ten -- forty percent net, ten percent of the gross,
13 even though they had bid considerably less than that.
14 In both cases, the surface owner has walked in and picked
15 up the bid. In some cases, the surface owner has not
16 been an oil company but is immediately assigned to a
17 developer.

18 CHAIRMAN CORY: Then somebody who wants to bid
19 goes out and leases that right from the surface owner, and
20 then he has the right to jump the claim. And that's
21 where we are in the existing position. But I'm somewhat
22 unclear as to what it is the Task Force is specifically
23 proposing. Are you planning on altering that?

24 MR. BRADY: What the Task Force has claimed is
25 that it would give the right to a State agency who presently

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95824
TELEPHONE (916) 383-3601

1 does not have the right to bid on a lease nor, to my
2 understanding -- although I'm a little uncertain as to
3 this -- whether they have the right to even make an
4 application for a prospecting permit because the law,
5 as written, would not allow a State agency the right to
6 bid for either a lease or to apply for a prospecting
7 permit. If there was an application made for a
8 prospecting permit by a private person and assuming the
9 State agency was then given the authority to apply for a
10 prospecting permit, there are other sections of the
11 Resources Code which would give the State agency a priority
12 allegedly a priority -- over the private applicant.

13 That's just as an aside, but basically what the
14 Geothermal Task Force is proposing is that the State
15 agency be given the authority to apply for a prospecting
16 permit for at least the geothermal resources. What we're
17 offering as a counter-proposal to that is that the
18 State agency be given a right of first refusal to purchase
19 the steam from the developer. In other words, he doesn't
20 acquire the leasing rights per se to go out and develop,
21 drill exploratory wells, and drill development wells. But
22 rather, he acquires a right of first refusal to acquire
23 the interest in the steam.

24 EWR has done this just recently. In fact, in the
25 middle of September they signed a lease with a private

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 developer for the purchase of steam. And they have done
2 that already, and they are going to build a power plant
3 sometime in the near future near the Boggs Mountain area.

4 CHAIRMAN CORY: The proposal, if there was an
5 exception from those other mysterious code sections in
6 the Resources Code that say that they have the priority
7 rights -- I am not philosophically offended by the State
8 agency bidding against private enterprise as long as they
9 don't, in the process of bidding, have some priority
10 rights. If they compete on a regular basis, I'm not
11 philosophically opposed. And it would seem to me that
12 this Commission would be in a poor position before that
13 Legislature to say that we do not want another bidder to
14 be bidding.

15 MR. BRADY: I believe what staff was recommending
16 was that if you view it -- and this is again the staff's
17 belief -- what is the position of government? Should
18 they, one, be competing with private industry in this
19 field? And, two, should they be in the risk capital
20 business, which is basically the well-drilling now?

21 CHAIRMAN CORY: I don't think the State Lands
22 Commission or the State Lands Commission staff should be
23 making those policy questions. I think that is something
24 that the Legislature and you, as individuals and as
25 taxpayers, might want to talk to your legislators about.

1 But it seems to me that that's really an appropriate
2 policy question for Finance and for the Legislature to
3 determine. But I think it is a very appropriate policy
4 question if there are priority rights -- that we should
5 speak out against the priority rights which would screw
6 up the whole marketplace.

7 And it's just a question of responsibility, but
8 I don't see that we should get into -- I understand what
9 you're saying about the risk, but I don't think that's
10 our role -- to make that policy question. If the Legislature
11 wants to go into the risk capital business, if the
12 Department of Finance and the Governor want to do that,
13 it's no skin off our nose.

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in
15 light of this conversation, I think the staff now has
16 the thinking of the Commission.

17 CHAIRMAN CORY: Do the other Commissioners --

18 EXECUTIVE OFFICER NORTHROP: But if everyone's
19 in agreement, I would suggest, sir, that we withdraw
20 this calendar item, and the staff can proceed with the
21 thoughts of the Commission as they've been expressed.

22 CHAIRMAN CORY: I would think that you should
23 try to talk to -- if it's Kapiloff or whoever -- about
24 the question of priority rights and how that will foul
25 up the marketplace. And I think that should be resisted.

1 Now, I don't know whether the other Commissioners concur
2 in that, but I think that we have a right to point out
3 what they're doing to our ability to derive revenue for
4 the State if they screw up the marketplace by us only
5 taking one bidder -- in essence a State agency.

6 EXECUTIVE OFFICER NORTHROP: Okay.

7 CHAIRMAN CORY: And I think that we should
8 defend and protest that.

9 COMMISSIONER BELL: Yes, I think that's true.

10 CHAIRMAN CORY: Item 16.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
12 is a lease assignment from Mobil Oil Company to Damson
13 Oil Corporation on an upland parcel in Venice.

14 CHAIRMAN CORY: What happens if they have a
15 blow-out or something? Are we getting a lesser financially
16 able --

17 MR. HIGHT: No, Mr. Chairman.

18 EXECUTIVE OFFICER NORTHROP: The answer is yes.

19 MR. HIGHT: No. Mobil Oil will remain liable
20 on this assignment.

21 CHAIRMAN CORY: Okay. So you're not lessening --

22 MR. HIGHT: No.

23 CHAIRMAN CORY: If something goes wrong and
24 Damson disappears into the Oklahoma sunset, we can --

25 MR. HIGHT: Mobil is --

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 CHAIRMAN CORY: Mobil's on the hook.

2 MR. HIGHT: Yes.

3 CHAIRMAN CORY: Is there anybody in the audience
4 on Item 16?

5 Without objection, Item 16 will be approved as
6 presented.

7 Item 17.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
9 is a quitclaim of a gas lease by Dow Chemical. Apparently,
10 they feel there's no gas. They're giving it back.

11 CHAIRMAN CORY: Is there anybody in the audience
12 on Item 17?

13 When they quit California, they quit California.
14 They mean business.

15 (Laughter.)

16 CHAIRMAN CORY: Without objection, Item 17,
17 quitclaim, is accepted.

18 Item 18.

19 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
20 Commission instructed the staff to go out for bids on a
21 parcel of oil in the L.B.O.D. portion. Mr. Thompson will
22 give us a report on the results of those bids.

23 CHAIRMAN CORY: Does he have some particular
24 expertise in these types of results?

25 EXECUTIVE OFFICER NORTHROP: Yes, he has some way

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 to say we didn't get anything.

2 (Laughter.)

3 MR. THOMPSON: This is known as passing the buck
4 to say that we didn't do any good.

5 There were no bids received at all, which was
6 a potential we realized at the time. I think that there
7 was also some desire to find, really, what was happening
8 in the market place as to really what the sell-offs are for.
9 And it shows conclusively that the market is depressed for
10 our particular oil. And we again think that because of
11 the Entitlements Program, we cannot realize the true value
12 of the oil. In other words, we're pegged again at a \$4.34
13 price for a product that on the open market is probably
14 worth \$9 or so.

15 But because of the Entitlements Program, it's
16 priced up around \$11 and eleven and a half dollars. And
17 we just cannot compete under the same Entitlements Program
18 with oil that comes in at ten and a half or \$10.

19 CHAIRMAN CORY: To make sure that I understand
20 what you're saying -- although we receive \$4.34 --
21 some figure on that order of magnitude for the oil --
22 the person who purchases it is paying, in effect, a price
23 around eleven, eleven-fifty?

24 MR. THOMPSON: He must buy the right or pay a
25 penalty for refining that oil on the magnitude of over \$8.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 So therefore, by the time that you get through the price,
2 what the adjusted price at the refinery is is over \$11;
3 whereas imported oil or North Slope crude coming in will
4 get an incentive of several dollars for refining the oil.
5 And therefore, refiners' adjusted costs will be somewhere
6 in the neighborhood of \$1 or \$2 less than our crude. So
7 the posted price and the price as paid have no relationship.
8 It's the value as decided by the Entitlements Program that
9 determines what the real cost to the refiner is.

10 CHAIRMAN CORY: Did the length of the contract
11 have any effect on the possibility of realizing this?

12 MR. THOMPSON: Yes. In other words, we were trying
13 to spend the first increment of time of the federal
14 legislation, the price controls -- which was going to be
15 May, 1979. We thought at that time that there would be
16 a decision by the government as to whether to extend it
17 through to '81 or not so that, therefore, a purchaser
18 would know that he would be under that particular amount of
19 legislation at that time.

20 CHAIRMAN CORY: How many barrels a day?

21 MR. THOMPSON: This was a rather small increment --
22 I believe on the magnitude of a little over a thousand
23 barrels a day. I'll take it back. I think it was less
24 than a thousand barrels a day.

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 might be interesting for the Commission to know that
2 up until about 30 days ago, I was receiving -- the reason
3 we initiated this was that I had received several phone
4 calls from people interested in purchasing this crude.
5 So when the sale date came and we received no response,
6 I called some of the parties who had indicated they had
7 an interest and asked them why they had not been there.

8 And they said that because the Entitlements
9 Program had so confused the marketplace in crude oil, that
10 they now had a number of offers to sell them lower-tier
11 crude, some of which they've used and others they've had
12 to turn away. And in one particular case, he said in no
13 instance would he buy any crude for any longer period of
14 time than 60 days because of the uncertainty of the market
15 and the uncertainty of the energy program and what's
16 happening in Washington today regarding the equalization
17 tax and the other concepts.

18 So, the industry as far as purchasing crude oil
19 is in a turmoil because there is a serious flood of crude
20 on the West Coast, and it's going to get much worse.

21 MR. THOMPSON: For the same reason, the FEA
22 has allowed a ceiling price increase for lower-tier crude
23 for the month of September of three cents a barrel. Only
24 one company is posted, and it happens to be their posting
25 because they're now in the process of selling all their oil.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 So, in effect, our net increase to us is then that -- by
2 the time we average that out because there are four
3 posters -- we get a net increase of three-quarters of
4 one cent per barrel, which is getting down to a rather
5 insignificant range. And we don't even know what will
6 happen for October and November.

7 CHAIRMAN CORY: Would it make any sense to put
8 it out to bid on a 30-day, 60-day cancellation clause?

9 EXECUTIVE OFFICER NORTHROP: Our problem is that
10 our time fuse for those who have the obligation to take
11 it back when that credit terminates -- we have a contract
12 with them to allow them a period significantly longer than
13 that 30-60 days to take it back. So given the existing
14 contract, it would probably be impossible to do it less
15 than six months --

16 MR. THOMPSON: Yes. If we start to get a quick
17 turnaround time or else we break the chain of taking the
18 oil -- and once we break that, it takes 180 days to
19 retake the oil again.

20 CHAIRMAN CORY: Okay. What about putting it
21 out to bid on the basis of a bid increment? They can
22 serve notice on, like, 60-day evergreen, and they're
23 required to take it at an alternate price. If they bid
24 the added amount, they're going to have to pay that. And
25 if they can't pay that, they have to go ahead and take it

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 for the six months at a lesser price.

2 EXECUTIVE OFFICER NORTHROP: There may be a
3 place -- there is right now -- in lower-tier crude, given
4 the Entitlements Program, where it would be impossible
5 to estimate what that price would be that they would
6 continue to take it below the bonus. If the Alaskan
7 crude is allowed to come into California and fill the glut
8 the way it has been, it may well be that \$2 a barrel would
9 be too much to pay for lower-tier crude when you have the
10 competition of Alaskan crude coming in.

11 And we already have a commitment of somewhere
12 higher than four, and the staff really wonders if -- you
13 know, we've got a committed buyer, given the unbelievable
14 position of the Entitlements Program. It's just unreal.

15 MR. THOMPSON: Actually, with the whole problem
16 of the energy program back between the Senate and the
17 House of Representatives now, I don't think that anyone
18 will do anything until that is resolved because that is
19 so much up in the air.

20 CHAIRMAN CORY: Okay. Item 19.

21 MR. THOMPSON: Item 19 is merely an informational
22 calendar item on Parcel "A" production. And about all I
23 can say on that is that we will make less money next year
24 than this year because, again, if we're in the same box
25 with fixed oil prices and inflational costs for producing

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 the oil, why, all I can say is that we're going to make
2 less money on a little less oil.

3 CHAIRMAN CORY: Okay.

4 MR. THOMPSON: If I get any good news anytime,
5 I'll be up here.

6 (Laughter.)

7 CHAIRMAN CORY: All right. Item 20.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on
9 Item 20, we are making a last attempt to adjust the problems
10 we've just been discussing. Staff would like to have
11 the authorization to take the necessary legal steps and
12 initiate negotiations if the current negotiations fail
13 with the FEA and with the administration on the crude oil
14 pricing.

15 COMMISSIONER SMITH: What was the result of your
16 recent trip to Washington?

17 EXECUTIVE OFFICER NORTHROP: Miss Smith, may
18 I just say that because of previous reports on trips to
19 Washington, promises that were made by the Federal
20 Government have been turned around because of conversations
21 we've had at this Commission meeting. If you wouldn't
22 mind, I would be happy to discuss that off the record in
23 some other arena. We've been hit three times when we
24 thought we had problems pretty nearly solved in the public
25 area. Then the minute that turns around, we have problems

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95823
TELEPHONE (916) 383-3601

1 in Washington, so I would prefer to discuss it later
2 unless you insist.

3 CHAIRMAN CORY: The negotiations are continuing,
4 and there may be some modicum of relief available, which
5 we can explain. But the industry has found ways of
6 getting back there with stuff that is wrecking our
7 programs.

8 EXECUTIVE OFFICER NORTHROP: Yes, I can say
9 we have had some favorable results.

10 COMMISSIONER BELL: Mr. Chairman, what is the
11 advantage to us of getting authorization at this time
12 to institute litigation rather than merely taking it
13 under advisement and coming back at such time as it's
14 found necessary?

15 CHAIRMAN CORY: The advantage, I think, is
16 in terms of the negotiations of using both the carrot
17 and the stick. I would like very much for this to be
18 approved, even if we did it with a stipulation that
19 before anything is filed, that the staff report to the
20 Commissioners or we hold an executive session to see the
21 draft and go over it that way. But I think it may be
22 helpful in the delicate balance of negotiations if they
23 know the gun is loaded.

24 COMMISSIONER BELL: Mr. Chairman, I would like to
25 see that -- what did you call it, the stipulation?

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 CHAIRMAN CORY: That the staff would come back
2 and show us where they're going and why before they actually --

3 COMMISSIONER BELL: Before they actually file.

4 CHAIRMAN CORY: That would be a matter of
5 litigation which is available to a private meeting of
6 the Commission, as I understand it.

7 MR. HIGHT: Yes, sir.

8 CHAIRMAN CORY: It's an appropriate thing,
9 but I think the public is aware of our posture to deal with
10 litigation and how we play with that in a private session
11 and the handling of strategy of a lawsuit. I'm hopeful
12 that a lawsuit won't be necessary.

13 COMMISSIONER SMITH: I have no objection to that
14 stipulation.

15 CHAIRMAN CORY: With that understanding, we will
16 approve it.

17 COMMISSIONER BELL: Yes, it's fine.

18 CHAIRMAN CORY: Item 21.

19 MR. THOMPSON: Item 21 is merely the closing
20 of a subsidence AFE, with a credit to the State of
21 \$27,000.

22 CHAIRMAN CORY: Is there anybody in the audience
23 on that?

24 EXECUTIVE OFFICER NORTHROP: No way.

25 MR. THOMPSON: And then, just in closing, the

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Finance Department wanted a status report on our filing of
2 appeal assessment on the tax bill in the Long Beach
3 unit. I thought by this time that we'd be able to tell
4 you the increasing magnitude of the tax bill, but the
5 numbers were so large that the computer couldn't handle
6 it. And we really don't know the tax bill yet so they
7 have to split one of the parcels in two so they could
8 calculate the tax bill. And by next month we'll be able
9 to tell you actually what the increased taxes will be.

10 As I say, if I hear any good news sometime,
11 I'll be up.

12 COMMISSIONER BELL: They were so high the
13 computer couldn't handle it?

14 (Laughter.)

15 CHAIRMAN CORY: You understand what they've
16 done on that? It's Bill Watson's State Property Tax
17 Relief Act.

18 COMMISSIONER BELL: For Los Angeles County.

19 CHAIRMAN CORY: Yes. It's a nifty little trick,
20 a little going-away present from Bill to the folks.

21 COMMISSIONER BELL: May I ask either the Chairman
22 or Mr. Northrop, what are we going to do about it?

23 CHAIRMAN CORY: We are appealing it, are we
24 not?

25 EXECUTIVE OFFICER NORTHROP: We're taking the steps

1 to appeal at the present time, Mr. Bell. And when we've
2 exhausted our administrative remedy, we will then go to
3 whatever avenues are left open.

4 CHAIRMAN CORY: I think it's important that we
5 consider looking at a legislative solution to that problem.

6 COMMISSIONER BELL: Generally, they like us
7 to take our administrative appeals first, don't they?

8 EXECUTIVE OFFICER NORTHROP: Yes. We're
9 taking those steps and trying to get them out as quickly
10 as possible.

11 MR. THOMPSON: And knowing the way they go,
12 they seem to lag about a year behind. So this is in the
13 process of being prepared, and we're meeting with them,
14 but nothing's coming out. They didn't even see the
15 passbook.

16 CHAIRMAN CORY: I'd like to go back to one point
17 and only somewhat facetiously ask Jan if we decide to
18 proceed on Item 20, will the Attorney General appear for
19 us?

20 (Laughter.)

21 MR. STEVENS: We're authorized to take all
22 necessary steps.

23 CHAIRMAN CORY: Other than appearing in public.

24 (Laughter.)

25 CHAIRMAN CORY: Okay. Item 22.

1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
2 is a request for the emergency sale of 29 trees that
3 have been infected with bark beetles to Shasta Resources
4 Corporation.

5 CHAIRMAN CORY: Is there anybody in the audience?
6 Okay?

7 COMMISSIONER BELL: (Nods head.)

8 CHAIRMAN CORY: Item 22 is approved as presented.
9 Item 23, New Chicago.

10 MR. HIGHT: Mr. Chairman, this is an authorization
11 to clear some title to about a five-acre piece of
12 property in New Chicago in Santa Clara County. The Federal
13 Wildlife Refuge will maintain some existing facilities
14 on this property, and the Commission's interests will be
15 protected by this quitclaim deed.

16 CHAIRMAN CORY: Okay. Any questions?

17 COMMISSIONER BELL: No problem with five acres.

18 CHAIRMAN CORY: Yes.

19 Okay. Is there anybody in the audience on the
20 five acres?

21 Without objection, authorization is granted on
22 Item 23.

23 Item 24, Morro Bay wants us to help clear up some
24 title, and they want us to be party plaintiff?

25 MR. HIGHT: Yes, Mr. Chairman.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383 3601

1 CHAIRMAN CORY: Any questions?

2 Without objection, 24 will be approved as
3 presented.

4 Status of major litigation?

5 MR. STEVENS: Mr. Chairman, we've asked the
6 California Supreme Court to take jurisdiction of the
7 Murphy case, involving the Berkeley waterfront. We
8 think it's in a proper posture to adjudicate the rights
9 with respect to those -- the patents by which the private
10 holders claim.

11 And with respect to litigation we have
12 concerning Anderson Marsh and Clear Lake, we've been
13 informed by the county that they would like to withdraw
14 from the case as co-defendants with the State of California
15 and reenter the case as plaintiffs on the side of the
16 private landowner and the land title interests. We
17 believe they have some serious problems respecting
18 consistency with the trust with which they hold these
19 lands if they take such an action, and we're exploring the
20 possibility of preventing them from doing so and taking
21 further steps or recommending steps to the Commission with
22 respect to their trust.

23 Those are the two highlights of the month in
24 litigation.

25 CHAIRMAN CORY: How are you doing on your

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Supreme Court appearance?

2 MR. STEVENS: California v. Nevada?

3 CHAIRMAN CORY: Yes.

4 MR. STEVENS: We are presently gathering
5 evidence, and we have a meeting that we're setting up with
6 Nevada to arrange for a schedule of depositions. All the
7 evidence appears to indicate acquiescence by Nevada in
8 the existing line north of Lake Tahoe up to Oregon. In
9 fact, after that line was established they bought maps
10 to put in all their schoolrooms, we've learned, indicating
11 this is their boundary. And they don't seem to have disputed
12 it ever since.

13 However, there was a Nassau meeting devoted to
14 the subject of land sats -- satellite technology -- which
15 has been set at the Conference of State Legislatures at
16 the Cal-Neva, through which the line purportedly goes.
17 And we understand that some local legislators who are
18 interested in this matter are going to attend. So
19 representatives from the Division staff will be there as
20 well to learn what other alternatives they may suggest
21 to us.

22 CHAIRMAN CORY: I'm impressed. That's not a
23 hoondoggle trip.

24 MR. STEVENS: I don't think so.

25 CHAIRMAN CORY: You never know. When I was in the

PETERS SHORTHAND REPORTING CORPORATION

24 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Legislature my California colleagues needing that kind of
2 excuse to get to Cal-Neva -- but politics does change.

3 COMMISSIONER BELL: Are we giving up all our
4 rights to our casinos?

5 What I should say is: How about the boundary
6 lines which are further into Nevada? What is our position
7 on that?

8 MR. STEVENS: Well, the thrust of our argument
9 is that there is an acquiesce line, the one that we're
10 observing now. As an alternative, we're willing to settle
11 for a resurvey, which would extend our boundary to the
12 east.

13 Nevada has pointed out, however, that both the
14 codes of California and Nevada provide for a line which
15 is 3,000 feet to the west, going through Kings Beach.
16 The Special Master, I think, has shown an inclination in
17 the past -- he had a case like this -- to rely on
18 acquiescence and cut the baby in half, so to speak.

19 CHAIRMAN CORY: I think it's imperative that
20 you plant the flag, that they don't have the baby between
21 Kings Beach and acquiescence, that they have the baby
22 between Crystal Bay and Kings Beach. That's acquiescence.
23 I'll pass that along. I guess the staff has talked to you
24 about what or will in the near future, that it's time
25 to C.Y.A.

1 STATE OF CALIFORNIA)
 2) SS.
 3 COUNTY OF SACRAMENTO)

4 I, KATHLEEN M. REED, C.S.R., a Notary Public in
 5 and for the County of Sacramento, State of California, duly
 6 appointed and commissioned to administer oaths, do hereby
 7 certify:

8 That I am a disinterested person herein; that
 9 the foregoing State Lands Commission Meeting was reported in
 10 shorthand by me, KATHLEEN M. REED, a Certified Shorthand
 11 Reporter of the State of California, and thereafter
 12 transcribed into typewriting.

13 I further certify that I am not of counsel or
 14 attorney for any of the parties to said meeting, nor in
 15 any way interested in the outcome of said meeting.

16 IN WITNESS WHEREOF, I have hereunto set my hand
 17 and affixed my seal of office this 14th day of November,
 18 1977.



23
 24
 25

Kathleen M. Reed
 KATHLEEN M. REED, C.S.P.
 Notary Public in and for the
 County of Sacramento,
 State of California.
 C.S.R. License No. 3486

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
 SACRAMENTO, CALIFORNIA 95824
 TELEPHONE (916) 383-3601