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MEETING
STATE LANDS COMMISSION

STATE CAPITOL
Room 6031
Sacramento, California

THURSDAY, AUGUST 21, 1975
10:05 A.M.

ORIGINAL

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MEMBERS PRESENT

1
2 Hon. Kenneth Cory, Chairman

3 Hon. Mervyn M. Dymally

4 Hon. Roy Bell

MEMBERS ABSENT

5
6
7 NONE

STAFF PRESENT

8
9
10 Mr. William F. Northrop, Executive Officer

11 Mr. Robert C. Hight, Staff Counsel

12 Ms. Luella Kunkle, Secretary

ALSO PRESENT

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14
15 Mr. Carl D'Agostini, Chief Deputy State Controller

16 Mr. N. Gregory Taylor, Deputy Attorney General

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P R O C E E D I N G S

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CHAIRMAN CORY: Call the meeting to order. Note the presence of all the members; Governor Dymally; Director of Finance Bell -- Acting Director of Finance Bell.

[Laughter.]

COMMISSIONER BELL: I'm not confirmed yet.

CHAIRMAN CORY: Are there any corrections or additions to the minutes of the meeting of July 24th? Hearing none, will be adopted as moved.

COMMISSIONER DYMALLY: So moved.

CHAIRMAN CORY: Governor Dymally moves confirmation as presented. Without objection, such will be the order.

Mr. Northrop, you have a report for us.

MR. NORTHROP: Yes. Mr. Chairman, I have a few informational items describing the staff's progress in several pending areas of concern: Number one, Stratigraphic Information.

The private drilling firm of Exploration Services Co., Inc., has been employed by the U. S. Geological Survey to conduct stratigraphic drilling on the Outer Continental Shelf 91 miles offshore the City of San Diego.

Based upon discussions with the Governor's Office and the Executive Officer, the firm, in a letter agreement dated August 1, has offered to disclose to the Commission, on a

1 confidential basis, any information obtained. The Division
 2 has reviewed this agreement and is negotiating the
 3 confidential bases with the drilling firm. In the event the
 4 firm accepts the changes proposed by the Division, this matter
 5 will be brought back to you for approval next month.

6 CHAIRMAN CORY: Greg, on that item you get into
 7 some difficulty with the usual control authority in
 8 confidential documents as to what we can and can't do in
 9 terms of confidentiality. And there is some pending
 10 opinion requests in the A.G.'s shop that you probably ought
 11 to check to make sure we don't end up, because in that case
 12 we had apparently, the staff had offered confidentiality and
 13 then discovered that it was in violation of the statute.
 14 And the information was submitted and your shop seemed to
 15 think that it is public information because it was submitted
 16 even though it was submitted on the belief that it was
 17 confidential.

18 MR. TAYLOR: I'll check with your staff and find
 19 out who they are and we'll coordinate with your staff.
 20 We haven't been a part of this item, to my knowledge.

21 CHAIRMAN CORY: The confidentiality problem
 22 presents some difficulties with the public records concept.

23 MR. NORTHROP: It's not unlike the information the
 24 Division of Oil and Gas has at the present time.

25 CHAIRMAN CORY: Okay. There's serious question

1 whether or not that is any longer confidential. It's an
2 interesting concept.

3 MR. NORTHROP: The second item is the Decon
4 termination.

5 Last month's Agenda included an item on
6 termination of a lease with Decon Corporation. On your
7 instructions, this item was put over providing Decon
8 stipulated, by July 31, 1975, not to build on the subject
9 site. Decon has so stipulated they will not build on the
10 site, and the proposed termination is now being reviewed by
11 the staff and the Attorney General and I feel confident we'll
12 have something on the next month's Agenda.

13 CHAIRMAN CORY: Okay.

14 MR. NORTHROP: Last month also we talked about the
15 cession of concurrent jurisdiction.

16 You recall this item was put over pending staff
17 discussion with various counties involved, as instructed by
18 you. The staff has now scheduled such meetings with the
19 various counties and I will keep the Commission informed as
20 to progress in that area.

21 CHAIRMAN CORY: Okay.

22 MR. NORTHROP: The ultimate item is the Long Beach
23 negotiations.

24 For a number of months now we have been attempting
25 to resolve several outstanding accounting problems relating

1 to Long Beach oil operations. Several million dollars are
 2 involved. Negotiations with the City presently appear to be
 3 at an impasse. However, I will be meeting with the City
 4 Manager, Mr. Mansell, in Long Beach tomorrow to get a
 5 determination of the City's position on these matters. And
 6 I will also report to you on that meeting at a later time.

7 As an aside, it may well be that we must come back
 8 to discuss Chapter 138 and Chapter 29 ~~and~~ the Commission's
 9 position.

10 The last item, Mr. Chairman, is the Geothermal
 11 Subcommittee Expansion.

12 In our land-blocking program, the staff finds that
 13 there are areas that could adapt themselves to alternate
 14 energy sources other than geothermal. Therefore, the staff
 15 would find it helpful if the present geothermal subcommittee
 16 could be expanded in scope to include alternate energy sources,
 17 and we are hopeful the committee in its wisdom will change the
 18 designation of the Geothermal Subcommittee to a Subcommittee
 19 on Alternate Energy Sources.

20 I've discussed that with the Chairman of the
 21 Subcommittee.

22 CHAIRMAN CORY: The Governor concurs and staff
 23 recommends --

24 COMMISSIONER BELL: Approved.

25 CHAIRMAN CORY: Without objection, such will be the

1 order.

2 MR. NORTHROP: That concludes my report,
3 Mr. Chairman.

4 CHAIRMAN CORY: Okay. Item 4, 4(a). Moss Landing
5 Marine Laboratories.

6 MR. NORTHROP: This is a public agency doing work
7 on a Federal Grant, Mr. Chairman, and we will receive a copy
8 of the study when completed.

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

11 4(b).

12 MR. NORTHROP: Under Section 7901 of the Public
13 Utilities Code, Mr. Chairman, we are asking for permission
14 to issue Pacific Telephone and Telegraph a right-of-way.

15 CHAIRMAN CORY: Without objection, such will be
16 the order.

17 5(a).

18 MR. NORTHROP: Pacific Gas and Electric Company has
19 asked for a pipeline on the 26-inch submerged line with the
20 right to throughput reserved should that be adopted.

21 CHAIRMAN CORY: Okay. So this is pending, again,
22 the actual input and the people coming in realize that they're
23 incurring that risk and obligation if they enter into this?

24 MR. NORTHROP: Correct. This is not the one that
25 was put over last month. That appears later on the Agenda.

1 CHAIRMAN CORY: Greg, you're happy with this?
2 Is the law clear in this?

3 MR. TAYLOR: Yes, it's typical of what's been done
4 on several other items.

5 CHAIRMAN CORY: Any questions or comments?
6 Without objection, 5(a) will be approved as presented.

7 5(b).

8 MR. NORTHROP: 5(b) is a hundred and ten kilovolt
9 line by Pacific Gas and Electric, totally intrastate.

10 COMMISSIONER BELL: This is intrastate?

11 MR. NORTHROP: Correct, sir, this is intrastate.

12 CHAIRMAN CORY: Any questions? Hearing none, 5(b)
13 will be approved as presented.

14 5(c).

15 MR. NORTHROP: 5(c), this is the resolution that
16 was before the Commission last month. We have put in the
17 reservation of a rental adjustment for one year in the event
18 it's adopted. So we have done as the Commission's instructed

19 CHAIRMAN CORY: Any questions? Questions from
20 anybody in the audience? 5(c) without objection will be
21 approved as presented.

22 5(d) is off calendar, is that correct?

23 MR. NORTHROP: That's correct, sir.

24 CHAIRMAN CORY: 5(e).

25 MR. NORTHROP: This is a lease of the Department

1 of Engineers for public use.

2 CHAIRMAN CORY: What is it, a cultural survey?

3 MR. NORTHROP: Perhaps the attorney --

4 CHAIRMAN CORY: As long as we're approving it, do
5 you know what a cultural survey is?

6 MR. HIGHT: Mr. Chairman, it's my understanding
7 that they are going to make a survey of all the environment
8 in the area and the habitat and know what --

9 COMMISSIONER BELL: Geological investigation.

10 MR. HIGHT: Right.

11 CHAIRMAN CORY: Any questions?

12 COMMISSIONER DYMALLY: No.

13 CHAIRMAN CORY: Without objection, 5(e) will be
14 approved as presented.

15 5(f).

16 MR. NORTHROP: Mr. Chairman, this is an application
17 by Western Liquified Natural Gas Terminal Company for a permit
18 to conduct a survey off Point Conception. In the event that
19 a terminal will have to be built along that area of the coast,
20 the necessary information for the corporation to undertake
21 such a project will be obtained here. Much of it, I'm sure,
22 will be reflected in the Environmental Report and other
23 reports that must be prepared before such a structure can be
24 started.

25 We do get the information that's --

1 CHAIRMAN CORY: Who is Western LNG Terminal
2 Company?

3 MR. NORTHROP: I believe it's an independent
4 corporation.

5 MR. EVERITTS: Southern California Gas Company.

6 MR. NORTHROP: So-Cal Gas.

7 COMMISSIONER BELL: So-Cal Gas. They'll end up
8 investigating Long Beach.

9 CHAIRMAN CORY: I would presume that they're
10 contemplating some place off of Point Conception --

11 COMMISSIONER BELL: Deep water port.

12 CHAIRMAN CORY: -- bringing in hydrogenic gas.

13 MR. NORTHROP: I would imagine, Mr. Chairman, --
14 Perhaps Mr. Everitts would care to address himself to that.
15 It's in his area.

16 MR. EVERITTS: Well, all it is, they want to do
17 some environmental monitoring, some base line study work for
18 one, that's one of the proposed sites on the Pacific Coast.
19 They're bringing LNG in. That's right.

20 CHAIRMAN CORY: Let's be specific. You're talking
21 about liquified natural gas?

22 MR. EVERITTS: Liquified natural gas. This would
23 be gas presumably from Alaska.

24 CHAIRMAN CORY: That's one method.

25 MR. EVERITTS: One method, right.

1 MR. NORTHROP: The alternate would be depending on
2 whether it was cryogenically produced and brought in that
3 way or I suppose the other alternative would be the
4 McKenzie Valley Line in which it is pipeline all the way.

5 CHAIRMAN CORY: It just seems to me that Western
6 LNG and Southern California Gas should be at least aware of
7 my views. And I'm not so sure I'm even willing to vote to
8 let them start this without a lot of explanation because I'm
9 not so sure I want liquified natural gas off of Point
10 Conception.

11 I don't know what that is, I may after hearing the
12 subject. But this is likely to end up being one of the most
13 controversial issues this Commission will ever see if they
14 start --

15 COMMISSIONER DYMALLY: Mr. Chairman, may I ask a
16 question? Is this an urgent matter or can it be put over for
17 a month?

18 MR. EVERITTS: It can be put over for a month.

19 COMMISSIONER DYMALLY: Mr. Chairman, I move that we
20 put this matter over until next month. I just visited the
21 Alaska Pipeline and I want to ask some further questions
22 about what position this Commission will take, if any, about
23 the gas line. And I'll ask the staff to give me a brief on
24 that.

25 COMMISSIONER BELL: Second.

1 CHAIRMAN CORY: Without objection, (f) will be put
2 over.

3 5(h). Mr. Sam Martini's amendment to the lease.

4 MR. HIGHT: This item, Mr. Chairman, is a lease
5 amendment for Mr. Martini, and I believe he's here in the
6 audience and has some comments on the subject.

7 CHAIRMAN CORY: Mr. Martini.

8 MR. NORTHROP: Mr. Chairman, before Mr. Martini
9 comes up I think the staff presentation may be in order.
10 Mr. Martini may want to rebut the staff argument.

11 MR. GRIMES: Mr. Chairman, Commissioners, I'm
12 Les Grimes on the staff of the Division. That's Gary Horn
13 up at the display board.

14 Calendar Item No. 10, which is before the
15 Commission, would provide an amendment to an existing lease
16 in Taylor Slough at Bethel Island approximately 36 miles from
17 the Metropolitan San Francisco Bay Area. The small scale
18 sketch shows the location in relation to Sacramento and
19 Oakland. Bethel Island is the little yellow spot there in
20 the middle. The amendment would provide additional land
21 area for the placement of additional boat slips for the use
22 of members of the Caliente Yacht Club. The illustration
23 Gary just uncovered indicates the extent of the project.

24 The total area of the project, both existing and
25 proposed, is outlined in yellow. It's 2.06 acres. The area

1 which has been under lease for approximately ten years is
2 colored green. That's a .548 acre piece. The area to be
3 added by this amendment is colored red, and that is .552
4 acres. The blue area is water covered and subject to the
5 public easement for commerce, navigation and fisheries.

6 The proposed lease reserves the right of the
7 Commission to impose a rental on this area should the
8 Commission and the Attorney General deem such to be
9 reasonable. The area colored in red is the only area which
10 has been appraised and for which a new rent is being set.
11 Gary has a small air photo that he'll pass to you that will
12 show the location for further illustration.

13 The staff has made a diligent search for sales
14 in the area and though the data uncovered is meager, it is
15 quite comparable to the subject situation. The sale relied
16 on by the staff is a commercially zoned vacant land sale in
17 the interior of Bethel Island used as a boat storage and
18 sales yard. This sale, in addition to being the most
19 reliable comparable, is coincidentally the lowest sale
20 uncovered by the staff. Based primarily on this sale, the
21 staff has appraised the half-acre-plus colored in red at
22 \$15,000. Using the current rental rate of eight percent per
23 year of the appraised value, the rent is \$100 a month. This
24 seems ultimately reasonable for more than a half acre of
25 commercially valuable land in a high density recreation area.

1 The rent established ten years ago for the green
2 area is \$325 and it will remain until --

3 MR. NORTHROP: For what period?

4 MR. GRIMES: It will remain so a year.

5 MR. NORTHROP: Three hundred dollars for all?

6 MR. GRIMES: And it will remain so until the present
7 lease expires in 1980.

8 Mr. Sam Martini, proprietor of the Caliente Yacht
9 Club, has taken issue with the staff's recommended rental.
10 He has stated that the rental is such that it would make the
11 addition of the boat slips uneconomical. The staff feels
12 that Mr. Martini's slip rental rates are low in that they
13 are not competitive with other marinas in the area and that
14 there is no ancillary income to the marina from such things
15 as gasoline and oil sales, restaurant operation, grocery
16 store, soft drink and liquor sales, and bait sales.

17 The staff feels that Mr. Martini and the Caliente
18 Yacht Club are not using the land to its highest potential.

19 Mr. Martini has also argued that the island
20 location is inconvenient in that a small ferry must be
21 maintained to carry the club members back and forth to the
22 mainland or the main island which in addition to being an
23 expense is undesirable to members of the club.

24 The staff feels that the island location is unique,
25 affording privacy and protection from vandalism, and this

1 unique characteristic quite possibly could make the land
2 more valuable than the most reliable comparable. There is
3 not adequate evidence, in the staff's opinion, to
4 substantiate an adjustment in value due to the island
5 location.

6 The staff recommends that the Commission approve
7 a lease to Mr. Martini on the terms and conditions outlined
8 in Calendar Item No. 10.

9 COMMISSIONER DYMALLY: What about the point he
10 raises that there are a number of people around there who
11 are not paying any rent at all?

12 MR. GRIMES: This is totally true. The commercial
13 operators at Bethel Island are by and large trespassers and
14 have been for some time.

15 COMMISSIONER DYMALLY: What are we doing about that?

16 MR. HIGHT: Mr. Governor, after instructions by
17 the Executive Officer, the legal staff of the Division is
18 currently preparing litigation against all of these operators.

19 MR. GRIMES: I think Mr. Martini would like to say
20 a few words.

21 CHAIRMAN CORY: But just to clarify that, no suits
22 have been filed?

23 MR. HIGHT: That's correct, in this area.

24 CHAIRMAN CORY: But that is a mechanical problem?

25 MR. HIGHT: Yes.

1 CHAIRMAN CORY: It is going to happen?

2 MR. HIGHT: We also have a problem of exactly
3 knowing where our boundary is in the area. The Division
4 has maps and we are reviewing those maps to determine
5 hopefully where our boundary is. And in a couple of the
6 areas we have what we feel is very firm ground. In some of
7 the areas, we still have review to make.

8 MR. NORTHROP: Mr. Chairman, so you might get some
9 idea of the order of magnitude of the problem; Gary, point
10 out that line that comes around, that U-shaped job there.
11 That line there, now, go back around the shoreline. That is
12 the area that we're kind of in dispute on. That is the
13 problem. We're waiting for the Attorney General to give us
14 a hand. So my instructions to staff have been on the areas
15 to the left and right of that bulge up and down on the
16 opposite side of the river, where this problem does not exist,
17 to move with all deliberate speed. But on the other areas
18 to look for --

19 CHAIRMAN CORY: You've heard that one before,
20 haven't you, Greg?

21 MR. NORTHROP: But on the other one we're pressing
22 now for the Attorney General to give us the opinion we need
23 so we can move with the same kind of haste on the other.

24 CHAIRMAN CORY: It's a problem as to where the
25 boundary is because at one point the channel --.

1 MR. NORTHROP: The boundary of that slough has been
2 changed and where natural is and where unnatural is, is a
3 problem. Greg, you may want to address yourself to that.

4 MR. TAYLOR: Mr. Chairman, there's a problem of
5 which line is controlling, whether it's the high water line
6 or the low water line. There has been some assumption in
7 the past that the low water line was the boundary. However,
8 as a result of litigation and some controversy about that
9 position, but as a result of litigation on the Sacramento
10 River and a condemnation action jointly participated in by
11 Highways and the Attorney General's Office, the Trial Court
12 held that the boundary was not the low water, it was the
13 high water. And as a result of that decision and previous
14 discussions over the validity of prior opinions of our
15 office, we've been asked to re-examine that.

16 We have previously given you a verbal opinion that
17 the high water mark is the boundary. I have the first draft
18 with me of that opinion which now runs about 200 pages.
19 Mr. Hight is going to take a look at it. I think that, well,
20 you can see from the map, it is a very close, the difference
21 between high and low water in some areas is not very great.
22 But in the area that we're talking about between the operation
23 of Mr. Martini and the land, there's quite a difference in
24 high and low water. So it will make a difference as to which
25 is the boundary.

1 We will have the opinion for you shortly. I think
2 that we've already given you our conclusion and the analysis
3 can be begun. I think as we've indicated to you on many
4 other pieces of litigation, our only limitation is really
5 one of staff. We can take on the entire State if we just
6 have the staff to do it, and that goes for both the Attorney
7 General's Office and the State Lands Division.

8 MR. NORTHROP: But the one with Mr. Martini is very
9 clear as to where we are. There's no question on this one.

10 CHAIRMAN CORY: May we hear from Mr. Martini.

11 MR. MARTINI: Yes. Thank you.

12 Gentlemen, I'm here to present my side of it here.
13 I lease this other, the green section that we speak of. I
14 did it as a good citizen and in good faith. And I've been
15 paying rent on that for the past ten years. Nobody else has
16 been paying.

17 Gentlemen, I hate to use the word, but I feel
18 discrimination has set in there and I'm not being treated
19 equally.

20 Also, I'd like to point out that this red section,
21 of course, covers an area of water that would, there wouldn't
22 be any berths. But, of course, I'm told that I would be,
23 well, not penalized, but nevertheless I'd have to pay for
24 that area. Well, okay. But the berths that I want to put
25 in would amount to 12 berths. Thirty-one feet long would be

1 the average of all the berths; some would be 38 and some
2 would be 24. In other words, it tapers down. Well, my
3 gross off of that would amount to around \$6,000 a year, no
4 more. And there's no more I can do with that. I can't put
5 up an office building or a bowling alley or boat sales or
6 any such thing as that.

7 Now, they say that they compare this here, value
8 of this mud under the water with the dry land. I can't see
9 that that's fair, gentlemen. To me --

10 CHAIRMAN CORY: Governor Dymally.

11 COMMISSIONER DYMALLY: Go ahead, when you finish
12 I have a couple of questions.

13 MR. MARTINI: Okay. Sure. With an acre of land
14 on dry land I can do an awful lot with it, an awful lot, but
15 with this here, 12 berths.

16 Now, it was stated that my rent is low. Yes, it
17 is, gentlemen. Now, let me tell you why, because I have to
18 run a ferry service back and forth and I have to pay this
19 man 24 hours a day to be on duty. And, of course, he lives
20 there. He gets an apartment with it. Now, incidentally, I
21 raised his wages in anticipation of getting these berths in.
22 But ladies especially frown on the ferry service, and this
23 is why I have a little bit of a time trying to get tenants.
24 It's no alibi. It's the truth. The ladies just don't care
25 to ride that ferry boat across the hundred and fifty feet is

1 all it is. And it's silly, but then nevertheless, this has
2 been one of my hold-backs.

3 Then on top of that, they value that property at
4 31,000 and I have the paid County -- well, this copy is not
5 the paid. I got the other one. But anyway, they value that
6 property at 5,000, no, \$1490. They come up with a value of
7 the green section of \$5,960. That's the full value. Well,
8 that is within reason.

9 Now, on top of the rent that I would have to pay
10 the State, I also have to pay this possessory tax for the
11 mud, and then on top of that I have to pay structure tax.
12 And then I have a statement here from my accountant for my
13 last year. It shows a net, a loss of \$2,727.91. Well, I
14 was figuring with this addition it would put it a little bit
15 comfortable, more comfortable, let me put it that way. Of
16 course, there is depreciation in here on the buildings and
17 stuff.

18 COMMISSIONER DYMALLY: How much rent are you
19 paying now?

20 MR. MARTINI: Three hundred and twenty-five dollars
21 a year.

22 COMMISSIONER DYMALLY: I see. If we were to charge
23 your neighbors rent, would you consider a hundred and twenty-
24 five dollars still unreasonable?

25 MR. MARTINI: What was the figure, sir?

1 COMMISSIONER DYMALLY: A hundred and twenty-five.
2 I think your rent is going to come up to a hundred and
3 twenty-five now a month.

4 MR. MARTINI: Oh, a month. Well, it would because
5 that would involve ten dollars a berth.

6 COMMISSIONER DYMALLY: No, I'm saying if we were
7 to charge your neighbors. Let's say next month the Attorney
8 General and everybody else got in the act and we got them to
9 start paying rent. Would you consider that one twenty-five
10 too high?

11 MR. MARTINI: Well, let's say this, if they all
12 had to pay comparable, why, how could I? I mean, you know
13 then what would happen, all the berths would have to go up
14 in rent and that's it.

15 COMMISSIONER DYMALLY: But wouldn't the berths
16 now bring you additional income?

17 MR. MARTINI: The berths?

18 COMMISSIONER DYMALLY: Yes.

19 MR. MARTINI: It would gross me 6,000 a year,
20 6,000.

21 COMMISSIONER DYMALLY: And out of that we're asking
22 you for another 900.

23 MR. MARTINI: No, you're asking for 1200.

24 COMMISSIONER DYMALLY: But you're paying --

25 MR. MARTINI: No, no, Governor --

1 COMMISSIONER DYMALLY: It's in addition, oh, I see.

2 MR. MARTINI: On this new addition you're asking
3 for 1200, and that would involve ten dollars a month per
4 berth which is, well, very, very high.

5 MR. NORTHROP: Mr. Chairman, I think it should be
6 pointed out here, too, besides the rental there is a
7 membership fee to belong to the club. So the rental is just
8 one part of it.

9 MR. MARTINI: No, but that, excuse me, that does
10 not come to me. I have nothing to do with that.

11 CHAIRMAN CORY: There's a club, a private club and --

12 MR. MARTINI: Yes, there is.

13 CHAIRMAN CORY: And that, you have no --

14 MR. MARTINI: Nothing whatsoever. Matter of fact,
15 I belong to the club.

16 CHAIRMAN CORY: And the club leases stuff from
17 you?

18 MR. MARTINI: The club leases the building that's
19 on the dry land, yes.

20 MR. GRIMES: The members, Sam, also lease all of
21 the boat berths, isn't that right?

22 MR. MARTINI: Yes, they're all in --

23 CHAIRMAN CORY: You have to be a member of the
24 club to --

25 MR. MARTINI: Yes, uh-huh.

1 CHAIRMAN CORY: How does one become a member of
2 the club? If I walk up, I can --

3 MR. MARTINI: You can join, yes. If you get
4 approval, then you can join.

5 CHAIRMAN CORY: The approval from?

6 MR. MARTINI: From the Board.

7 CHAIRMAN CORY: If I go to the Board and --

8 MR. MARTINI: Yes. You submit an application and
9 what have you and they review it and then if they accept
10 you, fine. And there's resident and non-resident members
11 there. In other words, the people don't have to have their
12 boats there to belong to the club.

13 COMMISSIONER DYMALLY: Mr. Martini, you have
14 awakened my curiosity. I think I am coming to that island
15 to visit.

16 MR. MARTINI: I wish you would. I'd feel honored,
17 really I would.

18 COMMISSIONER DYMALLY: By the way, would you tell
19 that County Assessor who assessed that property to come to
20 Sacramento.

21 [Laughter.]

22 MR. GRIMES: Could I comment on the assessment?

23 CHAIRMAN CORY: If you wish.

24 MR. GRIMES: The assessment is a possessory
25 interest assessment and it's based not only on value of the

1 land, but the tenancy that the person holds in the land and
2 is, therefore, not a measure of the fair market value of the
3 land.

4 CHAIRMAN CORY: But isn't that somewhat cyclical
5 that the Assessor is likely to be looking at the rental rate
6 as one of the factors?

7 MR. GRIMES: He may. He looks pretty heavily to
8 the terms of the lease as to the length of time and the
9 permanency. It's a risk factor on the --.

10 CHAIRMAN CORY: Greg and Bob, can you help us here?
11 I tend to have some sympathy for Mr. Martini's argument on
12 discrimination, but I think that everybody should be paying
13 this fee and I'm somewhat chagrined that all of them aren't
14 paying.

15 Would it be possible to approve this amendment at
16 a relatively, a lower rate until the point at which we start
17 charging his competitors?

18 COMMISSIONER DYMALLY: Or another alternative,
19 Mr. Chairman, is to postpone consideration of this matter
20 for another month which would give staff an opportunity to
21 come up with a recommendation for a rate that's more
22 reasonable pending a result of the other issues. I, too, am
23 sympathetic, Mr. Martini.

24 MR. MARTINI: Thank you, very much.

25 CHAIRMAN CORY: Governor, I would think that

1 Mr. Martini would like to start building berths.

2 MR. MARTINI: Well, sir, let me say this. I have
3 all my equipment installed and all my transformers. And
4 I've been on this thing for two years and I was never
5 informed that there would be any rate increase. They told
6 me everything was fine. Go ahead and clear all, you know,
7 your different agencies, which was a hassle. Believe me,
8 it was a fight.

9 And as I said, I was paying the caretaker \$60 a
10 week plus his beautiful apartment that he has. And I says,
11 "Look," I hired a new man, "Look, I'm going to be able to
12 pay you more because I'm getting in some more berths and
13 I'll be able to give you a little bit more." So I raise him
14 to a hundred. But I've got all my lumber. My styrofoam has
15 been laying there for two years. And I was not informed of
16 any --

17 CHAIRMAN CORY: Can the staff right now come up
18 with an interim figure? Can we do a little open negotiating
19 here?

20 COMMISSIONER DYMALLY: Why can't we do this. Why
21 can't we give him permission to begin construction pending
22 negotiation of higher rent. I think you have my assurance,
23 Mr. Chairman and Mr. Bell, that we will be reasonable.
24 I don't think anybody wants to put him out of business.

25 CHAIRMAN CORY: The staff has a suggestion.

1 MR. GRIMES: Pending bringing other trespassers --

2 CHAIRMAN CORY: We need to correct the record.

3 MR. GRIMES: Yes.

4 CHAIRMAN CORY: The Department of Finance doesn't
5 ever have sympathy with anyone.

6 [Laughter.]

7 CHAIRMAN CORY: So that's clearly on the record.

8 COMMISSIONER BELL: However, I do have a great deal
9 of empathy.

10 [Laughter.]

11 COMMISSIONER BELL: And I feel more like the
12 Governor does than the Chairman. And I would ask whether
13 it is possible to just not charge Mr. Martini anything until
14 we get everybody else, you know, everybody else going.

15 MR. TAYLOR: I think it would be better to continue
16 the lease at the same amount as the green area which would
17 be, as I understand it, acceptable with Mr. Martini at the
18 same rate and make the re-evaluation period, say, in two
19 years or in a year. Let's say a year.

20 CHAIRMAN CORY: But does Mr. Martini understand
21 that at the end of the year what we're planning on doing is
22 charging your competitors --

23 MR. MARTINI: Yes.

24 CHAIRMAN CORY: -- greater, and at that point you're
25 going to have to pay whatever they pay.

1 MR. MARTINI: Comparable. I'd be willing to, yes.

2 COMMISSIONER BELL: Equivalent rent.

3 MR. MARTINI: Yes, equivalent. Yes, I would.

4 I mean if everybody, well, I'm no exception.

5 CHAIRMAN CORY: As long as --

6 COMMISSIONER BELL: That seems --

7 COMMISSIONER DYMALLY: Mr. Martini, I also want to
8 commend you for not bringing a lawyer here.

9 MR. MARTINI: Oh, no. No.

10 [Laughter.]

11 COMMISSIONER DYMALLY: Because you made a better
12 case for yourself.

13 MR. MARTINI: No. I thought I'd just present the
14 facts, gentlemen, and I appreciate your interest.

15 MR. TAYLOR: I think Mr. Grimes had a statement.

16 MR. GRIMES: So that I can get it straight, we
17 will continue the rent at \$325, but say that that rent --
18 or do we take the \$325 and pro rate it per acre and then it
19 would amount to just about another \$325 a year?

20 MR. MARTINI: That's all right with me, gentlemen.
21 I can accept that.

22 COMMISSIONER BELL: The areas are about equivalent.

23 MR. GRIMES: They're about equivalent.

24 MR. MARTINI: Just about, yes, sir.

25 MR. GRIMES: To the thousandth of an acre they're

1 equivalent.

2 COMMISSIONER DYMALLY: Mr. Martini, do a little
3 investigation for me. Find out if your club has an
4 affirmative action plan, will you?

5 [Laughter.]

6 MR. MARTINI: I'll do it.

7 COMMISSIONER DYMALLY: I don't want to ask you
8 that question because you probably don't know, but check it
9 out, will you?

10 MR. MARTINI: Yeah, I will.

11 COMMISSIONER DYMALLY: Because the A.G.'s interested.

12 [Laughter.]

13 MR. TAYLOR: Mr. Chairman, then it would be then
14 that the same rental rate would be applied to the red area
15 as it currently applies to the green area and that there
16 would be a re-evaluation of the lease, a redetermination of
17 the rental lease at one year.

18 MR. MARTINI: That's with everybody else being
19 involved.

20 CHAIRMAN CORY: That you clearly understand that
21 it will be whatever everybody else is being charged.

22 MR. MARTINI: Right.

23 CHAIRMAN CORY: If we don't nail them by then, we
24 aren't going to help you.

25 MR. NORTHROP: We've got to make it clear it's not

1 predicated on that fact.

2 MR. TAYLOR: No, it's not. It would just be that
3 in one year we'll have to reset the rate. If he's unhappy
4 with it, he can come back again and make another presentation
5 to the Commission because I would not anticipate that we will
6 have completed all the lawsuits at that time.

7 MR. NORTHROP: Many of these things will be still
8 in litigation for some time, which is an on-going expense
9 for those people who care to litigate.

10 CHAIRMAN CORY: The Governor is going to speed up
11 the litigation process.

12 [Laughter.]

13 CHAIRMAN CORY: Great step decided yesterday.

14 COMMISSIONER DYMALLY: Mr. Chairman, I move at
15 staff recommendation that the rates be reviewed in one year
16 be adopted.

17 COMMISSIONER BELL: And that the rate be
18 equivalent to the other current rates. I second the motion.

19 MR. MARTINI: Gentlemen, I want to thank you very,
20 very much. Appreciate it.

21 CHAIRMAN CORY: Moved and seconded. Without
22 objection, such will be the order.

23 MR. NORTHROP: Mr. Chairman --

24 CHAIRMAN CORY: 5(1).

25 MR. BUETLER: Mr. Chairman, I would like to speak

1 on this issue.

2 CHAIRMAN CORY: What, the one we just --

3 MR. BUETLER: Yes.

4 CHAIRMAN CORY: Well, come forward.

5 MR. BUETLER: My name is Milford Buetler, and I am
6 President of the Bethel Island Municipal Improvement
7 District.

8 We are well aware of the project which you are
9 discussing. I speak in objection to the acceptance of the
10 increased lease. You can see how far that extends into the
11 main channel of this slough. And if that is, if that is
12 obstructed, it's going to obstruct any emergency equipment,
13 major traffic, and everything else that goes up this slough.

14 I know that this situation is that there are no
15 provisions on this island for the disposal of garbage,
16 sewage, or anything and they have to bring it over into our
17 District. And he's outside of our District. He has to bring
18 his sewage into our District and at the present time he is
19 not in non-compliance with our requirement on this project.
20 We firmly suggest that the increase in the extent of this
21 marina be reconsidered by your Board and denied.

22 MR. NORTHROP: Mr. Chairman, may we say that we
23 did not know Mr. Buetler was going to be here. He did not
24 notify staff. So we apologize for not letting you know.

25 MR. BUETLER: I apologize for this. I read it in

1 the paper yesterday and that's why I'm here.

2 CHAIRMAN CORY: Mr. Martini, can you -- Well, first
3 of all with the staff, let's deal with the point that's
4 brought up in terms of blocking the channel. It's my
5 understanding that that is the area for turning.

6 MR. BUETLER: It's the main channel of Taylor
7 Slough where the green is.

8 CHAIRMAN CORY: The green there's nothing we can
9 do about, sir. That has already been leased for a substantial
10 period of time. What we're talking about is the red or the
11 red-orange.

12 MR. BUETLER: Or the blue where it extends up into
13 the other main channel. Now, they have to go around this
14 place. You can't go through. It's too narrow. It's
15 between the channel and the island.

16 At the present time the Army Corps of Engineers
17 has rescinded his permit because he is not in compliance
18 with our requirements.

19 CHAIRMAN CORY: Now, can we go over the fact
20 situation in terms of what it is we're talking about so
21 Mr. Buetler and the Commission and Mr. Martini clearly
22 understand. We're talking about the red-orange area in
23 there and that little piece over there is the only thing that
24 is before this Commission at this time.

25 The blue and the green we are not discussing. It

1 is not an item before us. And there is nothing we can do
2 about his use of that at this time. Are you aware of that,
3 sir?

4 MR. BUETLER: Which is the additional part?

5 CHAIRMAN CORY: The additional part is this red-
6 orange area.

7 MR. GRIMES: This is existing --

8 CHAIRMAN CORY: No.

9 MR. GRIMES: -- for ten years.

10 CHAIRMAN CORY: The green is existing and he has
11 it for another ten years and there's nothing anybody can do
12 about that. We're talking about the red-orange area only.

13 COMMISSIONER BELL: Outline it for him.

14 MR. BUETLER: Well, that is a portion that's going
15 to extend further into the channel than the previous portion.
16 And I would like to say one more thing that this whole thing
17 is contrary to current controls of water pollution,
18 contamination and environmental concepts as provided today.

19 CHAIRMAN CORY: Will the staff help us in terms of
20 that area? From the map or the aerial photograph we're
21 talking about extending from the blue area a pier that fits
22 somewhere in that --

23 MR. BUETLER: Clear to the southern water's edge
24 there almost.

25 MR. GRIMES: This, by the way, is not the water's

1 edge.

2 MR. NORTHROP: That is not, yes, excuse me,
3 gentlemen, may I interrupt.

4 MR. MARTINI: That's just an old river that has
5 been dug up. There is three hundred and twenty-some-odd
6 feet that is between that point and the shore.

7 COMMISSIONER BELL: Three hundred and twenty feet?

8 MR. MARTINI: I think it's 320 or 324 feet. The
9 ArmyCorps of Engineers has cleared all of this here. This
10 was brought before their Board about the clearance and what
11 have you, emergency equipment, to get through.

12 MR. NORTHROP: Mr. Chairman, we have not been
13 notified before that this lease had been cancelled.

14 MR. MARTINI: This has not been rescinded,
15 gentlemen. It's still in force. I talked to Mr. Forsell
16 here about two weeks ago, and I still have another six months
17 on the permit at which time I can renew, you know, if there
18 was no agreement reached.

19 CHAIRMAN CORY: Okay.

20 MR. MARTINI: Now, gentlemen, can I bring up
21 another point?

22 CHAIRMAN CORY: Please.

23 MR. MARTINI: Please, gentlemen. I believe
24 Mr. Buetler's here for this reason, that he is irritated with
25 the fact that the Environmental Board and the County come to

1 me and demanded and they also held everything in abeyance
2 until I took the cesspool off of the island and run it, he
3 says their island, on to my property which I have three lots
4 there, gentlemen, for parking. And they demanded under
5 pressure that I bring that sewage across into a cesspool
6 there. And I am sure you gentlemen are aware of the fact
7 that in another, I think, maybe a year or so, there will be
8 a sewage plant on Bethel Island which I will have to pay
9 into.

10 But as of now these people are in litigation with
11 me now with attorneys and what have you to get me to remove
12 that line. And the County says that no way am I to touch
13 that line.

14 COMMISSIONER DYMALLY: Okay. Thank you.

15 CHAIRMAN CORY: Okay.

16 MR. TAYLOR: Mr. Chairman, I believe, I don't
17 know about the provisions of this lease, but there is a
18 provision in virtually all of our leases that any lessee
19 must comply with all the rules and regulations having
20 jurisdiction over the property. And if there is any
21 problem with the Corps of Engineers on that lease and that
22 provision is contained in this lease --

23 CHAIRMAN CORY: Or with the Water Quality Control.

24 MR. NORTHROPY: Or with the Environmental --

25 MR. TAYLOR: Or with anyone else, he has to correct

1 that situation or he's in default on our lease.

2 CHAIRMAN CORY: Mr. Martini, you understand that
3 that is the form of the lease that we're approving on this
4 addition, that you have to keep square with all the local
5 people.

6 MR. MARTINI: By all means, and I am at the moment,
7 sir. I really am.

8 CHAIRMAN CORY: Okay. Our action will stand.

9 MR. MARTINI: Thank you very much.

10 MR. TAYLOR: Mr. Chairman, it might be wise at
11 this point then to cover the situation that it be any State,
12 Federal or local agency that that be amended in the new
13 lease form to Mr. Martini.

14 COMMISSIONER BELL: Public agency.

15 MR. TAYLOR: Any public agency having jurisdiction
16 over the property.

17 MR. MARTINI: Yes, that's very fine.

18 MR. TAYLOR: So that would be added to the item
19 that you just acted upon.

20 MR. MARTINI: Thank you, again, gentlemen.

21 CHAIRMAN CORY: 5(i).

22 MR. NORTHROP: 5(i), Mr. Chairman and Commissioners
23 is a line, a 12 KV overhead line for local destination by
24 P.G. & E.

25 CHAIRMAN CORY: Any questions? Any comments from

1 members of the audience? Hearing none, 5(i) will be approved
2 as presented.

3 5(j), Recreational Pier Permits.

4 MR. NORTHROP: The list of literal owners on
5 Recreational Pier Permits, sir. We have been unsuccessful
6 in the Legislature. Our bill lost. And so we, these
7 Recreational Piers --

8 COMMISSIONER DYMALLY: Just a question,
9 Mr. Northrop. On these Recreational Piers in the case of
10 Mr. Baker and the other twelve people, if I as a private
11 citizen wondering around there, am I trespassing on their
12 property or can I use that property?

13 MR. TAYLOR: Which portion?

14 COMMISSIONER DYMALLY: The pier.

15 MR. NORTHROP: No, recreational piers. If he ties
16 up to someone else's other recreational pier, is he a
17 trespasser?

18 COMMISSIONER BELL: Are these available to the
19 public?

20 COMMISSIONER DYMALLY: Yes. Are these available
21 to the public in these leases?

22 MR. TAYLOR: No.

23 COMMISSIONER BELL: This is not a public pier.

24 MR. TAYLOR: It's not public. If the pier became
25 public, then we would charge them a rent.

1 COMMISSIONER DYMALLY: These are private piers.

2 COMMISSIONER BELL: Ironically, we charge rent for
3 a public one, but if they are a private one, we can't charge
4 legally charge them a rent.

5 MR. TAYLOR: That is because of the statute.

6 COMMISSIONER BELL: Private recreational piers.

7 MR. TAYLOR: That was opposed by the State Lands
8 Division.

9 COMMISSIONER BELL: Can we prevent future private
10 piers being built, though?

11 MR. TAYLOR: You can prevent recreational piers
12 from being constructed. You can not grant a permit.

13 MR. NORTHROP: These are all existing.

14 COMMISSIONER DYMALLY: I don't want to go into
15 that, but I would like staff on the next brief in, I would
16 like to raise that issue. What we are saying in effect is
17 that we have private piers on State lands that we do not
18 charge rent for and it's the exclusive property of some
19 private individual.

20 MR. TAYLOR: They have a very qualified use of it.
21 They can only use it for their own boat. If they are
22 letting other people tie up to that which are not really --

23 COMMISSIONER DYMALLY: That is fine. But then,
24 again, they don't pay rent on that.

25 MR. TAYLOR: They pay a nominal amount.

1 MR. HIGHT: They pay a filing fee and that's it.

2 COMMISSIONER DYMALLY: Just a filing fee.

3 MR. NORTHROP: Just a filing fee.

4 MR. TAYLOR: That is a statutorially created
5 exception.

6 CHAIRMAN CORY: Can we exercise the discretion as
7 to where we allow these Recreational Pier Permits to exist?

8 MR. TAYLOR: If there's a reasonable basis for that
9 determination, yes, you can.

10 CHAIRMAN CORY: Is getting even reasonable?

11 COMMISSIONER BELL: Is getting even reasonable?

12 [Laughter.]

13 MR. TAYLOR: You have a problem overcoming the
14 statute, but if you make a determination that no further,
15 that no further piers should be allowed in an area because
16 of congestion, water safety, any basis on that ground, it
17 could be denied.

18 MR. NORTHROP: Legislation this year --

19 COMMISSIONER DYMALLY: That was the Mori-Ayala
20 Bill, wasn't it?

21 MR. NORTHROP: Yes.

22 COMMISSIONER DYMALLY: We shall return next year.

23 CHAIRMAN CORY: Is the staff looking at whether or
24 not we should have any recreational piers in Donner Lake
25 given the heavy pressures on there for water skiing and all?

1 TAYLOR: It would be reasonable to exclude
2 them if after result of a study that that was the conclusion
3 and the Commission adopted the study.

4 COMMISSIONER DYMALLY: May I suggest,
5 Mr. Chairman, that staff review this matter so that at least
6 this member here can be better informed on that issue.

7 MR. NORTHROP: We'll put it together, sir, and
8 make a presentation next time.

9 CHAIRMAN CORY: 5(h), do we have any -- There's
10 nothing on Donner Pier.

11 MR. NORTHROP: No.

12 CHAIRMAN CORY: One's at Tahoe?

13 MR. NORTHROP: There's one on Tahoe.

14 CHAIRMAN CORY: What do you want to do? Shall we
15 approve all of them in (j)?

16 COMMISSIONER BELL: Yes.

17 CHAIRMAN CORY: Without objection, 5(j) will be
18 approved as presented.

19 6(a).

20 MR. NORTHROP: Mr. Chairman, this is the Mineral
21 and Energy Resources part of the Calendar. Burmah Oil
22 Company has drilled on State Lease 392 and has found some
23 productive wells. And at this time they are asking permission
24 to drill, as I understand it, from our Santa Fe Water
25 Injection Well. And this well will have, well, it will

1 eventually increase the production. It will take some time
2 for the aquifer to fill and for that reason we're
3 recommending approval of this item.

4 CHAIRMAN CORY: What kind of water do they use,
5 sea water?

6 MR. EVERITTS: Recycled production water mostly.

7 MR. NORTHROP: Water that has been produced,
8 separated out and it's the same water going back in again
9 from other areas of production.

10 COMMISSIONER BELL: Oh, from other areas of
11 production.

12 CHAIRMAN CORY: They aren't taking pure water.

13 MR. NORTHROP: No.

14 COMMISSIONER BELL: But this one is an upland
15 well.

16 MR. NORTHROP: Well, the location is upland.
17 It's the bottom, as I understand it --

18 COMMISSIONER BELL: Oh, this is slightly off,
19 yes.

20 CHAIRMAN CORY: Any question? What's the lead
21 time? When will it start?

22 MR. NORTHROP: We'll probably start very shortly,
23 but the lead time of fill up is about six months. So I
24 think it renders the old oil, new oil into a position where
25 it probably will be at some sort of a price released oil

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depending on what happens this next three weeks.

CHAIRMAN CORY: Anybody in the audience who wishes to address themselves to Item 6(a)? Without objection, 6(a) will be approved as presented.

6(b).

MR. NORTHROP: Mr. Chairman, I'm going to ask Mr. Don Everitts to present 6(b) because there are a couple of questions here I think the Commission may want to know in regard to price.

MR. EVERITTS: Well, Item 6(b) involves approval of a modification of a number of Gas Sales Agreements in the San Joaquin County area called dry gas. There is about five leases involved, six leases.

The interesting thing, what a lot of our contracts in Southern California are based on, is a border price which is more or less an average of the prices that the gas company has to pay for gas. In Northern California, they're subject to more negotiation. And Pacific Gas and Electric Company which is the sole buyer of gas in the Valley, has offered Standard Oil Company various new prices, ranging anywhere from 62 cents an MCF to 78 cents. Now this, on a BTU basis, this 75 to 78 cents is about equivalent to old oil prices.

So on the basis of BTU, if you're talking about released oil, this is quite low, maybe a third of the value

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1 on the BTU basis.

2 The reason the staff is recommending that this
3 contract be approved despite the discrepancy is that one,
4 there is only one buyer and that's the offer he's made at
5 this point. But, too, most of this is gas from another
6 net profits agreement that we had. Probably the earliest
7 one is 1940. And the royalty rate is a minimum of 30 percent
8 of the gross. The maximum sale; that is, 52 percent of the
9 net unless it's less than 30 percent of the gross.

10 CHAIRMAN CORY: Could we have the option of just
11 not approving it, leaving it in the ground until the price
12 goes up and selling it then?

13 MR. EVERITTS: I think that's a legal question
14 because if we enter into a contract and the contract says
15 that they have to -- It's really based on an average price,
16 acceptable price. I don't know. I couldn't say.

17 CHAIRMAN CORY: But if we come to the conclusion
18 that there is a monopoly, P.G. & E., who is not willing to
19 offer us a reasonable profit, why should I, Greg, why should
20 we capitulate? Just from what you've told me so far, there
21 is a monopoly that's unwilling to pay the true market value,
22 why should we capitulate?

23 MR. NORTHROP: The argument they use, Mr. Chairman,
24 is the fact that P.G. & E. is regulated by the Public
25 Utilities Commission which may --

1 CHAIRMAN CORY: That's P.G. & E.'s problem.

2 MR. NORTHROP: That's right.

3 CHAIRMAN CORY: Not mine.

4 [Thereupon there was a brief discussion off
5 the record.]

6 CHAIRMAN CORY: No, the PUC isn't going to let
7 them increase the rate. No, this is why we can stand tough.
8 Only PUC and "Bat" are willing to do it. Well, we'll have
9 more soon.

10 Greg, what is your discretion --

11 MR. TAYLOR: I think the question would be --
12 I have not examined the lease, Mr. Chairman. And if you'd
13 like to put it over, we can have that examination made.
14 But I think that the action would probably be in the
15 question of whether we're getting a fair return under the
16 provisions of the lease. And they made the contract, I
17 think -- I don't know that it would be possible to shut
18 in the wells.

19 CHAIRMAN CORY: But if, in fact, there is, the
20 testimony that Don gave us was that there was a monopoly
21 that's not willing to pay a true market value. Let him go
22 pound sand and see what happens.

23 I think we better put it over because I'm
24 unwilling to have somebody tell me that somebody's exerting
25 a monopoly power as being the only purchaser and they're

1 paying a third of the true market value --

2 COMMISSIONER BELL: They're offering old oil price.

3 MR. NORTHROP: But the intrastate oil, intrastate
4 gas --

5 CHAIRMAN CORY: Is exempt.

6 MR. NORTHROP: -- is not price regulated.

7 MR. CORY: Is not price regulated and so they're
8 paying the equivalent BTU price for new oil or even the
9 average between the two. I'm just hesitant to vote for the
10 give-away.

11 I can see why Stan-Cal. doesn't even care if it's
12 on a net profit, we're eating it.

13 COMMISSIONER BELL: No, we're only eating a
14 portion of it.

15 MR. NORTHROP: It also provides offset for intra-
16 state gas.

17 MR. EVERITTS: There are some people here from
18 Standard Oil Company if you'd care to listen to them.

19 [Thereupon there was a brief discussion off
20 the record.]

21 MR. NORTHROP: Mr. Chairman, I believe Mr. Taaffe
22 from Standard Oil Company is here and perhaps he would care
23 to rebut.

24 CHAIRMAN CORY: If he's got something to add, fine.
25 My beef isn't with Standard Oil on this as much as P.G. & E.

1 MR. TAAFFE: Mr. Chairman, my name is Ed Taaffe.
2 I'm with Standard Oil Company and I have with me Mr. Tom
3 Finical. Mr. Finical is the Manager for Gas Sales from our
4 Producing Department. Before he reviews the offer made by
5 P.G. & E., I'd just like to speak to one point that you made
6 about shutting in the gas. And that is, that the leases
7 that are here involved, including the easement 415 from which
8 a large portion of this gas is produced, grant to the
9 Standard Oil Company the right, as well as the obligation, to
10 produce. So we don't have, and I don't think the State has,
11 the unilateral right to shut the gas in pending the time
12 that eventual agreement may be reached with respect to the
13 valuation problem.

14 CHAIRMAN CORY: If you don't have that right, why
15 do you even need our approval?

16 MR. TAAFFE: We need your approval simply because
17 the lease calls for approval of the price of disposition of
18 the State's gas.

19 CHAIRMAN CORY: But that implies that if we don't
20 approve it, you can't do it. Otherwise it would be a
21 meaningless part of the contract, sir.

22 MR. TAAFFE: Well, maybe it would and maybe it
23 wouldn't. But I don't think I completely agree with that.

24 CHAIRMAN CORY: I can see how you don't want to
25 agree with that --

1 MR. TAAFFE: No, I don't.

2 CHAIRMAN CORY: -- but it seems to me that that's
3 the question that probably why we ought to put this over to
4 find out. And my quarrel is not with Stan-Cal, on this one.
5 But if P.G. & E. is holding you up, I'm willing to do battle
6 with P.G. & E. I'm willing to do battle with Stan-Cal. when
7 I thought you were wrong. And I'm not so sure you want to
8 ride point on this one because it's not your fight, I don't
9 think.

10 MR. TAAFFE: Well, this involves not only the
11 Standard Oil Company, but I presume other producers who
12 have leases from the State of California and who likewise
13 have a provision in their lease contracts which says that
14 the disposition of the State's share of gas is subject to
15 approval. Of course, the State does have the option under
16 these contracts to elect to take their gas in kind and
17 separately dispose of it if they choose to do so.

18 CHAIRMAN CORY: Or you could have that wonderful
19 problem that P.G. & E. is dealing with Dow Chemical on
20 some of the most corrupt, nefarious corporate practices that
21 even Standard of California hasn't contemplated.

22 MR. TAAFFE: I don't think that we're involved in
23 that.

24 CHAIRMAN CORY: I know you're not. But, I mean,
25 that is not a viable option. I think our only real true

1 viable option is to negotiate and put it on the table and
2 maybe get P.G. & E. in here to discuss what price they're
3 offering.

4 MR. NORTHROP: Mr. Chairman, I would like to
5 correct the record here. I'm advised by staff that we
6 cannot take it in kind for the contract, PRC 415.

7 MR. TAAFFE: Not on 415?

8 MR. NORTHROP: Yes, that's the bulk of the gas,
9 you say.

10 MR. TAAFFE: Yes.

11 CHAIRMAN CORY: Given the gas, you've got the
12 transportation problem.

13 MR. NORTHROP: Yes, that's the problem. And it's
14 my recollection, sir, Standard and P.G. & E. own the
15 pipeline.

16 CHAIRMAN CORY: Okay. Well, go ahead, then.

17 MR. TAAFFE: All right. Maybe Mr. Finical can
18 review --

19 MR. FINICAL: I just want to mention that our
20 basic gas sales contracts with P.G. & E. state that at
21 certain periods of time the producer and P.G. & E. will meet
22 to agree on a fair market value. It's a very nebulous fair
23 market value definition. And we started probably late in
24 nineteen, in the Fall of last year talking to P.G. & E. about
25 new prices that will be effective as of September, July 1,

1 1975.

2 Our initial approach to P.G. & E. was that we
3 wished the price of gas in Northern California to be equal
4 to the average border price of gas coming from Canada and
5 from West Texas through the El Paso system. P.G. & E.
6 turned this down just outright.

7 CHAIRMAN CORY: What is that amount?

8 MR. FINICAL: Well, at the time we were
9 negotiating, the Canadian gas at the Canadian Border was
10 a dollar an MCF. By the time it got down to California,
11 Oregon, or to the Bay Area, it was roughly a dollar fifteen.
12 El Paso Gas which comes in through Southern California and
13 up to the Bay Area at that time was in the order of 60 cents.

14 COMMISSIONER BELL: Price control by the Federal
15 Government?

16 MR. FINICAL: Right. So we were, our whole
17 negotiating strategy with P.G. & E. was that we were wanting
18 to have the border price concept. We wanted the same price
19 as the average price of out-of-state gas.

20 Concurrently with the negotiations with Standard,
21 P.G. & E. was out negotiating with 91 other producers, all
22 of them. They go in parallel. And it got to the point that
23 about February of this year we had still not agreed to the
24 75 cents, but 75 of the 81 other producers had agreed to
25 that price.

1 CHAIRMAN CORY: Who are those 75?

2 MR. FINICAL: The 75 goes all the way from the
3 majors, Standard and Amarada are among the two largest
4 producers. Amarada had agreed. Texaco, Mobil, the majors
5 plus a whole series of independents.

6 COMMISSIONER DYMALLY: Not because the Chairman
7 is leaving, but because there's a feeling that we need to
8 explore this further, I don't think we're going to take a
9 position on this one today. But you may continue your
10 presentation.

11 MR. FINICAL: Well, the point was that the majority
12 of the producers did go ahead and accept the P.G. & E.
13 75-cent price. We had not. The only recourse to not
14 reaching agreement was arbitration and we thought that under
15 the definition of fair market value and the fact that so
16 many of the producers had accepted the 75 cents, we thought
17 that this seriously hindered any arbitration proceeding we
18 might get into. At the same time the PUC was exercising
19 pressure on P.G. & E. to hold the line on gas prices.

20 After a lot of soul-searching, we were one of the
21 very last companies to agree to the 75 cents. To this day
22 out of 81 companies that they're negotiating with, I think
23 only four have not agreed at this point.

24 VICE-CHAIRMAN DYMALLY: Let the record show
25 Mr. D'Agostini has now replaced the Chairman.

1 I think the consensus here is that we ought to
2 postpone this matter until the next month.

3 I hope it doesn't inconvenience you too much.

4 MR. TAAFFE: Well, with the understanding,
5 Governor, that we will continue to produce and we will
6 render accounting on an interim basis, which we're required
7 to do by the 20th of this month for July gas, based on the
8 75-cent price that is currently on the table.

9 VICE-CHAIRMAN DYMALLY: Mr. Northrop.

10 MR. NORTHROP: Mr. Chairman, I think that would be
11 fine, but I would like the stipulation that should there be
12 a higher, a different price arrived at, regardless of where
13 it is, we have the right to either refund or expect
14 additional compensation at that time for the period. If
15 that's agreeable.

16 COMMISSIONER BELL: Is that understood?

17 MR. TAAFFE: If that's what we eventually agree to.

18 MR. NORTHROP: Okay. Fine. Whatever the finally
19 agreed price is, we can go back and either back bill or
20 credit, whatever it is.

21 COMMISSIONER BELL: May I ask two questions,
22 Mr. Chairman?

23 VICE-CHAIRMAN DYMALLY: Mr. Bell.

24 COMMISSIONER BELL: One. What is the price of
25 gas from this consortium prior to July 1st?

1 MR. EVERITTS: Varies between about 36 cents to
2 about 48 cents.

3 MR. NORTHROP: I think the high is 47 even and
4 the low is 36 and a half. The bulk of it 46.5.

5 COMMISSIONER BELL: What proportions from these
6 particular leases?

7 MR. NORTHROP: The bulk of it is 46.5.

8 COMMISSIONER BELL: I'm sorry. How significant
9 is this total volume of gas to P.G. & E. and its consumers?

10 MR. FINICAL: Some numbers I worked up very
11 hurriedly at the end of yesterday. It shows it's about a
12 total of 15,000 MCF a day.

13 MR. NORTHROP: So the difference between 36, or
14 46 and a half and 77, roughly 30 cents as proposed. And
15 that's to give you an idea the order of magnitude, that
16 times the number he just gave ~~an~~ MCF.

17 MR. EVERITTS: As far as revenue, we're talking
18 about a million dollars a year.

19 COMMISSIONER BELL: I think I was also asking a
20 little broader question; for instance, if P.G. & E.'s
21 consumption of gas, what proportion are we talking about?

22 MR. NORTHROP: Oh, I see.

23 MR. FINICAL: I know they bring in one million
24 MCF's a day out of Canada.

25 COMMISSIONER BELL: I see.

1 MR. FINICAL: And that comprises about 50 percent,
2 50 percent of the total. So it's about two million MCF's a
3 day.

4 COMMISSIONER BELL: And this is about --

5 MR. FINICAL: It's 15,000.

6 COMMISSIONER BELL: A very, very negligible amount.

7 MR. FINICAL: The total State of California now
8 supplies about 17 to 18 percent of P.G. & E.'s requirements.

9 COMMISSIONER BELL: So we probably wouldn't be
10 making a tremendous impact to the consumer if we, as we
11 change the price to 75 cents or even if we went up above that
12 because of the quantity. It's a very small quantity of the
13 total used.

14 MR. FINICAL: Yes, sir.

15 COMMISSIONER BELL: Thank you.

16 VICE-CHAIRMAN DYMALLY: Thank you. We'll put this
17 matter over until the next Commission meeting.

18 Item 6(c).

19 MR. NORTHROP: Mr. Chairman, the explanation on
20 this particular Calendar item exceeds what currently appears
21 before the Commission and for that I apologize. And I will
22 warrant from now on the Energy and Resource Section will
23 contain adequate information to explain its position. The
24 criticism level that it doesn't is well taken here.

25 Mr. Bob Hight will explain the Gustafson item.

1 MR. HIGHT: Gustafson is a purchaser of State
2 royalty oil. And the purchase agreement provided that they
3 would pay the State within ten days after billing in the
4 prior month. if it proved to be unfeasible to bill within
5 ten days after the payment. So the State in Gustafson orally
6 agreed to amend that contract and would allow Gustafson to
7 pay ten days after the State billed. Through some kind of
8 misunderstanding on both party's parts, on this particular
9 time Gustafson paid 14 days after instead of the ten days
10 after, leaving a penalty and interest of some \$3,000 which
11 the State charged for the extra four days.

12 On the advice of the Attorney General we negotiated
13 with Gustafson and determined that a reasonable settlement in
14 this matter would be a thousand dollars.

15 MR. D'AGOSTINI: How much was the total billing?

16 COMMISSIONER BELL: Three thousand.

17 MR. HIGHT: Three thousand.

18 MR. D'AGOSTINI: No, that was the penalty and
19 interest.

20 MR. NORTHROP: They don't have any --

21 MR. TAYLOR: Do you know how much it was, Don?

22 MR. NORTHROP: What was the total billing,
23 Mr. Everitts? Can you tell us that?

24 MR. EVERITTS: The billing was \$71,619.

25 VICE-CHAIRMAN DYMALLY: What's your disposition?

1 COMMISSIONER BELL: It seems like an equitable --
2 Would it cost us that much?

3 MR. NORTHROP: The additional amount, the Attorney
4 General assures us, that it would cost in litigation and the
5 risk of perhaps because of the fact that there seems to be
6 somewhere in the argument the fact that there was a calendar
7 day versus working day agreement and that is really not
8 specified in very clear.

9 COMMISSIONER BELL: It is so written that way?

10 MR. NORTHROP: No, but there well may be a problem
11 there. So with that caveat, the Attorney General felt that
12 a negotiated settlement of a thousand dollars probably was --

13 MR. D'AGOSTINI: Is the penalty and interest
14 statutory?

15 MR. NORTHROP: Yes. Well, it's not statutory, but
16 it's in the agreement.

17 MR. TAYLOR: Well, there's a 6224 here too.
18 That's statutory.

19 MR. D'AGOSTINI: Is this going to do anything in
20 terms of precedent?

21 MR. TAYLOR: No, I don't believe that it will
22 under the circumstances. There is an argument as to the
23 effectiveness of the oral modification of the lease and
24 whether or not there was an understanding of the mind as to
25 what the oral modification was. That's where it will turn on.

1 It won't turn on the question of the penalty. And so it's
2 a game then of whether who's right. And if we're right, we
3 get \$3,000. If they're right, we don't get anything.
4 And they feel that they don't owe us a penny, and
5 Mr. Gustafson is very adamant about that position. However,
6 I think everyone totaled it up and decided to split the
7 baby would be the most expeditious way to go. And that's
8 just about what's been proposed.

9 COMMISSIONER BELL: In effect, the proposal going
10 to the Board of Control is purely for relief of
11 accountability for the --

12 MR. TAYLOR: That is correct. That's why it has
13 to be handled.

14 VICE-CHAIRMAN DYMALLY: Without objection, the
15 settlement proposed by the staff is adopted.

16 Item 6(d).

17 MR. NORTHROP: Mr. Chairman, this is an assignment
18 of a uranium prospecting lease from Mr. Sanberg who was one
19 of the early approvals of this existing commission to Rocky
20 Mountain Energy.

21 VICE-CHAIRMAN DYMALLY: Any objections to this?
22 If not, the approval of the permit is recommended.

23 COMMISSIONER BELL: All this is is really
24 transfer of the permit to explore and has nothing to do
25 with anything in terms of anything they find. They can't

1 do anything with it until they come back?

2 MR. NORTHROP: That's correct. They must come
3 back for a development.

4 VICE-CHAIRMAN DYMALLY: Item 6(e).

5 MR. NORTHROP: Union Oil Company's application to
6 drill an additional well in the Geysers steam field in Sonoma
7 County. And all the other agency approvals have been
8 approved or will be approved prior to our approval.

9 MR. TAYLOR: Mr. Chairman, could I interrupt just
10 for a moment on this item? And if you'll go to page 58 of
11 your Calendar, if I could suggest a change. I'm sorry for
12 not having coordinated this more thoroughly at the
13 beginning, but we had a problem with someone on vacation.

14 We're concerned that the action here not affect
15 certain other projects of the State in connection with this
16 matter which is why we're interrupting.

17 It is indicated that this would be contingent upon
18 the final review by the Air Resources Board of the project.
19 And I worked with Mr. Hight in the language and we didn't
20 get it quite right on further review. And I would like to
21 suggest the following language that in the second line of
22 the recommendation after the word "any," the word
23 "additional" be added. And in the last line of that
24 recommendation paragraph, that the first four words be
25 stricken, "their final review of," and that inserted for

1 that would be "commencement of operations at." So it would
2 read: "Subject to the condition that the Union Oil Company
3 follow any additional mitigation measures required by the
4 Air Resources Board after commencement of operations at the
5 project."

6 We were ambiguous in the wording and we want it
7 clearly understood that the Air Resources Board has
8 thoroughly reviewed this project and commented upon it and
9 has sent a letter dated August the 11th, 1975, to the
10 Sonoma County Planning Department, which we have a copy of,
11 saying that they favor the development of geothermal
12 resources.

13 The reason for the contingency in the State
14 certification of the E.I.R. is the fact that you don't
15 know exactly what kind of gases will be emitted from a
16 project after it starts. There has been as thorough a review
17 of the E.I.R. process that is possible of this specific well,
18 but once it starts each well burps a little different kind of
19 obnoxious gases or other things which have to be adjusted in
20 light of experience. And that's the only contingency that's
21 being added to this is the right to adjust it as it continues
22 to operate.

23 COMMISSIONER BELL: After commencement.

24 MR. TAYLOR: Right.

25 VICE-CHAIRMAN DYMALLY: Any comments? Any

1 objections?

2 If not, approval is granted.

3 7(a) and 7(b).

4 MR. NORTHROP: Mr. Chairman, on 7(a) --

5 VICE-CHAIRMAN DYMALLY: And (c).

6 MR. NORTHROP: (a), (b), and (c), I'd like to
7 separate because there's some explanations particularly on
8 (b).

9 VICE-CHAIRMAN DYMALLY: Fine.

10 MR. NORTHROP: (a) is a pretty forthright staff
11 recommendation that some work be done on some lines that have
12 shown deterioration: coming ashore. And as the notes
13 indicate there are one, two, three, four lines involved.
14 And this project is one that will come close to about
15 eight hundred odd thousand dollars. And this is for the
16 first \$440,000 segment. And what we're attempting to do
17 here is to clamp, patch and repair lines that have shown
18 a deterioration to avoid the possibility of spill in the
19 Long Beach Harbor.

20 VICE-CHAIRMAN DYMALLY: Any comments?

21 COMMISSIONER BELL: I think we better do it.

22 [Laughter.]

23 VICE-CHAIRMAN DYMALLY: The approval of the
24 modification is granted.

25 MR. NORTHROP: Item (b), Mr. Chairman, is the

1 result of a lawsuit and I would, if we'd like more information,
2 I've asked Mr. Thompson to be available for questions on
3 this and perhaps some original --. Mr. Thompson, would you
4 care to go over what happened with Tidewater Marine and why
5 we are paying so much money for a mud barge?

6 MR. THOMPSON: My name is Thompson, Manager of
7 Long Beach Operations.

8 Basically this is a summation of eight years of
9 difference of opinion on a contract. Back in 1967, there
10 was to be a purchase, possible purchase of a mud barge by
11 the fuel contractor for the Long Beach Unit. In this
12 particular agreement they had an option to buy or continue
13 to lease. There was an extension of a period of time there
14 by a verbal agreement. There was a misunderstanding with the
15 verbal agreement. Therefore, the fuel contractor did not
16 pay for a rental period of about a hundred and ten days.

17 The contractor, Tidewater Marine, then sued to
18 collect this \$110,000.

19 In 1973, this was finally settled in the Court.
20 The Court agreed at that time that the THUMS Field Contract
21 was to pay \$90,000 of a claim of \$111,000.

22 This was later appealed. And in the appeal, part
23 of that was lost. In 1975, the first part of '75, this was
24 finished. We were notified of this last month. To avoid
25 convening payment of interest charges, about a thousand

1 dollars a month, we transferred locally funds to pay this
2 particular settlement off. And we're now asking for an
3 augmentation of funds to replace the funds we had to transfer.

4 VICE-CHAIRMAN DYMALLY: Any questions?

5 COMMISSIONER BELL: Increase due to added costs
6 in interest and things of this nature over and above the
7 initial settlement because of the appeal.

8 MR. THOMPSON: The interest amounts to about, from
9 \$111,000 to 72; about \$60,000. Now the four percent
10 overhead is not paid on that part. It's only on the
11 original \$111,000.

12 COMMISSIONER BELL: No, I have no questions.

13 VICE-CHAIRMAN DYMALLY: Fine, then approval is
14 granted.

15 MR. NORTHROP: Mr. Chairman, on the next --

16 VICE-CHAIRMAN DYMALLY: 7(c).

17 MR. NORTHROP: On the next one we now have
18 concluded with Long Beach our agreement on gas prices which
19 unfortunately are limited by, unfortunately for the State,
20 are limited by Chapter 29. We now have agreed on 1.45 million.
21 We have had one initial payment and the balance now will be
22 paid by the City of Long Beach. And we did not figure it
23 in the budget.

24 VICE-CHAIRMAN DYMALLY: No action is necessary on
25 this item.

1 MR. NORTHROP: Mr. Chairman, it would seem
2 reasonable that (d), (e), and (f), while they'll be handled
3 as a unit, are budgeted items on subsidence.

4 VICE-CHAIRMAN DYMALLY: No action is necessary.

5 MR. NORTHROP: You need to approve is all.

6 COMMISSIONER BELL: No objection.

7 VICE-CHAIRMAN DYMALLY: Without objection,
8 approval is granted.

9 Item 8(a).

10 MR. NORTHROP: Mr. Chairman, we approved a
11 contract for Lobel, Nobins and Lamont to act as counsel
12 in Washington for crude oil pricing and other matters coming
13 before the Commission. And the Executive Department has
14 also availed themselves of the service of Mr. Lamont. And
15 in the contract we neglected to provide for transportation.

16 We're asking for transportation augmentation not
17 to exceed \$10,000. As you know, Mr. Lamont was here last
18 month working on some problems with us and addressed the
19 Commission. We would recommend that travel be included not
20 to exceed the \$10,000 amount, but in no case travel could
21 be authorized without first the advance approval of the
22 Executive Officers.

23 VICE-CHAIRMAN DYMALLY: Fine. Without objection,
24 so ordered.

25 MR. NORTHROP: On Item 9(a) there is, where the

1 City of San Leandro has recommended revocation of a trust
2 and the reinstatement of a Public Agency Permit and because
3 the revocation is, purpose of the trust has not been
4 complied with. So they are in order to ask that and we
5 should accept it. And the Agency Permit allows this land
6 that is coming back to us to be reserved for open space and
7 park purposes.

8 VICE-CHAIRMAN DYMALLY: Any questions?

9 COMMISSIONER BELL: No.

10 VICE-CHAIRMAN DYMALLY: Without objection, it is
11 so ordered.

12 Item 10(a).

13 MR. NORTHROP: 10(a) is a disclaimer which we
14 must have in all Federal suits. And we have no interest in
15 this action.

16 VICE-CHAIRMAN DYMALLY: So ordered.

17 MR. NORTHROP: And (b) is an authorization for
18 staff counsel to initiate ejection proceedings against
19 Stanley J. Gale.

20 VICE-CHAIRMAN DYMALLY: Go ahead.

21 COMMISSIONER BELL: Okay.

22 MR. NORTHROP: And does the Attorney General have
23 any status reports?

24 MR. TAYLOR: In the People versus Zarb case,
25 there was a hearing on a Motion to Dismiss. It was denied,

1 but the parties were directed to go back to the F.E.A. for
2 further determination. This is U.S.A. Oil. As you recall,
3 was one of the first people that appeared. They were trying
4 to get the case dismissed. They were unsuccessful. It
5 goes back now to the F.E.A. If U.S.A. doesn't take it back
6 to the F.E.A., we will take it back to make sure there's a
7 determination of the matter.

8 VICE-CHAIRMAN DYMALLY: Is Mr. Gale here? What
9 action do you wish us to take?

10 MR. TAYLOR: It's just an informative item,
11 Governor.

12 There's one other item Mr. Bell and Mr. Cory
13 expressed a desire to know about, the problems of
14 jurisdiction, ~~whether it be the problems of various forums in~~
15 connection with cession of jurisdiction. In the cession
16 of jurisdiction matter the Chairman asked that our office
17 have its criminal section look into whether there were
18 problems in that.

19 Mr. Lindfeldt of Mr. Hight's staff and a member
20 of the criminal section of our office visited with the
21 Department of Interior on Monday, and they're going to
22 continue those discussions. And we'll try to have some kind
23 of advice to you from that section of our office.

24 VICE-CHAIRMAN DYMALLY: No action is necessary?

25 MR. TAYLOR: No.

1 VICE-CHAIRMAN DYMALLY: Item 10(c), Information
2 Only.

3 MR. NORTHROP: I think we better go back. That
4 was 10(c), Mr. Chairman. Did Stanley Gale, we assumed Gale
5 was passed. I just wanted to make sure.

6 VICE-CHAIRMAN DYMALLY: Oh, I'm sorry. Well, let
7 me make that clear.

8 Without objection, it is so ordered on Item 10(b).

9 MR. NORTHROP: Mr. Chairman, requesting that the
10 next meeting be on Monday, September 29th, for the
11 convenience of the members.

12 VICE-CHAIRMAN DYMALLY: Monday?

13 MR. NORTHROP: September 29th, 1975.

14 VICE-CHAIRMAN DYMALLY: Fine. At Sacramento?

15 MR. NORTHROP: Yes, sir.

16 That's all the items we have to come before the
17 Commission, Mr. Chairman.

18 VICE-CHAIRMAN DYMALLY: Anyone wish to bring any
19 items before the Commission? If not, then the meeting is
20 adjourned.

21 [Thereupon the August 21st meeting of the
22 State Lands Commission was adjourned at
23 11:30 a.m.]

24 --oOo--

25

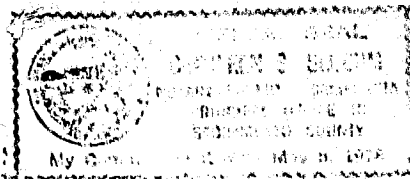
1 STATE OF CALIFORNIA)
2 COUNTY OF SACRAMENTO) ss.

3 I, CATHLEEN SLOCUM, a Notary Public in and for
4 the County of Sacramento, State of California, duly
5 appointed and commissioned to administer oaths, do hereby
6 certify:

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

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

15 IN WITNESS WHEREOF, I have hereunto set my hand
16 and affixed my seal of office this 3rd day of September,
17 1975.



Cathleen Slocum
CATHLEEN SLOCUM, C.S.R.
Notary Public in and for the County
of Sacramento, State of California
C.S.R. License No. 2822

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