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MEETING
STATE LANDS COMMISSION

Capitol Building
Room 6028
Sacramento, California

THURSDAY, JUNE 24, 1976
10:00 A.M.

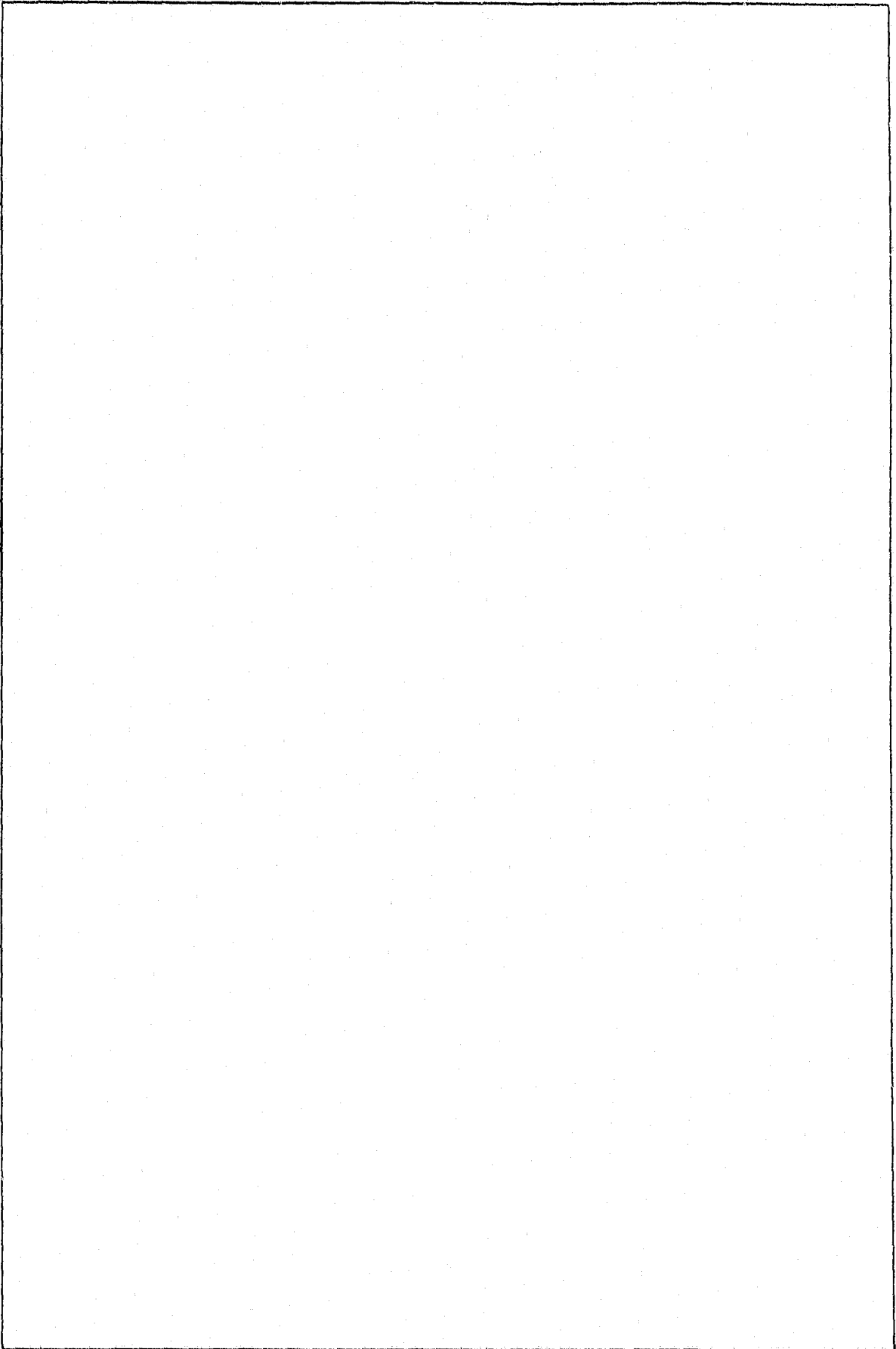
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MEMBERS PRESENT

1
2 Hon. Kenneth Cory, Controller, Chairman
3 Mr. Walter D. McGuire, representing Mervyn M. Dymally
4 Mr. Sid McCausland, representing Roy M. Bell

MEMBERS ABSENT

5
6
7 Hon. Mervyn M. Dymally, Lieutenant Governor
8 Hon. Roy M. Bell, Director of Finance

STAFF PRESENT

9
10
11 Mr. William F. Northrop, Executive Officer, State Lands
Commission
12 Mr. James F. Trout, Manager, Long Beach Operations
13 Mr. Robert C. Hight, Staff Counsel, State Lands Commission
14 Mr. R. S. Golden, Assistant Executive Officer, State Lands
15 Commission
16 Mr. D. J. Everitts, Manager, Energy and Mineral Resources
Development
17 Mr. Denny Goldstein
18 Mr. William Hayter
19 Ms. Diane Jones, Secretary
20

ALSO PRESENT

21
22 Mr. Gregory Taylor, Deputy Attorney General
23
24
25

P R O C E E D I N G S

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CHAIRMAN CORY: Will the meeting come to order, please?

Are there any corrections or additions to the Minutes of the previous meeting by any members?

Without objection, we will confirm those as presented.

Mr. Northrop, your report.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman. The Coastal Commission bill is being heard today in the Legislature.

When Proposition 20 was passed by the electorate in 1972, the people of California declared that the California coastal zone is a distinct and valuable natural resource belonging to all the people. The California Coastal Zone Conservation Act of 1972, Proposition 20's official title, also declared that it is the policy of the State to preserve, protect, and where possible, to restore the resources of the coastal zone.

CHAIRMAN CORY: Do you have some prognosis as to what's going to happen?

EXECUTIVE OFFICER NORTHROP: Legislatively, it is failed -- the Bielsonson bill failed in Senate Finance, I believe. And it's now been amended into a bill that's

1 been through the Senate and back to the Assembly, which
2 means it's probably going to have to go back for at least
3 concurrence, if it passes out of the Assembly. So, the
4 position of the bill is in doubt, to say the least.

5 CHAIRMAN CORY: I'm trying to move things along.
6 Is there anything we can do should that legislation fail
7 to try to carry out the wishes of the people in that regard
8 in the interim?

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Counsel
10 tells me, staff tells me, that most of the area that is
11 within the high tide line of the three-mile limit is
12 currently within purview, and we probably have legislative
13 mandate to cover much of this area. But, previous
14 Commissions have not done it administratively.

15 CHAIRMAN CORY: Could the staff look into what
16 it would take in terms of our Regulations should that
17 legislation fail, in essence, carrying out the policies
18 and bring those policies to this Commission, that we could,
19 in essence, maybe implement that?

20 MR. McCAUSLAND: I would support that.

21 MR. McGUIRE: Sure.

22 EXECUTIVE OFFICER NORTHROP: Okay, fine,
23 Mr. Chairman. We will take the necessary steps to carry
24 that out.

25 The next item, Mr. Chairman, in my report is the

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1 Alaskan Oil and Gas Disposition Study.

2 On June 8, 1976, staff submitted to members of
3 the Commission a draft of a study which responds to the
4 Commission's inquiries relative to the proposed or probable
5 disposition of Alaskan oil and gas resources. Staff has
6 focused on the major issues facing this Commission and
7 other State decision makers on existing and anticipated
8 projects resulting from the anticipated importation of
9 such resources to the Lower 48. In addition, this report
10 sets forth information and issues yet to be addressed. We
11 believe this report is a comprehensive compilation of
12 industry and government data and proposals. As such, the
13 study, if accepted, would be useful to other planning and
14 regulatory agencies within the State.

15 I've discussed this informally with the representa-
16 tives of some of the Commissioners, and they have indicated
17 the report seems to be acceptable.

18 CHAIRMAN CORY: Do you have any question about
19 that?

20 MR. McCAUSLAND: I have one comment not directly
21 relevant to that, Mr. Chairman.

22 But, the report points out, if anything, the
23 lack of an overview of what the future energy requirements
24 of California are and what the impacts of pending decisions
25 will be on the future. I think it would be appropriate to

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1 explore having an informal work session between this
2 Commission and the Energy Commission relatively soon to
3 discuss lead role responsibilities and who's going to fill
4 the voids. Because, while there are a few biases in the
5 report that don't have to be there, the overwhelming
6 preponderance of evidence suggests we don't know where
7 we're going or how we are getting there. And I think
8 we should be talking about this.

9 CHAIRMAN CORY: Can you talk to someone on the
10 Energy Commission and possibly get a work session together?

11 EXECUTIVE OFFICER NORTHROP: The staff will take
12 the lead on that, Mr. Chairman.

13 CHAIRMAN CORY: Is there some way we can, in
14 essence, accept and release this report subject to any
15 revisions? It's a rather lengthy document, and there
16 could be errors and misstatements just in the normal process
17 of human frailty.

18 MR. McCAUSLAND: I so move, Mr. Chairman, that
19 we publish it as a working draft?

20 MR. MCGUIRE: Sure. I second that.

21 CHAIRMAN CORY: Any problems with that from the
22 staff?

23 EXECUTIVE OFFICER NORTHROP: No, that's fine.

24 CHAIRMAN CORY: As long as everyone knows it's
25 a draft and it's being made available, and if there are

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1 revisions because of lack of information because they
2 misunderstood a question, they have the draft and they
3 can then come back and respond to, and maybe we can tidy
4 up some of what appears to be conflicting information.

5 EXECUTIVE OFFICER NORTHROP: Yes. Thank you
6 very kindly, we'll do that.

7 CHAIRMAN CORY: Without objection, such will be
8 the order.

9 EXECUTIVE OFFICER NORTHROP: As we discussed last
10 meeting, I appeared before the rule-making body of the
11 Federal Energy Administration in Los Angeles. I once again
12 reported the adverse effects on California production by
13 the continued shortsightedness of the Federal Energy
14 Administration in failing to understand that the continua-
15 tion of the heavy gravity penalty for California crude oil
16 will result in economic limitations that make recovery of
17 the maximum amount of oil impossible. At a hearing in
18 Washington, D.C. the City of Long Beach again presented
19 this same position which is congruent with our position.

20 That completes my report, Mr. Chairman.

21 CHAIRMAN CORY: Any comments from Commissioners?

22 Okay. Anything on the Consent Calendar that
23 anyone on the Commission wishes to have removed or discussed?

24 Anybody in the audience who wishes to address
25 themselves to the Consent Calendar Items which are C-1

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1 through C-12?

2 Without objection, then, we will approve the
3 first 12 items of the Consent Calendar as presented.

4 Let the record show that Mr. McGuire has abstained
5 from voting on Item C-3.

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on
7 Item C-3 --

8 CHAIRMAN CORY: That's fine.

9 EXECUTIVE OFFICER NORTHROP: Okay.

10 CHAIRMAN CORY: Item 13, construction and mainten-
11 ance of a pipeline for a reclaimed water distribution
12 system in Contra Costa County.

13 EXECUTIVE OFFICER NORTHROP: That's right. All
14 other agency permits are in on this one, Mr. Chairman.

15 CHAIRMAN CORY: Anything from any members of the
16 audience on Item 13 on the Agenda?

17 Without objection, it will be approved as
18 presented.

19 Item 14.

20 EXECUTIVE OFFICER NORTHROP: It's an Industrial
21 Lease for a parking lot, Mr. Chairman, a release on
22 previously filled tideland.

23 CHAIRMAN CORY: Any questions from Commissioners?

24 Anybody from the audience who wishes to address
25 the Commission on Item 14?

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1 Item 14 will be approved as presented.

2 Item 15, Southern Cal Edison.

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, two
4 additional lines of rent were reflected in the additional
5 line amount.

6 CHAIRMAN CORY: Okay. Any questions from Members?
7 Any questions or comments from the audience?
8 Without objection, 15 will be approved as
9 presented.

10 Item 16. Dart Resorts wants to give something
11 to Tahoe Donner Association.

12 EXECUTIVE OFFICER NORTHROP: That's correct.

13 CHAIRMAN CORY: What is it that they are giving?

14 EXECUTIVE OFFICER NORTHROP: Mr. Hight will
15 discuss this.

16 MR. HIGHT: Mr. Chairman, this is an Assignment
17 from Dart to the Homeowners Association of their boat ramp
18 and docking facilities on Donner Lake.

19 CHAIRMAN CORY: And consideration remains constant?

20 MR. HIGHT: Yes.

21 CHAIRMAN CORY: Any questions?

22 Anybody in the audience?

23 It's nice to have something from Donner that's
24 noncontroversial.

25 Item 16 approved as presented.

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1 Item 17.

2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
3 is a Quitclaim Deed for a lease and a release to the
4 Dorman, Garcia, Wittpen principals.

5 CHAIRMAN CORY: This is, in essence, just a new
6 lease replacing the old lease, new additional members coming
7 in?

8 EXECUTIVE OFFICER NORTHROP: Additional principals.

9 CHAIRMAN CORY: Any questions from Members?

10 Anybody in the audience who wishes to speak to
11 Item 17?

12 Without objection, 17 will be approved as
13 presented.

14 Item 18, Agate Bay Properties.

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
16 is an annual rental revision from some \$600 to over \$8,000
17 for rental for a Commercial Lease.

18 CHAIRMAN CORY: Anybody who wishes to address
19 themselves on Item 18?

20 Any questions from Commissioners?

21 Without objection, Item 18 will be approved as
22 presented.

23 Item 19.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
25 counsel for Lloyd Korth has requested that this item be

1 withdrawn from the Agenda.

2 CHAIRMAN CORY: Did we see this one before?

3 EXECUTIVE OFFICER NORTHROP: The request was
4 last month to withdraw it, again.

5 Perhaps Counsel would care to speak to this
6 matter.

7 MR. HIGHT: Yes, Mr. Chairman. We have attempted
8 to negotiate this lease revision with Mr. Korth, and he
9 has advised us that he would have an appraisal so we could
10 have something to discuss. At this point he does not have
11 an appraisal that he would like to discuss with us.

12 CHAIRMAN CORY: Pardon me, sir, you are --

13 MR. ALLEN: Mr. Chairman, I am Bruce Allen,
14 attorney for Mr. Korth.

15 We just hired an appraiser two weeks ago, and
16 if you are familiar with how busy they are, I just don't
17 think we can have an appraisal report back until at least
18 the next meeting or possibly the next meeting after that.

19 CHAIRMAN CORY: You know, this has been hanging
20 fire for quite awhile.

21 MR. ALLEN: Mr. Chairman, we didn't get notice
22 of this until just before the last meeting. We received
23 notice just nine days before the last meeting, both of
24 our rent increase and of the hearing.

25 CHAIRMAN CORY: Staff, is that correct?

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1 MR. ALLEN: May 13th.

2 MR. TROUT: I don't have the files with me. I
3 don't know if that's true or not.

4 MR. ALLEN: I would ask that it go over to 30
5 days.

6 I might say that I am as anxious as you are.
7 I represent some other Marina owners in that area who also
8 have negotiations going on. We're having one appraiser
9 do the appraisal of all these properties. It will save
10 us costs and at the same time will expedite your whole
11 program.

12 MR. HIGHT: Mr. Chairman, I believe that on
13 April 27th, the lease provided that the Commission was to
14 notify the applicant. And I'm sure that that notification
15 was given at that time on or about the 27th of April.

16 MR. ALLEN: Let me say we got a notice saying
17 that our rent had been raised. We had no notice of the
18 hearing until the actual date -- the date of your notice
19 to us was May 13, and I have that notice that we received.

20 EXECUTIVE OFFICER NORTHROP: That was normal
21 notice of the normal Commission meeting.

22 MR. ALLEN: We had notice of the rent increase
23 two days before it was to be effective.

24 CHAIRMAN CORY: The purpose of the appraisal
25 that you are seeking is what, to argue whether or not our

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1 staff --

2 MR. ALLEN: Well, the rental as based by your
3 own Regulation is based on a capitalization of the values
4 of the adjoining property. And we have -- you placed a
5 value on the property of some 3,000 or more per acre higher
6 than -- at least what the County Assessor just appraised
7 it for.

8 CHAIRMAN CORY: And so, the purpose of us waiting
9 on you is for you to argue with us?

10 MR. ALLEN: To argue with you -- to present our
11 appraisal report for you to look at. Actually, we'd be
12 arguing with the staff, is what we'd do, hopefully.

13 CHAIRMAN CORY: I hope that you do.

14 Given the question of notice, we will let it
15 go over 30 days?

16 MR. MCGUIRE: Yes. I'd sure like to hear it
17 next month.

18 MR. ALLEN: We will make every effort.

19 CHAIRMAN CORY: Can you put it on the top of
20 the pile?

21 MR. ALLEN: Okay.

22 CHAIRMAN CORY: Thank you, sir.

23 Without objection, Item 19 will be put over to
24 the next meeting.

25 Item 20, Squaw Creek Investment Company, Geothermal

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1 Resources; 200 acres of school land in the Geyser area of
2 Sonoma.

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we
4 have a presentation on this. Mr. Everitts, do you have the
5 maps available?

6 This is approximately 200 acres that is surrounded
7 by a much larger parcel.

8 MR. EVERITTS: This particular permit involves
9 this area in red (indicating), and we have really a better
10 map here.

11 The problem is that between here are two producing
12 leases. The royalty from these leases is about \$200,000
13 per month.

14 CHAIRMAN CORY: Is that periodically?

15 MR. EVERITTS: Periodically.

16 Roughly, \$2.6 or 2.7 million dollars in escrow
17 right now on royalties that will be given to one party
18 or another. They've asked for a prospecting permit for
19 these 200 acres.

20 CHAIRMAN CORY: Pardon me for interrupting,
21 but Mr. Northrop, if you're going to have guys hang maps,
22 why don't you get guys that are the same size?

23 (Laughter.)

24 MR. EVERITTS: If there is a question of whether
25 or not this should be granted, the problem is whether this

1 is a known geothermal resource area or it is not a known
2 geothermal resource area. If it was a known geothermal
3 resource area we could bid on it. Just a mile and a half
4 south Union paid \$478 per acre for a Federal lease. Just
5 southeast they paid \$478 per acre for a Federal lease. So,
6 if this were, in fact, a KGRA maybe it might be worth \$500
7 per acre. So, maybe it's worth \$100,000 in bonuses.

8 The problem is that the closest producing
9 geothermal well is approximately two, three miles from it;
10 there's been two unsuccessful geothermal wells drilled
11 between this Prospecting Permit Application in a productive
12 area.

13 Under current legislation, we cannot go to bid
14 on it. We've been trying to get some stuff through the
15 OPR. We've had complete lack of success. That would allow
16 us to go to bid on it. We have a legislative proposal
17 that would allow us to go to bid on this.

18 Yes. We think it's an excellent opportunity to
19 prove up all of this State land.

20 EXECUTIVE OFFICER NORTHROP: All of that cross-
21 hatched area.

22 MR. EVERITTS: This cross-hatched area (indicating).
23 This is the same problem we have down here.

24 CHAIRMAN CORY: Okay, but the two Signal Oil,
25 Wildhorse and Union --

1 MR. EVERITTS: This has been drilled and abandoned.
2 This has been drilled and suspended. It was an
3 uncommercial well. I don't even know exactly -- 10,000
4 barrels per hour, something like that -- a very unsuccessful
5 well. We absolutely have no scientific, engineering or
6 geological reason to classify it as a KGRA. We will require
7 that the well be drilled within one year. If, in fact,
8 we make a discovery, we feel we will have the basic
9 geological reasoning to declare the rest of the surrounding
10 area KGRA, and we can go to bid. It's a good way to develop
11 the land.

12 CHAIRMAN CORY: Without objection, then, we will
13 approve Item 20 as presented.

14 Item 21.

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
16 is an application of mineral extraction by Peter J. Gambetta
17 for dredging of approximately 25,000 cubic yards.

18 CHAIRMAN CORY: \$0.25 per cubic yard?

19 EXECUTIVE OFFICER NORTHROP: Yes, Mr. Chairman.

20 CHAIRMAN CORY: Anybody in the audience who
21 wishes to address this item?

22 Questions of the Commissioners?

23 Without objection, Item 21 is approved as
24 presented.

25 Item 22, Dolphin Cove Marina.

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1 EXECUTIVE OFFICER NORTHROP: Item 22, this is a
2 Dredging Permit to improve the Marina conditions and also
3 allow them to have dredging material properly sold.

4 CHAIRMAN CORY: Anybody in the audience on 22?

5 If not, Item 22 will be approved as presented.

6 Item 23, City of Morro Bay, Dredging Permit for
7 Public Agency, public benefit. No fee. Any comments from
8 anybody in the audience?

9 MR. MCGUIRE: I have one comment. In the briefing
10 I understood that the last time we did this Morro Bay ended
11 up selling the dredgings or using them in a commercial
12 manner. Is there any way that we can assure that although
13 they spoil it now that they don't, six months from now,
14 turn around and sell it?

15 CHAIRMAN CORY: If you stockpile it first, you
16 can steal it, is that what you are saying?

17 MR. HIGHT: Mr. Chairman, this is a small
18 Application of only 500 yards. It is possible that we can
19 attach a condition to this in the event they use it for
20 commercial usage, they pay us a yardage figure.

21 CHAIRMAN CORY: Without objection, that will
22 be the order with the amendment.

23 MR. HIGHT: Okay.

24 CHAIRMAN CORY: Item 24, Dames & Moore.

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this

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1 is a ratification of a verbal request made at the last
2 Commission meeting for coring to be done for the SOHIO
3 pipeline crossing the Colorado River.

4 CHAIRMAN CORY: Any questions by anybody in the
5 audience on this item?

6 Without objection, approved as presented.

7 Item 25, approval of Eighth Modification.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
9 modification indicates that it will probably have an
10 additional -- in the area of \$3 million revenue in the
11 short range. However, we will maintain the estimates given
12 to Mr. Bell and probably increase them slightly. However,
13 next year's estimates that we're preparing now are very
14 pessimistic if we don't give some relief in gravity
15 differential.

16 CHAIRMAN CORY: Any questions by Members?

17 MR. MCGUIRE: No.

18 MR. McCAUSLAND: Do we know what the outlook is
19 for gravity differential?

20 EXECUTIVE OFFICER NORTHROP: Mr. McCausland, we
21 have been fighting this battle with FEA and its predecessor,
22 Cost of Living Council, for about four years. There seems
23 to be ample evidence that the price of heavy California
24 crude oil has been unofficially depressed and controlled
25 by the major oil companies for some time. We are now

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1 discussing that problem with FEA, and that seems to be the
2 crux of the problem.

3 They would like to make a decision in our favor,
4 I think. But, then the current administration would be
5 in a position of deciding that the oil companies had done
6 something untold toward the State of California. That's
7 an element, and it's compounding our problem. The answer
8 to your question is simply no.

9 CHAIRMAN CORY: November, we'll know what the
10 answer is going to be, and we'll get it sometime in January
11 or February.

12 The project review on Long Beach subsidence,
13 Item 26.

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, under
15 Chapter 138, this is a proposed study that we must do,
16 and this is the final approval.

17 CHAIRMAN CORY: Two hundred eighty thousand dollars
18 for subsidence. Any questions by Members?

19 MR. McCAUSLAND: No.

20 CHAIRMAN CORY: Approved as presented.
21 Item 27, 45,000.

22 EXECUTIVE OFFICER NORTHROP: This is to do some
23 remedial work on subsidence as outlined also in Chapter 138.
24 Staff is taking critical looks at this particular subsidence
25 item as justified. However, we are still working on many

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1 things, subsidence items with Long Beach. There is some
2 disagreement, but on this Calendar Item we have agreement.

3 CHAIRMAN CORY: Any questions by Members?

4 Without objection, 27 will be approved as
5 presented.

6 Item 28, contract with Haskell for removal at
7 Ellwood.

8 EXECUTIVE OFFICER NORTHROP: Yes. This is a
9 mandate from the Legislature last year to proceed in an
10 orderly fashion in clearing some of the -- prior to
11 probably 1920 oil abandonments that had been abandoned,
12 that we are now trying to get these pipes and stuff out
13 of the surf and off the beach as the sand erodes away and
14 exposes our position.

15 CHAIRMAN CORY: Any questions by Members?

16 Anybody from the audience who wishes to speak
17 on Item 28?

18 Without objection, Item 28 will be approved as
19 presented.

20 Item 29, Conflict of Interest Code.

21 EXECUTIVE OFFICER NORTHROP: Mr. Hight.

22 MR. HIGHT: Mr. Chairman, this is the adoption
23 by the Commission of the Conflict of Interest Code required
24 by the Fair Political Practices Commission. After your
25 adoption, it will be reviewed by them.

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1 CHAIRMAN CORY: Do we have the Code itself?

2 MR. HIGHT: The Code is not reproduced yet. But,
3 we have a copy, here.

4 CHAIRMAN CORY: Have you gone over that with
5 the staff, the Fair Political Practices Commission's findings
6 and decisions -- or lack thereof -- on the previous --

7 MR. HIGHT: Our Code will be reviewed by them
8 starting sometime around July 10th.

9 CHAIRMAN CORY: No. They have made some decisions
10 with respect to -- or in the process of making decisions --
11 on their guinea pigs, Equalization --

12 MR. HAYTER: Franchise Tax Board.

13 CHAIRMAN CORY: Franchise Tax Board --

14 MR. HAYTER: And the Attorney General's Office.

15 CHAIRMAN CORY: And the Attorney General's Office.

16 MR. HAYTER: Mr. Chairman, my name is William Hayter,
17 staff member of the Division.

18 We have been working informally with the Fair
19 Political Practices Commission and have, in fact, submitted
20 a review copy of our Code to them on April 15th. And we
21 are keeping abreast with each of these decisions that they
22 are making on the quote "guinea pigs" or the first of the
23 Conflict of Interest Codes to be submitted to them, and
24 we are incorporating any changes that they so direct that
25 would benefit our Code.

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1 CHAIRMAN CORY: In terms of the level of staff
2 that is covered, it seems to me, as I recall the argument
3 that Franchise Tax Board and Board of Equalization that
4 staff was arguing about and the Commission's staff was
5 arguing or suggesting another one, where is our Code vis-a-vis
6 that concept, because I don't see approving something that
7 doesn't go as deep as we are going to have to go.

8 MR. HAYTER: That's correct. I spoke to the
9 Commission this week, and understood from their Commission
10 Chairman that they do not intend to revise the currently
11 existing standards as to quote "a designated employee" until
12 probably next year after all of the initial Codes have
13 been submitted. They feel that the Guidelines they
14 presently have, although they had contemplated going back
15 and reconsidering them at their July meeting, they have
16 now made the decision not. They want to maintain the
17 present standards that they have.

18 CHAIRMAN CORY: Have we conformed to those
19 standards?

20 MR. HAYTER: Yes, we have, and they are a part
21 of our Codes.

22 MR. HIGHT: Mr. Chairman, our Code goes down
23 very far in the organization, excluding only clerks and
24 lower secretaries.

25 CHAIRMAN CORY: Okay. And that is in the Land

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1 Division?

2 MR. HIGHT: That is in the entire operation.

3 CHAIRMAN CORY: Entire operation.

4 MR. MCGUIRE: What we are approving is the
5 present state. The changes will have to be --

6 EXECUTIVE OFFICER NORTHROP: We'll have to be
7 coming back to the drawing board.

8 CHAIRMAN CORY: Does staff have any comments
9 they wish to make before us before we proceed?

10 Were they afforded the opportunity?

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we've
12 had the --

13 MR. HAYTER: We've had public hearings -- first
14 of all, we had informal sessions with our employees both
15 in the Long Beach Office and here in Sacramento. We had
16 three sessions in each of the two offices. Then, in
17 compliance with the Administrative Procedures Act we had
18 public hearings both in Sacramento and in Long Beach.

19 CHAIRMAN CORY: Employees were given time to
20 attend those?

21 MR. HAYTER: That's correct.

22 CHAIRMAN CORY: And were they notified of this
23 meeting and given time if they wanted to come over here?

24 MR. HAYTER: We complied with the 30-day notice
25 requirement.

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1 CHAIRMAN CORY: Are there any employees who
2 wish to address themselves to the Commission?

3 Are there any unresolved arguments with the
4 employees?

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
6 apparently one or two of the employee organizations are
7 going to make a united effort in this program, and some
8 of our employees, particularly in the Long Beach Office,
9 are participating in that effort and probably will join
10 with the employee organization in the overall report on
11 that, but not individually, agencies or Commissions.

12 CHAIRMAN CORY: Okay. I just -- again, I want
13 to reiterate, if there are any employees -- that we're
14 sure that we notified them that this meeting was going to
15 be here, because I don't want them to have missed an
16 opportunity, if there is something unjust or unfair here,
17 that we're willing and we want to hear from them. I'm
18 somewhat apprehensive, if they think they can make the
19 appeal somewhere down the line where somebody is going to
20 give them a Catch 22, that they've missed this stop and
21 they can't get on the train.

22 MR. McCAUSLAND: Mr. Chairman, I have one
23 additional concern, and that comes in some part from despite
24 some lack of total knowledge about the Political Reform Act
25 of 1974.

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1 What happens to the employee who is, essentially,
2 an annuitant of an industry retirement fund with stock
3 participation rights and other things, who, after working
4 in the private sector came to State service? I assume that
5 the Act requires him to disclose his interests, but is he
6 going to be required to divest himself to remain an active
7 employee of the Division?

8 MR. HAYTER: Mr. McCausland, the Fair Political
9 Practices Commission, they have determined that an employee
10 has a prior vested interest in a pension fund from the
11 private sector, and he subsequently joins State or other
12 governmental employment, that is not to be considered a
13 disclosable interest. It's an interest that -- he's going
14 to receive it whether or not he performs his official
15 function. He's already entitled to that interest, and they
16 feel there is not a potential conflict there.

17 The previous employer is going to be required to
18 make that payment regardless of his performance in his
19 official function here.

20 CHAIRMAN CORY: They are giving him service credit
21 for the time he is working here.

22 (Laughter.)

23 MR. McCAUSLAND: With that amendment, I'll move
24 it out.

25 CHAIRMAN CORY: We have a motion.

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1 MR. McGUIRE: So moved.

2 CHAIRMAN CORY: Without objection, such will be
3 the order. Thank you.

4 Item 30.

5 EXECUTIVE OFFICER NORTHROP: Item 30, in consulta-
6 tion with staff of other boards and commissions, and
7 realizing again, I think, it may go back to Mr. McCausland's
8 comments on our report, the fact that movement of energy
9 state-wide is a state-wide interest and should be -- the
10 decision making on that area should remain with a State
11 agency on the final decisions. And this particular Calendar
12 Item relates to the City of Oxnard in a liquefied gas
13 facility that well may be mandated there by the Federal
14 Power Commission. However, we feel that all negotiations
15 on that should be done at the State level and state-wide
16 rather than done at the local area.

17 This was manifest also in the proposal that came
18 before the Commission several months ago in the SOHIO
19 project for crude oil in that we pointed out to the
20 Commission that the Commission advised us that it, at least,
21 if we didn't become a lead agency that we would attempt to
22 influence the lead agency, which we did, and the Public
23 Utility Commission is not co-lead agency of Long Beach.

24 And this is again in the natural gas area, and
25 we're asking the Commission to find that when a lease is

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1 on sovereign land, that the Lessee deal directly with the
2 State of California.

3 CHAIRMAN CORY: Staff is asking for a finding
4 of fact that it is of state-wide interest, which would
5 cause all negotiators to deal directly with the State
6 agencies as opposed to any local agencies?

7 EXECUTIVE OFFICER NORTHROP: That's correct.

8 CHAIRMAN CORY: We have a request from Mr. Elmore,
9 if he wishes to address himself.

10 Mr. Elmore is Assistant Manager of the Oxnard
11 Harbor District, is that correct?

12 MR. ELMORE: Yes.

13 My name is John Elmore, and I'm here this morning
14 representing Oxnard Harbor District.

15 We appreciate your previous postponement of this
16 matter that is contained in your Agenda Item 30 this
17 morning, and we're happy to be represented here today.

18 The Oxnard Harbor District is a special district
19 in that it is administered and governed by a Board of five
20 Harbor Commissioners who are elected at large from through-
21 out the District. They represent about one-half of the
22 Ventura County area.

23 We do not, frankly, quite understand what Agenda
24 Item 30 is saying or what it is trying to do, but we did
25 feel it would be well to come here. And I have a very short

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1 position paper which I would want to present to you.

2 CHAIRMAN CORY: Fine.

3 MR. ELMORE: And this is presented on behalf of
4 our Board of Harbor Commissioners.

5 The Oxnard Harbor District, first, is convinced
6 that there is a need to provide adequate facilities in
7 California for the importation of liquefied natural gas.
8 You had a number of agencies who testified both local and
9 State at the FEA hearings last month who said the same thing,
10 essentially, that we need the LNG to keep the environment
11 clean, and that President Ford's proposed limitations on
12 the importation of LNG should not be imposed.

13 So, we feel that this importation will require
14 the construction of at least one LNG terminal in the
15 Southern California area and possibly more than one. The
16 Oxnard Harbor District has not taken a position at this
17 time with regard to the issues of environmental health
18 and safety ramifications in the construction of a LNG plant
19 at the Ormond Beach area, or any other location for that
20 matter, since very comprehensive and adequate Regulations
21 exist for the consideration of such matters and the
22 environmental analysis is not yet completed.

23 Much time and money has been spent to provide
24 detailed analysis of these latter issues for consideration
25 by diversity of State, local and Federal agencies who are

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1 intimately involved in such matters as their assigned
2 missions and functions so dictate.

3 In accordance with the District's conviction of
4 a need for LNG importation facilities, the Board of Harbor
5 Commissioners commenced working with the Southern California
6 Gas Company as early as 1971, and we worked subsequently with
7 them. We signed a Letter of Intent with the Western LNG
8 Terminal Company to finance and construct the terminal,
9 and related onshore facilities up to and interfacing with
10 the LNG gasification plant itself. In other words, this
11 is in consistency with the Harbor's response. The ocean
12 terminal and trestle and the storage for the cargo --

13 CHAIRMAN CORY: You've signed a Letter of Intent
14 to provide those facilities?

15 MR. ELMORE: Yes, contingent upon the hearing of
16 the environmental issues and the granting of necessary
17 permits, et cetera, you know, it's a conditional.

18 CHAIRMAN CORY: Well, okay. I'm glad the
19 conditional is out, but doesn't -- it seems to be --

20 MR. ELMORE: No. We are quite aware of what you
21 are concerned with. It is quite conditional, and I'm going
22 into that in just a second.

23 CHAIRMAN CORY: Okay. I'm sorry.

24 MR. ELMORE: Such construction would, of course, be
25 dependent upon the attainment of necessary permits and

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1 approvals and would be undertaken only after detailed
2 studies now being completed to prove that the environmental
3 project would be environmentally sound. The construction
4 of a LNG plant at Ormond Beach would certainly entail the
5 commitment of public resources and would, accordingly, be
6 an impact upon the State of California, the County of
7 Ventura and the local community adjacent to Ormond Beach.
8 The District accordingly feels that any such terminal should
9 be operated as a public terminal.

10 The Oxnard Harbor District was formed by an Act
11 of the State Legislature in 1937 for the purpose of
12 developing the harbor at the Port of Hueneme and the
13 subsequent improvement and operation of that harbor. The
14 District is empowered by its authorizing statute to acquire,
15 construct, own, operate, control or develop any and all
16 harbor works or facilities within the limits of its
17 established boundaries.

18 The District initially envisioned the utilization
19 of the existing Port of Hueneme as a LNG terminal, but
20 subsequently we participated in studies which led to the
21 selection of the Ormond Beach area which is located
22 approximately two miles from the entrance to the existing
23 basin. And this was determined to be the best possible
24 site for the terminal, again, on this tentative basis that
25 I did explain.

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1 In November, 1973, we, in fact, requested approval
2 of you gentlemen for the -- approval of the annexed boundary
3 description, which was subsequently approved by you in
4 February.

5 We have conducted members of this staff on a
6 tour of the proposed site, and we've been working with them.
7 But we'll not, of course, submit any formal application
8 until all environmental matters have been thoroughly
9 considered and favorably acted upon by the responsible
10 agencies.

11 Based upon all these facts and considerations,
12 the Oxnard Harbor District believes that any offshore
13 terminal should be developed, constructed and operated as
14 a public port. We further believe that the existing port
15 authorities are best equipped to provide the facilities
16 and the expertise in connection with their normal mission
17 to operate these facilities. The lease of State lands
18 directly to a private corporation for the operation of an
19 ocean terminal does not appear to be in the public's best
20 interest in this case, and we would accordingly oppose any
21 such action.

22 I would like to make a statement. Again, I don't
23 really know exactly the intent of this Agenda Item, but
24 I would like to say that it was never our intent to profit
25 from the lease of the State leased lands, of course. Our

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1 only intent is to construct the terminal at the price of
2 some \$30 million and the related storage facility, that's
3 probably another \$60 million, and to pass on whatever the
4 price or rental rate to the leased lands dollar for dollar
5 to the company -- to the utility customers we're talking
6 about.

7 CHAIRMAN CORY: Mr. Elmore, I think the question
8 here is one whether it be a public or private facility,
9 not anything we are addressing ourselves to, but a question
10 of -- there is a staff recommendation and I'm inclined to
11 agree unless there is some evidence to the contrary, that
12 there is some overriding interest here that is of state-wide
13 significance, and that whether it be placed at Oxnard or
14 Newport Beach or Atascadero or some place else, impacts
15 upon the energy needs of the entire State. And that by
16 having this finding of fact, I would think that it puts
17 it into an arena rather than having whoever is dealing with
18 us having to go through and deal with all of these, then
19 they would have to come to the State level and deal with
20 us, we would try and cut it down. And if Oxnard is the
21 best place to have this facility, we would assume that your
22 District would be involved and you would be involved in
23 the process.

24 Greg, do you have some comment?

25 MR. TAYLOR: In addition to the one you mentioned

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1 concerning the overall concern of siting throughout the
2 State is the fact that the property in which the District
3 is negotiating with the company on is not District
4 property. It's property under the jurisdiction of the
5 Lands Commission.

6 CHAIRMAN CORY: Oh.

7 MR. TAYLOR: And the Lands Commission has never
8 been involved in any negotiations directly with the company.
9 Under our Regulations, which we operate, the normal leasing
10 procedure that would be followed would be for the company
11 to come to the State Lands Commission and work directly
12 with the State Lands Commission in working out a lease.

13 What has happened is that the District is assuming
14 that it will successfully obtain a lease from the State
15 Lands Commission and it will sublet this lease to the
16 company, private company. And I believe it's the staff's
17 intent to present to the Commission in the purpose of
18 the resolution, to put both the District and the company
19 on notice that there is a lease that's going to be required,
20 and the staff's recommendation to the Commission that that
21 lease be directly with the State Lands Commission and the
22 operator. The port District property does not extend in
23 this area, and I believe that's the message that was trying
24 to be conveyed to the Commission and to the District and
25 to the Pacific Lighting Subsidy Company. And we have not

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1 been involved in negotiations, and that normally, for any
2 other oversight area, it is customary for the private party
3 to come in and negotiate a lease with us.

4 MR. ELMORE: May I speak to that, please?

5 CHAIRMAN CORY: Yes.

6 MR. ELMORE: Of course, we have discussed this
7 with your staff, and I would like to point out that this
8 is a typical harbor situation in that, as I say, we're
9 going to build the facilities and pay for them. They're
10 going to be our facilities, we're going to own them. And
11 I'd like to make that clear.

12 CHAIRMAN CORY: What about the question, Mr. Taylor
13 says you are talking about leasing some facilities that
14 you don't own.

15 MR. ELMORE: This is what we discussed --

16 CHAIRMAN CORY: I think what they're saying to
17 you -- and I'm coming in here in the middle of the movie --
18 what they're trying to tell you is that maybe you haven't
19 been listening when you've been talking to the staff, that
20 they're saying, "Hey, this is a piece of property owned
21 by State Lands, and if that's going to be rented, State
22 Lands is going to rent it."

23 MR. ELMORE: I'm sure that's true. We've never
24 thought any other way.

25 CHAIRMAN CORY: So, your ability to build

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1 something, if we don't want to participate, it isn't going
2 to fly.

3 MR. ELMORE: But, sir, what is the relevancy if
4 you don't want to participate it is not going to fly, of
5 course, in either direction, regardless of who you deal
6 with. And I'm having trouble understanding also the
7 relevancy of the state-wide significance and the environ-
8 mental problems related to whether you deal with the Harbor
9 District, the public agency or whether you deal with the
10 Western LNG Terminal Company.

11 And incidentally, the trestle itself would be
12 a preferential berth assignment and not a lease. We would
13 own it, in other words, and it would be a preferential
14 berth assignment to the gas company, as to others also,
15 you know, if the need does occur, if the need arises.

16 CHAIRMAN CORY: Greg?

17 MR. TAYLOR: Normally, a preferential berth
18 assignment is made of land which a port has within its
19 jurisdiction. The State has not transferred any sovereign
20 jurisdiction to this port.

21 And I think what the staff is saying is that
22 it does not want the port to be the middleman in the
23 negotiations with the LNG Company, that we want to make
24 our own deal with the LNG Company for the leasing of
25 State lands. This trestle, at least a good portion of the

1 trestle, and the actual terminal facility offshore will
2 be located on lands under the jurisdiction of the State
3 Lands Commission. The State Lands Commission has customarily
4 made these leases.

5 Your last item on the Calendar today is for an
6 identical situation in the Carquinez Straits. There are
7 other leases in Carquinez Straits. The Pacific Lighting
8 Company has made applications to Lands Commission and the
9 Lands Commission has granted them permits for exploratory
10 studies for an alternate site if the Ormond Beach one is
11 not recommended as a result of the present studies at
12 Point Conception. The Pacific Lighting Company is dealing
13 with us directly for that site.

14 You have a similar situation in Santa Monica,
15 the Redondo Beach facilities of Standard Oil of Southern
16 California. We have four offshore terminal facilities
17 in that location. There are a number of others.

18 What I'm trying to say is we customarily make
19 these kinds of leases in these areas. What the port District
20 is trying to do through a lease is to get this within its
21 jurisdiction and for it to make a separate total package
22 situation with the LNG Company. And the staff is saying
23 that isn't the way we normally go on this kind of situation.

24 CHAIRMAN CORY: Why should we go your way, sir?

25 MR. ELMORE: Here's the thing. We feel that it

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1 should be a public terminal. We feel that it is a port
2 facility, and, unfortunately, we don't have the State tide-
3 land grants or the leases that existed in other ports where
4 they do in such an arrangement. We would ask your coopera-
5 tion in allowing us to proceed in this manner. We don't
6 want to be foreclosed by a policy decision by you gentlemen
7 at this time.

8 As I say, we have spent a lot of time and effort
9 on this thing, over four years. And again, we've had this
10 previous discussion with your staff, and I'm very disappointed
11 that frankly such an item came up.

12 MR. McGUIRE: This does not foreclose it. Am
13 I wrong in saying that this is really an expression of
14 intent, this is of state-wide importance that negotiations
15 should involve the State since we own --

16 MR. TAYLOR: Well, it also says we want the
17 Lighting Company to talk to us directly about the areas
18 that would be under State lease.

19 MR. McGUIRE: So, I don't think it forecloses
20 you. I think it is putting everybody on notice of who
21 the interested parties are.

22 MR. TAYLOR: In terms of the State Lands program
23 this would be a very significant lease, in terms of
24 revenue.

25 EXECUTIVE OFFICER NORTHROP: Also, the development

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1 of LNG --

2 CHAIRMAN CORY: I'm a ways back from where maybe
3 Mr. Taylor and Mr. Northrop are.

4 I'm not so sure -- maybe I'm convinced -- I'm
5 yet to be convinced that LNG is anything I want to approve.
6 And I just want everybody to clearly understand that out
7 front, that there is a case that this has not yet been
8 proven that we even ought to be fiddling around with
9 liquefied natural gas anywhere. And until that issue is
10 resolved, I'm not prepared to allow anybody on my behalf
11 as my agent, which might imply that I'm going to approve
12 such a lease, and I don't know what the other Commissioners
13 think about it, but I don't want to get blind-sided on the
14 late '70's and '80's, you know, another Santa Barbara Channel
15 fiasco.

16 I want to know what's there and that's where
17 I'm coming from. Maybe I'm for it and maybe there will
18 be revenues. But, somebody's got to talk to me about
19 whether it should exist at all and whether it should be
20 Oxnard or Newport Beach.

21 MR. ELMORE: I think we certainly share that
22 same feeling. As I say, we've -- you must understand that
23 we have proceeded up to a point, and we must proceed and
24 study and report.

25 CHAIRMAN CORY: And what we're saying, I believe,

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1 by this action is that we're a principal in this, that
2 we are the landowner, and therefore, we are going to act
3 as a landowner, and we're not authorizing you to be our
4 agent.

5 MR. McCAUSLAND: If I may, Mr. Chairman?

6 From your perspective, you're one of many strong
7 autonomous port districts in the State of California. Over
8 the years I've worked with several of them and appreciate
9 the spirit under which they operate. But, there are many
10 of them. In addition, there are many energy companies in
11 this country, in California. Pacific Lighting is a particu-
12 lar interest in this situation, because we are going to be
13 discussing whether or not we really want to abandon the
14 El Paso natural gas line. Because, if we do abandon that
15 line, it is clear that you have made the commitment to
16 LNG.

17 You don't have to talk to Pacific Lighting about
18 the El Paso natural gas line, we don't have any jurisdiction
19 over the El Paso natural gas line per se, but we clearly
20 have an interest in discussing that line with Pacific
21 Lighting in the context of the LNG proposal at Oxnard.
22 And as a Commission we would not be doing our duty to
23 the people of California if we foreclosed those options
24 by saying you are our broker.

25 MR. ELMORE: I understand that. And again, I

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1 don't honestly understand your intent, but I certainly
2 understand your concerns, and we share them. And we're
3 looking at them like a number of other people. But, I'm
4 really asking that you not foreclose our building and
5 owning a port facility in that location with the related
6 onshore storage tanks.

7 MR. MCGUIRE: We're not doing that.

8 CHAIRMAN CORY: I don't think it's been foreclosed.
9 It may be that in the process the question will have to be
10 dealt with whether you should be the tenant and sublease
11 or whether or not the principal should be the tenant and --

12 MR. ELMORE: I guess what I'm really asking you
13 is who do you feel the tenant is in this case?

14 CHAIRMAN CORY: We don't know, we don't know.

15 MR. ELMORE: Okay.

16 CHAIRMAN CORY: We don't even know if we want
17 a tenant. So, we don't want to get started down that road
18 until we answer that question.

19 MR. MCGUIRE: Do you disagree that this is of
20 something of state-wide --

21 MR. ELMORE: Oh gosh, no.

22 MR. MCGUIRE: Then, I think we are in agreement
23 about this.

24 MR. ELMORE: Let me say something. We had a
25 meeting with the State Energy Commission yesterday in

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1 Los Angeles. We had meetings with the FEA and Bill Press'
2 Planning and Research Office. I mean, there are a number
3 of State agencies that, as you know, are involved in this.
4 And Assemblyman Goggin says there are four hearings
5 scheduled next month.

6 And our Board is a public board. They have an
7 obligation to all the people within the District, and
8 they're not about to proceed on this thing until it has
9 been well researched and we're convinced it's the thing
10 to do.

11 I again -- I hope you understand, all I'm asking
12 is -- I just want to point out we have spent -- taken that
13 amount of effort over a period of time that we would hate
14 to see the idea of a public terminal foreclosed, and we
15 really don't understand the intent.

16 MR. TAYLOR: Mr. Chairman, I think maybe we ought
17 to clarify what is before the Commission.

18 The first item, as I said, is the overall planning
19 the Commission has expressed that on numerous occasions,
20 and mentioned this one -- and this is reaffirmation of
21 your interest in this area -- this item is not intended as
22 a commitment or approval of that irrevocable decision that
23 we will lease. It says that we will be involved in the
24 process. But, I think it is to put the LNG Company on
25 notice that this is land under the jurisdiction of the

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1 State Lands Commission, and that the assumption made by
2 the port District to date and the company's ignoring the
3 State Lands Commission's interest may not be one which is
4 correct if it is ultimately decided it was a point to put
5 the facility. And at that point, it will be necessary to
6 work out an arrangement which will be satisfactory to the
7 Commission and to the staff of the Commission with regard
8 to what the arrangement will be.

9 But, that arrangement traditionally has not been
10 what the port authority has assumed would be the case for
11 this facility and the port.

12 I think the point of this Calendar Item is to
13 put the port on notice that the State Lands Commission has
14 never entered an arrangement in the past but has felt it
15 has the staff confidence to handle that kind of arrangement
16 separate and apart from the port facility. It may be that
17 a joint venture or some other lease, sublease, with adequate
18 financial participation by the State if all of the other
19 conditions and reservations that you've expressed have been
20 satisfied, would be the ultimate way of going about this.

21 EXECUTIVE OFFICER NORTHROP: In concert with the
22 state-wide --

23 MR. McCAUSLAND: I move adoption of a statement
24 of Commission intent.

25 MR. McGUIRE: I second.

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1 MR. TYLER: Mr. Chairman, may I ask a question
2 before you so move?

3 CHAIRMAN CORY: Yes, sir. Would you come up and
4 identify yourself?

5 MR. TYLER: My name is Winston Tyler, Deputy City
6 Attorney, City of Los Angeles, Harbor Department.

7 We have no position with respect to this Agenda
8 Item. However, there was a little ambiguity in our mind
9 as to whether the second portion of the recommendation was
10 intended to apply to granted tidelands as distinguished
11 from lands that remain under direct control of the
12 Commission.

13 MR. TAYLOR: I beg your pardon?

14 CHAIRMAN CORY: The question was whether or not
15 it includes granted tidelands.

16 MR. TAYLOR: The State Lands Commission certainly
17 has authority to oversee and report on the activities of
18 all its grantees if reports have been mandated from time
19 to time by the Legislature. And there is a section of the
20 Lands Commission that monitors and calls to the Legislature's
21 attention concerns they have about port operations or
22 grantee operations. Certainly, it's appropriate under the
23 general authority of the Lands Commission. It's an
24 appropriate area for concern.

25 The administration of the trust is vested in the

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1 grantee, and within the scope of their trust they do have
2 power to act. But, all retained power, all the beneficial
3 interest in the trust is held by the Lands Commission. And
4 they certainly do, at least, have the authority to monitor
5 and report, and in appropriate instances if we thought the
6 grantee had crossed the line, to take appropriate action
7 in violation of terms of their grant --

8 CHAIRMAN CORY: So, the answer to him is that
9 as long as you remain within the terms of your grant and
10 consistent with the trust that you hold that you can
11 proceed. But, you should clearly be apprised that we --
12 it should come as no surprise to you -- we have the option,
13 if we think you are violating the terms of the grant, the
14 conditions of the trust, to intercede.

15 MR. TAYLOR: In addition to that, Mr. Chairman,
16 you have the ability to make reports and to monitor the
17 activities of the grantee even if they are within the
18 terms of their grant and to make recommendations to the
19 Legislature with regard to that, and the Legislature has
20 requested that from time to time. So, you have an additional
21 duty over and above what you expressed, Mr. Chairman.

22 MR. TYLER: No question about that aspect.

23 The question was the resolution is, as I understand
24 it, directs the interested parties to deal directly with
25 the Lands Commission on leasing of LNG sites or any site,

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1 none specific. And the question really is, does that
2 direction apply to granted lands where the grant -- scope
3 of the grant is broad enough to permit that to it, the
4 grantee.

5 CHAIRMAN CORY: Okay. Greg, his very specific
6 question is, as I understand it, in terms of the finding
7 in the resolution proposed in Item 30, are we contemplating
8 any fundamental change in the grant of lands, grantees?

9 MR. TAYLOR: I'm reading the Calendar Item now,
10 and it says, "at Oxnard".

11 MR. TYLER: "or other site". And that's the
12 concern we have.

13 MR. TAYLOR: We do not have the leasing authority
14 in a granted area at the present time. But, we do have
15 several sites that would be on State lands in addition to
16 that. But, we can certainly comment upon the City of
17 Los Angeles, Port of Long Beach or any other port, wants
18 to go and make appropriate report, you know, to monitor --
19 we have the right to inspect records.

20 CHAIRMAN CORY: Is there anyone else who wishes
21 to address themselves on this Item 30 on Calendar?

22 There is a motion and a second, as I recall.

23 Without objection, Item 30 will be approved as
24 presented.

25 Item 31, authorization to execute settlement

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1 agreement in People v. Magoon Estates, Limited.

2 Are there any questions by members of the
3 Commission?

4 Does anyone wish to address themselves on this
5 Item 31?

6 Mr. Taylor, you've negotiated the settlement
7 and you like it?

8 MR. TAYLOR: Yes, and the staff appears to be
9 satisfied.

10 CHAIRMAN CORY: Without objection, Item 31 will
11 be approved as presented.

12 Item 32 is a Quitclaim Deed coupled with Item 33
13 authorizing the staff to go out and see if they can make
14 some money on it.

15 EXECUTIVE OFFICER NORTHROP: That's correct.

16 CHAIRMAN CORY: Does anybody in the audience
17 wish to address themselves on what, the Airport Club?

18 EXECUTIVE OFFICER NORTHROP: It used to be the
19 Airport Club, that was back a long time ago.

20 CHAIRMAN CORY: I should disclose that I went
21 to school with a guy that owns part of that fiasco, I did
22 at one time.

23 MR. TAYLOR: He's quitclaimed to our lessee, so
24 he has no further interest.

25 CHAIRMAN CORY: Any objection to Item 32 or 33?

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1 Without objection, we will approve both items
2 as presented.

3 Item 34, report to the Controller of the money
4 you actually got. It's about time you did that.

5 (Laughter.)

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, these
7 are subvention revenues that are generated by contiguous
8 beaches through oil production.

9 CHAIRMAN CORY: Where are we with respect to
10 the discrepancy in the Orange County area?

11 EXECUTIVE OFFICER NORTHROP: We're still working
12 on that, Mr. Chairman. It's not included in this area.
13 It's corrected in this one here --

14 CHAIRMAN CORY: We've gone retroactive?

15 EXECUTIVE OFFICER NORTHROP: That's correct.

16 CHAIRMAN CORY: Have you notified the County of
17 their problem?

18 EXECUTIVE OFFICER NORTHROP: Counsel is working
19 on that at the present time.

20 CHAIRMAN CORY: Any questions? Any questions
21 from anybody in the audience?

22 Without objection, Item 34 will be approved as
23 presented.

24 Item 35, amendment and assignment of lease. We
25 have somebody who is going to talk to us about that.

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1 EXECUTIVE OFFICER NORTHROP: Denny Goldstein from
2 the Commission will give you a brief lead-up to this
3 Calendar Item.

4 MR. GOLDSTEIN: Mr. Chairman, Mr. McCausland
5 and Mr. McGuire. This final item is an amendment and
6 assignment of Lease PRC 3414.1, which is a lease for a
7 wharf site and appurtenant pipeline facilities in Contra
8 Costa County.

9 The situation arose out of a 1965 lease to an
10 outfit which subsequently has merged into the Gulf Oil
11 Corporation. And in 1965 --

12 CHAIRMAN CORY: Pontiac Western?

13 MR. GOLDSTEIN: Beg your pardon?

14 CHAIRMAN CORY: Is that Pontiac Western?

15 MR. GOLDSTEIN: No, I believe it was Sequoia
16 Refining Corporation.

17 Apparently, the parties were unable to agree
18 upon a firm rental. We therefore set a \$10,000 interim
19 rental, and the agreement provided, the lease provided
20 that they would subsequently agree upon a firm rental.
21 And the firm rental would have retroactive effect to the
22 day to which it was signed, which was 1965. Subsequently,
23 Gulf, a wholly owned subsidiary --

24 CHAIRMAN CORY: The retroactive portion goes
25 back to 1965?

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1 MR. GOLDSTEIN: Yes, it does. Ten thousand dollars
2 a year was to be paid to the State for every year as an
3 interim rental 'til the firm rental had been established.
4 At, say, \$30,000 a year there would have been owing \$20,000.

5 CHAIRMAN CORY: Yeah, I understand all of that.
6 But, 1965 and we're still --

7 MR. GOLDSTEIN: I understand there have been
8 negotiations going on over the years. I believe that in
9 1973 and '74 there were some negotiations between the staff
10 and between the lessee. And there was a recommendation
11 before the prior State Lands Commission to finalize the
12 rent, but it was rejected, I believe, before you sat on
13 the Commission in the last meeting of '74 calendar year.
14 So, negotiations again commenced recently, and here we
15 are.

16 CHAIRMAN CORY: Okay. Go ahead.

17 MR. GOLDSTEIN: Subsequent to all of this,
18 Gulf Company, which is a wholly owned subsidiary of Coastal
19 States Gas Corporation, came to the Commission and
20 indicated that they would like to have Gulf assign this
21 lease to this wholly owned subsidiary, Coastal States Gas,
22 that company specifically a refining company.

23 Accordingly, the staff and myself and the Office
24 of the Attorney General entered into a proposed agreement
25 which we're recommending to you today with Gulf and with

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1 Pacific Refining Company. And that agreement, approved by
2 the Commission, will do the following things. By the way,
3 it's in a whole series of documents, four or five and not
4 one, as that is relevant, I'll mention that they are
5 separate documents.

6 The agreement would set a rent for the future,
7 that is to say from the effective date of the amendment
8 and assignment which will be in August, 1976, and it will
9 extend the primary term of the lease for five years. It
10 will not extend the total lease time. It will merely
11 extend the time upon which they will have to come back
12 and ask for a renewal.

13 This agreement will finally settle the back rent
14 problem. There will be a retroactive adjustment of all
15 back rent due. It will assign, finally, the lease
16 PRC 3414.1 to Pacific Refining Company, and it will also
17 release Gulf from all obligations as lessee arising out
18 of this lease.

19 Now, the future rental we have is a result of
20 considerable negotiations between the State and Pacific.
21 It is set up on a schedule based upon a volume of commodities
22 passing over the State's land. The schedule goes like
23 this: One cent for the first 3.25 million barrels, hydro-
24 carbon commodities in this case, passing over the State
25 lands, that this will bring the lessee up to the point where

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1 he will have paid the minimum rental under this lease,
2 which happens to be \$32,500.

3 It is one mill per barrel due for the next
4 seven million barrels to pass over the State lands. There-
5 after, three mills for the next 20 million; six mills for
6 the next 20 million; and finally nine mills for anything
7 reached in excess up to that point.

8 Since the assignment and amendment will be
9 effective on August 18, 1976, which is the first day of
10 the fourth quarter of the lease accounting year, the
11 agreement provides for a prorated rental for the fourth
12 quarter of this year on the same schedule that I have just
13 given you on an annual basis.

14 Finally, they have asked me to ask the Commission
15 to authorize the Executive Officer to issue them a letter
16 of policy assuring them that in the event there's litigation
17 over the State's right to charge volumetric rents, and all
18 rents will be put into a special deposit account into the
19 Treasury and returned to them if it's finally determined
20 in the Court that the Commission may not charge such rentals.

21 The final language has to be worked out with
22 this letter, but they have reached agreement with the
23 concept. The letter will not be an amendment to the lease,
24 and it will expressly state that it is not a waiver of any
25 of the rights of Pacific or the State regarding any litigation

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1 that might arise concerning the lease or concerning the
2 State's right to charge volumetric rentals.

3 Finally, a considerable number of hours has gone
4 into this. The staff has reviewed all of the documents
5 and papers, and it is their opinion that this agreement is
6 in the best interests of the State.

7 CHAIRMAN CORY: Has Pacific agreed to this?

8 MR. GOLDSTEIN: I believe there's a representative
9 of Pacific here today.

10 CHAIRMAN CORY: Mr. Fowler?

11 MR. FOWLER: Yes. My name is John W. Fowler.
12 I'm appearing here today as an attorney on behalf of
13 Pacific Refining Company who will be the lessee under the
14 proposed amended lease and who will be assigned to the
15 existing lease.

16 Now, with one important exception, Pacific is
17 in agreement with the proposed agreement as outlined by
18 Mr. Goldstein and with the proposed Consent to Assignment
19 and other documents.

20 The provision of the ammendment to which we
21 strongly object is the imposition of any volumetric rental
22 charge based on the number of barrels of crude oil or its
23 products and derivatives passing over the State's land.
24 We believe that application of the volumetric charge to
25 Pacific is in violation both of State law and the United

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1 States Constitution.

2 First, we think that Section 6503 of the Public
3 Resources Code provides that rentals are to be based upon
4 the appraised value of the land involved. Now, although
5 the staff has represented to us that the minimum rent of
6 \$32,500 is within an appraised value they have, the
7 volumetric charges in this lease have nothing to do with
8 the appraised value of the land and thus exceed the
9 Commission's authority.

10 CHAIRMAN CORY: Pardon me, Mr. Fowler.

11 MR. FOWLER: Yes.

12 CHAIRMAN CORY: I thought the document I read
13 in going over this indicated that there was a single charge
14 that was made which was a volumetric charge, and that there
15 was a minimum applied to that, and that's all.

16 MR. GOLDSTEIN: That's the way the rental is
17 now set up, Mr. Chairman.

18 CHAIRMAN CORY: Are we talking about the same
19 document?

20 MR. FOWLER: We are, we are.

21 CHAIRMAN CORY: So, there is a volumetric charge --

22 MR. FOWLER: A charge of \$32,500 must be paid.

23 CHAIRMAN CORY: That's a minimum.

24 MR. FOWLER: Yeah, that's right, whether or not
25 there is that much, it must be paid.

1 CHAIRMAN CORY: Oh, okay.

2 MR. FOWLER: It is our view that, although
3 according to the staff representation that it's within
4 what they feel is an appraised rental obtained or an appraised
5 value they have obtained, it is our view that the volumetric
6 charges have no relationship to appraised value. Therefore,
7 we think that it exceeds the Commission's authority.

8 I have a brief statement, and I will continue,
9 and it will perhaps answer some of your questions.

10 CHAIRMAN CORY: Go ahead.

11 MR. FOWLER: Second, since the volumetric charge
12 is applied to a wharf and pipeline connected to ships and
13 barges, such a charge would have the effect of imposing a
14 duty on tonnage, which is forbidden by the Federal Constitu-
15 tion.

16 Third, the volumetric charge applied to Pacific
17 Refining would result in an unconstitutional burden on
18 interstate commerce.

19 Therefore, we urge the Commission to approve
20 the Amendment of Lease and Consent but without the volumetric
21 charge exceeding \$32,500. In its place, we recommend that
22 the Commission fix a firm rental no higher than the
23 \$32,500 specified as a minimum rental figure in the
24 Proposed Amendment to the Lease. This figure is more than
25 three times the amount paid annually under the existing

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1 lease previously.

2 Now, without use of the wharf and pipeline Pacific
3 cannot operate its upland refinery. We, therefore, hope
4 that the Commission will not take unfair advantage of the
5 grossly unequal bargaining position in this matter and
6 impose a volumetric charge. If, in spite of these reasons
7 and the clear illegality of the volumetric charges, the
8 Commission insists on imposing the volumetric rental formula
9 in this lease, Pacific has authorized us to state that it
10 would be compelled by the circumstances to sign the agree-
11 ment recommended by the staff, and as outlined by
12 Mr. Goldstein, provided that the Executive Officer issues
13 the proposed statement regarding deposit and possible refund
14 of volumetric rents, as Mr. Goldstein indicated. It is
15 our view that by signing under these circumstances Pacific
16 would not be waiving any rights to contest the illegal
17 features of the amended lease.

18 We believe that Pacific Refining will be a
19 valuable new tenant for the State, and will provide
20 substantial employment by reviving a shut-down refinery.
21 It also strikes us as ironic that in a period of economic
22 difficulty for California, the Commission should penalize
23 this desirable new business with so onerous a burden.
24 We also feel it is somewhat in the face of the recent
25 announcement of a very substantial State budgetary surplus,

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1 to insist on what amounts to a new tax which can only
2 discourage the development of new industry and the new
3 jobs it will bring to the State.

4 I have also talked to Counsel from Gulf, and
5 they have advised me that Gulf, if the Commission adopts
6 the staff's recommendation, will also sign those documents,
7 the Consent to Assignment and whatever else it is Gulf is
8 going to be signing in this transaction.

9 MR. GOLDSTEIN: Mr. Commissioner, I have a couple
10 of comments.

11 I just want to make it clear to the Commission,
12 on behalf of the State and the Commission staff, that I
13 do not concur in Mr. Fowler's statement that his client
14 has not waived any rights to perhaps challenge the agreement
15 by virtue of signing any of the contemplated documents.
16 It may be that his client has waived such rights, and I
17 want the record to show that it is a unilateral statement.

18 MR. FOWLER: Yes. I disagree on that, yes.

19 CHAIRMAN CORY: I've got some hesitancy of whether
20 or not we should proceed with Mr. Fowler's position of his
21 client. Is your client operating the refinery, now?

22 MR. FOWLER: I believe it is.

23 CHAIRMAN CORY: Because let me tell you where
24 I think we are, that the State of California has some
25 property which, in essence, it owns, and as a landowner it

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1 has certain rights to do or not to do with that property.
2 And you keep wanting to talk about taxation, a series of
3 taxations as opposed to rental property that we own. And
4 if we aren't even in agreement as to who owns the property,
5 maybe we ought to go litigate that to deal with the
6 question about whether or not it's at issue, and in the
7 meantime, we'll hold it in abeyance, and we will try to
8 exercise our rights to keep you from trespassing on our
9 property or something like that.

10 MR. FOWLER: No, no. The State doesn't own the
11 refinery that's being operated.

12 MR. GOLDSTEIN: Mr. Chairman --

13 CHAIRMAN CORY: I'm not contending that. I'm
14 contending that you have some improvements on our property.

15 MR. FOWLER: No. We don't own those improvements
16 on your property.

17 MR. GOLDSTEIN: The dispute is not over what the
18 State owns and what it does not own.

19 CHAIRMAN CORY: Mr. Goldstein, I think you are
20 mistaken, because he just told me that he was saying that
21 this was not a lease charge but a tax. And if you aren't
22 willing to concede that this is a lease charge, but we're
23 trying to impose a tax, I don't think we have anything
24 to talk about.

25 MR. FOWLER: I didn't expect that you would agree

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1 with my request that you withdraw the volumetric charges
2 under the proposed lease. And if this is the decision of
3 the Commission, I've been instructed that my client will
4 sign the proposed agreements which include such volumetric
5 charges.

6 CHAIRMAN CORY: My problem is my private counsel
7 tells me that in my business affairs that it doesn't do
8 anybody any good to start entering into a contract which
9 you know from the beginning each side isn't prepared to
10 live with. Now, from the very beginning you are of the
11 opinion that we're trying to impose a tax on you when we're
12 sitting here thinking we're trying to rent some property
13 that we own and that it's a lease at the same time. We're
14 a long ways apart. And if there's not some expressing that,
15 in fact, we're renting some property and there's a lease
16 payment, I don't know whether or not we should proceed.

17 Now, I've tried to be fair with you --

18 MR. FOWLER: There's definitely going to be a
19 lease payment. It's going to be paid in accordance with
20 the provision --

21 CHAIRMAN CORY: You said something about an
22 unconstitutional tax, and I just wanted to get that beside
23 us, behind us, that really what we're talking about is a
24 lease payment and not a tax.

25 MR. GOLDSTEIN: Maybe Mr. Fowler can expand on

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1 that a bit and whether or not he's arguing that the tax is
2 based on the State's ownership of land or the contention
3 that maybe the State does not own -- maybe he can clarify.

4 CHAIRMAN CORY: What I'm concerned about --

5 MR. FOWLER: I see what you are saying.

6 CHAIRMAN CORY: If you think it's --

7 MR. FOWLER: You've heard this argument before,
8 Mr. Cory, and it's been presented in memorandum.

9 It's simply that it's the argument that a
10 volumetric charge, which is measured solely by the amount
11 of product going over is a tax on that product, and that's
12 the context in which I meant to use that phrase. I'm not
13 saying you are taxing the land, I didn't intend that.

14 CHAIRMAN CORY: No. But, I hope that you and
15 your client clearly understand that the document we are
16 talking about that's before us is a lease of some property.

17 MR. FOWLER: Yes, it is.

18 CHAIRMAN CORY: And we're talking about the
19 lease payment for that property. I don't want to have
20 somebody come back and say, "You misled us, we thought
21 that was just a tax." I want you to clearly understand
22 that it is my position, and I believe the other Commissioners'
23 position, that we aren't taxing anybody, we're charging
24 a lease payment.

25 MR. GOLDSTEIN: A rental.

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1 MR. FOWLER: I clearly see your position.
2 Mr. Goldstein has expressed that position to me many, many
3 times, and he's a very good advocate for you.

4 MR. MCGUIRE: He also referred to it as a penalty.

5 MR. FOWLER: In the economic sense, we're making
6 another run at it hoping you'll change your mind, but I
7 think that's only fair that those who feel we are being
8 singled out for special treatment may have that reaction.
9 We're a new business coming to the State, and it makes it
10 awfully tough when we're faced with a new and much greater
11 kind of rental charge than anyone else has experienced.
12 And we're very concerned that we're the only people paying
13 it, and it is a penalty in that sense, economically.

14 MR. GOLDSTEIN: I have one more comment,
15 Mr. Chairman.

16 I'd like to point out that the Executive Officer's
17 letter has a provision in it.

18 MR. FOWLER: Yes.

19 MR. GOLDSTEIN: The original lease said that in
20 the event that the parties could not agree upon a firm
21 rental, the State could serve upon the lessee a 60-day
22 notice which would attempt to establish such rental. If
23 the lessee did not agree with that within the 60-day period,
24 in effect, the lease would be terminated -- a few other
25 things would happen but I don't want to focus on that. That

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1 would be the end of the lease. There would be no more
2 said about it.

3 Now, after discussions, there's a possibility come
4 up that some party, perhaps the lessee and perhaps not the
5 lessee, perhaps another party, may challenge in a judicial
6 proceeding the State's right to charge rentals. It is the
7 lessee who is to challenge the State's rights, under State's
8 right to challenge volumetric rentals. It is my best
9 judgment, now, that the way the document is written, that
10 60-day notice that I just referred to, that provision would
11 still be in effect upon our return of the rentals to Pacific
12 if the State's position were not sustained in Court.

13 On the other hand, if it were not the lessee --
14 CHAIRMAN CORY: Mr. Fowler has nodded affirmatively?

15 MR. FOWLER: That's his position, correct.

16 CHAIRMAN CORY: You agree that is his position
17 or you agree with his position?

18 MR. FOWLER: If you let him finish I think he's
19 describing for you the details of another portion of the
20 settlement.

21 MR. GOLDSTEIN: If it is not Pacific, if it is
22 another party that sues, and if the State's position is not
23 sustained in Court, and therefore, the State were to return
24 rentals given to the State by the lessee under the terms
25 of the Executive Officer's letter, the letter of the

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1 Executive Officer expressly says that it is understood that
2 that 60-day provision is applicable. So, I think there
3 is no doubt that it's applicable in the latter situation,
4 and in my best judgment it is applicable in the prior
5 situation.

6 It is my opinion of the Commission that if the
7 State's position on charging volumetric rentals is not
8 sustained in Court, we then have another go-around with
9 the lessee. We can serve upon them a 60-day notice
10 provision, and if they do not agree with the rental contained
11 in that provision the lease terminates.

12 CHAIRMAN CORY: Now, again, I put the question
13 to you, do you and your client agree with that or do you
14 agree that that's the Attorney General's position?

15 MR. FOWLER: Mr. Goldstein has accurately
16 described the contents of the letter. There may be some
17 minor details, to the effect that it's his position that
18 in the event it is discharged, is stricken, in a manner
19 in which Pacific is a party, we can go back to the old
20 lease which has a provision for the 60-day notice for
21 termination. And that in the event we're not a party
22 that's stricken, that we do agree in that event, we're
23 back to the old lease which has a 60-day notice provision
24 in it.

25 CHAIRMAN CORY: Did I miss some small turn of the

1 road that you'd like --

2 MR. GOLDSTEIN: Mr. Chairman, I think what he's
3 saying is Pacific is reserving its right to perhaps make
4 an argument on what I said was my best judgment may be
5 incorrect. I'm not troubled by that. I think my judgment
6 is correct. And with regard to the specifics of it, if
7 you'd like to explore the State's position on that matter,
8 I recommend that it be done in Executive Session rather
9 than here.

10 CHAIRMAN CORY: Can I ask some questions about
11 the structure of Coastal States, because one of the things
12 that we're doing is letting Gulf off of the hook for some
13 undetermined back accrual amounts. Is Pacific Refining
14 a wholly owned subsidiary of Coastal States?

15 MR. FOWLER: Of a CIC. I'm afraid your --

16 MR. GOLDSTEIN: I think I can clarify this.
17 Coastal States Gas is a wholly owned CIC Industries
18 Corporation, which in its term, wholly owns Pacific Refining
19 Company.

20 MR. FOWLER: That is correct.

21 CHAIRMAN CORY: Where are we in terms of -- let's
22 assume the worst -- that for some reason Pacific Refining
23 can't get crude oil and goes belly. It's a separate
24 corporation. If there's some lease money rentals that are
25 accruing in the process that haven't gotten paid, are we

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1 just looking at Pacific Refining or do we have anything
2 back to Coastal States or --

3 MR. FOWLER: Well, Pacific Refining does own a
4 \$26 million refinery.

5 CHAIRMAN CORY: And if you appraise that in
6 capitalized earnings over the last two years, it's not
7 much.

8 MR. FOWLER: It was a new corporation formed
9 for operating this refinery. But, I think the structure
10 of the lease protects you on that. You get out front --
11 out front you get \$32,500, and then quarterly there are
12 payments based upon the volume coming through.

13 CHAIRMAN CORY: You guys are confident that they
14 weren't going to get --

15 MR. GOLDSTEIN: Mr. Chairman, I'm not exactly
16 sure what your question is. If the company were to go
17 belly up, presumably it would not be operating. What would
18 the harm at that point be to the State?

19 CHAIRMAN CORY: The 32,500 is up front?

20 MR. FOWLER: Just like it is -- meaning each
21 year, that's correct.

22 CHAIRMAN CORY: I just wanted to know where we
23 were in terms of a new corporation if something went wrong.

24 The other question is, how long is it going to
25 take to actually get this thing signed, or are we -- I'd

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1 like not to, in essence, have an offer out on the street
2 in perpetuity. Can this be done in two weeks?

3 MR. GOLDSTEIN: On my part, sure.

4 MR. FOWLER: It's my expectation -- I can't
5 speak for Gulf, but they don't have an awful lot to fuss
6 about this.

7 CHAIRMAN CORY: If we put a stipulation in here
8 that this thing get signed this way within two weeks, do
9 you think you could live with that?

10 MR. FOWLER: Hopefully, it wouldn't be an absolute
11 limit, but that is my expectation. We will work very hard
12 to keep that date. My client is in Houston and, of course,
13 we have to send these back and forth. And we have been
14 able to hammer out specific language with Mr. Goldstein
15 in short periods of time. I think we could get it within
16 two weeks.

17 MR. GOLDSTEIN: I think two weeks is fine.

18 CHAIRMAN CORY: You don't have any vacation plans?

19 MR. GOLDSTEIN: No. We have most of the papers
20 between the respective clients worked out. There's a few
21 papers hanging out from Gulf, and that's not a very sensitive
22 area in this particular transaction.

23 MR. McGUIRE: Do you want to make that stipulation?

24 CHAIRMAN CORY: I'd like to have some time limit
25 on it. It's been hanging fire since '65.

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1 MR. GOLDSSTEIN: Let's do it two weeks.

2 CHAIRMAN CORY: I'm talking more to my staff --
3 three weeks? There is a holiday weekend on the 4th.

4 MR. FOWLER: If you are going to pick a specific
5 deadline, I think we better go to three weeks, then.

6 MR. GOLDSTEIN: Three weeks, okay.

7 MR. FOWLER: I don't want to ruin your family life.

8 MR. McCAUSLAND: So moved.

9 MR. McGUIRE: Second.

10 CHAIRMAN CORY: Three weeks stipulation. Second
11 by Mr. McGuire.

12 All those in favor say aye.

13 (Ayes.)

14 EXECUTIVE OFFICER NORTHROP: Before you close,
15 Mr. Chairman, Mr. Taylor from the Attorney General's Office
16 has indicated that he would like to discuss with you
17 briefly the litigation the Attorney General's Office is
18 working on.

19 MR. TAYLOR: Mr. Chairman, we have with me today
20 a new member of the Land Office Section. Part of it is
21 somewhat contingent, I have a half a position. I hope by
22 the time the half a position runs out, we will be successful
23 in negotiations to take care of that problem.

24 Jan Stevens is here today. Jan, would you like
25 to stand up?

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1 He's a Assistant Attorney General. He was in
2 charge of the legislative program for the Attorney General's
3 Office for the past several years. And at his request a
4 few years ago he asked to be removed from those responsibili-
5 ties, and the Attorney General prevailed on him to stay
6 and finally he granted his request.

7 MR. McCAUSLAND: It always takes two years to
8 get something out of your office too, Jan.

9 (Laughter.)

10 MR. TAYLOR: Jan will either be working out of
11 the Sacramento or San Francisco offices, depending on how
12 he works out some personal plans. I'm not too sure he's
13 happy with what the arrangement of his new assignment was.
14 On his first inspection of property, the asserted landowner
15 swore out a warrant for his arrest. On the second one,
16 he was assured that he would not be arrested, because the
17 gentleman on the 22nd parcel, the one with the problem,
18 believes in self-help rather than calling the local law
19 enforcement authorities, and has a shotgun.

20 So, after a couple of more experiences with the
21 State Lands Commission he may decide the legislative process
22 was far more simple. We are very pleased to have Jan as
23 a member of the Land Law Section.

24 There are two other items. The Pariana case
25 begins next month. The Pariana case is a case where the

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1 question is who owns the geothermal -- whether the mineral
2 reservation carries with it the ownership of geothermal
3 resources. This trial will be in San Francisco. There's
4 already been a trial concluded in Sonoma County, I believe,
5 which came down with a ruling that geothermal resources
6 were a mineral reserved by a property owner who reserves
7 the mineral rights.

8 There is a Federal tax court case that says that
9 geothermal resources are a mineral. There is another case
10 which is on appeal before the Ninth Circuit Court where
11 the Court went the other way.

12 As Mr. Everitts has indicated to you, there's
13 been a substantial amount of money pending in a trust
14 account on the outcome of this lawsuit, and with the price
15 of natural gas going so high, it will geometrically increase.

16 We have received a letter from Mr. Destino of
17 the firm of McCutchen, Black, Verleger & Shea who appeared
18 before the Commission last month --

19 CHAIRMAN CORY: They just left, didn't they?

20 MR. TAYLOR: That was another member of the firm.
21 This is the member that represents the Western Oil and Gas
22 Association. They asked for a clarification of the
23 Commission's action with regard to a hearing on throughput
24 regulations. We have responded and copies of our response
25 and copies of Mr. Destino's letter have been distributed

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1 to you prior to this meeting.

2 But, I think it should be made clear for the
3 record that the Commission's granting of a hearing on whether
4 the regulations should be repealed in no way indicated any
5 thoughts of the reconsideration of the staff or the
6 Commission, that all legal requirements for the adoption
7 of the regulations had been met. And we affirmed this to
8 them, that we believed that all regulations had been met,
9 but if there were any arguments over the question of notice,
10 that question should be mooted by the holding of a meeting
11 in July at which time the Commission will decide whether
12 to appeal the regulations adopted in April. There was a
13 letter personally delivered to him last Tuesday answering
14 his letter of June 1st to the Commission.

15 In Oregon v. Corvalis Sand and Gravel the Supreme
16 Court again denied a request for us to present oral argument.
17 We have worked out an agreement with the State of Oregon
18 where they will concede some time to us, and we're in the
19 process of finalizing that agreement. Therefore, we will
20 be able to argue, but we will not be able to argue at our
21 own independent time. We will have to use the time of the
22 State of Oregon.

23 I believe that concludes all of the active
24 matters before the Commission as far as litigation.

25 CHAIRMAN CORY: Any questions from the Commissioners?

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1 State of California)
2 County of Placer) ss.

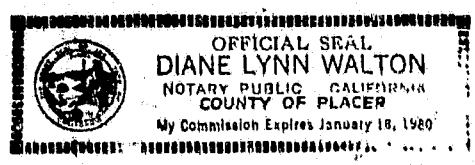
3 I, DIANE LYNN WALTON, a Notary Public in and for
4 the County of Placer, State of California, duly appointed
5 and commissioned to administer oaths, do hereby certify:

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

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

14 IN WITNESS WHEREOF, I have hereunto set my hand
15 and affixed my seal of office this 13th day of July,
16 1976.

Diane Lynn Walton



Diane Lynn Walton
Notary Public in and for the
County of Placer, State of
California
C.S.R. License No. 3067

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