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MEETING  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 2170  
SACRAMENTO, CALIFORNIA

ORIGINAL

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

C.S.R. License No. 3486

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MEMBERS PRESENT

Mr. Roy M. Bell, Director of Finance

Mr. Kenneth Cory, State Controller, Chairman

Ms. Betty Jo Smith, representing Lieutenant Governor Dymally

MEMBERS ABSENT

None

STAFF PRESENT

Mr. Matt Brady

Mr. R. S. Golden

Mr. Robert Hight

Mr. William F. Northrop, Executive Officer

Mr. Jan Stevens

Mr. W. M. Thompson

Mr. James Trout

Mr. Allen D. Willard

Ms. Genny Fulp, Secretary

Ms. Diane Jones, Secretary

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P R O C E E D I N G S

--oOo--

CHAIRMAN CORY: I will call the meeting to order.

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

COMMISSIONER BELL: (Shakes head.)

COMMISSIONER SMITH: (Shakes head.)

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

Report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Thank you.

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

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

1 the latter.

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

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

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

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

20 EXECUTIVE OFFICER NORTHROP: Bob?

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

23 COMMISSIONER BELL: No objection.

24 COMMISSIONER SMITH: No objection.

25 CHAIRMAN CORY: Without objection, we will reopen

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

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

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

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

21 This completes my report, Mr. Chairman.

22 CHAIRMAN CORY: Any questions?

23 COMMISSIONER SMITH: No.

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

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

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

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

7           (Laughter.)

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

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

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

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

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

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1 Management District.

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

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

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

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

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

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

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

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

15 COMMISSIONER BELL: Really?

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

19 CHAIRMAN CORY: That's scary.

20 MR. GOLDEN: Yes.

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

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

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

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

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

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

10 COMMISSIONER SMITH: Have they set a date yet?

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

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

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

20 (Laughter.)

21 CHAIRMAN CORY: Anything else, Dick?

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

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

25 MR. GOLDEN: Thank you.

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

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

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

20 Thank you.

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

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

25 Item 10, Donner Lake Utility Company.

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

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

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

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

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

13           MR. HIGHT: Yes, sir.

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

16           MR. HIGHT: Yes.

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

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

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

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

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

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

8 COMMISSIONER SMITH: Move approval.

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

11 Item 11 has been taken off.

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

14 CHAIRMAN CORY: Come forward and identify yourself.

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

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

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

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

12 CHAIRMAN CORY: And they would be covered?

13 MR. TROUT: Yes.

14 MR. MARQUETTE: All right.

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

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

20 MR. TROUT: Yes.

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

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

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

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

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

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

21 Without objection?

22 COMMISSIONER BELL: No objection.

23 COMMISSIONER SMITH: No objection.

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

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

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

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

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

18 CHAIRMAN CORY: Okay. Language --

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

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

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

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

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

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

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

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

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

22 (Laughter.)

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

25 CHAIRMAN CORY: No.

1 EXECUTIVE OFFICER NORTHROP: No.

2 MR. MARQUETTE: No.

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

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

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

14 MR. MARQUETTE: It will be two stories.

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

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

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

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

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

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

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

10 MR. CHRISTIAN: Well, we --

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

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

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

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

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

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

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

10 MR. CHRISTIAN: Right.

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

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

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

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

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

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

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

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

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

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

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

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

10 CHAIRMAN CORY: That is correct.

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

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

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

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

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

25 I think the clincher with respect to growth is

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

4 CHAIRMAN CORY: Okay. Ready?

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

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

24 (Laughter.)

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

1 MR. MARQUETTE: Thank you.

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

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

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

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

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

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

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

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

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

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

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

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

3 MR. LAVEN: Okay. Fine, Commissioners.

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

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

13 MR. LAVEN: Thank you.

14 CHAIRMAN CORY: Thank you.

15 Item 12, City of Avalon, Tidelands.

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

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

22 Without objection --

23 COMMISSIONER BELL: Agreed to.

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

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

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

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

8           Item 14 is off Calendar.

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

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

14           CHAIRMAN CORY: 14 was dropped.

15           COMMISSIONER BELL: I'm sorry.

16           CHAIRMAN CORY: Boggs Mountain is out of it.

17           COMMISSIONER BELL: I apologize.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 COMMISSIONER BELL: Right.

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

1 something or what?

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

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

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

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

25 MR. WILLARD: This wouldn't necessarily require

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

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

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

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

10 MR. WILLARD: That's correct.

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

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

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

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

24 COMMISSIONER BELL: Okay. Yes.

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

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1 the Boggs Mountain instance --

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

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

6 COMMISSIONER BELL: He did.

7 CHAIRMAN CORY: Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

17 CHAIRMAN CORY: Do the other Commissioners --

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

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

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

6 EXECUTIVE OFFICER NORTHROP: Okay.

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

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

10 CHAIRMAN CORY: Item 16.

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

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

17 MR. HIGHT: No, Mr. Chairman.

18 EXECUTIVE OFFICER NORTHROP: The answer is yes.

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

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

22 MR. HIGHT: No.

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

25 MR. HIGHT: Mobil is --

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1 CHAIRMAN CORY: Mobil's on the hook.

2 MR. HIGHT: Yes.

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

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

7 Item 17.

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

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

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

15 (Laughter.)

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

18 Item 18.

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

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

25 EXECUTIVE OFFICER NORTHROP: Yes, he has some way

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1 to say we didn't get anything.

2 (Laughter.)

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

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

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

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

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

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

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

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

20 CHAIRMAN CORY: How many barrels a day?

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

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it

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

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

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

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

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

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

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

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

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

1 for the six months at a lesser price.

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

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

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

20 CHAIRMAN CORY: Okay. Item 19.

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

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

3 CHAIRMAN CORY: Okay.

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

6 (Laughter.)

7 CHAIRMAN CORY: All right. Item 20.

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

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

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

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

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

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

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

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

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

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

3 COMMISSIONER BELL: Before they actually file.

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

7 MR. HIGHT: Yes, sir.

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

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

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

17 COMMISSIONER BELL: Yes, it's fine.

18 CHAIRMAN CORY: Item 21.

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

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

24 EXECUTIVE OFFICER NORTHROP: No way.

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

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

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

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

14 (Laughter.)

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

18 COMMISSIONER BELL: For Los Angeles County.

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

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

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

25 EXECUTIVE OFFICER NORTHROP: We're taking the steps

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

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

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

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

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

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

20 (Laughter.)

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

23 CHAIRMAN CORY: Other than appearing in public.

24 (Laughter.)

25 CHAIRMAN CORY: Okay. Item 22.

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

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

7 COMMISSIONER BELL: (Nods head.)

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

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

16 CHAIRMAN CORY: Okay. Any questions?

17 COMMISSIONER BELL: No problem with five acres.

18 CHAIRMAN CORY: Yes.

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

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

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

25 MR. HIGHT: Yes, Mr. Chairman.

1 CHAIRMAN CORY: Any questions?

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

4 Status of major litigation?

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

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

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

25 CHAIRMAN CORY: How are you doing on your

1 Supreme Court appearance?

2 MR. STEVENS: California v. Nevada?

3 CHAIRMAN CORY: Yes.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



23  
 24  
 25

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