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MEETING  
STATE LANDS COMMISSION  
STATE OF CALIFORNIA

ROOM 447  
STATE CAPITOL  
SACRAMENTO, CALIFORNIA

THURSDAY, JULY 24, 1986  
10:00 A.M.

ORIGINAL

Nadine J. Parks  
Shorthand Reporter

A P P E A R A N C E S

1  
2  
3 Elizabeth Rasmussen, Acting Chairperson, representing  
Kenneth Cory, State Controller, Chairman

4  
5 Jock O'Connell, representing Leo T. McCarthy,  
Lieutenant Governor, Commissioner

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

7  
8  
9 Staff:

10 James Trout, Assistant Executive Officer

Bob Hight, Counsel

11 Jan Stevens, Counsel

"Moose" Thompson

12 Lance Kiley

Jane Smith, Executive Secretary

I N D E X

	<u>Page</u>
1	
2	
3	1
4	
5	1
6	
7	2
8	
9	4
10	
11	5
12	
13	6
14	
15	7
16	
17	12
18	
19	12
20	
21	13
22	
23	12
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25	14
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	<u>Page</u>
1 INDEX, continued. . .	
2 Item 29	24
3 Item 30	24
4 Item 31	25
5 Item 32	25
6 Item 33	26
7 Adjournment	26
8 Certificate of Reporter	27
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

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P R O C E E D I N G S

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1  
2  
3 ACTING CHAIRPERSON RASMUSSEN: I think we'll  
4 get started here this morning. Mr. O'Connell will be  
5 here shortly.

6 I apologize for the late start this morning.  
7 We were having an executive session that went a little  
8 bit later than we thought.

9 The first item of business is confirmation of the  
10 minutes of the meetings of July 26th (1988) and July 11th--  
11 June 26 and July 11th. Any questions on the minutes?

12 Where is Claire?

13 MR. TROUT: Claire is on vacation this week. And  
14 Bob and I will do our best to fill in for her.

15 ACTING CHAIRPERSON RASMUSSEN: Thank you. I hope  
16 she enjoys herself.

17 The second item on the agenda is the report of the  
18 Executive Officer.

19 MS. ORDWAY: Before that, we have a clarification  
20 of who's voting.

21 ACTING CHAIRPERSON RASMUSSEN: Thank you.

22 MR. HIGHT: Yes. For the record, Lizabeth  
23 Rasmussen will be in a voting capacity for the State  
24 Controller and Jock O'Connell will be in a nonvoting  
25 capacity for the Lieutenant Governor.

1           ACTING CHAIRPERSON RASMUSSEN: All right. Thank  
2 you. Can everyone hear Mr. Hight? I don't think your  
3 microphone's working.

4           MR. HIGHT: Okay.

5           ACTING CHAIRPERSON RASMUSSEN: All right. Thank  
6 you.

7           Now, we'll turn to the report of the Executive  
8 Officer. I understand someone wants to tell us something.

9           MR. TROUT: Yes, this morning Mr. Thompson has  
10 a brief, somewhat depressing note on oil prices.

11           MR. THOMPSON: We were supposed to report back  
12 every month on the sell-off situation. And, of course,  
13 our sell-offs are for some bonus above posted prices. And  
14 the posted-price situation is not good. In fact, the  
15 situation is probably worse than last month.

16           In front of you, you have a couple of newspaper  
17 clipping articles. They're from this morning's Times.  
18 And the one tells about the futures market for the  
19 West Texas crude. And for September, it's 10.85. It's  
20 also 10.85 on the year in August.

21           And the second clipping there shows that Britain's  
22 North Sea oil from the Brent Field is selling at an all-  
23 time low. The spot market for that, and that's the way they  
24 sell oil over there, was \$8.50 a barrel yesterday.

25           We have posted prices effective July 1st were sent

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1 out about ten days before July 1st in June; before they  
2 took effect, they were superseded by another set of crude  
3 oil prices which were even lower.

4 And currently, we're getting for most of our  
5 royalty oil between about 9.20 and \$9.50 a barrel for  
6 Wilmington and Huntington Beach crudes, and about \$6.50  
7 for our Elwood crudes.

8 For a while, we thought that posted prices were  
9 getting closer to the spot market prices, but now that  
10 discrepancy is spread out again. And our last reading  
11 was that Wilmington spot prices were somewhere around  
12 \$7.75.

13 So, at the present time, we would not recommend  
14 that we try and sell off, because we're looking for bonus  
15 above posted price, and the market price is not anywhere  
16 near posted price, it's not the time to go.

17 We also see this in the gas stations with your  
18 regular selling in the mid-sixty cents, and your unleaded  
19 in the mid-seventies. By the time you back out, there's  
20 about 24, 25 cents tax in there; by the time you look at  
21 the margin for the operator, it's 10 to 15 cents, by the  
22 time you look at transportation at three or five cents,  
23 you can see that back at the rack the refiners are getting  
24 down into the 30 to 35 cents. In fact, there were rumors  
25 around that diesel was being dumped at 25 cents a gallon.

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1           And this is also showing up in the market.  
2 There's some places where diesel is now going for sixty-  
3 some cents in the marketplace.

4           So, right now, the situation is not indicating  
5 to try for sell-offs. And that would be our recommendation.

6           ACTING CHAIRPERSON RASMUSSEN: All right. Are  
7 there any questions by the Commissioners?

8           MS. ORDWAY: You always bring good news.

9           MR. THOMPSON: Someday there may be some good  
10 news.

11           ACTING CHAIRPERSON RASMUSSEN: Any other questions  
12 or comments?

13           MS. ORDWAY: I have one comment. Does that  
14 warrant a revision in the tidal revenues?

15           MR. THOMPSON: There will be a revenue revision  
16 in the August calendar.

17           ACTING CHAIRPERSON RASMUSSEN: We'll look forward  
18 to that.

19           All right. The next item on the agenda is the  
20 consent calendar, Items C1 through C16.

21           MS. ORDWAY: Moved.

22           ACTING CHAIRPERSON RASMUSSEN: These are items  
23 that are deemed to be noncontroversial unless there is  
24 someone who would like to pull one of the items off for  
25 discussion. Seeing no hands or bodies, Items C1 through

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1 C16 are approved as presented.

2 MR. TROUT: I'd like to advise the Commission  
3 that Calendar Items 19 and 22 have been removed from the  
4 calendar.

5 ACTING CHAIRPERSON RASMUSSEN: Thank you. The  
6 next item of business is Item 17.

7 MR. TROUT: Item 17 involves the denying without  
8 prejudice of an application from the Wilcoxsons. The  
9 staff has tried to bring this operation under lease since  
10 1973. There have been a number of difficulties and we,  
11 after having put this on the calendar and then removed it  
12 earlier in the year, and still being unable to get a  
13 lease from the Wilcoxsons, we have proposed the action  
14 that you see here, which is a recommendation that you do  
15 deny the application and that you allow us to go ahead  
16 and move for ejectment and collection of back rent.

17 I have noticed that the Wilcoxsons are here  
18 today. Staff is here also to answer questions. And  
19 whichever you prefer, we can make a staff presentation  
20 first, or we can ask the Wilcoxsons.

21 ACTING CHAIRPERSON RASMUSSEN: Any preference?

22 MS. ORDWAY: No preference.

23 ACTING CHAIRPERSON RASMUSSEN: The Wilcoxsons  
24 are in the audience. And why don't we hear from the  
25 staff first and then ask the Wilcoxsons.

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1 MR. TROUT: Joyce Lane, who is the land agent,  
2 and Dave Hadly, counsel, have been working on this, so  
3 we can have them come up and explain the situation.

4 MR. HADLY: Commissioners, Dave Hadley. I think  
5 Joyce has worked hard on this transaction to bring it  
6 under lease, and it's gone on for quite some time. And I  
7 think she's probably the best person to describe what  
8 she's done in this matter.

9 MS. LANE: Mr. and Mrs. Wilcoxson did put an  
10 application in in 1976. And it was denied in 1979 for  
11 lack of completion of the negotiations. Since that time,  
12 staff has talked to them, called them, contacted them,  
13 and encouraged them to reapply. They finally did reapply  
14 earlier this year.

15 And at this time, we have had the extension --  
16 a 90-day extension to complete the negotiations. However,  
17 they choose not to sign the lease at this time. So, we  
18 feel that we should make a recommendation that they be  
19 denied and remove their facilities from the State land.

20 This was -- we had lots of negotiations. We did  
21 have an agreement for collection of back rent. They feel  
22 that they cannot get insurance at this time -- is one of  
23 the reasons that they cite for not signing the lease.  
24 They have been denied from all agencies they went to.

25 ACTING CHAIRPERSON RASMUSSEN: Are there any

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1 questions of staff at this point?

2 Are we in a position at this time that if we  
3 do not deny, then the application would be deemed  
4 approved?

5 MS. LANE: Yes, we are.

6 ACTING CHAIRPERSON RASMUSSEN: We're at that point  
7 in time in our process?

8 MS. LANE: Yes.

9 ACTING CHAIRPERSON RASMUSSEN: Any other  
10 questions? All right. Thank you.

11 I hope you'll stick around and -- to respond to  
12 any questions or issues that come up from the Wilcoxsons.  
13 William and Louise Wilcoxson are here. Would you like to  
14 make a statement to the Commission? We need your name  
15 and who you represent for the record, please.

16 MR. WILCOXSON: I am William R. Wilcoxson. I am  
17 one of the owners. My wife Louise is here. She's the  
18 other owner of the property.

19 Yes, we're interested and eager to get this  
20 concluded. We are unable to get insurance and, of course,  
21 that is part of the lease agreement. But to operate  
22 any kind of a business, that would be really insane to  
23 attempt it without any insurance coverage. When our  
24 anniversary date for the existing insurance policy came  
25 up, they -- the company said they would no longer write this

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1 type of policy. Our insurance broker was unable to get  
2 any company to write the policy again. Therefore, we  
3 decided that we would close down and make no attempt at  
4 having any kind of business related to water until that  
5 time that we could secure some kind of insurance.

6 I did want to ask a question. In the description  
7 of the land that we are attempting to lease, under type  
8 land and location, it mentions that the property is  
9 located in the Napa River and Mud Slough. I'm not sure  
10 that they understand the relationship with Mud Slough, in  
11 that Mud Slough is a waterway that's located 200, 250  
12 feet south southwest of this property.

13 And my understanding when I purchased this land  
14 from Mr. Kragge (phonetic), was that that particular land  
15 was a harbor and these facilities, as located, was part of  
16 the land that is owned in this particular ownership.

17 I did talk to Joyce Lane, who has really and  
18 truly -- and I want to second that -- worked hard for us  
19 and with us on State Lands' behalf. And we did come up and  
20 talk with her related to the ownership of the land as we  
21 were going through this lease agreement.

22 And we were informed at that time that State Lands  
23 does not survey land. They claim the land. Okay. All  
24 well and good at that point. But I was under the impression  
25 from the owners that I bought the land from that it was part

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1 of Edgerly Island and part of this parcel, even though one  
2 piece of this parcel was surveyed to clear title prior to  
3 building by Ernest Nelson, the developer. And he, too,  
4 told me that other land did belong with this particular  
5 parcel. He would never have dredged it originally as a  
6 harbor and used it as a facility for himself for nine, ten  
7 years. And then, Mr. Kragge, who was the next owner, he  
8 also used it for nine, ten years prior to my purchase of  
9 it, and continued to use.

10 So, anyway, all those things considered, the  
11 property was surveyed originally in 1893 when Mr. Broadwell  
12 purchased it from the State. And it is surveyed in metes  
13 and bounds. I do have an engineering firm who is working  
14 on that now and is going to redo that survey according to  
15 the original metes and bounds in the title given E. M.  
16 Broadwell by Lieutenant Governor Reddick in 1893. So that  
17 we will know where that land really is.

18 But in the meantime, I still have no objection  
19 to concluding this. It has been very upsetting -- in  
20 particular for my wife. She's had some experiences that were  
21 very distasteful. And we would like to end it one way or  
22 another or both, whatever is your pleasure.

23 ACTING CHAIRPERSON RASMUSSEN: Thank you. Is  
24 there any response from the staff, comment on some of the  
25 issues that Mr. Wilcoxson brought out?

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1 MR. TROUT: I think that from the staff's  
2 standpoint, I'd like to make a suggestion. One, I think  
3 we'd like to have you approve the recommendations by  
4 staff; second, that staff would not go ahead with the  
5 litigation and the ejection action until we've had a  
6 chance to sit down with the information with Mr. Wilcoxon  
7 and his attorney -- excuse me -- engineers. I don't know  
8 why I said that. I never wanted to be an attorney.  
9 Mr. Wilcoxon's engineers who will finish the survey, sit  
10 down with them and come back to the Commission before any  
11 other action is taken.

12 We do need to have you deny the application. We  
13 recommend that you adopt the entire recommendation with the  
14 understanding that we would come back to the Commission  
15 before we filed any action.

16 ACTING CHAIRPERSON RASMUSSEN: Thank you.

17 MR. TROUT: If that's acceptable to Mr. Wilcoxon.

18 MR. WILCOXSON: That is. And I would mention  
19 that we have closed the business when we started these  
20 negotiations back in the seventies. We posted it no  
21 trespassing and closed it down. We've only allowed  
22 Fish & Game, the Sheriff's Department, and about seven to  
23 ten super senior citizens to use the facility at all.  
24 Otherwise, it's been closed to the public. No access.

25 We felt at that time, we didn't really want to

1 engage illegally in a business, to be honest.

2 MRS. WILCOXSON: We also moved off the property.  
3 The first three years when we put in our lease, State Lands  
4 kept phoning me saying all kinds of crazy things; that it  
5 was their water, and we had to pay for the use of it. They  
6 wanted me to tell them how much land is worth, quoted a  
7 real, real, real low price, and had some guy come by and  
8 tell me that State Lands wanted to put in a fre ramp at our  
9 place rather than cutting boards, and I should donate my  
10 land to the State. And they just kept it up and kept it up,  
11 and everything was done on the telephone.

12 And one day I got off the phone and there was an  
13 attorney at the house and he said, "Louise, whenever they  
14 phone you from now on, you tell them to write a letter."  
15 So, as soon as I started saying that, "Write me letters,"  
16 I didn't -- I really didn't hear anything for three years.  
17 And then Mrs. Lane called. And she was very nice to us.  
18 And then we moved back to the property. Now we want to  
19 settle it.

20 ACTING CHAIRPERSON BACMUSSEN: Thank you. Are there  
21 any other questions by the Commissioners? I think you  
22 have the approval of the Commission to take the action that  
23 you have suggested. We'll deny without prejudice the  
24 application --

25 MS. ORDWAY: And bring it back.

1           ACTING CHAIRPERSON RASMUSSEN: -- and bring it  
2 back to us. Hopefully, you'll be able to work out all the  
3 insurance and other problems.

4           MR. TROUT: I think maybe Lance and I might meet  
5 sometime and go down and meet with their engineers and look  
6 at the site.

7           ACTING CHAIRPERSON RASMUSSEN: All right. Thank  
8 you.

9           MR. TROUT: Thank you.

10          ACTING CHAIRPERSON RASMUSSEN: The next item on  
11 the agenda is Item 18.

12          MR. TROUT: Item 18 is the denial of an application  
13 for a salvage permit in San Francisco Bay. Yesterday or  
14 the day before, we received a letter from the applicant  
15 withdrawing his application. Nevertheless, we would ask  
16 you to go ahead and also deny this one without prejudice.

17          The problem is that the applicant has been unable  
18 to satisfy the conditions imposed by the State Historic  
19 Preservation Office. We're continuing to work on that and  
20 Segamb has reapplied.

21          ACTING CHAIRPERSON RASMUSSEN: All right. Thank  
22 you. Item 18 has been moved. Any questions? 18 is  
23 approved as presented.

24          Item 19 is off calendar.

25          Item 20.



1 MR. TROUT: Item 20 is the approval of a permit  
2 for the use of the Sacramento River from the seawall or  
3 the retaining wall to the center of the river between the  
4 I Street and Tower Bridges to the City of Sacramento. This  
5 is the area that will be the waterfront of Old Sacramento.

6 The City Council approved this item last week.  
7 The lease would provide nominal rent for the first five  
8 years so that the city can recover their cost. 20 percent  
9 of the gross during the next 20 years, and a rental review  
10 at the end of that 25-year term. We recommend approval.

11 MS. ORDWAY: Motion.

12 MR. TROUT: This will be the site where the Delta  
13 King will be moored after the restoration is completed.

14 ACTING CHAIRPERSON RASMUSSEN: All right. Thank  
15 you. It's been moved. Any questions?

16 Item 20 is approved as presented.

17 Item 21.

18 MR. TROUT: Item 21 is to add one small school  
19 land parcel to existing contract with the Department of  
20 Forestry for managing 18 school land parcels. Most of them  
21 are managed for demonstration and experimentation on better  
22 ways to use woods and will ultimately provide additional  
23 benefits and income for the school lands. And we  
24 recommend approval. The specific parcel is up north of  
25 Redding near Shasta Dam.

1 MS. ORDWAY: Motion.

2 ACTING CHAIRPERSON RASMUSSEN: Item 21 has been  
3 moved. Questions? 21 is approved as presented,  
4 22 is off the agenda.

5 Item 23.

6 MR. TROUT: Item 23 involves the approval of a  
7 series of sales contracts and amendments to State oil and  
8 gas leases as shown in Contra Costa, Sacramento, San Joaquin,  
9 and Solano counties.

10 What is involved here is a lease from the State to  
11 Chevron. Chevron is then in turn a supplier of gas to  
12 Pacific Gas & Electric Company. PG & E is a buyer and is  
13 operating under regulations imposed by the Public Utilities  
14 Commission. Chevron and PG & E are here this morning.  
15 I have asked Hilman Walker of Chevron to come up and  
16 briefly explain their position. And if I've got this  
17 right, Jerry O'Connell from PG & E will explain the  
18 sequencing provisions of the PUC order.

19 ACTING CHAIRPERSON RASMUSSEN: I do have attendance  
20 forms from Hilman Walker and Allan Quiat from Chevron and  
21 appreciate your making your statement at this time.

22 MR. WALKER: Madam Chairman, I have a couple of  
23 examples I would like to display here.

24 ACTING CHAIRPERSON RASMUSSEN: All right. Thank  
25 you.

1           A. WALKER: I don't know if everybody's going to  
2 be able to see this.

3           ACTING CHAIRPERSON RASMUSSEN: If anyone in the  
4 audience would like to come up --

5           MR. WALKER: I'll turn it so they can see it.

6           ACTING CHAIRPERSON RASMUSSEN: We do need your  
7 name for the record when you're ready to begin.

8           MR. WALKER: Madam Chairman, my name is Hilman  
9 Walker. I'm the West Coast Division Manager, an attorney,  
10 in the Chevron Land Department.

11           I have with me Allan Quiat, who is our Western  
12 Regional Gas Sales Contracts Manager.

13           We'd like to make a short statement today in support  
14 of our application for the following changes. This chart  
15 represents the five consecutive price reductions we are  
16 applying for as well as one load factor reduction, from 50  
17 percent to 33 and a third percent.

18           These price reductions and load factor reductions  
19 apply to seven State leases or compensatory royalty  
20 agreements. These have all been summarized for you in the  
21 staff notes and we have provided the staff with our  
22 production data for the specific leases.

23           We are applying for these five gas price  
24 reductions which are effective back to January 1, 1985.  
25 One load factor reduction also effective January 1, 1985,

1 and two new gas sales contracts which cover the State's  
2 Stockton property as participating in the Stockton unit,  
3 as well as one new replacement contract for the River Island  
4 Unit.

5 And there's so many contracts here, I just thought  
6 it would be better to display it with tick marks and get  
7 the general idea, and all these changes apply to these  
8 leases (indicating).

9 The following general statements can be made  
10 about why we reduced prices and what the effect of these  
11 price reductions has been.

12 The \$3.00 for MMBTU reduction effective January  
13 1, 1986 and the \$2.50 MMBTU reduction effective 1/1/86 were  
14 a result of PG & E and Chevron negotiations under the price  
15 provision paragraphs which provide for annual price  
16 renegotiation.

17 It was Chevron's role in those negotiations to  
18 obtain the highest price commensurate with assuring its  
19 continuous production as possible.

20 The price changes that you see there, other than  
21 at the beginning of the year, were voluntarily accepted by  
22 Chevron in order to also ensure as continuous production  
23 as possible.

24 Acceptance of price reductions has contributed  
25 significantly to meeting this continuous production goal

1 by maintaining Chevron's preferential gas sales sequency  
2 position under the PUC Decision 84-1267.

3 While acceptance of lower prices to maintain  
4 sequencing, our sequency position does not, under the  
5 decision, guarantee that Chevron will always have its  
6 gas purchased by PG & E a hundred percent of the year.  
7 Nevertheless, by accepting a price slightly lower than  
8 that which PG & E must pay for out-of-state gas, Chevron  
9 avails itself of the opportunity to assure generally  
10 uninterrupted production. And our production experience  
11 over these -- over the 17 months covered by these price  
12 changes bears that point out. We have supplied staff with  
13 production figures for that period.

14 The purpose of sequencing under the PUC decision  
15 is to meet obviously the goal of providing the lowest cost  
16 gas to the California producer -- California consumer as  
17 well as promote competition among suppliers to provide  
18 long-term gas supplies and to maintain the variety of gas  
19 suppliers.

20 Chevron has accepted, negotiated voluntary price  
21 and load factor reductions for the following reasons:  
22 Confronted with lower cost, ample supplies of out-of-state  
23 gas -- and the chart in front represents this -- if I can  
24 speak to this for a minute.

25 This map shows the source of supply of PG & E  
in Northern California from El Paso's Transwestern Pipeline

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1 as well as Canadian Gas.

2 Chevron produces five percent of the 25 percent  
3 of the gas produced in Northern California to meet its  
4 needs. We, therefore, produce 1.25 percent of the total  
5 gas needs of Northern California. We are, as I think is  
6 graphically represented here, not exactly in a position  
7 to command higher prices than the out-of-state suppliers.

8 Therefore, confronted with the lower cost and  
9 ample supplies of out-of-state gas and the relatively  
10 small volume of gas we produce in comparison to the total  
11 Northern California demand, we recognize that we cannot  
12 bargain from a position of strength. Rather, our goal has  
13 been to maintain as full production as possible and at the  
14 best price possible.

15 The price offered by our sole purchaser, PG & E,  
16 and which maintains our preferential sequencing position  
17 (indicating).

18 We have also sought to maximize the income  
19 revenue stream by maintaining our sequencing position.  
20 The result of our agreeing to price and load factor  
21 reductions has been to maintain production at a level  
22 higher than what had been the case if we had refused to  
23 accept the price changes and load reduction. This has  
24 resulted in greater revenue from the State -- for the  
25 State and Chevron than if we had allowed PG & E to shut in

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1 the wells after they had taken the minimum take under our  
2 contract, minimum take or pay contracts.

3 Finally, the third reason we have done what we  
4 have done is by maintaining full production, we have  
5 also ensured as a prudent operator that water formation  
6 damage and well damage due to shutins is avoided and  
7 possible drainage situations is avoided.

8 Based on these three considerations -- lack of  
9 bargaining power; two, desire to maintain a large  
10 revenue stream as possible; and three, avoidance of  
11 formation damage and drainage, Chevron believes it has  
12 acted prudently and respectfully request this Commission's  
13 approval of the changes as requested.

14 ACTING CHAIRPERSON RASMUSSEN: Thank you.

15 MR. WALKER: Thank you, Madam Chairman.

16 ACTING CHAIRPERSON RASMUSSEN: Are there any  
17 comments by the staff that you would like to add to  
18 Mr. Walker's comments?

19 Any questions by the Commissioners?

20 MS. ORDWAY: No.

21 ACTING CHAIRPERSON RASMUSSEN: Do we have a  
22 motion?

23 MS. ORDWAY: I think you have someone else who  
24 wishes to speak.

25 MR. TROUT: We'd like PG & E to make a brief

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1 statement.

2 MR. QUIAT: Thank you.

3 MR. WALKER: Thank you.

4 ACTING CHAIRPERSON RASMUSSEN: Thank you very much.  
5 I need your name.

6 MR. O'CONNELL: My name is Darrell P. O'Connell,  
7 I'm a senior gas buyer with Pacific Gas & Electric  
8 Company, gas supply management department in San Francisco.

9 I think Chevron today has succinctly pointed out  
10 the sequence of events that have in essence lowered the  
11 price to California producers. I might add that the  
12 reason for the load factor reduction, the one amendment  
13 that requires a load factor reduction, is that PG & E  
14 has been given management discretion by the staff of the  
15 CPUC and by the Commission to the CPUC to purchase gas  
16 from contracts that are other than three-three and a  
17 third percent load factor at minimum requirements.

18 In other words, we would take -- we would honor  
19 the contract and purchase 50 percent of that production,  
20 but only 50 percent of production. Discretionary volumes  
21 would be taken from those contracts that were at the  
22 standard thirty-three and a third percent load factor.

23 Hence, sending Chevron the revision to the load  
24 factor from 50 to thirty-three and a third percent, so they  
25 could maximize takes on that State Lands -- Rio Vista Deep



1 State Lands contract.

2 ACTING CHAIRPERSON RASMUSSEN: Thank you.

3 MR. TROUT: I think that staff would like to  
4 point out that the differential between -- what we'd call  
5 the border price and the price that California producers  
6 are getting in the area is 44 cents, which is based on a  
7 34 cent gathering charge. In other words, the cost of  
8 gathering the gas together and bringing it into the  
9 supply line, plus a ten cent window to keep from having  
10 rapid fluctuations in the price. And this is built into  
11 the PUC order.

12 I'd point out also, that as a result of lowering  
13 the load factor and the price for 1985, PG & E took 68.6  
14 percent of the maximum deliverability of the wells. And  
15 so far, in 1986, at least through the end of May, it has  
16 taken 78.6 percent. So that the results that Chevron  
17 spoke of are in fact being achieved, also the State is  
18 getting somewhat less revenue than they might otherwise.

19 ACTING CHAIRPERSON RASMUSSEN: All right. Thank  
20 you. Is there anyone else who would like to address the  
21 Commission on this item? Any further comments from the  
22 staff or questions by Commissioners?

23 MS. ORDWAY: Motion.

24 ACTING CHAIRPERSON RASMUSSEN: We have a motion  
25 on 23. 23 is approved as presented by consensus of the

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1 Commission.

2 Thank you all very much.

3 Item 24.

4 MR. TROUT: Item 24 is the assignment and amendment  
5 of State oil and gas leases at Huntington Beach from  
6 Phillips Petroleum Company to Shell California Production,  
7 Incorporated. It's a pretty straightforward assignment.  
8 And Shell has a solid reputation. So the staff is not  
9 concerned about the assignment.

10 MS. ORDER: Motion.

11 ACTING CHAIRPERSON RASMUSSEN: Item 24 has been  
12 moved and is approved as presented.

13 Item 25.

14 MR. TROUT: Item 25 would be an amendment of  
15 an oil and gas lease to allow Reedy and Green to submit  
16 two \$50,000 bonds in lieu of one \$100,000 bond. The  
17 staff and staff counsel recommend approval.

18 MS. ORDWAY: Question. Is there a difference  
19 to 50 to 100 --

20 MR. HIGHT: \$100,000 was insurance. This is  
21 two \$50,000 cash bonds.

22 MS. ORDWAY: Okay.

23 MR. TROUT: As you can see, we're not doing well  
24 without Claire.

25 MS. ORDWAY: I'm not going to ask too many questions.

1 (Laughter.)

2 MR. HIGHT: We're getting confused.

3 ACTING CHAIRPERSON RASMUSSEN: All right. Item  
4 25 has been moved and is approved as presented.

5 Item 26.

6 MR. TROUT: Item 26 is a question for exemption  
7 from competitive bidding for an oil and gas lease by the  
8 County of Kern. Kern County found that a developer on an  
9 adjoining property had bottomed the well under county  
10 land. They have received -- they have extracted a good  
11 royalty agreement and under the circumstances, request an  
12 exemption and staff recommends approval. It's a very  
13 small piece of property.

14 ACTING CHAIRPERSON RASMUSSEN: Questions on 26?

15 MS. ORDER: Motion.

16 ACTING CHAIRPERSON RASMUSSEN: 26 is approved  
17 as presented.

18 Item 27.

19 MR. TROUT: Item 27 is an authorization to accept  
20 a quitclaim deed for geothermal lease in the Geysers.  
21 Several months ago, the Commission denied M-S-R an extension  
22 of their drilling obligation, which then triggered the  
23 action to terminate the lease. And M-S-R has now submitted  
24 a quitclaim deed.

25 ACTING CHAIRPERSON RASMUSSEN: Any questions on 27?

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27 is approved as presented.

28.

MR. TROUT: 28 is a request to accept a quitclaim deed from Unocal for one of six sections in the Truckhaven area west of the Salton Sea. And it was proposed for geothermal development. They do not believe now that the geothermal resource exists in paying quantities in this one section. The lease provides that they may terminate any part of it. And this is the one section of about 600 acres.

ACTING CHAIRPERSON RASMUSSEN: Questions on 28? 28 is approved as presented. Item 29.

MR. TROUT: Item 29 is an extension of a permit to prospect for minerals other than oil and gas; in this case, bentonite clay; during the initial prospecting period, American Colloid found evidence of what they were looking for and they'd like to do some further exploration on the parcel and, therefore, have asked for a one-year extension.

ACTING CHAIRPERSON RASMUSSEN: Questions on 29?

MS. ORDWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: 29 is approved as presented. Number 30.

MR. TROUT: Now see how Bob does.

MS. ORDWAY: We're all ears.

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MR. HIGHT: No. 30 is the authorization to accept --

ACTING CHAIRPERSON RASMUSSEN: I think the reporter is having a hard time hearing you.

MR. HIGHT: All right. No. 30 is the authorization to accept property in Batiquitos Lagoon as mitigation. The Coastal Commission is requiring that the developer purchase the property in the lagoon and they're asking the Lands Commission to accept the property.

ACTING CHAIRPERSON RASMUSSEN: Any questions on No. 30?

MS. CADWAY: Motion.

ACTING CHAIRPERSON RASMUSSEN: 30 is approved as presented.

31.

MR. HIGHT: 31 is a disclaimer of interest in a .4 acre parcel near the Guadalupe River. The Santa Clara Valley Water District is the owner of the property, and there are two ranchos that meet in the middle of the property and basically, the Commission doesn't have any interest in the property.

ACTING CHAIRPERSON RASMUSSEN: Any questions on 31? 31 is approved as presented. 32.

MR. HIGHT: 32 is an amendment of an existing boundary settlement to delete an easement that goes to a

1 flood control channel that is now fenced.

2 MS. ORDER: Motion.

3 ACTING CHAIRPERSON RASMUSSEN: Questions on 32?  
4 32 is approved as presented. And Item 33.

5 MR. HIGHT: 33 is a cession of concurrent criminal  
6 jurisdiction for the Oakland Army Base, which will extend  
7 for another five years State and Federal jurisdiction at  
8 the base.

9 ACTING CHAIRPERSON RASMUSSEN: Any questions on  
10 33?

11 MS. ORDWAY: Motion.

12 ACTING CHAIRPERSON RASMUSSEN: Item 33 is  
13 approved as presented.

14 Is there any other business to come before the  
15 Commission?

16 MR. TROUT: We know of no other business.

17 MS. ORDWAY: Move we adjourn.

18 ACTING CHAIRPERSON RASMUSSEN: Thank you very  
19 much. We will adjourn.

20 (Thereupon the meeting was adjourned.)

21 --OUC--

22

23

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25

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