

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

MEETING
STATE LANDS COMMISSION

STATE CAPITOL
Room 2117
Sacramento, California

THURSDAY, AUGUST 26, 1976
10:00 A.M.

ORIGINAL

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

PETERS SHORTHAND REPORTING CORPORATION

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

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

MEMBERS PRESENT

Hon. Kenneth Cory, State Controller, Chairman
Hon. Mervyn M. Dymally, Lt. Governor, Commissioner
Hon. Roy M. Bell, Director of Finance, Commissioner,
represented by Mr. Sid McCausland

MEMBERS ABSENT

NONE

STAFF PRESENT

Mr. William F. Northrop, Executive Officer
Mr. Richard S. Golden, Assistant Executive Officer
Mr. Robert G. Hight, Staff Counsel
Mr. James F. Troux, Manager, Land Operations
Mr. W. M. Thompson, Manager, Long Beach Operations
Mr. D. J. Everitts, State Lands Division, Long Beach

ALSO PRESENT

Mr. N. Gregory Taylor, Assistant Attorney General

I N D E X

| | <u>Page</u> |
|----|-------------|
| 1 | |
| 2 | |
| 3 | 1 |
| 4 | 1 |
| 5 | 1 |
| 6 | |
| 7 | 6 |
| 8 | 9 |
| 9 | 17 |
| 10 | 25 |
| 11 | |
| 12 | 25 |
| 13 | 25 |
| 14 | 34 |
| 15 | |
| 16 | 46 |
| 17 | 48 |
| 18 | 49 |
| 19 | |
| 20 | 49 |
| 21 | |
| 22 | |
| 23 | 49 |
| 24 | 51 |
| 25 | 51 |

PETERS SHORTHAND REPORTING CORPORATION

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

| | <u>Page</u> |
|----|--|
| 1 | |
| 2 | Items 28, 30, 31 - Long Beach Project Review 54 |
| 3 | Item 29 - Approval of assignment of interest of |
| 4 | Edgington Oil Company to New Edgington Corporation; Wilmington Oil Field 56 |
| 5 | Item 32 - Approve boundaries of lands within proposed |
| 6 | annexation by the City of Huntington Beach 56 |
| 7 | Item 33 - Contract with URS Research Company; and |
| 8 | public hearing on draft environmental impact report on Moss Landing Marine Terminal 59 |
| 9 | Item 34 - Litigation - Declare the public's rights to |
| 10 | exercise the trust with regard to the ordinance passed by the El Dorado County Board of Supervisors over the South Fork of the American River 59 |
| 11 | Item 35 - Sale of school land to the Department of Parks and Recreation; San Bernardino County 61 |
| 12 | Item 36 - Approval of Maraflood License Agreement and |
| 13 | letter agreement between Marathon Oil Company and City of Long Beach 61 |
| 14 | Item C4 - Department of Transportation, Public Agency |
| 15 | Permit 62 |
| 16 | Status of Major Litigation (Informational) 63 |
| 17 | Confirmation of next Commission Meeting - September 30, 1976, 10:00 a.m. 63 |
| 18 | Adjournment 64 |
| 19 | Certificate of Reporter 65 |
| 20 | |
| 21 | |
| 22 | --o0o-- |
| 23 | |
| 24 | |
| 25 | |

PETERS SHORTHAND REPORTING CORPORATION

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

P R O C E E D I N G S

--o0o--

1
2
3 CHAIRMAN CORY: All right, we will call the
4 meeting to order.

5 We acknowledge the presence of Governor Dymally,
6 Mr. McCausland, sitting in for Mr. Bell, and the first item
7 is the confirmation of the minutes of the meeting of
8 July 22nd.

9 Are there any questions or additions of those
10 minutes?

11 Hearing none, the minutes will be confirmed as
12 presented.

13 The next item is the report of the Executive
14 Officer.

15 Mr. Northrop.

16 COMMISSIONER DYMALLY: Before he does that, I want
17 to know how come he never tells me about these Western
18 Conferences out of town but informs me about the one in
19 San Diego.

20 (Laughter.)

21 CHAIRMAN CORY: You know, Rapid City, South
22 Dakota, I'm sorry I missed that one too.

23 (Laughter.)

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
25 Commissioners, during the first week of this month, the

1 President of the Western States Lands Office met in Rapid
2 City, South Dakota, for the Western States Lands Commission
3 Association's Conference. One item of interest to the
4 Commission is that California has been honored with the
5 role of host State for the next year's conference to be held
6 in San Diego.

7 CHAIRMAN CORY: What does that cost us?

8 EXECUTIVE OFFICER NORTHROP: It probably will be
9 self-liquidating with maybe the exception of a couple of
10 thousand dollars.

11 CHAIRMAN CORY: Go ahead.

12 EXECUTIVE OFFICER NORTHROP: California has
13 assumed the major role in the leadership of the organization
14 and I have been elected vice president.

15 Communications with other states are improving
16 and I understand there is some spirit of cooperation and
17 concern on the part of each state in dealing with the
18 Federal Government to insure a greater role for the states
19 in management of public planning.

20 CHAIRMAN CORY: Does that mean you sold out to the
21 establishment?

22 (Laughter.)

23 EXECUTIVE OFFICER NORTHROP: No, sir.

24 CHAIRMAN CORY: Okay.

25 EXECUTIVE OFFICER NORTHROP: Riverway and Marinas

PETERS SHORTHAND REPORTING CORPORATION

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

1 Liaison Committee: Subsequent to the Commission's
2 authorization to establish a river and marina waterway
3 liaison committee, the staff has developed a list of
4 suggested members and prepared a copy of bylaws by which
5 the committee would operate. An attempt has been made to
6 balance the representation and suggested bylaws and make it
7 clear that the committee's function is advisory.

8 CHAIRMAN CORY: We have -- You've given with us
9 some types of people that you were thinking about appointing
10 and suggested bylaws. You were going to proceed with this
11 after you have contacted the Commissioners to get any of
12 their individual input?

13 EXECUTIVE OFFICER NORTHROP: Yes. The idea of
14 this was merely to give you a form on which to comment or
15 at least something on which to comment and we'll take
16 cognizance of your comments during the coming month and
17 probably have it as an Agenda item next month, exactly who
18 would be on it and how it would be put together and also
19 comments on the bylaws.

20 At legislative direction, the Resources Agency
21 has been attempting to simplify the State's permit
22 procedures for dredging operations. A review of this
23 Committee's dredging program indicates that its existing
24 procedures could be modified. One staff proposal has been
25 developed which would reduce the time required for processing

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3801

1 various dredging permits in leases. It involves minor
2 procedural change to the application process. Additionally,
3 staff counsel is studying the feasibility of issuing annual
4 dredging licenses for contractors who consistently conduct
5 dredging operations in state-owned lands. This study would
6 call for the issuance of an annual dredging license required
7 for the office of the contractor of the operations.

8 Both of the options mentioned will improve the
9 efficiency of handling dredging activities in state-owned
10 lands. In the near future, we will make some kind of a
11 formal presentation on this concept.

12 At the last Commission meeting, Mr. Patrick
13 Porgans made a brief appearance to ask for action of the
14 Commission in the Oroville area on the Feather River. Staff
15 has worked with Mr. Porgans and representatives of various
16 conservation fishing organizations over the past month and we
17 also have met with Mathews Readymix, the firm nominally
18 responsible for encroachment of the river and restriction
19 of access to the river. And staff concludes that: One,
20 Mathews Readymix has possibly made minor encroachments into
21 the State lands within the river; secondly, Mathews
22 recognizes our ownership and has no objection to the use
23 of the river by fishermen and other people who would like to
24 use the river for other enjoyment purposes and; three,
25 Mathews does not object to fishermen using its property for

PETERS SHORTHAND REPORTING CORPORATION

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

1 access to the river and has actually constructed a roadway
2 for such access.

3 Mr. Porgans has requested that a line of ownership
4 be surveyed, monumented and posted and has offered to pay
5 for a licensed surveyor to do the job. The State Lands
6 would still have to do the initial title work; write survey
7 specs, monitor the job, make a final field check and
8 recommend the survey to the Commission.

9 In view of the foregoing, it's recommended that the
10 work not be authorized by the Commission. The staff will,
11 however, look further into the possible mineral extractions
12 made by Mathews.

13 CHAIRMAN CORY: I'm at a loss. I'm at a loss.
14 If this private group is willing to pay for the survey, why
15 don't we go ahead and have the survey done and establish the
16 boundary line and proceed? I'm missing the point, I guess.

17 EXECUTIVE OFFICER NORTHROP: The point here --
18 and maybe Mr. Trout would care to address it --

19 CHAIRMAN CORY: Jim?

20 MR. TROUT: Mr. Chairman, I think that the major
21 answer to that question is that there is presently
22 legislation which would authorize the acquisition of this
23 property through exchange and the upland would be owned by
24 the State of California. Under those conditions, the
25 expenditure of any investment of staff time -- it appeared to

PETERS SHORTHAND REPORTING CORPORATION

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

1 the staff in recommending this to Mr. Northrop that that
2 might be a waste of time and effort on our part in view of
3 the priorities.

4 CHAIRMAN CORY: That boundary would no longer be
5 relevant but would it not be relevant in terms of negotiating
6 price in terms of the acquisition?

7 MR. TROUT: It is our understanding -- Mr. Mathews
8 is here, but it's our understanding that Mr. Mathews agrees
9 to the location of the boundary and has no argument with the
10 placing of that line.

11 CHAIRMAN CORY: Then where is the legislation for
12 the acquisition purchase?

13 MR. TROUT: Sorry I can't answer that. The last
14 time I saw it, it was on the floor of the second House.
15 It's Mr. Chappie's bill. Mr. Porgans knows -- Do you know?

16 MR. PORGANS: Yes, it's on the way to the
17 Governor.

18 MR. TROUT: He says it's on the way to the
19 Governor's Office.

20 CHAIRMAN CORY: Do you wish to address the
21 Commission?

22 MR. PORGANS: Yes.

23 I'm Patrick Porgans and I'm an eco-analyst and I'm
24 a member of Safeguard Environmental Protection Agency which
25 is more or less a non-profit organization concerned about

PETERS SHORTHAND REPORTING CORPORATION

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

1 26,000 square miles of Northern California. And I have
2 here with me today Mr. Robert Baiocchi.

3 I would first like to point out to the Chairman
4 and Members of the Committee that I am representing 12
5 separate groups today; I'm representing the Northern
6 California Fly Fisher Conservation, Federation of Fly
7 Fishermen, Northern California Council of Fly Fishing Clubs,
8 Altacal, Audubon Society, the Diablo Valley Fly Fishermens,
9 Paradise Rod and Gun Club, the Sierra Club, California
10 Trout, Butte Environmental Council, Siskiyou Fly Fishers
11 and the California Fly Fishers Unlimited. Also, my own
12 organization.

13 Our organization -- To give a brief analysis of
14 what's happening here, we have been working on this
15 particular project which is only one of 118 separate
16 projects we've been working on and came up with this
17 particular report here after two and a half years of analysis
18 of not only the Mathews land exchange, but also the
19 legislation that is involved within that land exchange.
20 And this particular report in time and dollars, has cost us
21 over \$5,000.

22 Now what we are saying here today is irregardless
23 to where the bill is; it doesn't mean that this land
24 exchange is going to take place; and we -- our organization
25 is in the process of litigation, if necessary, against the

1 proposed land exchange based on the information and facts
2 that we have obtained showing that the way it's presently
3 proposed is not beneficial to the people of the State of
4 California.

5 Now, gentlemen, I understand that you have a
6 busy schedule and the staff is overworked and we only have
7 about five or seven attorneys working on 280 cases.
8 Therefore, I have went out and consulted with an engineer
9 and found it would cost our organization anywhere between
10 450 and \$600 to do the survey. We're willing to provide
11 that money. We are also willing to provide signs that would
12 go into the area to show that it is a public access area if
13 in the event that this legislation doesn't take place, which
14 there is no telling whether it will or will not. Because,
15 this particular piece of legislation has been going on since
16 1973.

17 We have also found that it costs us about \$200 to
18 provide the signs, but we would be willing to do that also.
19 You see, I feel that Mr. Mathews, in good faith, is saying
20 we can go on his property, but I don't know where his
21 property ends and where the State's begins, and I feel there
22 should be no unnecessary liability impaired upon Mathews or
23 his company, which is what his concern has been in the past.

24 Now I feel that if we do draw a line out there,
25 what we are going to do is provide an exact area as to where,

PETERS SHORTHAND REPORTING CORPORATION

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

1 if any encroachment has taken place, and to what degree it's
2 been done. Right now we can't do that. The line that has
3 been drawn has been drawn by the Department of Water
4 Resources, Right-of-Way Division. And there has been nobody
5 out on the site to do any work with instruments. So this
6 line over here (indicating) is basically something we've
7 taken from the deeds that exist.

8 So I feel that the proposal we're trying to give
9 to the Board here today would, in fact, provide that type
10 of information; it would allow the fishermen to go to the
11 property without having to go through Mathews' property;
12 you don't have to go through his property to get on that
13 land.

14 And I feel that what we can do here today is come
15 up with a line and help the State to designate what lands
16 are public.

17 MR. BAIOCCHI: I would like to add one thing.

18 MR. PORGANS: Identify yourself.

19 MR. BAIOCCHI: Bob Baiocchi of the Northern
20 California Fly Fishers for Conservation.

21 CHAIRMAN CORY: Would you help us; spell your
22 last name.

23 MR. BAIOCCHI: B-a-i-o-c-c-h-i.

24 CHAIRMAN CORY: Thank you.

25 MR. BAIOCCHI: Now we have contacted the Regional

PETERS SHORTHAND REPORTING CORPORATION

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

1 Manager of Region Number 2 and he's been instructed by the
2 State Lands Division for his people -- his personnel in that
3 area to specifically monitor that particular property line.
4 Now, how can he monitor a line that is just not there that
5 he doesn't know where it's at?

6 See, in other words, that line has to be defined.

7 CHAIRMAN CORY: You spoke about having some
8 concerns about the proposed exchange and perhaps wish to
9 litigate that issue.

10 MR. PORGANS: That basically seems like the
11 direction it's going.

12 CHAIRMAN CORY: Is that one of your underlying
13 reasons for wanting to get this established, so that if a
14 fight ensues on that issue and the exchange doesn't take
15 place, that there is a defined line?

16 MR. PORGANS: Exactly, yes, sir.

17 CHAIRMAN CORY: I'm trying to deal with the staff's
18 concern as to why, if there is going to be an exchange and
19 the bill is on the Governor's desk -- or on the way there --
20 why we should spend money to define a line that isn't going
21 to make a difference. Can you address yourself to that
22 specific question as to why we should go ahead and allocate
23 the staff time, although it's acknowledging your help in
24 minimizing that; but they are still saying, "We're going to
25 have to do something that may be needless."

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. PORGANS: I think Mr. Trout addressed himself
2 on the issue when he said that the State Lands Commission
3 would pursue whether in fact there had been an encroachment
4 and to what degree and, if you're going to have to do that,
5 eventually you're going to have to find a line; there will
6 have to be a line out there.

7 CHAIRMAN CORY: Well, if the exchange occurred --
8 and I think Mr. Trout's position, if I read him -- if the
9 upland is purchased, then whether or not there is an
10 encroachment becomes irrelevant because we own it all.
11 I think that's Jim's point.

12 MR. TROUT: Well, Mr. Porgans is of the impression
13 that there may have been some removal of sand and gravel
14 from an area waterward of this line. From just rough
15 measurements, we think that the pond -- from laying out
16 aerial photographs and so on, the pond is landward of the
17 line, but we'd like to do a little more looking into it.
18 But I don't think that a survey would be required to do that.

19 MR. BAIOCCHI: Mr. Cory, I would like to address
20 myself to one other factor: The current bill, AB 2620
21 designates monies -- \$1.2 million -- for its improvement on
22 the Feather River. Now the Federal Parks and Receptions
23 District in the City of Oroville have supported this
24 improvement above the Highway 70 bridge and not on Mathews'
25 lands. The Mathews' lands were going to be utilized as a

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 301-3601

1 parkway under AB 2244, Ray Johnson's bill in 1973, but this
2 is not the fact.

3 CHAIRMAN CORY: I understood the words and there
4 were complete sentences but I didn't understand what you
5 said.

6 MR. BAIOCCHI: In other words, the Mathews land --
7 the land exchange -- supposedly the lands that are going to
8 be used for a parkway; and this is not the fact at this
9 time because the Feather River Parks and Recreation of
10 Oroville is supporting the improvements above the Highway 70
11 bridge and not on those lands.

12 MR. PORGANS: Excuse me.

13 CHAIRMAN CORY: The bill for the appropriation is
14 not for a State exchange but we're going to give it to the
15 City of Oroville and they make the determination of where
16 it's going to be spent, and they are wanting to spend it on
17 other than the Mathews' property, is that your concern?

18 MR. BAIOCCHI: Well, the local agencies have
19 indicated that those monies will be spent on development of
20 recreational benefits above the Highway 70 bridge. This
21 was made public in the newspapers.

22 MR. TROUT: That would be -- Mr. Baiocchi, that
23 would be on up here (indicating), where the river turns and
24 comes around this way (indicating).

25 Is that correct?

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. BAIOCCHI: Yes, sir.

2 MR. TROUT: And this is the Mathews' property and
3 this is the old highway (indicating) and the freeway now
4 comes over here and the Feather River swings around to the
5 east in this location (indicating) and they're talking about
6 up in here (indicating). However, our impression of the
7 bill, in talking with the Water Resources, is that they
8 asked us to determine the line because this property was
9 part of the exchange. I'm not certain I fully understand
10 what Mr. Baiocchi is saying. In any event, I think we could
11 get a boundary agreement with Mr. Mathews along that line.

12 MR. PORGANS: Excuse me, could you hold that map
13 up for a second?

14 I think that the major portion of our concern is
15 from the beginning was the fact that along this here
16 property, the property the State's taking claim to, there's
17 two very important salmon spawning riffles. One sits over
18 here (indicating) and the other sits over here (indicating)
19 where the easement comes in, just below the easement. And
20 the Department of Fish and Game has felt that his particular
21 project has had potential impact on these riffles and they
22 couldn't do anything to restrain him.

23 So I spoke with -- Thank you -- so I spoke with
24 the gentleman from the Region 2 yesterday and he said that
25 he had his man go out and ask Mr. Mathews where the boundary

PETERS SHORTHAND REPORTING CORPORATION

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

1 is. So that this way, if there was any sort of an
2 encroachment or any work out in that area, he would come in
3 and inform Mr. Mathews and the State Lands Commission that
4 he couldn't go beyond that point.

5 CHAIRMAN (): But if in fact, after he does that,
6 they discover that there is no dispute between Mr. Mathews
7 and your understanding of where the boundary should be or
8 anyone else's; it seems like it might be not worth the
9 expenditure of your money or the survey or our staff time.
10 Does that seem reasonable, or am I missing a point?

11 MR. PORGANS: Well, to a certain degree you are
12 right. But the point is: If liability comes about out
13 there on that particular stretch of the river where people
14 don't understand where the boundary line is while they are
15 using it -- if they went out there to use it tomorrow, is
16 the State going to take the responsibility for the liability
17 of people that get hurt on the Mathews' property or is
18 Mathews going to take responsibility for the people that are
19 hurt on the State's land; I don't think that, you know --

20 CHAIRMAN CORY: I would presume Mr. Mathews
21 assumes that with the granting of access, doesn't he?

22 Mr. Taylor nods quietly --

23 (Laughter.)

24 CHAIRMAN CORY: -- which is something less than a
25 total endorsement of my position.

PETERS SHORTHAND REPORTING CORPORATION

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

1 (Laughter.)

2 MR. PORGANS: There's one other problem that we
3 have had, Mr. Cory, and this is the last part of this
4 presentation.

5 It's the fact that the area is heavily posted as
6 "No Trespassing"; there are a lot of people who are afraid be-
7 cause no trespassing means exactly that. And I feel that,
8 you know, when a person comes into the area, everybody's
9 not going to go and ask the property owner if they can
10 trespass or not. People don't usually do that. If it says,
11 "No Trespassing," that's exactly what it means.

12 So with these public access signs, Mr. Cory, and
13 the boundary line established, which would only take two and
14 a half days for all the surveying and what not; we would
15 know exactly where we could go.

16 MR. BAIOCCHI: I would like to add one more factor:
17 The Department of Fish and Game has supported the land
18 exchange back in May of last year because of the fact that --
19 because of the gravel operation and the danger to those two
20 particular riffles -- it's worth \$1.5 million annually to
21 the commercial and sports fisheries -- but they were in
22 support of that particular exchange. But now the fact of
23 the matter is that there is a buffer zone, the State Lands,
24 between the Mathews' property and the river. And then the
25 regulatory agencies, being the State Lands Commission, the

PETERS SHORTHAND REPORTING CORPORATION

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

1 Reclamation Board and the Department of Fish and Game, can
2 regulate those State lands and any encroachment upon them.
3 That's why we need to define a line there.

4 MR. McCAUSLAND: If I might, Mr. Gory; it seems to
5 me that time is not necessarily the essence in this
6 particular case. I do think that the question of access is
7 an important one. The Bay Area Conservation Development
8 Commission has managed to post numerous points of access in
9 the Bay Area that the people were not previously aware of
10 and it's had a tremendous beneficial public impact in terms
11 of people's access to the waterfront.

12 If Mr. Mathews was willing to post his road as a
13 "Use at Your Own Risk" public access to the river, that would
14 meet your short-term problem; and then you could deal with
15 your legal question in boundaries and land exchanges as
16 those become more germane, I would think. But right now
17 your major concern is that there are a number of people
18 who aren't aware that they have access to the river at this
19 point and it's public land, is that correct?

20 MR. FORGANS: That's basically true.

21 MR. McCAUSLAND: Is it possible for us to discuss
22 with Mr. Mathews possibilities of such a posting on his
23 access road?

24 MR. TROUT: Certainly.

25 MR. FORGANS: One last question from the Committee,

PETERS SHORTHAND REPORTING CORPORATION

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

1 or from the staff: How much time are we talking about, if
2 they can tell me as far as their involvement goes, from
3 their own statements on the monuments -- we post the
4 monuments -- the ownership comes -- As a matter of fact, I
5 meant to mention one other thing. The survey that we have
6 has done work right up to that area, those monuments right
7 there (indicating) and Caltrans has sent us their monument
8 matching the Highway 70 bridge. So there would be no
9 problem.

10 MR. McCAUSLAND: It sounds like a nice offer for
11 consideration at an appropriate time. The problem is,
12 we're not certain the time is right, I believe.

13 MR. PORGANS: I think to start it off, if
14 Mathews would consent to posting the, "Enter at Your Own
15 Risk," for that area, that would be fine. Our offer stands
16 because, you know, eventually we're going to have to find
17 out what's going on.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I would
19 like to report that the staff has reported to me excellent
20 cooperation from Mathews. It's that they have bent over
21 backwards to be cooperative.

22 CHAIRMAN CORY: Is there anyone from Mathews here;
23 yes, sir?

24 Identify yourself for the record.

25 MR. MATHEWS: My name is Gordon Mathews and I'm

1 Vice President, General Manager of Mathews Readymix, and
2 our particular incident here is on our property located
3 in Oroville.

4 Going back through basically what Patrick and Bob
5 Baiocchi has said, I think that everything there I would
6 agree with. I might say that we've known all the time that
7 there was a little strip of land between there. In fact, we
8 have had permits from the Department of Water Resources to
9 dig two ponds that are right close to this riffle and we
10 could only go so far over. And we have measured over with
11 just a hand tape from our deed which says, "So far" and
12 not too long ago we had a survey -- unofficial -- made by
13 Ted Vande Sande, who is the only civil engineer with the
14 Department of Fish and Game, working under the direction of
15 Bob Lassen, whose name was brought up.

16 And he came out on the site with one of his -- I
17 think it was one of the Game Wardens from that area and they
18 officially ruled it off and we even gave them some cement to
19 mark it so they could run an area and they should have some
20 aeriels to show where the line is.

21 Now this is unofficial; it might be off a quarter
22 or two or whatever. But I'd like to go one step further
23 and state that we did dig on State lands. But we did come
24 back and we filled it and to the best of our knowledge, we
25 put a berm up to help, under the direction of the two

PETERS SHORTHAND REPORTING CORPORATION

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

1 Departments -- Water Resources and Fish and Game -- to keep
2 any possible erosion of separating the riffle that's out in
3 the river, to move the channel of the river; that's what
4 nobody wants to have happen, including us. So this is
5 something that I don't know whether everybody in the room
6 knows has happened or not, but Fish and Game is very aware
7 of it. I was out there when they did it, I was out there
8 to help them put the cement as just a marker from the air to
9 see where the line was. And it's on a berm that's right
10 along this area (indicating).

11 Now, as far as the amount of land between the edge
12 of the river and our property, it's a very slim parcel of
13 property, I mean it's very -- we put a road across the top
14 of it specifically so that Fish and Game Game Wardens could
15 drive across our property. We gave them a key so they could
16 patrol it, because there are certain times of the year it's
17 important they monitor it. It's a spawning area and --
18 it's one of the best spawning areas in the Feather River.

19 CHAIRMAN CORY: Well, this question of access --
20 Let me first say that this question comes from clearly
21 understanding you own your property and you can do as you
22 see with it.

23 MR. MATHEWS: That's right. We own 115 acres.

24 CHAIRMAN CORY: But there was some talk about
25 access that you granted; access which the staff --

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. MATHEWS: Well, we are willing to let fishermen
2 trespass across our property, but let ra go back a couple of
3 years and say that, at that time, we had some ponds there
4 and there were local citizens upset because kids were going
5 down there swimming. That's why we put the "No Trespassing"
6 signs up. We have created one problem and it's got into
7 another one. Let me tell you, we're pretty open-minded in
8 this situation. It's a very narrow strip of land, like less
9 than 50 feet from the edge of the water. I mean, that's how
10 narrow the State lands is.

11 MR. McCAUSLAND: You want a sign that says,
12 "Swimmers Prohibited; Fishermen Welcome."

13 (Laughter.)

14 MR. MATHEWS: It puts us in a very awkward position.
15 I've told Mr. Porgans and Mr. Baiocchi that we would be
16 happy to give them a key to the property, but we have another
17 group that might be in here later opposing what we're doing.
18 I mean, let me go one step further and state that we have no
19 permits to dig in this area. At the present time, we have a
20 permit to dig a long ways from the river. I mean, not even
21 close to the river. So we're not going to be working in this
22 area as far as any dredging operations or anything at the
23 present time.

24 MR. McCAUSLAND: Was there a concern that your ponds
25 were an attractive nuisance in a sense?

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. MATHEWS: That was the problem, I think a
2 couple of years ago.

3 CHAIRMAN CORY: Do those ponds still exist?

4 MR. MATHEWS: Yes, they do.

5 COMMISSIONER DYMALLY: This is a Catch 22
6 situation.

7 MR. PORGANS: That's why -- Excuse me,
8 Mr. Chairman and Members of the Commission.

9 I think that if there was these public access
10 signs, the children, or the parents of the people would
11 know, and the children would see for themselves. I mean,
12 most people can read.

13 COMMISSIONER DYMALLY: Let me ask you this: Would
14 you be willing to support legislation to exempt them from
15 any liability?

16 MR. PORGANS: I don't feel that that's the case.
17 I think that when people own their own property that they
18 should manage it so that they don't have those types of
19 problems where they try to avoid those problems.

20 MR. McCAUSLAND: It seems to be a regular Agenda
21 item that's gone way beyond --

22 CHAIRMAN CORY: I think Mr. McCausland's statement
23 is right. What we should do, given the time frame is:
24 We've got a bill coming through; the staff should point out
25 what that bill is going to do or not do and, rather than

PETERS SHORTHAND REPORTING CORPORATION

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

1 specifically authorize any action at this time, if it can't
2 be resolved without Commission action, i.e., a bill being
3 passed, then the question becomes moot. If that isn't clear,
4 put it on the next Agenda item as a specific Agenda item and
5 I apologize to Mr. Mathews for your problem and we appreciate
6 your cooperation and your straightforward attitude about the
7 thing and I think Mr. Porgans is well aware of your
8 liability problems and that there's not the normal
9 antagonism that the recreationalists and the private
10 entrepreneur has in this particular case.

11 As to the access problem; Bob, maybe you better do
12 some talking with Jim and going over. Maybe the best
13 solution is not to have access over Mr. Mathews' property,
14 but post what's publicly there and then come down the river
15 on a raft, if you want, and just step off and fish. That's
16 the way I fished in Wyoming.

17 MR. MATHEWS: I would like to state that, across
18 the river is all State Department of Water Resources' lands.
19 And, looking at it from our side, I'd like to ask our people
20 today why there isn't enough access on that side of the
21 river.

22 CHAIRMAN CORY: I think what they are saying is
23 the same thing; that, if you make access say from there
24 without bothering your property, but then they need to know
25 as they approach your property line, where it is so they

PETERS SHORTHAND REPORTING CORPORATION

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

1 know where to stop. And they're offering to do that and
2 it seems like a very reasonable offer, and leave you out of
3 the deal because, as a landowner along a river myself, I'd
4 just as soon not have that grief.

5 MR. McCAUSLAND: As a member of this Commission, I
6 would not like to participate in an action that encouraged
7 a private property owner to subject himself to an
8 attractive nuisance suit. I'd rather find another solution
9 to the problem.

10 COMMISSIONER DYMALLY: That's my problem too.

11 CHAIRMAN CORY: So we will proceed in that way.
12 If it doesn't get worked out where there is a purchase and
13 the thing is moot, let's have an Agenda item and see if we
14 can't proceed.

15 COMMISSIONER DYMALLY: What are the possibilities
16 of the State buying a small tract for access?

17 CHAIRMAN CORY: While you were out, Governor,
18 there is a bill pending on the way to the Governor to buy,
19 I guess, all of or a big hunk of the Mathews' property.

20 MR. MATHEWS: It's been a long negotiation. We
21 don't know if it's ever going to transpire or not, but we
22 have met many times on it.

23 EXECUTIVE OFFICER NORTHROP: Well, it's on the way
24 to the Governor's desk and we'll check and see what that
25 does.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. PORGANS: I think there's one thing that was
2 misunderstood. There is public access into that right now;
3 it's through the -- or an easement that Caltrans has on
4 Highway 162. You can walk right down there; they have about
5 a 60-foot easement.

6 CHAIRMAN CORY: And then when you get down to the
7 river, you can work the river fishing until you get there.
8 But the problem is: If you walk the river fly fishing or
9 any kind of fishing, you don't know where the private
10 property starts and stops and that's where you get into the
11 difficulty.

12 MR. McCAUSLAND: In this particular instance,
13 a sign at the top of the berm would probably be adequate for
14 short-term purposes until official metes and bounds or some
15 other line was established. It seems like the berm acts as
16 a fairly effective barrier along the --

17 MR. MATHEWS: That's what's there now and that's
18 where the line is, unofficially.

19 MR. McCAUSLAND: Unofficially is better than no
20 line at all.

21 MR. PORGANS: I'd like to thank the Members of the
22 Committee for their time today.

23 CHAIRMAN CORY: Thank you.

24 EXECUTIVE OFFICER NORPHROP: That concludes my
25 report.

PETERS SHORTHAND REPORTING CORPORATION

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

1 I don't see that Senator Nejedly is here.

2 CHAIRMAN CORY: When he arrives, we'll take him.

3 We have the Consent Calendar. Are there any items
4 on the Consent Calendar that anybody wishes to have removed?

5 Is there anybody in the audience who wishes to
6 address themselves to any of the Consent Calendar items;
7 Item C1 through 19?

8 Without objection, the Consent Calendar will be
9 adopted as presented.

10 Item 20 is a request for gas sales with PG&E with
11 our lessee and this one, I guess, gets somewhat complicated.

12 COMMISSIONER DYMALLY: I move we put it over until
13 the next meeting.

14 CHAIRMAN CORY: Okay. I think that probably is
15 what the net effect probably should be. But there is at this
16 point in time, I believe Mr. Couvillon wants to speak to us,
17 but also I think that we should deal with the question that
18 we have -- as I talked to Greg Taylor -- in essence an
19 outstanding offer that we probably should rescind so we don't
20 end up inadvertently getting trapped into position; sort of
21 rescind without prejudice.

22 Mr. Couvillon, would you come forward?

23 MR. COUVILLON: Gentlemen, the Agenda item describes
24 the matter very thoroughly and --

25 COMMISSIONER DYMALLY: Could you give me your

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 393-3601

1 affiliation, please?

2 MR. COUVILLON: Standard Oil Company of California,
3 sir.

4 We are the lessee involved in these leases covered
5 by the PG&E contract.

6 So we have a suggestion and we recognize the
7 concern of you gentlemen; this has been discussed before,
8 but the matter of accepting a PG&E contract affects, of
9 course, not only the State's royalty share, but also
10 Standard's share of the production and, for that reason, we
11 considered a ways and means of proceeding with that, with
12 PG&E on our part, recognizing the State's right to consider
13 further its approval of reasonable market price for the
14 State's royalty portion of the gas from the fields involved.
15 And we are perfectly willing to proceed with that reservation
16 clearly in mind; and I point out that your Agenda item
17 contains a very excellent statement on that subject which
18 apparently was developed by the Attorney General's Office,
19 perhaps.

20 And we are perfectly willing to accept and
21 recognize the right of the State to conduct a continuing
22 review of the reasonable market price for this area.

23 As we have explained to some of you gentlemen --
24 and we have Mr. John Sproul, Vice President of PG&E here
25 today who can speak further to this subject -- we believe

PETERS SHORTHAND REPORTING CORPORATION

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

1 this price represents a reasonable price under the present
2 circumstances. And, of course, this is the only offer we
3 have. And we feel that Standard's viewpoint and the State's
4 viewpoint are exactly the same. We want as much as we can
5 get for this and the State goes along with us under this --
6 under the royalty provisions of the leases.

7 So we believe that, in our opinion, the State could
8 safely accept this price, considering all the facts and
9 circumstances which we could elaborate on here today through
10 Mr. Sproul.

11 On the other hand, Mr. Cory has made it clear that
12 there is a question of future developments on the subject
13 which the State is concerned about and would have some concern
14 about committing itself for such a period of time. So,
15 recognizing while our interest is the same in getting the
16 same price, Standard is in a position to proceed with this
17 price, and that we plan to do. Recognizing that the State's
18 royalty -- Wait a minute -- the basis for the State royalty
19 calculation has not yet been accepted by the State. If the
20 State elects to take that action today -- and I hope I can
21 persuade the State to accept this price today -- in view of
22 the reference in the minutes reserving clearly the right of
23 the State to review the matter and bring up the matter of an
24 increased reasonable market value at a future date. If and
25 when the State should do that, we are the contractee of the

PETERS SHORTHAND REPORTING CORPORATION

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

1 State and we are subject to the terms of the contract and
2 the laws of the State and we have no choice but to come in
3 and discuss that. And, if the State has a reasonable basis
4 for a higher market value, then we're bound by it.

5 CHAIRMAN CORY: Mr. Dymally?

6 COMMISSIONER DYMALLY: Question: Will you, and/or
7 PG&E, or the State be inconvenienced on the consumer if we
8 were to put this over for a month?

9 MR. COUVILLON: No, sir, not insofar as the State's
10 interest is concerned. The principal point I wanted to
11 emphasize today is that Standard has made a business decision
12 to accept this price and we're now receiving a price of only
13 75 cents per million Btu's instead of the dollar twenty
14 which is offered. So, since we are ready and willing to
15 accept that, we would like to notify the State today that
16 we plan to do that, as a business decision on our own without
17 binding the State to any degree whatsoever. To the extent
18 of putting it off for 30 days, sir, we have no objection.

19 In making your determination, we have no
20 objection.

21 COMMISSIONER DYMALLY: Okay, but you will proceed
22 with your contractual arrangements?

23 MR. COUVILLON: Yes, sir. We plan to do that just
24 to get the higher price coming in, and of course that -- in
25 so do , that creates some procedural questions, but we

PETERS SHORTHAND REPORTING CORPORATION

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

1 don't think they are serious. We could take several
2 different routes and work that out with your attorneys and
3 staff in terms of tendering royalties to the State, for
4 example, on the dollar twenty basis while you are considering
5 the matter for the next 30 days, 60 days, whatever is
6 necessary. Although, we urge that this be resolved shortly.

7 CHAIRMAN CORY: Mr. Taylor, do you have a comment?

8 MR. TAYLOR: Mr. Chairman, we have -- there is a
9 revised page 58 in your Calendar. There should have been
10 further revisions made on that as a result of staff meetings
11 last night in which we thoroughly discussed this situation
12 at the Commission's request. And I think there should be
13 certain clarifying statements made with regard to the text
14 on page 58.

15 This was just a reprint of the Calendar item
16 which appeared a month ago.

17 Since the last meeting of the Commission,
18 it is our understanding that the Superior Court
19 in San Diego County has ruled on the Arbitration
20 Award, and sustained it, although the judgment
21 is still in the process of being prepared.

22 So we don't have a situation of just an Arbitration
23 Award, but we have a situation of an Arbitration Award which
24 has now been approved by the trial court. It would certainly
25 be expected that there would be an appeal from that, but it

PETERS SHORTHAND REPORTING CORPORATION

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

1 certainly is more than we had at the last Commission meeting.

2 Secondly, the last paragraph of the text which
3 says:

4 "The staff does not have any objective data
5 which would support a higher price at this time
6 than the prices contained in the subject
7 contracts."

8 At this point, that statement is not correct; it
9 is a tentative feeling of the staff, and the reason why we
10 have recommended that this go over, is that it would appear
11 that the gas that was involved in the Arbitration Agreement
12 may be or appears to be, to the opinion of the staff who are
13 experienced in this area, comparable and in fact could be
14 better than the gas that was involved in the Arbitration
15 Agreement.

16 I think Standard will disagree with that, but I
17 think there shouldn't be any misunderstanding with
18 Mr. Couvillon at this point that, if Standard signs the
19 contract with PG&E at the dollar twenty price and we
20 exercise -- or the Commission exercising its independent
21 review authority, were to establish or to find that the
22 reasonable market value of this gas was at a dollar thirty-
23 four for one year; that that price would be -- that there
24 would be a difference of approximately a half million
25 dollars in income to the State which Standard would then be

PETERS SHORTHAND REPORTING CORPORATION

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

1 obligated to pay to the State out of its share of the
2 proceeds that it was obtaining from PG&E.

3 Secondly, this contract which is before the
4 Commission is for two years and, under the Arbitration Award,
5 the price of natural gas goes to a dollar fifty-four or a
6 dollar fifty-six, so that Standard, if we find that the
7 reasonable value of the gas a year from now would be that, it
8 is our estimate at this time and it's only a crude one which
9 we would hope to have refined for you at the next meeting.
10 It would be a difference of another three-quarters of a
11 million dollars which, again, Standard would be obligated
12 to pay.

13 So if Standard is willing, if this Commission makes
14 that, to make that payment to us out of their share because
15 of the amount of money they will be receiving for the sale
16 of this gas, there wouldn't be any problem. But I think it
17 should be clearly stated to Standard that if they sign that,
18 and the Commission were to go ahead and make these findings,
19 there would be that amount of money, and I would be interested
20 in Standard's position with regard to that, whether they
21 feel we are correct, are we looking at a lawsuit, or just
22 what, because that's our problem.

23 MR. COUVILLON: Well, this is some new information
24 that we didn't have regarding the Court action in this
25 Occidental award matter, and it might be something we want

PETERS SHORTHAND REPORTING CORPORATION

25 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 393-3601

1 to look at before actually proceeding with our execution of
2 a contract.

3 But, in principal, Mr. Taylor's information
4 doesn't really change the matter. We recognize that, if the
5 State attempts to establish a higher market value as the
6 base of calculating State royalties, that we'd either have
7 to talk the State out of it or agree to it or litigate it.
8 And, if we don't prevail in that, then we have that
9 obligation.

10 So that's a business decision we have to grind
11 into our next step on that subject.

12 And so, if reserving our decision on that subject
13 -- and I want to get this information of course -- if we
14 could arrive at a program at least today where the State
15 would be notified -- at least if we may elect to sign this
16 contract, as to our share in particular -- reserving the
17 State the full right that it has to have on price and go
18 from there and we'd be subject to the State's direction on
19 what to do with royalties in the interim period while the
20 State is considering the matter further.

21 We suggest that program.

22 MR. McCAUSLAND: May I ask a question, Mr.
23 Chairman?

24 CHAIRMAN CORY: Yes, go ahead.

25 MR. McCAUSLAND: I took the prices that are on page

PETERS SHORTHAND REPORTING CORPORATION

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

1 1, of Calendar Item 20, and posted them on Exhibit A, the
2 map of the various parcels; and do you have any idea where
3 the Occidental-PG&E parcel is located in relation to the
4 others?

5 EXECUTIVE OFFICER NORTHROP: Mr. Everitts of the
6 staff has some --

7 MR. McCAUSLAND: It appears that the price is
8 above a dollar and a quarter for everything starting with
9 PRC 415 and going west and everything northeast of that is
10 about a dollar or a dollar fifty.

11 MR. EVERITTS: Well, the price basically is based
12 on deliverability on reserves, the amount of gas that's
13 available in those areas. That's just coincidental. Those
14 happen to be the two largest fields.

15 Occidental's gas is anywhere from 115 miles south
16 of the large parcel there (indicating) to 30 or 40 miles
17 north, more or less in a vertical line and as a matter of
18 fact, the most expensive is north about 26 miles.

19 CHAIRMAN CORY: What is closest?

20 MR. EVERITTS: I beg your pardon?

21 CHAIRMAN CORY: What is the closest?

22 MR. EVERITTS: Well, right in there in that area
23 (indicating) within ten or 15 miles.

24 MR. McCAUSLAND: Are these all part of the same
25 gathering system or how is this being handled?

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. EVERITTS: I would defer that, I think, to
2 PG&E.

3 MR. COUVILLON: Mr. Sproul is here and he has full
4 information on all of this including some information
5 regarding the merits or demerits of the Occidental award,
6 for example, involving compression charges.

7 If you will, gentlemen, I'd like to have him
8 comment on the matter.

9 MR. SPROUL: My name is John A. Sproul,
10 Mr. Chairman and Members of the Commission; and I'm Vice
11 President, Gas Supply, for Pacific Gas and Electric Company.

12 To answer your last specific question, sir; no,
13 we buy gas from a great number of California fields and
14 the distribution systems within those fields are separate
15 and the Rio Vista and the Lathrop fields are two separate
16 and distinct fields and are somewhat distant from each other.

17 The one point that I'd like to make on behalf of
18 PG&E is that to urge you to reach a decision on this matter.
19 The Occidental Arbitration Award did not, as you might
20 suspect, just involve one price; it involved a series of
21 prices ranging from a dollar one to a dollar thirty-four,
22 I believe, although the award would speak for itself. So
23 it isn't just one price; it's a number of prices. The
24 dollar thirty-four price did relate to the Lathrop field
25 and certainly the Rio Vista field is comparable to the

PETERS SHORTHAND REPORTING CORPORATION

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

1 Lathrop field and I am not denying that.

2 But there is a historical situation within the
3 Rio Vista field where we have always paid the compression
4 costs, as I think you know, and it's my understanding that
5 between the two alternatives that were put before you a
6 month ago, that the net financial effect to the State would
7 be precisely the same. But, even if it were not, even if
8 you use the numbers mentioned here by the gentleman,
9 Mr. Taylor, so that if you did acquire some rather small
10 short-term financial benefit, the effect of that would be,
11 because of a number of favored nation's commitments that we
12 have outstanding with other California producers; that same
13 higher price would be payable to them, and so two and a half
14 million consumers in Northern California would be paying
15 millions and millions of dollars more and it would come
16 right out of their pocket.

17 CHAIRMAN CORY: Mr. Sproul -- I mean, I have to
18 rise to that.

19 MR. SPROUL: All right.

20 CHAIRMAN CORY: For two reasons: One, we have
21 a constitutional and a legal responsibility to dispose of
22 the assets of the State of California at the highest and
23 best price. Any question in responsibility that the State of
24 California has to the consumer is one that I'm aware of that
25 must be discharged to the Public Utilities Commission.

PETERS SHORTHAND REPORTING CORPORATION

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

1 But for you to have previously entered in a most
2 favored nation's clause contract and make that decision and
3 then come before us and plead poverty, or plead the case of
4 the consumer after you've entered into an adverse contract
5 in the other fields, is hodgepodge.

6 MR. SPROUL: It's not an adverse contract; we are
7 not pleading poverty. I'm merely pointing out to you, sir,
8 what the effect of this would be and I think we should put
9 that on the record.

10 CHAIRMAN CORY: -- contracts that's going to
11 shaft the consumer.

12 MR. SPROUL: No, not at all.

13 CHAIRMAN CORY: That's what you just said.

14 MR. SPROUL: What happens is the action, if this
15 were to go forward, the consumer would be paying a great
16 deal more money and I'm just trying to put that before you.

17 CHAIRMAN CORY: But not because of anything we do,
18 Mr. Sproul, because of previous actions of your company.

19 MR. SPROUL: I want to point out too that, as far
20 as we are concerned, that the Occidental Arbitration Award
21 was one Arbitration Award; three Arbitrators came forth
22 with it; we are perfectly prepared to go to arbitration
23 again; we regard that award as outrageous and as wrong and
24 we think we have an interest here to defend the consumers
25 and we think we are entitled to speak for them and they have

PETERS SHORTHAND REPORTING CORPORATION

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

1 told us in connection with the arbitration proceedings before
2 the San Diego Superior Court, they have appeared in our
3 behalf. So I think that we have not only the right to speak
4 for them, but the duty to do so.

5 And we are perfectly prepared to go to arbitration
6 again because we think the Occidental Award was wrong and
7 will be overthrown.

8 COMMISSIONER DYMALLY: Mr. Chairman, what we are
9 doing here is simply giving these gentlemen an opportunity
10 to express their position, is that correct; because we're
11 going to postpone this matter, are we?

12 I have a motion before you.

13 CHAIRMAN CORY: My own inclination is that we
14 should postpone the matter, but first I think we should
15 rescind the outstanding offer that we have so that everything
16 is in neutral, so that nothing -- nobody can unilaterally
17 make decisions in our absence.

18 The reason I suggest we do that that, from the
19 last month to this month, there have been two things that
20 have taken place in the pricing field that I think are
21 somewhat relevant: One is the Federal Power Commission's
22 ruling that has transpired; and the fact that the Superior
23 Court has, in essence, affirmed the Arbitrator's Award that
24 we are in a field where the economics is in flux, and it's
25 moving rather rapidly and, if something that we haven't

PETERS SHORTHAND REPORTING CORPORATION

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

1 thought of happens in the next few days before the next
2 meeting, that would drastically alter the value of this,
3 I would not want us to be caught flatfooted of having an
4 offer outstanding that somebody could come in and say, "All
5 right, we'll take that," because the price has suddenly gone
6 to two dollars.

7 COMMISSIONER DYMALLY: Just two points: One, I
8 need more information on this; and secondly, I want to check
9 with staff and other sources the effect this whole
10 transaction would have on the consumer. When I get that
11 information, I will be able to render a decision.

12 CHAIRMAN CORY: The suggestion that Mr. Couvillon
13 has proposed, and I think it's worth making clear that we
14 get everything in a neutral posture and a mechanism by which
15 Standard of California can proceed in terms of receipts, and
16 I think that's probably feasible with the staff working
17 that out; if Standard wishes in its judgment to exercise
18 a business decision and sign the contract, I would suggest
19 that that is probably the best possible position for the
20 consumer in that PG&E would be getting gas for a dollar
21 twenty, Standard of California would be getting their cash
22 flow, they'd get their money now, which is a definite
23 advantage to them and I think one of their motivating
24 factors --

25 MR. COUVILLON: Yes, sir.

PETERS SHORTHAND REPORTING CORPORATION

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

1 CHAIRMAN CORY: -- they would have a contingent
2 liability that perhaps all of that money they would be
3 getting now, some of it they might have to give up to the
4 State if we arrived at a different price than they arrived
5 at. And we could support that price based upon fact. And
6 that's a risk that they perhaps are willing to take and
7 perhaps that added advantage of getting their money now --
8 I think the figures are somewhere around nine or \$10 million
9 annually -- getting that currently and having that behind
10 them and having Mr. Couvillon not having to come to
11 Sacramento all the time and he can go out and make another
12 large pile of money for his stockholders, that they could
13 perhaps afford to subsidize our royalties slightly.

14 And that might be the most beneficial, but we do
15 lack some figures and I would suggest we do proceed on the
16 basis of: One, rescinding any outstanding offers; put the
17 matter over and ask the staff to come in with the details
18 of what that arbitration either is or isn't, what the pluses
19 and minuses are, and confer with PG&E as to why they think
20 it's bad so we have that information; and make the comparisons,
21 and I think the thing Sid started to do, placing it on a map
22 and trying to get some sense of where gas, at what price, is
23 selling for so we can interrelate it and answer some of the
24 questions in terms of gathering systems and identify them
25 so we know what it is we are doing and we actually have this

PETERS SHORTHAND REPORTING CORPORATION

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

1 as a calendar item at the next meeting.

2 COMMISSIONER DYMALLY: I get the impression that
3 firms like PG&E and Standard are scared to talk to me.
4 But if they want, they can come into my office and make their
5 case. I'm not going to bite you.

6 MR. COUVILLON: We'll be glad to do so, sir.

7 MR. McCAUSLAND: I'd like to say that the
8 Department of Finance is very concerned about the impact on
9 consumers and, as a customer of PG&E, I'm glad to hear them
10 arguing my case. There's nothing magic about the number
11 dollar thirty-four or the number dollar twenty or the
12 possibility of a dollar fifty-six next year. I would like to
13 know if Mr. Sproul can give us any feel for what PG&E's
14 forecast of natural gas prices in 1980, or any other time
15 frame you choose to look at, is, because I'm afraid that
16 we're just working at the ragged edge of a tidal wave here
17 that's going to run away from us in a few years.

18 Our concern over a dollar twenty versus a dollar
19 thirty-four is going to look paltry when looking at two,
20 three, four-dollar issues.

21 MR. SPROUL: Mr. McCausland, I'm reluctant to give
22 you precise numbers because we're going to be negotiating
23 with a whole lot of producers within those fields in that
24 period of time. But, certainly I think it's fair to say,
25 and it would be misleading not to tell you, that the

PETERS SHORTHAND REPORTING CORPORATION

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

1 long range price of gas is going to go up; there's just no
2 question about it --

3 MR. McCAUSLAND: We're all kind of stuck.

4 MR. SPROUL: -- in my opinion.

5 CHAIRMAN CORY: The ratio of relating the world
6 price of crude oil and natural gas is still a worthwhile
7 indicator, is it not, in terms of economic value?

8 MR. SPROUL: We don't believe so, sir, but
9 certainly the price that we are paying for the major bulk
10 of our gas supply from Canada, which is 45 percent of our
11 gas, is that's the position that the Canadian Government is
12 taking; that's the position that they have increased the
13 price looking toward that day when there is parity between
14 those two prices; and the price has been consistently going
15 up and will go up again on September 10th and again on
16 January 1st of next year. And that's the price that the
17 Canadian Government has taken; that's the price certainly
18 that -- the position that Occidental took during the
19 arbitration proceedings.

20 We have been trying, without a great deal of
21 success -- well, with some success in the arbitration
22 proceedings to moderate that because that would mean that
23 the price of gas would go up in California to just about
24 two dollars or two dollars plus, sir, right.

25 MR. McCAUSLAND: Mr. Chairman, I'd like to second

1 Governor Dymally's motion and offer an amendment that we
2 adopt the staff recommendation as revised on August 26th to
3 rescind our action.

4 COMMISSIONER DYMALLY: I accept the amendment.

5 CHAIRMAN CORY: Mr. Dymally seconds the amendment.
6 Without objection, the motion will be adopted.

7 MR. TAYLOR: May I clarify for the record that the
8 Lands Commission has not authorized or given any indication
9 of market value or the approval of Standard entering into
10 the sales contracts?

11 CHAIRMAN CORY: We have accepted their notice of
12 their intention to do so and the staff should start
13 negotiating, given the hiatus likely to develop if they
14 proceed, as to how royalties should be handled in that
15 interim period.

16 MR. TAYLOR: There may be a problem in that I
17 believe there is a requirement that we approve the sales
18 contracts.

19 CHAIRMAN CORY: And we have not approved anything
20 yet.

21 MR. TAYLOR: And we have not approved it. So you
22 may have a problem with your lease with us. But I just
23 wanted the record completely clear that we have not made
24 any statements as to the reasonable value of gas; we have
25 not approved a sales contract; and that Standard proceeds at

PETERS SHORTHAND REPORTING CORPORATION

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

1 its own risk with regard to all of these matters.

2 MR. COUVILLON: I think that's a good technical
3 question and that's why I brought it up today. In terms of
4 a recognition and an acquiescence at least on the part of
5 the State Lands Commission, without any implication whatso-
6 ever as to the price of its royalty gas, that it would have
7 no objection to Standard for consummating any agreement with
8 PG&E on this price if it elects to do so. Otherwise, our --

9 MR. McCAUSLAND: I beg your pardon. I believe
10 that Mr. Taylor has told us that we haven't abdicated our
11 responsibility to review the terms of the contract; is that
12 what you've told us?

13 MR. TAYLOR: I don't think that the Commission has
14 done -- and I want to put Standard on notice that the
15 Commission has not done what Mr. Couvillon is asking, which
16 is some sort of interim approval of their signing these
17 sales contracts and I would have some legal concern with that
18 action at this time to insure there would be nothing by the
19 approval of these sales contracts that would in any way
20 affect the price or in any way put the State in a position
21 where that action would preclude it from arguing that the
22 reasonable value of gas was anything different, because this
23 sales contract which is before us is for a dollar twenty.

24 CHAIRMAN CORY: You mean it has not been acted
25 upon.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. TAYLOR: Not with the resolution you've just
2 adopted.

3 MR. McCAUSLAND: Can you give us a citation on
4 what our responsibility is with regard to that --

5 MR. COUVILLON: In principal, we accept full
6 reservation of all the points that Mr. Taylor has mentioned,
7 there's no question about that.

8 CHAIRMAN CORY: I think --

9 MR. COUVILLON: -- not approving the contract; not
10 approving the price --

11 CHAIRMAN CORY: I think what Mr. Couvillon is
12 worried about -- and I'm wondering if we're getting to the
13 point -- is that he wants to make sure that they have
14 served notice upon us that they very probably are going to
15 proceed at their own risk, but he would not want the fact
16 that they proceeded at that risk to be used in some way for
17 us to use that to try to break the lease, saying that they
18 violated the terms of the lease.

19 MR. COUVILLON: And we accept full reservation of
20 the State's rights as to the terms of our agreement and
21 the price to any degree necessary.

22 CHAIRMAN CORY: -- the fact that he tells us and,
23 if he wants to proceed, we may have a dollar dispute
24 somewhere down the road.

25 MR. COUVILLON: We can pursue those details with

PETERS SHORTHAND REPORTING CORPORATION

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

1 the attorneys, Mr. Cory, and if we can work it out, we will
2 do so.

3 MR. TAYLOR: Mr. Chairman, we would try to work
4 out that statement and, if necessary, would ask Mr. Northrop
5 to convey to you a request for some sort of emergency
6 meeting.

7 CHAIRMAN CORY: If you need an emergency meeting,
8 you can have one.

9 One of the things you should be looking at is to
10 whether or not we should take any portion in this interim
11 period of the increased royalty and ask some questions to
12 make sure there aren't some hidden land lines in that.

13 MR. COUVILLON: We recognize that and have no
14 problems with that.

15 MR. TAYLOR: We will try to draft an appropriate
16 document to protect the State's interest and to have, by no
17 way, any implication that we have passed on the value of the
18 gas.

19 CHAIRMAN CORY: Okay. The Commissioners
20 unanimously understand what we did, whether or not anybody
21 else does.

22 (Laughter.)

23 CHAIRMAN CORY: Thank you gentlemen, very much, for
24 being with us.

25 The next item we have on the Agenda is Item

PETERS SHORTHAND REPORTING CORPORATION

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

1 Number 21 and, Governor, will you take over for a moment; I
2 have something to do in my office. We have Item 21 which
3 somebody just started handing me things about that I just
4 don't understand.

5 (Thereupon Commissioner Dymally assumed the Chair.)

6 EXECUTIVE OFFICER NORTHROP: Governor, we have a
7 pier at Ellwood which is a pier installed some time ago for
8 the operation of an oil well development. This pier is find-
9 ing the end of its days as an oil well development pier and
10 the County of Santa Barbara has indicated an interest in using
11 this pier as a recreational boating pier. Some oil companies
12 have indicated there may well be life in the old pier yet for
13 use as a docking area for offshore operations. However, under
14 the contract, it is now time for the pier to be taken out and
15 this Calendar item was put on to remove the pier.

16 But, since we have put the Calendar item on for
17 the Commission's action, the County of Santa Barbara has
18 had a meeting and I believe they are in contact with the
19 Commission directly with a telegram saying that they have
20 now decided to do a study. And so the Attorney General has
21 prepared some language and I'd like to have him address the
22 Commission on that language now.

23 MR. TAYLOR: Mr. Chairman, Governor, the problem
24 that is presented here is the fact that this debate over
25 whether to tear the pier out or rehabilitate it has

PETERS SHORTHAND REPORTING CORPORATION

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

1 continued for approximately three years. The Burmah, which
2 is now Aminoil, has been endeavoring to work out
3 arrangements and there hasn't to date been any definitive
4 action taken. As a matter of fact, there have been several
5 changes in position between the county and the various
6 parties over whether they could have this go ahead.

7 We are concerned that the position of the State
8 Lands Commission be preserved to insist upon the removal of
9 the pier and to pick up the speed with which the determination
10 is made in order that no argument with regard to the duty of
11 Aminoil, under the terms of its agreement with the State,
12 arises.

13 It will be very expensive to remove this pier and
14 any further delay means that it's going to be that much
15 more expensive. We want to insure that Aminoil is proceeding
16 diligently to have that matter resolved and, for that
17 reason, the revised recommendation has been made and the
18 recommendation is: That the Commission authorize the
19 issuance of a demand notice upon Aminoil, U.S.A., Inc., to
20 remove the existing Ellwood Pier pursuant to the terms of
21 the -- terms and conditions of the State Oil and Gas Lease,
22 PRC 218.1; provided, however, that pursuant to the request
23 of Aminoil, U.S.A., Inc., that action shall not become
24 effective for six months from the date of this meeting in
25 order that Aminoil, the County of Santa Barbara, and other

PETERS SHORTHAND REPORTING CORPORATION

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

1 producers of oil and gas in the Santa Barbara Channel may
2 have time to prepare and present alternative plans to the
3 Commission for the rehabilitation and continued use of said
4 pier. If no further action is taken on this matter by the
5 Commission prior to the end of said six months' period, said
6 demand shall be issued and Aminoil, U.S.A., Inc., shall
7 immediately commence the removal of said pier without further
8 action of the State Lands Commission.

9 That is the recommendation. I believe that the
10 request of Aminoil for this action, as well as the letter
11 from the County of Santa Barbara, should be included as part
12 of the record and the minutes of the Commission so that it
13 is clear that this request is being made by the party having
14 the duty to remove the pier.

15 MR. McCAUSLAND: I move the adoption of the staff
16 recommendation as revised August 26th.

17 ACTING CHAIRMAN DYMALLY: Is there any testimony
18 in support or opposition to this motion?

19 If not, it's so ordered.

20 Item 22.

21 EXECUTIVE OFFICER NORTHROP: Item 22, Mr. Chairman,
22 is an application by Mr. Fairley for a riprap on the bank of
23 the Sacramento River.

24 ACTING CHAIRMAN DYMALLY: Any opposition or
25 support of this measure?

PETERS SHORTHAND REPORTING CORPORATION

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

1 If not --

2 MR. McCAUSLAND: Move adoption.

3 ACTING CHAIRMAN DYMALLY: So move.

4 Without objection, so ordered.

5 EXECUTIVE OFFICER NORTHROP: Item 23, Mr. Chairman,
6 is a right-of-way of Southern Pacific Land Company for a
7 15-year lease to build a road near Dunsmuir on some State
8 School lands.

9 MR. McCAUSLAND: Move adoption.

10 ACTING CHAIRMAN DYMALLY: It's moved and seconded.

11 Without opposition, it's so ordered.

12 EXECUTIVE OFFICER NORTHROP: Item 24, Mr. Chairman,
13 is an application by Squaw Creek Investment Company to
14 assign their lease to Aminoil, U.S.A., Inc., on a geothermal
15 prospecting lease.

16 ACTING CHAIRMAN DYMALLY: Let me say this to the
17 persons present here.

18 If at any time you have any objection to any one
19 of these issues, just raise your hand.

20 MR. McCAUSLAND: Move adoption.

21 ACTING CHAIRMAN DYMALLY: Moved and seconded.

22 Without objection, it is so ordered.

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 25
24 extends the limit of a known geothermal resources area
25 designated by the Commission on May 27th. The map on the

PETERS SHORTHAND REPORTING CORPORATION

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

1 left indicates that area and, Mr. Everitts, would you care
2 to point out the area which you have in mind in setting up
3 a known geothermal area and: First, the action here is to
4 name it as a known geothermal area; and secondly, to
5 authorize the staff to put this area out for competitive bid.

6 MR. EVERITTS: The existing area basically is
7 outlined in these two numbered leases. Those are State
8 leases which are currently under litigation. Previously,
9 the Commission declared this green area (indicating) as a
10 KGRA. In fact, we have gone to bid and are going to get
11 net profits bid September 1.

12 EXECUTIVE OFFICER NORTHROP: We had nearly 30
13 interested people apply for the bid packet.

14 MR. EVERITTS: The blue area (indicating) is the
15 area you just discussed. It is merely extending this known
16 area to a 400-acre parcel, which is in red (indicating).
17 There is a well building right next to it, right now there's
18 production down here; there's a plant right there
19 (indicating). And if in fact we have made a discovery here,
20 we could declare another larger area. So it's very important
21 to our program.

22 MR. McCAUSLAND: Move adoption.

23 ACTING CHAIRMAN DYMALLY. Moved and seconded.

24 Any opposition?

25 So ordered.

PETERS SHORTHAND REPORTING CORPORATION

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

1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
2 next one is a dredging permit by the City of Sacramento to
3 dredge 35,000 cubic yards of material from the Sacramento
4 River and to spoil it in the Sacramento-Yolo Port District.

5 MR. McCAUSLAND: Move adoption.

6 ACTING CHAIRMAN DYMALLY: It's moved and seconded.
7 Without objection, it is so ordered.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
9 Mr. Governor, the drought conditions in the Lake Tahoe area
10 has necessitated many dredging operations to maintain the
11 marinas that are currently in operation. This permit
12 authorizes the Executive Officer to administratively issue
13 dredging permits in the bed of Lake Tahoe with the caveat
14 that all other permits; Water Quality, and those permits
15 required for dredging, be complied with.

16 This Calendar item would also authorize -- the
17 authorization would be a charge of 15 cents per cubic yard.

18 MR. McCAUSLAND: Mr. Chairman, I'd like to ask a
19 few questions, if I could.

20 ACTING CHAIRMAN DYMALLY: Proceed.

21 MR. McCAUSLAND: Calendar Item Number 27 states
22 in the second part that it is incumbent upon the Commission
23 as lessor to accommodate lessees who may wish to perform
24 dredging at their marinas. What does the term "incumbent"
25 mean in that context?

PETERS SHORTHAND REPORTING CORPORATION

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

1 EXECUTIVE OFFICER NORTHROP: Not being a
2 semanticist, I'll turn that over to the attorney.

3 MR. HIGHT: I believe, Mr. McCausland, that the
4 sentence should be construed to read that: The Commission
5 has let leases in the area and now they are, because of the
6 drought conditions, not totally usable; and the recommenda-
7 tion herein would help to facilitate the use of the leases.

8 MR. McCAUSLAND: I could have understood such a
9 Calendar item two or three months ago, but Labor Day's
10 almost here and we are beginning to get some rainfall and
11 the lake will freeze over in winter in all probability.
12 And I'd be more favorably inclined to an item like this if
13 we found next spring, when the thaw was coming, that we were
14 still looking at a greatly depressed water level in Lake
15 Tahoe. But it is a fairly precious resource and I am
16 curious to know why it's here now so late in the season and
17 why it's incumbent upon us to dredge that particular lake.

18 MR. HIGHT: I think the water level has, just in
19 the last month or two, decreased and it's brought the
20 conditions to light and we have received numerous requests
21 over the last month, and before that time we didn't receive
22 any. And that's why it's here today.

23 MR. McCAUSLAND: And the other item that is
24 mentioned in Calendar Item 27 is that all affected State
25 agencies -- State, Federal, or local agencies, will approve

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95824
TELEPHONE (916) 383-2601

1 the dredging project before the Executive Officer is
2 authorized to permit it.

3 I'd like to know who the affected agencies are and
4 under what kinds of statutory authority they have approval
5 rights in this area because it may put my concern to rest if
6 I can be assured that the best interest of the lake and the
7 leaseholders are being traded off in this situation.

8 MR. HIGHT: Okay. If I could go back to your
9 previous question first.

10 The lake level will continue to decrease because
11 of the runoff for irrigation and other uses. So this will --
12 you know, this will continue for several months, whatever
13 the length of term that the lake is usable for recreational
14 purposes, which will be, you know, two or three months.
15 This will require approval from TRPA, Water Quality Control,
16 Department of Fish and Game.

17 MR. McCAUSLAND: They have statutory authority
18 over disturbing a lake bottom?

19 MR. HIGHT: Yes.

20 MR. McCAUSLAND: My concern is: We've got a lot
21 of those nutrients settled out, stabilized, and gone and we
22 have been fighting for the last decade to not add more
23 nutrients to the lake; and now we're going to go in and
24 start dredging it, and I still can't believe we know enough
25 about what that means at Lake Tahoe to be excited about it.

PETERS SHORTHAND REPORTING CORPORATION

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

1 But as long as those agencies are participating, Mr. Chairman,
2 I'll move adoption of it.

3 MR. HIGHT: It will definitely require approval
4 of those agencies and they are, I think, in a position --

5 ACTING CHAIRMAN DYMALLY: In view of your concern
6 and my concern, I'd like to amend the 1,000 to 500.

7 MR. McCAUSLAND: It would have to come to the
8 Commission if it were over 500.

9 ACTING CHAIRMAN DYMALLY: Moved and seconded.
10 Any opposition?

11 MR. McCAUSLAND: I'd like to be kept abreast of
12 this.

13 EXECUTIVE OFFICER NORTHROP: We'll give you a
14 report.

15 ACTING CHAIRMAN DYMALLY: Without objection, it's
16 so ordered.

17 EXECUTIVE OFFICER NORTHROP: Items 28, 30 and 31
18 deal with a Long Beach Project Review and Mr. Thompson's
19 here. Particularly with Item 28, I'd like to have
20 Mr. Thompson's comments to the Commission.

21 MR. THOMPSON: Item 28 is just a follow-up of the
22 Commission's action in adopting the planned budget in the
23 April meeting in which you expressed your intent to augment
24 the budget in the future on any crude oil price increases
25 granted. So, starting in March, there were crude oil prices

PETERS SHORTHAND REPORTING CORPORATION

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

1 granted each month; they were frozen again in June; and they
2 are now frozen and it looks like they will continue to be
3 frozen for many more months. But in that interim period
4 there, from March, April, May and June, an additional value
5 of \$940,000 was -- because of these crude oil prices being
6 increased. So now it's gone back for an augmentation.
7 In the meantime, we have found that the tax rate will be
8 increased, so this is one of the highest priorities you have
9 established before, so we are proposing that the majority
10 of this money go into the tax account and that we have a
11 small semi-emergency here to internally recoat two large
12 tanks, which again is in the nature of maintaining for
13 safety and environmental controls.

14 We'd like to have this money put into those
15 accounts.

16 29 and 30 is setting up some accounting agreements
17 for the general facilities. In the prior developments
18 where we have the facilities used by several units, this is
19 an accounting procedure in finalizing them; it's last-minute
20 accounting procedures on that.

21 And the subsidence costs, Item 31, is for
22 replacement of a water line that has now about 15 feet of
23 fill above it so it has to be replaced. That's a
24 subsidence cost item there.

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, you

PETERS SHORTHAND REPORTING CORPORATION

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

1 might want to consider 28, 30 and 31 as a package.

2 MR. McCAUSLAND: Move adoption of the staff
3 recommendations for Items 28, 30 and 31.

4 ACTING CHAIRMAN DYMALLY: Moved and seconded.

5 Any opposition?

6 If not, so ordered.

7 Item 29?

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 29;
9 Edgington Oil Company which has a contract in Parcel A in
10 Long Beach has been sold to a subsidiary of the Pennsylvania
11 corporation, which is the Pennsylvania Railroad, Buckeye
12 Pipe Line. It owns 80 percent; ten percent by, I believe,
13 Mr. Firestone, and another ten percent by a D. Keaton.

14 The staff has checked and found it to be a
15 responsible company.

16 We have no objections.

17 MR. McCAUSLAND: So move.

18 ACTING CHAIRMAN DYMALLY: Moved and seconded.

19 Any opposition?

20 If not, so ordered.

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 32
22 is approval of a boundary line agreement -- rather, the
23 approving of a boundary line annexation. Now, you have in
24 front of you a letter or telegram from some concerned people
25 in Huntington Beach, who believe that, if we took a negative

PETERS SHORTHAND REPORTING CORPORATION

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

1 action on this, we could bring this action in Bolsa Chica
2 to an end. However, I would now defer to Mr. Gregory Taylor
3 of the Attorney General's Office to outline our position on
4 that boundary line agreement.

5 MR. TAYLOR: As I understand this is an
6 annexation of the Bolsa Chica area. The Bolsa Chica area,
7 adjacent to Huntington Beach, is in Orange County. The area
8 in question is located between Huntington Harbor and the
9 Huntington Beach area and includes the Bolsa Chica State Park.

10 The State Lands Commission, under the Government
11 Code, is given authority or is required to approve the
12 description of the State-owned lands within the annexation
13 area to insure that the descriptions are drawn in a certain
14 manner and that they are correct.

15 The failure of the Commission to act would
16 constitute -- you know, would be deemed approval. The
17 Commission may also disapprove it, but it should be made
18 clear that this action, with regard to the technical
19 boundaries of State-owned land or land in which the State
20 has an interest, is totally unrelated to the question which
21 will arise in further proceedings as to whether the State
22 Lands Commission wishes to object to the annexation.

23 We are given notice once the local agency formation
24 commission proceeds further and at that time the Lands
25 Commission can make a statement as to whether or not it

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 393-3601

1 wants the State lands to be included in the annexation or
2 not. This is merely a technical approval of a legal
3 description so that the process may go to the regular
4 procedures followed in all other annexation matters.

5 ACTING CHAIRMAN DYMALLY: We have another recourse
6 to this matter before it is finalized.

7 MR. TAYLOR: That is correct, and it also should
8 be made clear that, as stated in the Calendar item, that the
9 approval of this description does not constitute any
10 expression of the Commission one way or the other as to
11 whether the annexation should proceed. That determination
12 is made at a subsequent time in the procedures.

13 MR. McCAUSLAND: May I say, Mr. Chairman, that I
14 understand the difficulties related to the growth of the
15 community; but I would be very uncomfortable if the State
16 Lands Commission assumed responsibility as a super-Planning
17 Board for local government. I believe that the State
18 statute vests those powers in the agencies, appropriately
19 controlled by the people, and that since it's not State lands
20 that's at issue in terms of the development of the adjacent
21 parcel, I don't believe it's appropriate for this Commission
22 to make a decision on the basis of what a local community's
23 master plan might be for adjacent lands. I would move
24 adoption of the staff recommendation for Item Number --

25 ACTING CHAIRMAN DYMALLY: Before we put this item

PETERS SHORTHAND REPORTING CORPORATION

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

1 to a vote, is there anyone here who wishes to object; we have
2 had some correspondence.

3 If not, it's moved and seconded.

4 Without any objection, it's so ordered.

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 33
6 is the authorization to execute a contract with URS Research
7 Company for consulting services on PG&E's proposed
8 expansion in Los Angeles. At the public hearings, the PG&E
9 EIR came under fire and thus we found it necessary to put
10 out for bid, and hold public hearings on, a further draft
11 to cover these objections.

12 MR. McCAUSLAND: Move adoption.

13 ACTING CHAIRMAN DYMALLY: It's moved and seconded.

14 Without any objection, it is so ordered.

15 MR. McCAUSLAND: May I ask one question further
16 on that; could you tell me what other actions will be taken
17 by the State Lands Commission in regard to this proposal
18 following completion of the Environmental Impact Report?

19 EXECUTIVE OFFICER NORTHROP: After the public
20 hearings, the comments in draft will come back to the
21 Commission, prior to the preparation of the final EIR.

22 MR. McCAUSLAND: Okay.

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 34
24 regards an ordinance passed by the El Dorado County Board
25 of Supervisors regarding rafting on the American River and

PETERS SHORTHAND REPORTING CORPORATION

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

1 the legality of that rafting. The Attorney General, in
2 conjunction with State Lands and the Department of
3 Navigation and Ocean Development, is filing, or is in the
4 process of filing, a suit to insure public access to the
5 American River for rafting.

6 Perhaps Mr. Taylor would care to address the
7 filing of the suit.

8 MR. TAYLOR: This actually, Governor and
9 Mr. McCausland, is in the nature of a ratification of
10 authorization we received from the staff to file this action
11 to seek to enjoin the enforcement of an ordinance adopted
12 by the County of El Dorado and to have it declared invalid.

13 There's been quite a bit of controversy over
14 rafting in the South Fork of the American River. The latest
15 action in this regard is an ordinance adopted by the Board of
16 Supervisors prohibiting all rafting. This is a companion
17 case to one previously filed by the private property owners
18 along the river against the American Rafting Association,
19 ARTA.

20 Pursuant to your previous authorization, the
21 Attorney General's Office intervened in that lawsuit on
22 behalf of the Lands Commission and the Department of
23 Navigation and Ocean Development. And this action is merely
24 a follow-up to that and it's consistent with the position
25 taken in previous action.

PETERS SHORTHAND REPORTING CORPORATION

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

1 ACTING CHAIRMAN DYMALLY: Is there anyone here
2 from El Dorado County?

3 MR. McCAUSLAND: Let me ask a question:

4 What grounds do the Boards of Supervisors use when
5 they take such an action; is it a police power or a general
6 nuisance position?

7 MR. TAYLOR: They are endeavoring to exercise this
8 in the nature of a police power exercise. One of our
9 contentions is that this area has been pre-empted by State
10 statute and they have not complied with the State statute.
11 But it is an attempted exercise of police power by the
12 County.

13 MR. McCAUSLAND: Governor, I move adoption.

14 ACTING CHAIRMAN DYMALLY: Moved and seconded.

15 Without objection, so ordered.

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 35
17 is the sale of 640 acres to the Department of Parks and
18 Recreation for \$24,000 for a section of land adjacent to
19 Mitchell Caverns in the San Bernardino County area.

20 It's desert land and it assures public access to
21 the cavern.

22 MR. McCAUSLAND: So move.

23 ACTING CHAIRMAN DYMALLY: Moved and seconded.

24 Without objection, so ordered.

25 EXECUTIVE OFFICER NORTHROP: The last regular item

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95828
TELEPHONE (916) 383-3601

1 on the Agenda, 36, is really a companion piece to an
2 approval last month of a pilot operation for tertiary
3 recovery in the Wilmington Field. It's approval of an
4 agreement for a Maraflood License which is owned by Marathon
5 Oil Company and the intent of this is to maintain
6 confidentiality on that portion of the oil and gas recovery
7 that must remain confidential if we're going to use that
8 process.

9 The Attorney General informs me that such
10 confidentiality is within the scope of the secrecy agreement
11 in California.

12 MR. TAYLOR: Technically, we're not a party to
13 this agreement. We are just approving it.

14 MR. McCAUSLAND: I would like to note that I recall
15 when Mr. Northrop, several years ago, was wont to suggest
16 that no one should have such privileges, but I move
17 adoption of Calendar Item 36.

18 (Laughter.)

19 ACTING CHAIRMAN DYMALLY: It's been moved and
20 seconded.

21 Without objection, so ordered.

22 MR. McCAUSLAND: Governor, I'd like to bring up
23 one other item for the staff's follow-up; Item C4, related
24 to the Department of Transportation's request. I understand
25 that the Department has some financial obligation to the

PETERS SHORTHAND REPORTING CORPORATION

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

1 Commission in regards to such a permit and that those have
2 not yet been fulfilled. I'd suggest that a letter over the
3 Commission's signature be sent to the Department advising
4 them of our concern regarding that matter.

5 EXECUTIVE OFFICER NORTHROP: Thank you very kindly,
6 Mr. McCausland.

7 We will move on that very quickly.

8 MR. TAYLOR: The only thing I might advise you of
9 with regard to litigation is the fact that the geothermal
10 lawsuit -- to determine whether geothermal is a mineral or
11 is a water; the testimony has been completed, the opening
12 briefs have been filed, and the closing briefs will be filed
13 a week from Friday. The matter will be submitted for a
14 decision by the -- or in San Francisco. At stake to the
15 State is whether or not we reserved -- whether our
16 reservation of minerals included geothermal energy; the
17 magnitude of our royalty interests if we prevail is \$200,000
18 a month from one field.

19 ACTING CHAIRMAN DYMALLY: Okay.

20 Are there any other items?

21 EXECUTIVE OFFICER NORTHROP: That completes our
22 regular Agenda, Mr. Chairman.

23 Note that the next time the Commission meets is
24 September 30th, in Sacramento.

25 ACTING CHAIRMAN DYMALLY: If there is no other

PETERS SHORTHAND REPORTING CORPORATION

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

1 business, the meeting is adjourned.

2 EXECUTIVE OFFICER NORTHROP: There is an Executive
3 Session to follow.

4 (Thereupon the public meeting of the State
5 Lands Commission was adjourned at
6 approximately 11:30 a.m.)

7 --oOo--

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

PETERS SHORTHAND REPORTING CORPORATION

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

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

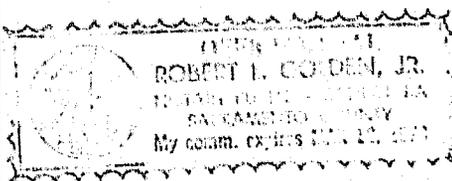
STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

I, ROBERT L. GOLDEN, JR., a Notary Public in and for the County of Sacramento, State of California, duly appointed and commissioned to administer oaths, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, Robert L. Golden, Jr., a shorthand reporter, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office this 7th day of September, 1976.



Robert L. Golden, Jr.

ROBERT L. GOLDEN, JR.
Notary Public in and for the County of Sacramento, State of California

--o0o--