MEETING
STATE LANDS COMMISSION

STATE CAPITOL
Room 6031
Sacramento, California

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

ORIGINAL

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<table>
<thead>
<tr>
<th>INDEX</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members Present</td>
<td>111</td>
</tr>
<tr>
<td>Proceedings</td>
<td>1</td>
</tr>
<tr>
<td>Discussion of the Minutes</td>
<td>1</td>
</tr>
<tr>
<td>Executive Officer's Report</td>
<td>1</td>
</tr>
<tr>
<td>Don Everitts</td>
<td>8</td>
</tr>
<tr>
<td>Sam Martini</td>
<td>16</td>
</tr>
<tr>
<td>Milford Buetler</td>
<td>27</td>
</tr>
<tr>
<td>Don Everitts</td>
<td>39</td>
</tr>
<tr>
<td>Ed Taaffe</td>
<td>43</td>
</tr>
<tr>
<td>Tom Finical</td>
<td>45</td>
</tr>
<tr>
<td>Mr. Thompson</td>
<td>57</td>
</tr>
<tr>
<td>Adjournment</td>
<td>62</td>
</tr>
<tr>
<td>Certificate Page</td>
<td>63</td>
</tr>
</tbody>
</table>
MEMBERS PRESENT

Hon. Kenneth Cory, Chairman
Hon. Mervyn M. Dymally
Hon. Roy Bell

MEMBERS ABSENT

NONE

STAFF PRESENT

Mr. William F. Northrop, Executive Officer
Mr. Robert C. Hight, Staff Counsel
Ms. Luella Kunkle, Secretary

ALSO PRESENT

Mr. Carl D'Agostini, Chief Deputy State Controller
Mr. N. Gregory Taylor, Deputy Attorney General
CHAIRMAN CORY: Call the meeting to order. Note the presence of all the members; Governor Dymally; Director of Finance Bell -- Acting Director of Finance Bell.

[Laughter.]

COMMISSIONER BELL: I'm not confirmed yet.

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

COMMISSIONER DYMA|LLY: So moved.

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

Mr. Northrop, you have a report for us.

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

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

Based upon discussions with the Governor's Office and the Executive Officer, the firm, in a letter agreement dated August 1, has offered to disclose to the Commission, on a
confidential basis, any information obtained. The Division has reviewed this agreement and is negotiating the confidential bases with the drilling firm. In the event the firm accepts the changes proposed by the Division, this matter will be brought back to you for approval next month.

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

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

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

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

CHAIRMAN CORY: Okay. There's serious question
whether or not that is any longer confidential. It's an interesting concept.

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

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

CHAIRMAN CORY: Okay.

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

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

CHAIRMAN CORY: Okay.

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

For a number of months now we have been attempting to resolve several outstanding accounting problems relating
to Long Beach oil operations. Several million dollars are involved. Negotiations with the City presently appear to be at an impasse. However, I will be meeting with the City Manager, Mr. Mansell, in Long Beach tomorrow to get a determination of the City's position on these matters. And I will also report to you on that meeting at a later time.

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

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

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

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

CHAIRMAN CORY: The Governor concurs and staff recommends --

COMMISSIONER BELL: Approved.

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

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


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

CHAIRMAN CORY: Without objection, approved as presented.

4(b).

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

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

5(a).

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

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

MR. NORTHROP: Correct. This is not the one that was put over last month. That appears later on the Agenda.
CHAIRMAN CORY: Greg, you're happy with this? Is the law clear in this?

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

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

5(b).

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

COMMISSIONER BELL: This is intrastate?

MR. NORTHRUP: Correct, sir, this is intrastate.

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

5(c).

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

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

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

MR. NORTHRUP: That's correct, sir.

CHAIRMAN CORY: 5(e).

MR. NORTHRUP: This is a lease of the Department
of Engineers for public use.

CHAIRMAN CORY: What is it, a cultural survey?

MR. NORTHROP: Perhaps the attorney --

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

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

COMMISSIONER BELL: Geological investigation.

MR. HIGHT: Right.

CHAIRMAN CORY: Any questions?

COMMISSIONER DYMALLY: No.

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

5(f).

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

We do get the information that's --
CHAIRMAN CORY: Who is Western LNG Terminal Company?

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

MR. EVERITTS: Southern California Gas Company.

MR. NORTHROP: So-Cal Gas.

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

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

COMMISSIONER BELL: Deep water port.

CHAIRMAN CORY: -- bringing in hydrogenic gas.

MR. NORTHROP: I would imagine, Mr. Chairman, -- Perhaps Mr. Everitts would care to address himself to that.

It's in his area.

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

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

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

CHAIRMAN CORY: That's one method.

MR. EVERITTS: One method, right.
MR. NORTHROP: The alternate would be depending on whether it was cryogenically produced and brought in that way or I suppose the other alternative would be the McKenzie Valley Line in which it is pipeline all the way.

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

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

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

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

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

COMMISSIONER BELL: Second.
CHAIRMAN CORY: Without objection, (f) will be put over.

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

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

CHAIRMAN CORY: Mr. Martini.

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

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

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

The total area of the project, both existing and proposed, is outlined in yellow. It's 2.06 acres. The area
which has been under lease for approximately ten years is colored green. That's a .548 acre piece. The area to be added by this amendment is colored red, and that is .552 acres. The blue area is water covered and subject to the public easement for commerce, navigation and fisheries.

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

The staff has made a diligent search for sales in the area and though the data uncovered is meager, it is quite comparable to the subject situation. The sale relied on by the staff is a commercially zoned vacant land sale in the interior of Bethel Island used as a boat storage and sales yard. This sale, in addition to being the most reliable comparable, is coincidentally the lowest sale uncovered by the staff. Based primarily on this sale, the staff has appraised the half-acre-plus colored in red at $15,000. Using the current rental rate of eight percent per year of the appraised value, the rent is $100 a month. This seems ultimately reasonable for more than a half acre of commercially valuable land in a high density recreation area.
The rent established ten years ago for the green area is $325 and it will remain until --

MR. NORTHROP: For what period?

MR. GRIMES: It will remain so a year.

MR. NORTHROP: Three hundred dollars for all?

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

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

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

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

The staff feels that the island location is unique, affording privacy and protection from vandalism, and this
unique characteristic quite possibly could make the land
more valuable than the most reliable comparable. There is
not adequate evidence, in the staff's opinion, to
substantiate an adjustment in value due to the island
location.

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

COMMISSIONER DY'MALLY: What about the point he
raises that there are a number of people around there who
are not paying any rent at all?

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

COMMISSIONER DY'MALLY: What are we doing about that?

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

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

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

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

CHAIRMAN CORY: But that is a mechanical problem?

MR. HIGHT: Yes.
CHAIRMAN CORY: It is going to happen?

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

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

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

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

CHAIRMAN CORY: It's a problem as to where the boundary is because at one point the channel --.
MR. NORTHROP: The boundary of that slough has been changed and where natural is and where unnatural is, is a problem. Greg, you may want to address yourself to that.

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

We have previously given you a verbal opinion that the high water mark is the boundary. I have the first draft with me of that opinion which now runs about 200 pages. Mr. Hight is going to take a look at it. I think that, well, you can see from the map, it is a very close, the difference between high and low water in some areas is not very great. But in the area that we're talking about between the operation of Mr. Martini and the land, there's quite a difference in high and low water. So it will make a difference as to which is the boundary.
We will have the opinion for you shortly. I think that we've already given you our conclusion and the analysis can be begun. I think as we've indicated to you on many other pieces of litigation, our only limitation is really one of staff. We can take on the entire State if we just have the staff to do it, and that goes for both the Attorney General's Office and the State Lands Division.

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

CHAIRMAN CORY: May we hear from Mr. Martini.

MR. MARTINI: Yes. Thank you.

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

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

Also, I'd like to point out that this red section, of course, covers an area of water that would, there wouldn't be any berths. But, of course, I'm told that I would be, well, not penalized, but nevertheless I'd have to pay for that area. Well, okay. But the berths that I want to put in would amount to 12 berths. Thirty-one feet long would be
the average of all the berths; some would be 38 and some
would be 24. In other words, it tapers down. Well, my
gross off of that would amount to around $6,000 a year, no
more. And there's no more I can do with that. I can't put
up an office building or a bowling alley or boat sales or
any such thing as that.

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

CHAIRMAN CORY: Governor Dymally.

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

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

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

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

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

COMMISSIONER DYMALLY: How much rent are you 
paying now?

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

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

MR. MARTINI: What was the figure, sir?
COMMISSIONER DYMALLY: A hundred and twenty-five. I think your rent is going to come up to a hundred and twenty-five now a month.

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

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

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

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

MR. MARTINI: The berths?

COMMISSIONER DYMALLY: Yes.

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

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

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

COMMISSIONER DYMALLY: But you're paying --

MR. MARTINI: No, no, Governor --
COMMISSIONER DY'MALLY: It's in addition, oh, I see.

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

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

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

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

MR. MARTINI: Yes, there is.

CHAIRMAN CORY: And that, you have no--

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

CHAIRMAN CORY: And the club leases stuff from
you?

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

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

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

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

MR. MARTINI: Yes, uh-huh.
CHAIRMAN CORY: How does one become a member of the club? If I walk up, I can --

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

CHAIRMAN CORY: The approval from?

MR. MARTINI: From the Board.

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

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

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

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

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

[Laughter.]

MR. GRIMES: Could I comment on the assessment?

CHAIRMAN CORY: If you wish.

MR. GRIMES: The assessment is a possessory interest assessment and it's based not only on value of the
land, but the tenancy that the person holds in the land and
is, therefore, not a measure of the fair market value of the
land.

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

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

CHAIRMAN CORY: Greg and Bob, can you help us here?

I tend to have some sympathy for Mr. Martini's argument on
discrimination, but I think that everybody should be paying
this fee and I'm somewhat chagrined that all of them aren't
paying.

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

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

MR. MARTINI: Thank you, very much.

CHAIRMAN CORY: Governor, I would think that
Mr. Martini would like to start building berths.

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

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

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

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

CHAIRMAN CORY: The staff has a suggestion.
MR. GRIMES: Pending bringing other trespassers --
CHAIRMAN CORY: We need to correct the record.
MR. GRIMES: Yes.
CHAIRMAN CORY: The Department of Finance doesn't ever have sympathy with anyone.

[Laughter.]
CHAIRMAN CORY: So that's clearly on the record.
COMMISSIONER BELL: However, I do have a great deal of empathy.

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

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

CHAIRMAN CORY: But does Mr. Martini understand that at the end of the year what we're planning on doing is charging your competitors --
MR. MARTINI: Yes.
CHAIRMAN CORY: -- greater, and at that point you're going to have to pay whatever they pay.
MR. MARTINI: Comparable. I'd be willing to, yes.

COMMISSIONER BELL: Equivalent rent.

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

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

CHAIRMAN CORY: As long as --

COMMISSIONER BELL: That seems --

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

MR. MARTINI: Oh, no. No.

[Laughter.]

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

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

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

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

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

COMMISSIONER BELL: The areas are about equivalent.

MR. GRIMES: They're about equivalent.

MR. MARTINI: Just about, yes, sir.

MR. GRIMES: To the thousandth of an acre they're
COMMISSIONER DYMAALY: Mr. Martini, do a little investigation for me. Find out if your club has an affirmative action plan, will you?

[Laughter.]

MR. MARTINI: I'll do it.

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

MR. MARTINI: Yeah, I will.

COMMISSIONER DYMAALY: Because the A.G.'s interested.

[Laughter.]

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

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

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

MR. MARTINI: Right.

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

MR. NORTHROP: We've got to make it clear it's not
predicated on that fact.

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

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

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

[Laughter.]

CHAIRMAN CORY: Great step decided yesterday.

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

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

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

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

MR. NORTHROP: Mr. Chairman --

CHAIRMAN CORY: 5(1).

MR. BUETLER: Mr. Chairman, I would like to speak
on this issue.

CHAIRMAN CORY: What, the one we just --

MR. BUETLER: Yes.

CHAIRMAN CORY: Well, come forward.

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

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

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

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

MR. BUETLER: I apologize for this. I read it in
the paper yesterday and that's why I'm here.

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

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

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

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

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

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

The blue and the green we are not discussing. It
is not an item before us. And there is nothing we can do about his use of that at this time. Are you aware of that, sir?

MR. BUETLER: Which is the additional part?

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

MR. GRIMES: This is existing --

CHAIRMAN CORY: No.

MR. GRIMES: -- for ten years.

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

COMMISSIONER BELL: Outline it for him.

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

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

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

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

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

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

COMMISSIONER BELL: Three hundred and twenty feet?

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

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

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

CHAIRMAN CORY: Okay.

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

CHAIRMAN CORY: Please.

MR. MARTINI: Please, gentlemen. I believe Mr. Buetler's here for this reason, that he is irritated with the fact that the Environmental Board and the County come to
me and demanded and they also held everything in abeyance until I took the cesspool off of the island and run it, he says their island, on to my property which I have three lots there, gentlemen, for parking. And they demanded under pressure that I bring that sewage across into a cesspool there. And I am sure you gentlemen are aware of the fact that in another, I think, maybe a year or so, there will be a sewage plant on Bethel Island which I will have to pay into.

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

COMMISSIONER DYMALLY: Okay. Thank you.
CHAIRMAN CORY: Okay.
MR. TAYLOR: Mr. Chairman, I believe, I don't know about the provisions of this lease, but there is a provision in virtually all of our leases that any lessee must comply with all the rules and regulations having jurisdiction over the property. And if there is any problem with the Corps of Engineers on that lease and that provision is contained in this lease --

CHAIRMAN CORY: Or with the Water Quality Control.
MR. NORTHPORPY: Or with the Environmental --
MR. TAYLOR: Or with anyone else, he has to correct
that situation or he's in default on our lease.

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

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

CHAIRMAN CORY: Okay. Our action will stand.

MR. MARTINI: Thank you very much.

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

COMMISSIONER BELL: Public agency.

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

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

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

MR. MARTINI: Thank you, again, gentlemen.

CHAIRMAN CORY: 5(1).

MR. NORTHROP: 5(1), Mr. Chairman and Commissioners,
is a line, a 12 KV overhead line for local destination by
P.G. & E.

CHAIRMAN CORY: Any questions? Any comments from
members of the audience? Hearing none, 5(j) will be approved as presented.

5(j), Recreational Pier Permits.

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

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

MR. TAYLOR: Which portion?

COMMISSIONER DYMALLY: The pier.

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

COMMISSIONER BELL: Are these available to the public?

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

MR. TAYLOR: No.

COMMISSIONER BELL: This is not a public pier.

MR. TAYLOR: It's not public. If the pier became public, then we would charge them a rent.
COMMISSIONER DYMALLY: These are private piers.

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

MR. TAYLOR: That is because of the statute.

COMMISSIONER BELL: Private recreational piers.

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

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

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

MR. NORTHROP: These are all existing.

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

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

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

MR. TAYLOR: They pay a nominal amount.
MR. HIGHT: They pay a filing fee and that's it.
COMMISSIONER DYMALLY: Just a filing fee.
MR. NORTHROP: Just a filing fee.
MR. TAYLOR: That is a statutorily created exception.
CHAIRMAN CORY: Can we exercise the discretion as to where we allow these Recreational Pier Permits to exist?
MR. TAYLOR: If there's a reasonable basis for that determination, yes, you can.
CHAIRMAN CORY: Is getting even reasonable?
COMMISSIONER BELL: Is getting even reasonable?
[Laughter.]
MR. TAYLOR: You have a problem overcoming the statute, but if you make a determination that no further, that no further piers should be allowed in an area because of congestion, water safety, any basis on that ground, it could be denied.
MR. NORTHROP: Legislation this year --
COMMISSIONER DYMALLY: That was the Mori-Ayala Bill, wasn't it?
MR. NORTHROP: Yes.
COMMISSIONER DYMALLY: We shall return next year.
CHAIRMAN CORY: Is the staff looking at whether or not we should have any recreational piers in Donner Lake given the heavy pressures on there for water skiing and all?
TAYLOR: It would be reasonable to exclude them if after result of a study that that was the conclusion and the Commission adopted the study.

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

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

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

MR. NORTHROP: No.

CHAIRMAN CORY: One's at Tahoe?

MR. NORTHROP: There's one on Tahoe.

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

COMMISSIONER BELL: Yes.

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

6(a).

MR. NORTHROP: Mr. Chairman, this is the Mineral and Energy Resources part of the Calendar. Burmah Oil Company has drilled on State Lease 392 and has found some productive wells. And at this time they are asking permission to drill, as I understand it, from our Santa Fe Water Injection Well. And this well will have, well, it will
eventually increase the production. It will take some time for the aquifer to fill and for that reason we're recommending approval of this item.

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

MR. EVERITTS: Recycled production water mostly.

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

COMMISSIONER BELL: Oh, from other areas of production.

CHAIRMAN CORY: They aren't taking pure water.

MR. NORTHROP: No.

COMMISSIONER BELL: But this one is an upland well.

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

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

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

MR. NORTHROP: We'll probably start very shortly, but the lead time of fill up is about six months. So I think it renders the old oil, new oil into a position where it probably will be at some sort of a price released oil
depending on what happens this next three weeks.

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

6(b).

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

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

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

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

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

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

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

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

MR. NORTHROP: The argument they use, Mr. Chairman, is the fact that P.G. & E. is regulated by the Public Utilities Commission which may --
MR. NORTHRUP: That's right.
CHAIRMAN CORY: Not mine.

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

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

Greg, what is your discretion --

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

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

I think we better put it over because I'm unwilling to have somebody tell me that somebody's exerting a monopoly power as being the only purchaser and they're
paying a third of the true market value --

COMMISSIONER BELL: They're offering old oil price.

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

CHAIRMAN CORY: Is exempt.

MR. NORTHROP: -- is not price regulated.

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

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

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

MR. NORTHROP: It also provides offset for intrastate gas.

Mr. Everitts: There are some people here from Standard Oil Company if you'd care to listen to them.

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

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

CHAIRMAN CORY: If he's got something to add, fine.

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

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

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

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

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

CHAIRMAN CORY: I can see how you don't want to agree with that --
MR. TAAFFE: No, I don't.

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

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

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

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

CHAIRMAN CORY: I know you're not. But, I mean, that is not a viable option. I think our only real true
viable option is to negotiate and put it on the table and
maybe get P.G. & E. in here to discuss what price they're
offering.

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

MR. TAAFFE: Not on 415?

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

MR. TAAFFE: Yes.

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

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

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

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

MR. FINICAL: I just want to mention that our
basic gas sales contracts with P.G. & E. state that at
certain periods of time the producer and P.G. & E. will meet
to agree on a fair market value. It's a very nebulous fair
market value definition. And we started probably late in
nineteen, in the Fall of last year talking to P.G. & E. about
new prices that will be effective as of September, July 1,
1975.

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

CHAIRMAN CORY: What is that amount?

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

COMMISSIONER BELL: Price control by the Federal Government?

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

Concurrently with the negotiations with Standard, P.G. & E. was out negotiating with 91 other producers, all of them. They go in parallel. And it got to the point that about February of this year we had still not agreed to the 75 cents, but 75 of the 81 other producers had agreed to that price.
CHAIRMAN CORY: Who are those 75?

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

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

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

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

VICE-CHAIRMAN DYMALLY: Let the record show Mr. D'Agostini has now replaced the Chairman.
I think the consensus here is that we ought to postpone this matter until the next month.

I hope it doesn't inconvenience you too much.

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

VICE-CHAIRMAN DYMALLY: Mr. Northrop.

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

COMMISSIONER BELL: Is that understood?

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

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

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

VICE-CHAIRMAN DYMALLY: Mr. Bell.

COMMISSIONER BELL: One. What is the price of gas from this consortium prior to July 1st?
MR. EVERITTS: Varies between about 36 cents to about 48 cents.

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

COMMISSIONER BELL: What proportions from these particular leases?

MR. NORTHROP: The bulk of it is 46.5.

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

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

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

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

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

MR. NORTHROP: Oh, I see.

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

COMMISSIONER BELL: I see.
MR. FINICAL: And that comprises about 50 percent, 50 percent of the total. So it's about two million MCF's a day.

COMMISSIONER BELL: And this is about --

MR. FINICAL: It's 15,000.

COMMISSIONER BELL: A very, very negligible amount.

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

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

MR. FINICAL: Yes, sir.

COMMISSIONER BELL: Thank you.

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

Item 6(c).

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

Mr. Bob Hight will explain the Gustafson item.
MR. HIGHT: Gustafson is a purchaser of State royalty oil. And the purchase agreement provided that they would pay the State within ten days after billing in the prior month. If it proved to be unfeasible to bill within ten days after the payment, so the State in Gustafson orally agreed to amend that contract and would allow Gustafson to pay ten days after the State billed. Through some kind of misunderstanding on both party's parts, on this particular time Gustafson paid 14 days after instead of the ten days after, leaving a penalty and interest of some $3,000 which the State charged for the extra four days.

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

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

COMMISSIONER BELL: Three thousand.

MR. HIGHT: Three thousand.

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

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

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

MR. NORTHROP: What was the total billing,

Mr. Everitts? Can you tell us that?

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

VICE-CHAIRMAN DYMALLY: What's your disposition?
COMMISSIONER BELL: It seems like an equitable --
Would it cost us that much?

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

COMMISSIONER BELL: It is so written that way?

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

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

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

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

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

MR. TAYLOR: No, I don't believe that it will
under the circumstances. There is an argument as to the
effectiveness of the oral modification of the lease and
whether or not there was an understanding of the mind as to
what the oral modification was. That's where it will turn on.
It won't turn on the question of the penalty. And so it's a game then of whether who's right. And if we're right, we get $3,000. If they're right, we don't get anything. And they feel that they don't owe us a penny, and Mr. Gustafson is very adamant about that position. However, I think everyone totaled it up and decided to split the baby would be the most expeditious way to go. And that's just about what's been proposed.

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

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

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

Item 6(d).

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

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

COMMISSIONER BELL: All this is is really transfer of the permit to explore and has nothing to do with anything in terms of anything they find. They can't
do anything with it until they come back?

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

VICE-CHAIRMAN DYMALLY: Item 6(e).

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

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

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

It is indicated that this would be contingent upon the final review by the Air Resources Board of the project. And I worked with Mr. Hight in the language and we didn't get it quite right on further review. And I would like to suggest the following language that in the second line of the recommendation after the word "any," the word "additional" be added. And in the last line of that recommendation paragraph, that the first four words be stricken, "their final review of," and that inserted for
that would be "commencement of operations at." So it would read: "Subject to the condition that the Union Oil Company follow any additional mitigation measures required by the Air Resources Board after commencement of operations at the project."

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

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

COMMISSIONER BELL: After commencement.

MR. TAYLOR: Right.

VICE-CHAIRMAN DYMALLY: Any comments? Any
objections?

If not, approval is granted.

7(a) and 7(b).

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

VICE-CHAIRMAN DYMALLY: And (c).

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

VICE-CHAIRMAN DYMALLY: Fine.

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

VICE-CHAIRMAN DYMALLY: Any comments?

COMMISSIONER BELL: I think we better do it.

[Laughter.]

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

MR. NORTHROP: Item (b), Mr. Chairman, is the
result of a lawsuit and I would, if we'd like more information, I've asked Mr. Thompson to be available for questions on this and perhaps some original --. Mr. Thompson, would you care to go over what happened with Tidewater Marine and why we are paying so much money for a mud barge?

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

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

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

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

This was later appealed. And in the appeal, part of that was lost. In 1975, the first part of '75, this was finished. We were notified of this last month. To avoid convening payment of interest charges, about a thousand
dollars a month, we transferred locally funds to pay this particular settlement off. And we're now asking for an augmentation of funds to replace the funds we had to transfer.

VICE-CHAIRMAN DYMALLY: Any questions?

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

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

COMMISSIONER BELL: No, I have no questions.

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

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

VICE-CHAIRMAN DYMALLY: 7(c).

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

VICE-CHAIRMAN DYMALLY: No action is necessary on this item.
MR. NORTHPROP: Mr. Chairman, it would seem reasonable that (d), (e), and (f), while they'll be handled as a unit, are budgeted items on subsidence.

VICE-CHAIRMAN DYMALLY: No action is necessary.

MR. NORTHPROP: You need to approve is all.

COMMISSIONER BELL: No objection.

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

Item 8(a).

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

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

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

MR. NORTHPROP: On Item 9(a) there is, where the
City of San Leandro has recommended revocation of a trust and the reinstitution of a Public Agency Permit and because the revocation is, purpose of the trust has not been complied with. So they are in order to ask that and we should accept it. And the Agency Permit allows this land that is coming back to us to be reserved for open space and park purposes.

VICE-CHAIRMAN DYMALLY: Any questions?

COMMISSIONER BELL: No.

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

Item 10(a).

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

VICE-CHAIRMAN DYMALLY: So ordered.

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

VICE-CHAIRMAN DYMALLY: Go ahead.

COMMISSIONER BELL: Okay.

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

MR. TAYLOR: In the People versus Zarb case, there was a hearing on a Motion to Dismiss. It was denied,
but the parties were directed to go back to the F.E.A. for further determination. This is U.S.A. Oil. As you recall, was one of the first people that appeared. They were trying to get the case dismissed. They were unsuccessful. It goes back now to the F.E.A. If U.S.A. doesn't take it back to the F.E.A., we will take it back to make sure there's a determination of the matter.

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

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

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

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

VICE-CHAIRMAN DYMALLY: No action is necessary?

MR. TAYLOR: No.
VICE-CHAIRMAN DYMA LLY: Item 10(c), Information Only.

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

VICE-CHAIRMAN DYMA LLY: Oh, I'm sorry. Well, let me make that clear.

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

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

VICE-CHAIRMAN DYMA LLY: Monday?

MR. NORTHROP: September 29th, 1975.

VICE-CHAIRMAN DYMA LLY: Fine. At Sacramento?

MR. NORTHROP: Yes, sir.

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

VICE-CHAIRMAN DYMA LLY: Anyone wish to bring any items before the Commission? If not, then the meeting is adjourned.

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

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STATE OF CALIFORNIA  )  ss.
COUNTY OF SACRAMENTO  )

I, CATHLEEN SLOCUM, 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, Cathleen Slocum, a Certified Shorthand Reporter of the State of California, 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 3rd day of September, 1975.

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

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