MEETING
STATE LANDS COMMISSION

STATE CAPITOL
Room 2117
Sacramento, California

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

ORIGINAL

PETERS SHORTHAND REPORTING CORPORATION
26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3401
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 C. Hight, Staff Counsel
Mr. James F. Trout, 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
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CHAIRMAN CORY: All right, we will call the meeting to order.

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

Are there any questions or additions of those minutes?

Hearing none, the minutes will be confirmed as presented.

The next item is the report of the Executive Officer.

Mr. Northrop.

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

(Laughter.)

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

(Laughter.)

EXECUTIVE OFFICER NORTHP: Mr. Chairman,

Commissioners, during the first week of this month, the
President of the Western States Lands Office met in Rapid City, South Dakota, for the Western States Lands Commission Association's Conference. One item of interest to the Commission is that California has been honored with the role of host State for the next year's conference to be held in San Diego.

CHAIRMAN CORY: What does that cost us?

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

CHAIRMAN CORY: Go ahead.

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

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

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

(Laughter.)

EXECUTIVE OFFICER NORTHROP: No, sir.

CHAIRMAN CORY: Okay.

EXECUTIVE OFFICER NORTHROP: Riverway and Marinas
Liaison Committee: Subsequent to the Commission's authorization to establish a river and marina waterway liaison committee, the staff has developed a list of suggested members and prepared a copy of bylaws by which the committee would operate. An attempt has been made to balance the representation and suggested bylaws and make it clear that the committee's function is advisory.

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

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

At legislative direction, the Resources Agency has been attempting to simplify the State's permit procedures for dredging operations. A review of this Committee's dredging program indicates that its existing procedures could be modified. One staff proposal has been developed which would reduce the time required for processing
various dredging permits in leases. It involves minor
procedural change to the application process. Additionally,
staff counsel is studying the feasibility of issuing annual
dredging licenses for contractors who consistently conduct
dredging operations in state-owned lands. This study would
call for the issuance of an annual dredging license required
for the office of the contractor of the operations.

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

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

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

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

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

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

CHAIRMAN CORY: Jim?

MR. TROUT: Mr. Chairman, I think that the major answer to that question is that there is presently legislation which would authorize the acquisition of this property through exchange and the upland would be owned by the State of California. Under those conditions, the expenditure of any investment of staff time -- it appeared to
the staff in recommending this to Mr. Northrop that that
might be a waste of time and effort on our part in view of
the priorities.

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

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

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

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

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

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

CHAIRMAN CORY: Do you wish to address the
Commission?

MR. PORGANS: Yes.

I'm Patrick Porgans and I'm an eco-analyst and I'm
a member of Safeguard Environmental Protection Agency which
is more or less a non-profit organization concerned about
26,000 square miles of Northern California. And I have here with me today Mr. Robert Baiocchi.

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

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

Now what we are saying here today is irregardless to where the bill is; it doesn't mean that this land exchange is going to take place; and we -- our organization is in the process of litigation, if necessary, against the
proposed land exchange based on the information and facts
that we have obtained showing that the way it's presently
proposed is not beneficial to the people of the State of
California.

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

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

Now I feel that if we do draw a line out there,
what we are going to do is provide an exact area as to where,
if any encroachment has taken place, and to what degree it's been done. Right now we can't do that. The line that has been drawn has been drawn by the Department of Water Resources, Right-of-Way Division. And there has been nobody out on the site to do any work with instruments. So this line over here (indicating) is basically something we've taken from the deeds that exist.

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

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

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

MR. PORGANS: Identify yourself.

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

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

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

CHAIRMAN CORY: Thank you.

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

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

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

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

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

MR. PORGANS: Exactly, yes, sir.

CHAIRMAN CORY: I'm trying to deal with the staff's
concern as to why, if there is going to be an exchange and
the bill is on the Governor's desk -- or on the way there --
why we should spend money to define a line that isn't going
to make a difference. Can you address yourself to that
specific question as to why we should go ahead and allocate
the staff time, although it's acknowledging your help in
minimizing that; but they are still saying, "We're going to
have to do something that may be needless."
MR. PORGANS: I think Mr. Trout addressed himself on the issue when he said that the State Lands Commission would pursue whether in fact there had been an encroachment and to what degree and, if you're going to have to do that, eventually you're going to have to find a line; there will have to be a line out there.

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

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

MR. BAIROCCHI: Mr. Cory, I would like to address myself to one other factor: The current bill, AB 2620 designates monies -- $1.2 million -- for its improvement on the Feather River. Now the Federal Parks and Recreations District in the City of Oroville have supported this improvement above the Highway 70 bridge ...d not on Mathews' lands. The Mathews' lands were going to be utilized as a
parkway under AB 2244, Ray Johnson's bill in 1973, but this is not the fact.

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

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

MR. PORGANS: Excuse me.

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

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

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

Is that correct?
MR. BAIOCCHI: Yes, sir.

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

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

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

So I spoke with -- Thank you -- so I spoke with the gentleman from the Region 2 yesterday and he said that he had his man go out and ask Mr. Mathews where the boundary
is. So that this way, if there was any sort of an
encroachment or any work out in that area, he would come in
and inform Mr. Mathews and the State Lands Commission that
he couldn't go beyond that point.

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

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

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

Mr. Taylor nods quietly --

(Laughter.)

CHAIRMAN CORY: -- which is something less than a
total endorsement of my position.
MR. PORGANS: There's one other problem that we have had, Mr. Cory, and this is the last part of this presentation.

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

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

MR. BAIOCCHI: I would like to add one more factor: The Department of Fish and Game has supported the land exchange back in May of last year because of the fact that -- because of the gravel operation and the danger to those two particular riffles -- it's worth $1.5 million annually to the commercial and sports fisheries -- but they were in support of that particular exchange. But now the fact of the matter is that there is a buffer zone, the State Lands, between the Mathews' property and the river. And then the regulatory agencies, being the State Lands Commission, the
Reclamation Board and the Department of Fish and Game, can regulate those State lands and any encroachment upon them. That's why we need to define a line there.

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

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

MR. PORGANS: That's basically true.

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

MR. TROUT: Certainly.

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

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

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

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

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

Identify yourself for the record.

MR. MATHEWS: My name is Gordon Mathews and I'm
Vice President, General Manager of Mathews Readymix, and our particular incident here is on our property located in Oroville.

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

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

Now this is unofficial; it might be off a quarter or two or whatever. But I'd like to go one step further and state that we did dig on State lands. But we did come back and we filled it and, to the best of our knowledge, we put a berm up to help, under the direction of the two
Departments -- Water Resources and Fish and Game -- to keep any possible erosion of separating the riffle that's out in the river, to move the channel of the river; that's what nobody wants to have happen, including us. So this is something that I don't know whether everybody in the room knows has happened or not, but Fish and Game is very aware of it. I was out there when they did it, I was out there to help them put the cement as just a marker from the air to see where the line was. And it's on a berm that's right along this area (indicating).

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

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

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

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

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

(Laughter.)

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

MR. McCAUSLAND: Was there a concern that your ponds were an attractive nuisance in a sense?
MR. MATHEWS: That was the problem, I think a couple of years ago.

CHAIRMAN CORY: Do those ponds still exist?

MR. MATHEWS: Yes, they do.

COMMISSIONER DYMALLY: That's a Catch 22 situation.

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

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

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

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

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

CHAIRMAN CORY: I think Mr. McCausland's statement is right. What we should do, given the time frame is: We've got a bill coming through; the staff should point out what that bill is going to do or not do and, rather than
specifically authorize any action at this time, if it can't be resolved without Commission action, i.e., a bill being passed, then the question becomes moot. If that isn't clear, put it on the next Agenda item as a specific Agenda item and I apologize to Mr. Mathews for your problem and we appreciate your cooperation and your straightforward attitude about the thing and I think Mr. Porgans is well aware of your liability problems and that there's not the normal antagonism that the recreationalists and the private entrepreneur has in this particular case.

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

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

CHAIRMAN CORY: I think what they are saying is the same thing; that, if you make access say from there without bothering your property, but then they need to know as they approach your property line, where it is so they
know where to stop. And they're offering to do that and it seems like a very reasonable offer, and leave you out of the deal because, as a landowner along a river myself, I'd just as soon not have that grief.

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

COMMISSIONER DYMALLY: That's my problem too.

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

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

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

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

EXECUTIVE OFFICER NORTHROP: Well, it's on the way to the Governor's desk and we'll check and see what that does.
MR. PORGANS: I think there's one thing that was misunderstood. There is public access into that right now; it's through the -- or an easement that Caltrans has on Highway 162. You can walk right down there; they have about a 60-foot easement.

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

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

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

MR. McCausland: Unofficially is better than no line at all.

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

CHAIRMAN CORY: Thank you.

EXECUTIVE OFFICER NORTHRUP: That concludes my report.
I don't see that Senator Nejedly is here.

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

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

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

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

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

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

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

Mr. Couvillon, would you come forward?

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

COMMISSIONER DYMALLY: Could you give me your
affiliation, please?

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

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

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

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

As we have explained to some of you gentlemen -- and we have Mr. John Sproul, Vice President of PG&E here today who can speak further to this subject -- we believe
this price represents a reasonable price under the present circumstances. And, of course, this is the only offer we have. And we feel that Standard's viewpoint and the State's viewpoint are exactly the same. We want as much as we can get for this and the State goes along with us under this -- under the royalty provisions of the leases.

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

On the other hand, Mr. Cory has made it clear that there is a question of future developments on the subject which the State is concerned about and would have some concern about committing itself for such a period of time. So, recognizing while our interest is the same in getting the same price, Standard is in a position to proceed with this price, and that we plan to do. Recognizing that the State's royalty -- wait a minute -- the basis for the State royalty calculation has not yet been accepted by the State. If the State elects to take that action today -- and I hope I can persuade the State to accept this price today -- in view of the reference in the minutes reserving clearly the right of the State to review the matter and bring up the matter of an increased reasonable market value at a future date. If and when the State should do that, we are the contractee of the
State and we are subject to the terms of the contract and the laws of the State and we have no choice but to come in and discuss that. And, if the State has a reasonable basis for a higher market value, then we're bound by it.

CHAIRMAN CORY: Mr. Dymally?

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

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

In making your determination, we have no objection.

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

MR. COUVILLON: Yes, sir. We plan to do that just to get the higher price coming in, and of course that -- in so doing, that creates some procedural questions, but we
don't think they are serious. We could take several
different routes and work that out with your attorneys and
staff in terms of tendering royalties to the State, for
example, on the dollar twenty basis while you are considering
the matter for the next 30 days, 60 days, whatever is
necessary. Although, we urge that this be resolved shortly.

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

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

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

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

So we don't have a situation of just an Arbitration
Award, but we have a situation of an Arbitration Award which
has now been approved by the trial court. It would certainly
be expected that there would be an appeal from that, but it
certainly is more than we had at the last Commission meeting. Secondly, the last paragraph of the text which says:

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

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

I think Standard will disagree with that, but I think there shouldn't be any misunderstanding with Mr. Couvillon at this point that, if Standard signs the contract with PG&E at the dollar twenty price and we exercise -- or the Commission exercising its independent review authority, were to establish or to find that the reasonable market value of this gas was at a dollar thirty-four for one year; that that price would be -- that there would be a difference of approximately a half million dollars in income to the State which Standard would then be
obligated to pay to the State out of its share of the proceeds that it was obtaining from PG&E.

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

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

MR. COUVILLON: Well, this is some new information that we didn't have regarding the Court action in this Occidental award matter, and it might be something we want
to look at before actually proceeding with our execution of a contract.

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

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

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

We suggest that program.

MR. McCausland: May I ask a question, Mr. Chairman?

CHAIRMAN CORY: Yes, go ahead.

MR. McCausland: I took the prices that are on page
1, of Calendar Item 20, and posted them on Exhibit A, the map of the various parcels; and do you have any idea where the Occidental-PG&E parcel is located in relation to the others?

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

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

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

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

CHAIRMAN Cory: What is closest?

MR. EVERITTs: I beg your pardon?

CHAIRMAN Cory: What is the closest?

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

MR. McCausland: Are these all part of the same gathering system or how is this being handled?
MR. EVERITT: I would defer that, I think, to PG&E.

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

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

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

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

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

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

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

MR. SPROUL: All right.

CHAIRMAN CORY: For two reasons: One, we have a constitutional and a legal responsibility to dispose of the assets of the State of California at the highest and best price. Any question in responsibility that the State of California has to the consumer is one that I'm aware of that must be discharged to the Public Utilities Commission.
But for you to have previously entered in a most favored nation's clause contract and make that decision and then come before us and plead poverty, or plead the case of the consumer after you've entered into an adverse contract in the other fields, is hodgepodge.

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

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

MR. SPROUL: No, not at all.

CHAIRMAN CORY: That's what you just said.

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

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

MR. SPROUL: I want to point out too that, as far as we are concerned, that the Occidental Arbitration Award was one Arbitration Award; three Arbitrators came forth with it; we are perfectly prepared to go to arbitration again; we regard that award as outrageous and as wrong and we think we have an interest here to defend the consumers and we think we are entitled to speak for them and they have
told us in connection with the arbitration proceedings before the San Diego Superior Court, they have appeared in our behalf. So I think that we have not only the right to speak for them, but the duty to do so.

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

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

I have a motion before you.

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

The reason I suggest we do that, from the last month to this month, there have been two things that have taken place in the pricing field that I think are somewhat relevant: One is the Federal Power Commission's ruling that has transpired; and the fact that the Superior Court has, in essence, affirmed the Arbitrator's Award that we are in a field where the economics is in flux, and it's moving rather rapidly and, if something that we haven't
thought of happens in the next few days before the next
meeting, that would drastically alter the value of this,
I would not want us to be caught flatfooted of having an
offer outstanding that somebody could come in and say, "All
right, we'll take that," because the price has suddenly gone
to two dollars.

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

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

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

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

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

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

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

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

MR. SPROUL: Mr. McCausland, I'm reluctant to give you precise numbers because we're going to be negotiating with a whole lot of producers within those fields in that period of time. But, certainly I think it's fair to say, and it would be misleading not to tell you, that the
long range price of gas is going to go up; there's just no
question about it --

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

MR. SPROUL: -- in my opinion.

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

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

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

MR. McCAUSLAND: Mr. Chairman, I'd like to second
Governor Dymally's motion and offer an amendment that we adopt the staff recommendation as revised on August 26th to rescind our action.

COMMISSIONER DYMALLY: I accept the amendment.

CHAIRMAN CORY: Mr. Dymally seconds the amendment.

Without objection, the motion will be adopted.

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

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

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

CHAIRMAN CORY: And we have not approved anything yet.

MR. TAYLOR: And we have not approved it. So you may have a problem with your lease with us. But I just wanted the record completely clear that we have not made any statements as to the reasonable value of gas; we have not approved a sales contract; and that Standard proceeds at
its own risk with regard to all of these matters.

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

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

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

CHAIRMAN CORY: You mean it has not been acted upon.
MR. TAYLOR: Not with the resolution you've just adopted.

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

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

CHAIRMAN CORY: I think --

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

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

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

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

MR. COUVILLON: We can pursue those details with
the attorneys, Mr. Cory, and if we can work it out, we will do so.

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

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

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

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

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

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

(Laughter.)

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

The next item we have on the Agenda is Item
Number 21 and, Governor, will you take over for a moment; I have something to do in my office. We have Item 21 which somebody just started handing me things about that I just don't understand.

(Thereupon Commissioner Dymally assumed the Chair.)

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

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

MR. TAYLOR: Mr. Chairman, Governor, the problem that is presented here is the fact that this debate over whether to tear the pier out or rehabilitate it has
continued for approximately three years. The Burmah, which is now Aminoil, has been endeavoring to work out arrangements and there isn't to date been any definitive action taken. As a matter of fact, there have been several changes in position between the county and the various parties over whether they could have this go ahead.

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

It will be very expensive to remove this pier and any further delay means that it's going to be that much more expensive. We want to insure that Aminoil is proceeding diligently to have that matter resolved and, for that reason, the revised recommendation has been made and the recommendation is: That the Commission authorize the issuance of a demand notice upon Aminoil, U.S.A., Inc., to remove the existing Ellwood Pier pursuant to the terms of the -- terms and conditions of the State Oil and Gas Lease, PRC 218.1; provided, however, that pursuant to the request of Aminoil, U.S.A., Inc., that action shall not become effective for six months from the date of this meeting in order that Aminoil, the County of Santa Barbara, and other
producers of oil and gas in the Santa Barbara Channel may have time to prepare and present alternative plans to the Commission for the rehabilitation and continued use of said pier. If no further action is taken on this matter by the Commission prior to the end of said six months' period, said demand shall be issued and Aminoil, U.S.A., Inc., shall immediately commence the removal of said pier without further action of the State Lands Commission.

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

MR. McCausland: I move the adoption of the staff recommendation as revised August 26th.

Acting Chairman Dymally: Is there any testimony in support or opposition to this motion?

If not, it's so ordered.

Item 22.

Executive Officer Northrop: Item 22, Mr. Chairman, is an application by Mr. Fairley for a riprap on the bank of the Sacramento River.

Acting Chairman Dymally: Any opposition or support of this measure?
If not --

MR. McCASLAND: Move adoption.

ACTING CHAIRMAN DYMAILY: So move.

Without objection, so ordered.

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

MR. McCASLAND: Move adoption.

ACTING CHAIRMAN DYMAILY: It's moved and seconded.

Without opposition, it's so ordered.

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

ACTING CHAIRMAN DYMAILY: Let me say this to the persons present here.

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

MR. McCASLAND: Move adoption.

ACTING CHAIRMAN DYMAILY: Moved and seconded.

Without objection, it is so ordered.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 25 extends the limit of a known geothermal resources area designated by the Commission on May 27th. The map on the
left indicates that area and, Mr. Everitts, would you care
to point out the area which you have in mind in setting up
a known geothermal area and: First, the action here is to
name it as a known geothermal area; and secondly, to
authorize the staff to put this area out for competitive bid.

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

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

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

MR. McCUAULAND: Move adoption.

ACTING CHAIRMAN DYMALLY. Moved and seconded.

Any opposition?

So ordered.
EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
next one is a dredging permit by the City of Sacramento to
dredge 35,000 cubic yards of material from the Sacramento
River and to spoil it in the Sacramento-Yolo Port District.
MR. McCausland: Move adoption.
ACTING CHAIRMAN DYМАLLY: It's moved and seconded.
Without objection, it is so ordered.
EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
Mr. Governor, the drought conditions in the Lake Tahoe area
has necessitated many dredging operations to maintain the
marinas that are currently in operation. This permit
authorizes the Executive Officer to administratively issue
dredging permits in the bed of Lake Tahoe with the caveat
that all other permits; Water Quality, and those permits
required for dredging, be complied with.
This Calendar item would also authorize -- the
authorization would be a charge of 15 cents per cubic yard.
MR. McCausland: Mr. Chairman, I'd like to ask a
few questions, if I could.
ACTING CHAIRMAN DYМАLLY: Proceed.
MR. McCausland: Calendar Item Number 27 states
in the second part that it is incumbent upon the Commission
as lessor to accommodate lessees who may wish to perform
dredging at their marinas. What does the term "incumbent"
mean in that context?
EXECUTIVE OFFICER NORTHRUP: Not being a
semanticist, I'll turn that over to the attorney.

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

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

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

MR. McCausLAND: And the other item that is
mentioned in Calendar Item 27 is that all affected State
agencies -- State, Federal, or local agencies, will approve
the dredging project before the Executive Officer is
authorized to permit it.

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

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

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

MR. McCausland: They have statutory authority
over disturbing a lake bottom?

MR. HIGHT: Yes.

MR. McCausland: My concern is: We've got a lot
of those nutrients settled out, stabilized, and gone and we
have been fighting for the last decade to not add more
nutrients to the lake; and now we're going to go in and
start dredging it, and I still can't believe we know enough
about what that means at Lake Tahoe to be excited about it.
But as long as those agencies are participating, Mr. Chairman, I'll move adoption of it.

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

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

MR. McCausland: It would have to come to the Commission if it were over 500.

ACTING CHAIRMAN DYMALLY: Moved and seconded.

Any opposition?

MR. McCausland: I'd like to be kept abreast of this.

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

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

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

MR. THOMPSON: Item 28 is just a follow-up of the Commission's action in adopting the planned budget in the April meeting in which you expressed your intent to augment the budget in the future on any crude oil price increases granted. So, starting in March, there were crude oil prices
granted each month; they were frozen again in June; and they are now frozen and it looks like they will continue to be frozen for many more months. But in that interim period there, from March, April, May and June, an additional value of $940,000 was -- because of these crude oil prices being increased. So now it's gone back for an augmentation.

In the meantime, we have found that the tax rate will be increased, so this is one of the highest priorities you have established before, so we are proposing that the majority of this money go into the tax account and that we have a small semi-emergency here to internally recoat two large tanks, which again is in the nature of maintaining for safety and environmental controls.

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

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

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

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, you
might want to consider 28, 30 and 31 as a package.

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

ACTING CHAIRMAN DYMALLY: Moved and seconded.

Any opposition?

If not, so ordered.

Item 29?

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

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

We have no objections.

MR. McCausland: So move.

ACTING CHAIRMAN DYMALLY: Moved and seconded.

Any opposition?

If not, so ordered.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 32 is approval of a boundary line agreement -- rather, the approving of a boundary line annexation. Now, you have in front of you a letter or telegram from some concerned people in Huntington Beach, who believe that, if we took a negative
action on this, we could bring this action in Bolsa Chica to an end. However, I would now defer to Mr. Gregory Taylor of the Attorney General's Office to outline our position on that boundary line agreement.

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

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

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

We are given notice once the local agency formation commission proceeds further and at that time the Lands Commission can make a statement as to whether or not it
wants the State lands to be included in the annexation or not. This is merely a technical approval of a legal description so that the process may go to the regular procedures followed in all other annexation matters.

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

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

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

ACTING CHAIRMAN DYMALLY: Before we put this item
to a vote, is there anyone here who wishes to object; we have
had some correspondence.

            If not, it's moved and seconded.
            Without any objection, it's so ordered.

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

MR. McCAUSLAND: Move adoption.

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

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

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

MR. McCAUSLAND: Okay.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 34
regards an ordinance passed by the El Dorado County Board
of Supervisors regarding rafting on the American River and
the legality of that rafting. The Attorney General, in conjunction with State Lands and the Department of Navigation and Ocean Development, is filing, or is in the process of filing, a suit to insure public access to the American River for rafting.

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

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

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

Pursuant to your previous authorization, the Attorney General's Office intervened in that lawsuit on behalf of the Lands Commission and the Department of Navigation and Ocean Development. And this action is merely a follow-up to that and it's consistent with the position taken in previous action.
ACTING CHAIRMAN DYMALLY: Is there anyone here from El Dorado County?

MR. McCausland: Let me ask a question:

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

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

MR. McCausland: Governor, I move adoption.

ACTING CHAIRMAN DYMALLY: Moved and seconded.

Without objection, so ordered.

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

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

MR. McCausland: So move.

ACTING CHAIRMAN DYMALLY: Moved and seconded.

Without objection, so ordered.

EXECUTIVE OFFICER NORTHROP: The last regular item
on the Agenda, 36, is really a companion piece to an approval last month of a pilot operation for tertiary recovery in the Wilmington Field. It's approval of an agreement for a Maraflood License which is owned by Marathon Oil Company and the intent of this is to maintain confidentiality on that portion of the oil and gas recovery that must remain confidential if we're going to use that process.

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

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

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

(Laughter.)

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

Without objection, so ordered.

MR. McCausland: Governor, I'd like to bring up one other item for the staff's follow-up; Item C4, related to the Department of Transportation's request. I understand that the Department has some financial obligation to the
Commission in regards to such a permit and that those have not yet been fulfilled. I'd suggest that a letter over the Commission's signature be sent to the Department advising them of our concern regarding that matter.

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

We will move on that very quickly.

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

ACTING CHAIRMAN DYMALLY: Okay.

Are there any other items?

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

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

ACTING CHAIRMAN DYMALLY: If there is no other
business, the meeting is adjourned.

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

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

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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.

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

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