

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

MEETING

STATE LANDS COMMISSION

ROOM 2117

STATE CAPITOL

SACRAMENTO, CALIFORNIA

THURSDAY, AUGUST 25, 1977

10:10 A.M.

ORIGINAL

Reported by:

DIANE PATRIG, C.S.R., 3692

PETERS SHORTHAND REPORTING CORPORATION

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

I N D E X

		<u>Page</u>
1		
2		
3	Proceedings	1
4	Roll Call	1
5	Confirmation of Minutes, July 26, 1977 Meeting	2
6		
7	Report of Executive Officer	2
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
	<u>REGULAR CALENDAR</u>	
	<u>Item No.</u>	
25	California Blue Valley, Inc., Extension of Right of Way Permit; Donner Lake, Nevada County	25
26	Pacific Gas and Electric Company; Proposed Amendment and Renewal of Gas Storage Lease; McDonald Island	31
27	Union Oil Company; Approval of Proposed Drillings of New Wells, Geysers Steam Field	31
28		
29	Western LNG Terminal Company; Assignment of Core-drilling Permit; Point Conception	32
29	Taxation of Long Beach Oil Field	33
30	Approval of Second Modification of 1977-78 Plan of Development and Operations and Budget; Wilmington Oil Field	41
31	Subsidence Remedial Work, Long Beach	42
32	Review of Pilot Scale Demonstration, Wilmington Oil Field	43
33	Staff Authorization for Negotiations, Bolsa Chica	44

PETERS SHORTHAND REPORTING CORPORATION

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

1	34	Authorization of Boundary Line Agreement, Cliffside Properties	44
2	35	Agreement for Compromise Settlement, South San Francisco Bay Federal Wildlife Refuge	44
3			
4	36	Authorization of Amendment to Memorandum of Understanding re Lake Tahoe Hazard Removal	45
5			
6	37	Authorization for Settlement and Dismissal; Issuance of General Permit; Stanley J. and Ruth L. Gale	46
7			
8	38	Authorization for Settlement and Dismissal; Issuance of General Permit; Harry W. and Lee A. Erickson	46
9			
10	39	Authorization of Staff to Eliminate Trespass of Roy Rook, Klamath River	48
11			
12	40	Retrocession of Concurrent Jurisdiction; United States Veterans Administration	49
13			
14	41	Authorization, State Lands Division Staff, to Conduct Public Hearings	50
15			
16		Status of Major Litigation	53
17		Confirmation of Next Commission Meeting	55
18		Adjournment	55
19		Reporter's Certificate	56
20			
21			
22			
23			
24			
25			

PETERS SHORTHAND REPORTING CORPORATION

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

PROCEEDINGS

--o-o--

1
2
3 ACTING CHAIRMAN BELL: Good morning, ladies and
4 gentlemen. I'd like to get the meeting started.

5 Mr. Northrop, may I have the roll call?

6 EXECUTIVE OFFICER NORTHROP: Chairman Corv?

7 Lieutenant Governor Dymally?

8 MS. SMITH: Betty Smith sitting in.

9 EXECUTIVE OFFICER NORTHROP: Ms. Smith.

10 Secretary of finance, Mr. Roy Bell?

11 ACTING CHAIRMAN BELL: See, I'm the secretary --

12 EXECUTIVE OFFICER NORTHROP: The Director of
13 Finance.

14 ACTING CHAIRMAN BELL: I'm elevated.

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
16 think counsel wants to make a statement.

17 MR. HIGHT: If I can do a little housekeeping for
18 a moment, Mr. Seegmiller is sitting in for Mr. Corv in a
19 non-voting capacity this morning.

20 ACTING CHAIRMAN BELL: I wondered if we could
21 have two. But anyway, we have two legal votes sitting here
22 on the left.

23 MR. HIGHT: That is correct.

24 ACTING CHAIRMAN BELL: On your right. We do have
25 a quorum present.

1 We have confirmation of minutes of the meeting of
2 July 26th which are before you with your calendar and
3 agenda. Do I have any corrections or other comments on
4 those?

5 If not, they'll be deemed approved.

6 The report of the Executive Officer.

7 EXECUTIVE OFFICER NORTHROP: Thank you very
8 kindly, Mr. Chairman. Mr. Chairman and members, during the
9 week of July 31st through August 4th, California hosted the
10 Western States Land Commissioners conference in San Diego.
11 All 19 western states were represented. That 19 includes
12 Louisiana, which they are just slightly east of west, I
13 guess.

14 The State of Wisconsin attended on a fact-finding
15 mission. Wisconsin sent the State Treasurer and the
16 Lieutenant Governor from Wisconsin.

17 The meeting was particularly constructive, at
18 least instructive, in that the Bureau of Land Management
19 held a meeting of all its state directors at the same time
20 and place. We enjoyed several joint sessions, and we
21 discussed on-going problems of the state with regard to
22 the federally-administrated programs by the Bureau.

23 Featured speakers included both Chairman Cory
24 and Governor Dymally and Undersecretary of Interior Guy
25 Martin. I was elected President of the organization for

PETERS SHORTHAND REPORTING CORPORATION

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

1 '77-'78.

2 ACTING CHAIRMAN BELL: I hope it does not involve
3 any out-of-state travel?

4 EXECUTIVE OFFICER NORTHROP: No. We tried to hold
5 it down. However, Louisiana was selected as the host for
6 the next meeting, and as President, I do think I have to go.

7 MR. SEEGMILLER: It wouldn't be in the State of
8 California two years running.

9 EXECUTIVE OFFICER NORTHROP: Yes, that's right.
10 But it's in the summer, and that's really not all that much
11 fun, I guess. It will be held in either Baton Rouge or
12 New Orleans.

13 Each commissioner has been sent a copy of the
14 land consolidation report, with the expressed caveat that
15 the commission might make significant changes. The draft
16 has also been furnished to the State Office of the Bureau of
17 Land Management for preliminary evaluation. The draft report
18 covers four basic areas of commission concern:

19 One is the satisfaction of remaining entitlements,
20 entitled lands, unsurveyed lands, and so forth we have
21 coming to us; and a classification of high quality lands
22 for indemnity selection.

23 The third area is priority in the BLM staff
24 exchanges, including additional federal staff if necessary.
25 The fourth is further grants of public lands.

PETERS SHORTHAND REPORTING CORPORATION

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

1 A briefing on the report will be calendared at a
2 subsequent meeting. We plan on it for next time -- for next
3 meeting at this time. However, the initial federal reaction
4 is that the state should not expect any early reaction.

5 I think the federal government is looking at maybe
6 a time frame of at least ten years until the inventory
7 required by the Federal Land Policy and Management Act is
8 done. The Bureau of Land Management feels they have been
9 directed to go slow or not act at all on any transfers from
10 federal ownership. This includes indemnity selections and
11 exchanges.

12 However, we have noticed in other meetings that
13 the Southern Pacific Railroad and other private entities
14 are getting much better service than the state is.

15 Further, it was made very clear at San Diego that
16 state exchanges have a low priority and state help during
17 the budget hearings will be necessary for any change in this
18 priority. It was quite evident that BLM was going to look
19 to us for help in their budget. I think they were kind of
20 holding us up for budget help before they would give us any
21 exchanges. That was very clear in the comments that they
22 made.

23 Another issue is whether exchanges benefiting
24 other state agencies, Fish and Game, or Parks, will have to
25 be processed first. BLM seemingly would like to make the

PETERS SHORTHAND REPORTING CORPORATION

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

1 exchanges and exchange our land and Parks and Fish and Game
2 land so that they can get two for the price of one. I'll
3 keep you briefed on how this is going.

4 The hazard removal program, the next subject:
5 The accomplishments of the hazard removal task force to date
6 have been quite satisfactory. Three area projects have been
7 established, and they are: The Lake Tahoe hazard removal
8 program; the American River hazard removal program; and the
9 Upper Sacramento River hazard removal program.

10 The Tahoe removal program is currently the most
11 advanced. A contract has been made with the Corps of
12 Engineers to administer and oversee the removal program at
13 Lake Tahoe. They are presently advertising for the job.

14 Additionally, all hazards have been identified,
15 mapped, and shoreline access for their removal to upland
16 locations has been identified, which was a considerable
17 program. Removal operations will begin about September 12th
18 and as indicated in Item 26 on today's agenda, the initial
19 cost will be about \$200,000.

20 The Division will soon enter into a \$25,000
21 contract with Sacramento County for removal of hazards in
22 the Lower American River. All of these hazards have been
23 identified and mapped, as I've discussed. Operation will
24 commence once the Sacramento County Board of Supervisors
25 approves the contract later this month.

PETERS SHORTHAND REPORTING CORPORATION

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

1 The Division has just recently initiated a third
2 hazard removal program in the Upper Sacramento River.
3 Hazards have been identified and are currently being mapped.

4 In addition, initial contacts have been made with
5 local and state agencies to determine whether it would be
6 feasible to contract with them for hazard removal. The
7 Division proposes to begin operation in the Sacramento River
8 at Keswick Dam and proceed south until the funds are expended.

9 On August the 11th, the Executive Officer conducted
10 a public hearing for the purpose of gathering evidence to
11 serve as a basis for your determination of the reasonable
12 market value for royalty purposes of natural gas deliveries
13 by Chevron from certain Northern California gas fields.

14 As you will recall, the Commission on September
15 30th of 1976 approved for a period of six months commencing
16 July 1, 1976, letter modifications to gas sales agreements
17 between Chevron and Pacific Gas and Electric. Such approval
18 was subject to the right of the state at the end of the
19 six-month period to make a determination of the reasonable
20 market value of the gas deliveries by Chevron to PG&E.

21 Testimony at the hearing was presented by the
22 Commission's staff, a representative of the Office of the
23 Attorney General, a consultant retained by staff, Chevron,
24 Pacific Gas and Electric, and the Public Utilities Commission.
25 The hearing is being held open for further written rebuttal

PETERS SHORTHAND REPORTING CORPORATION

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

1 to the statements made at that meeting through August the
2 26th, tomorrow.

3 Upon conclusion of the hearing, staff will
4 analyze all testimony and present recommendations for the
5 establishment of the reasonable market value of the gas
6 produced from January 1st, 1977, through June 30th, 1978,
7 the term of the modified sales contracts. After June 30th,
8 1978, the question will again be open as to the reasonable
9 market value applicable to Chevron's royalty payments to the
10 state.

11 ACTING CHAIRMAN BELL: Is this the item that the
12 Public Utilities Commissioners keep reminding me is the
13 tail that wags the dog? Our little old tiny two percent
14 or less is in effect, when we try to make a nice profit for
15 the state on our little bit, the consumers of Northern
16 California get ripped off.

17 EXECUTIVE OFFICER NORTHROP: That has been the
18 position, Mr. Chairman --

19 ACTING CHAIRMAN BELL: By the way, that's not
20 my position. I'm merely quoting some people who have
21 commented to me.

22 EXECUTIVE OFFICER NORTHROP: How ar, we did have
23 a comment from one of the Public Utilities Commissioners
24 encouraging us to proceed with our hearings and get a
25 fair price for it. However, there's one interesting point

PETERS SHORTHAND REPORTING CORPORATION

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

1 that came from the hearing.

2 That's that Standard Oil Company, who has been
3 our negotiator, who is the lessee --

4 ACTING CHAIRMAN BELL: Yes.

5 EXECUTIVE OFFICER NORTHROP: -- is a negative
6 gas producer. In other words, they are buying gas. And
7 while we are looking at a price considerably less than
8 two dollars, Standard is paying a price considerably in
9 excess of two dollars per MCF for gas.

10 So I wonder if that tail wagging the dog concept --

11 ACTING CHAIRMAN BELL: Who are they buying from?

12 EXECUTIVE OFFICER NORTHROP: PG&E, of course.

13 So that's an interesting concept, Mr. Bell.

14 Staff has taken some preliminary steps to
15 initiate sell-offs of the 12 1/2 percent of the Contractors'
16 oil in the Long Beach unit.

17 ACTING CHAIRMAN BELL: This is crude oil?

18 EXECUTIVE OFFICER NORTHROP: Yes, as outlined
19 in Chapter 138.

20 MR. SEEGMILLER: When was the last sell-off?

21 EXECUTIVE OFFICER NORTHROP: The last sell-off,
22 I believe, initiated in 1972.

23 MR. SEEGMILLER: Are these periodic or required
24 annually or --

25 ACTING CHAIRMAN BELL: It's option --

PETERS SHORTHAND REPORTING CORPORATION

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

1 EXECUTIVE OFFICER NORTHROP: We are going to have
2 a discussion on that in a few minutes, Mr. Seegmiller.

3 MR. SEEGMILLER: Okay. Fine.

4 EXECUTIVE OFFICER NORTHROP: And part of it we
5 can sell off, and staff has agreed that those that we can,
6 we're going to take the necessary steps. Staff has had a
7 meeting in Sacramento in which Counsel for the City of Long
8 Beach was present and they're in agreement. There seems to
9 be general agreement that we should proceed where we can.

10 Now, FEA has put some road blocks in our way,
11 and we have got to solve these FEA problems before we can
12 fully go ahead. The picture is very unclear.

13 I've asked John Lamont and Mr. Thompson and Mr.
14 Pace -- Mr. Thompson and Mr. Pace from our Long Beach
15 operations to at this time come forward and we'll discuss
16 this in some kind of a round table panel as to our problems
17 and what we're looking at in the way of crude oil processing.

18 So if Mr. Lamont and Mr. Pace and Mr. Thompson
19 will come up here right now, I'd like to discuss this with
20 the Commission.

21 While they are coming up here, we additionally
22 have been cited by the FEA for a probable violation of the
23 FEA regulations and some of the contracts we let at the time
24 Mr. Seegmiller. We are taking the necessary steps to contest
25 these violations and contest the citation. We'll keep you

PETERS SHORTHAND REPORTING CORPORATION

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

1 abreast of where we are going in that particular area.

2 Do you gentlemen want to come down here?

3 MR. LAMONT: Thank you, Mr. Northrop. It's very
4 difficult to explain in any very simple terms exactly what's
5 happening. We are running into a situation in which we have
6 a confrontation building up between some rather complex
7 state statutes, administrative regulations, and contract
8 procedure, and some FEA regulations which are sufficiently
9 complex that they are quite probably the most complex
10 regulations that have ever been put together in the history
11 of mankind.

12 Briefly, the problem is that in the '71-'72
13 series of sell-off contracts, it's not exactly clear whether
14 we are an initial seller or a reseller or -- excuse me.
15 Whether the contracts were initial sales by the state for
16 the state or if they were sales by private persons at the
17 state's direction and for the state's account or if they
18 are in fact resales by the private person for their own
19 account to achieve the general competitive purposes.

20 Please, do not shoot the bringer of bad news.
21 He didn't create the complexity. But that's it.

22 At the same time, we have this to confront:
23 The problem comes along that the FEA regulations are in the
24 process of continual flux and change. They have just
25 issued a full series of new regulations relating one, to the

PETERS SHORTHAND REPORTING CORPORATION

26 NE'S COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 reseller crude oil purchaser, regulation of which goes clear
2 back to 1974, which continues crude oil purchaser-reseller
3 relationships notwithstanding the termination of the basic
4 contracts.

5 In other words, even though the basic contracts
6 which we have with purchasers -- if it is a reseller
7 contract, that those contracts may have expired by
8 virtue of the FEA regulations are continued in force
9 indefinitely. Those regulations are also in the process
10 of change.

11 One of the reasons why -- in fact, I think after
12 two full days of conference and discussion with all of the
13 other lawyers who have any part of this on the state side,
14 we agreed that we have to go into this notice of probable
15 violation proceeding if we are ever under any circumstances
16 to be able to go forward with the necessary resell -- with
17 the necessary sell-off contracts. We are in a rather
18 unusual situation.

19 The federal government, in fact, is trying the
20 state for a violation of administrative regulations. It
21 raises federal questions that are extremely complicated.
22 But we have to bow our heads and go straight through the
23 complexities of that proceeding if we are to get a judgment
24 as to exactly what our status is under those regulations,
25 assuming that those regulations continue to apply to us.

PETERS SHORTHAND REPORTING CORPORATION

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

1 At the same time, the Executive Officer will be
2 discussing with the Governor and with the Governor's people
3 the possibility that we might conceivably receive an exemption
4 under the National Energy Program legislation that is
5 pending, an exemption from some of the more burdensome
6 federal regulations.

7 EXECUTIVE OFFICER NORTHROP: Okay. The notice of
8 probable violation, I've asked Mr. Lingle, Counsel for the
9 City of Long Beach -- and he's worked very closely with us --
10 to join us. Do you have any additional thoughts on this?

11 MR. LINGLE: No. I think John has explained how --
12 I'm as confused as you probably are, but not from John's
13 explanation. We have worked closely and there is no conflict
14 between us.

15 EXECUTIVE OFFICER NORTHROP: So we're going out
16 on the NOPV as it's called, and we are appealing it, and we
17 have written the necessary letters, and we are now awaiting
18 a hearing. That hearing will be -- we submitted -- I would
19 just say in excess of 1,000 pages of testimony and informa-
20 tion. Is that number correct, John?

21 MR. LAMONT: I would say about 35 pounds, and
22 let it go at that.

23 EXECUTIVE OFFICER NORTHROP: We've given them
24 about 35 pounds of substantiating information, and they are
25 now going through it. When they've reviewed it, they will

PETERS SHORTHAND REPORTING CORPORATION

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

1 return it to us for a hearing in which we can explain to them
2 what they have read. That is to be coming.

3 I think in line with this, I think Mr. Thompson
4 and Mr. Pace really should give us an up-date as to where
5 we are dollar-wise. And that doesn't mean much. But at
6 least, if it's any comfort to know, the only reason I'm
7 giving it to you -- if it's any comfort to know -- we're
8 trying to stay on top of it. So Mr. Thompson, if you'll
9 give the Commission some kind of indication of what the
10 revenues look like, and what the oil production looks like,
11 I think we'd appreciate it.

12 MR. THOMPSON: What we can give you is a little
13 less negative approach here. The FEA has announced they are
14 going to have hearings on some crude oil price increases
15 for the months of September, October, and November.
16 This is a break out from the freeze that's been on since
17 June of 1976.

18 The increases aren't very overwhelming. For
19 lower tier, they are going to be seven cents a barrel in
20 three months; for upper tier, they'll be 74 cents a barrel,
21 which sounds good on the surface except that really, when you
22 take away the 65 cents rollback that occurred a few months
23 back, really 65 cents really means that you are going to
24 get a nine cent increase on this compared to rollback.
25 Again, they are having hearings on this.

PETERS SHORTHAND REPORTING CORPORATION

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

1 As far as lower tier, we still don't know that
2 if they raised the ceiling price by even the seven cents,
3 whether we would be paid it or not because the ceiling price
4 is still 60 cents above the price we're currently being
5 paid. The entitlements program doesn't, according to the
6 refiners, allow the ceiling price to be paid. So we're
7 still a part of the program and John will probably comment
8 on that later on.

9 MR. SEEGMILLER: Where are we today?

10 MR. THOMPSON: Four dollars 31 cents a barrel.
11 We're allowed 60 cents more in the ceiling price, but that
12 is not being posted or paid for lower tier oil even though
13 we have another seven cents per barrel increase that might
14 be an increase in the ceiling and we don't know that we
15 actually would be paid that or not until the 1st of September
16 when these increases come on.

17 MR. NORTHROP: And the reason now, according to
18 the book, is why at this time we're going for the sell-off
19 and have not done it before, according to the book, is why
20 at this time we're going for the sell-off and have not
21 done it before, is before we were enjoying the maximum legal
22 price for the oil. We are now 58 cents or so below the
23 maximum ceiling price allowed, so we feel -- I have had and
24 I'm sure all the Commissioners here have had calls from
25 people who would like to obtain the oil at the maximum ceiling

PETERS SHORTHAND REPORTING CORPORATION

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

1 price.

2 So with that kind of interest, we're moving now
3 as fast as we can to set up a sell-off that would at least
4 insure us that 60 cents or 58 cents difference.

5 MR. SEEGMILLER: That could be just shy of
6 five bucks maximum?

7 MR. THOMPSON: Actually when you look at it,
8 lower tier oil since December of 1973 has had 20 cents a
9 barrel increase if you include the seven cents. That is less
10 than one percent per year, which leads us to another problem
11 that we have a little trouble in understanding what's
12 really going on in the FEA because under the federal law
13 passed in February of '76, they mandated a composite price
14 for all domestic crude oil. This is where the seven million
15 barrels of domestic crude oil shall fit, the average price
16 shall follow this.

17 This first program here was modified later to
18 say there is an allowable ten percent per year increase in
19 this composite, under which then we thought the first of the
20 year that a deal was made by the FEA that crude oil prices
21 would be kept then on controlled oil -- which is upper and
22 lower tier -- in constant 1976 dollars.

23 In other words, that means that you start back
24 at the start of this federal program, crude oil prices
25 would go up at the rate of inflation, on the natural

PETERS SHORTHAND REPORTING CORPORATION

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

1 deflator. Actual costs are lots of times in the neighbor-
2 hood of one and a half to two and a half times of that
3 deflator by the time you get the ripple effect in the cost.

4 The FEA, by having some bum numbers overpaid here,
5 and they went into a price freeze in June of '76. So they
6 are now proposing to break this price freeze from here.

7 But this overpayment here has certainly been
8 more than then paid back by this. And actually, by the time
9 they get through with this small price increase, they will
10 still be on the average about 60 cents per barrel below the
11 composite. This is what Congress intended.

12 You equate that 60 cents a barrel times the
13 seven million barrels a day provided by the domestic
14 producers, the domestic producers are being shortchanged
15 over four million dollars a day.

16 MR. SEEGMILLER: The foreign crude oil doesn't
17 come into this at all on that chart?

18 MR. THOMPSON: No. And I think the consumer sees
19 his consumer prices going up all the time even though we're
20 not even allowed this inflation. And how FEA receives this
21 mandate to not give this, in effect put a whole year's
22 inflation back from producer, we completely miss the point
23 of this. And we'll probably comment on that in these
24 hearings coming up.

25 That's all I have. As far as revenue of the

PETERS SHORTHAND REPORTING CORPORATION

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

1 state, I wish I could tell you because I don't know what the
2 prices will be and whether we would pay.

3 MR. SEEGMILLER: I would just like to ask some
4 illustrative questions. Foreign oil is not under any of
5 this price control?

6 MR. THOMPSON: Right.

7 MR. SEEGMILLER: We receive -- as I understand in
8 Long Beach Harbor now there is probably some Saudi Arabian
9 or Indonesian oil coming in?

10 MR. THOMPSON: Probably quite a bit of it.

11 MR. SEEGMILLER: What's the landed cost of that
12 oil?

13 MR. THOMPSON: Roughly \$14.

14 MR. SEEGMILLER: \$14 a barrel. That oil floats
15 in in supertankers about Long Beach Harbor, right? And if
16 we won't drill oil out of our oil wells, the consumer in
17 this country will pay 14 bucks to Saudi Arabia and four
18 bucks to us?

19 MR. THOMPSON: That's right.

20 MR. SEEGMILLER: 4.31 a barrel.

21 MR. THOMPSON: Not on that, but if you take this
22 particular graph here which shows a little bit on entitle-
23 ments, the period of times for every barrel of foreign
24 crude that comes in, the refiner gets a credit of \$2.36 to
25 refine that oil.

PETERS SHORTHAND REPORTING CORPORATION

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

1 This is only one of a few cases I know of where
2 we subsidize a foreign industry.

3 MR. SEEGMILLER: We get paid money to make it
4 cheaper for him to buy higher-price oil and we can't sell
5 our oil.

6 MR. THOMPSON: He doesn't do that. He gets a
7 credit for what he runs, that barrel of foreign crude. And
8 in the end, it's the consumer --

9 MR. HIGHT: He actually gets paid it out of the
10 refiners' pool, as a matter of fact.

11 MR. THOMPSON: But it's all passed on to the
12 consumer.

13 MR. PACE: Which reduces his cost of that foreign
14 crude by the 2.36.

15 MR. NORTHROP: Which brings us to another problem
16 which this Commission has got to face or at least be
17 aware of, that is, the Alaskan oil is coming in in much the
18 same manner.

19 MR. LAMONT: At the same price.

20 EXECUTIVE OFFICER NORTHROP: At the same price,
21 and we can't use the foreign argument except the fact it's
22 going to enrich some foreign countries who own a good share
23 of it. But that's another problem, and that could well
24 make our oil not only uneconomic, but undesirable, given the
25 present refining techniques.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. SEEGMILLER: So we have oil out there at
2 \$4 a barrel they are going to shunt in and we are going to
3 pay 14 for it?

4 EXECUTIVE OFFICER NORTHROP: Yes.

5 ACTING CHAIRMAN BELL: What is Alaskan going to
6 cost?

7 EXECUTIVE OFFICER NORTHROP: Mr. Lamont?

8 MR. LAMONT: It's going to cost --

9 MR. PACE: 13.50 laid down.

10 MR. LAMONT: About 13.50 laid down here.

11 The ceiling price on -- well-head ceiling price will be the
12 regular upper tier ceiling price. But I think it will all
13 be -- it's all plus the transportation and they are too
14 enormous --

15 MR. THOMPSON: However, every refiner that burns
16 Alaskan North Slope crude will also get the comparable entitle-
17 ment credit that foreign crude gets.

18 MR. LAMONT: No. The issuance of the order on
19 the Alaskan crude oil entitlements is really rather
20 mysterious. It was issued two weeks or a week and a half
21 after Congress had gone home for the purpose of -- I mean,
22 together with about four other orders. It has received
23 very little publicity, and very little consideration.

24 But what it means, according to the FEA's own
25 press release, is the payment of \$3 a barrel for each barrel

PETERS SHORTHAND REPORTING CORPORATION

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

1 of taps crude, the Arctic North Slope crude.

2 This means that there are three companies which
3 will be collecting additional subsidization of \$3 a barrel.
4 Since that crude oil is a fairly heavy crude, it's 27 degrees
5 of gravity, it will occupy, require for its refining exactly
6 the same refining capacity that is available for the heavy
7 California crude. And it either -- it makes it out or in
8 more familiar economic terms, it will require a cut in the
9 price of the California crude in order to stay there.

10 Moreover, while I believe they had it in mind that
11 this \$3 entitlement advantage would ship the stuff into
12 Districts one through four across the Rocky Mountains, that's
13 a two to two and a quarter a barrel shipment cost with the
14 kind of equipment they have available for immediate shipment.
15 And it may well be that a number of those -- some of those
16 three companies involved may well say, instead of encouraging
17 two to two and a half to ship it to the Gulf Coast, we'll
18 simply take a dollar to a dollar and a half less and keep
19 it here.

20 It's an inexplicable blunder, I think, and it's
21 something that has to be reversed or has to be balanced in
22 some way or the California lower tier crude is in for some
23 extremely difficult times.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that
25 completes our very cheery report today.

PETERS SHORTHAND REPORTING CORPORATION

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

1 ACTING CHAIRMAN BELL: You left out the part about
2 what the LA assessor is doing to us.

3 EXECUTIVE OFFICER NORTHROP: We have a calendar
4 item on it, but we'll be happy to talk about it now because
5 that fits in the same program.

6 ACTING CHAIRMAN BELL: Just adds to it.

7 MR. SEEGMILLER: You're talking about backing out
8 of production of California crude, shutting wells, the
9 proceeds of which the State of California now uses for
10 higher education and water development projects, so we're
11 going to lose the source of money for those very necessary
12 projects because of these shenanigans going on in Washington?

13 EXECUTIVE OFFICER NORTHROP: Well, you have to
14 understand this, Mr. Seegmiller. The FEA in conferences
15 that I've had with the Director, Mr. --

16 MR. LAMONT: John O'Leary.

17 EXECUTIVE OFFICER NORTHROP: John O'Leary. He
18 said he could see no difference between the State of
19 California and Exxon. I hastily pointed out he had had
20 four auditors in my office for nearly two years, and he
21 hadn't done that for Exxon yet.

22 MR. SEEGMILLER: How many irrigation canals
23 and schools has Exxon built lately?

24 EXECUTIVE OFFICER NORTHROP: I really don't
25 know.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. LAMONT: None here, but some in Venezuela
2 and a number in Saud. Arabia.

3 (Laughter.)

4 EXECUTIVE OFFICER NORTHROP: This completes my
5 report, Mr. Chairman.

6 Mr. Chairman, the Assistant Executive Officer is
7 on vacation.

8 ACTING CHAIRMAN BELL: I have a question.

9 MS. SMITH: You've given us this report. What
10 do you suggest as a solution to this problem?

11 MR. NORTHROP: Well, I think Mr. Lamont and some
12 of our lawyers might be able to draft a successionist bill
13 that would stand. I don't know.

14 (Laughter.)

15 MR. SEEGMILLER: Cut off the Pacific Coast Highway
16 and join OPEC, right?

17 ACTING CHAIRMAN BELL: I tried that with NASA on
18 solar deal, and it didn't work.

19 (Laughter.)

20 MR. LAMONT: Well, I think one of the things
21 that's important, Ms. Smith, is the fact that the Executive
22 Officer and the Chairman have made a considerable amount of
23 overtures to the California congressional delegation, both
24 House and Senate, pushing very, very hard for the
25 recognition of the rather peculiar situation in which we

PETERS SHORTHAND REPORTING CORPORATION

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

1 have been put. If that delegation works and works reasonably
2 hard, considering that President Carter's energy program
3 has not yet passed the Senate, there is a possibility that
4 we can get some kind of relief if we are lucky and the
5 wind holds.

6 EXECUTIVE OFFICER NORTHROP: The Governor's
7 office has arranged a meeting this coming week with Mr.
8 Beeman to pass this problem on again to the delegation.
9 And we're encouraged by the fact that we've been joined in
10 this through the Western States Lands Commissioners and the
11 work we've done in Texas, Louisiana. Louisiana particularly
12 understands our problem and has agreed -- one of their
13 Senators has agreed to do what he can to get some help for
14 us on that because he happens to be on the committee concerned.

15 So we are doing some political moves, but it moves
16 very slowly.

17 MR. SEEGMILLER: You've got all these legal
18 hearings the violations thing.

19 ACTING CHAIRMAN BELL: You've got to go through
20 these administrative --

21 EXECUTIVE OFFICER NORTHROP: We have to exhaust
22 the administrative --

23 MR. LAMONT: We have no alternative but to go
24 through the administrative hearings. They have put more
25 administrative hearings than just one, because -- one thing

1 that I forgot to mention is that Mr. O'Leary also told
2 Senator Johnson in the hearing on August the 4th that at
3 the same time they were thinking of this Alaskan entitlement
4 advantage, the adjustment of the California lower tier
5 crude oil price which had been the subject of hearings
6 before, he believed had to be put over for still further
7 hearing.

8 I think, now, that will be about the fifth. But
9 we can't default.

10 EXECUTIVE OFFICER NORTHROP: And we also have
11 support, Mr. Chairman, I think it's important for the
12 record, from the Interstate Oil Compact Commission on this
13 concept because they understand the problem.

14 ACTING CHAIRMAN BELL: Okay. I guess thank you
15 for your report.

16 The report of the Assistant Executive Officer.

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
18 Assistant Executive Officer is on vacation this week and I
19 believe you will have his report next time.

20 ACTING CHAIRMAN BELL: All right. Fine. We now
21 go to the consent calendar which I believe is item C-1
22 through C-24, is that correct?

23 Are there any persons in the audience who wish
24 to appear or comment or have pulled off the calendar any
25 of the items C-1 through 24 which are generally pretty routine?

PETERS SHORTHAND REPORTING CORPORATION

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

1 EXECUTIVE OFFICER NORTHROP: Go ahead.

2 ACTING CHAIRMAN BELL: If not --

3 MS. SMITH: I move the adoptiiong of the consent
4 calendar.

5 ACTING CHAIRMAN BELL: All right. Without objec-
6 tion, then, items C-1 through 24 of the consent calendar are
7 approved.

8 We now go to page lx. We now go to the regular
9 calendar.

10 Item 25 is California Blue Valley, trustee.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr.
12 Trout will make the presentation on this. Mr. Trout.

13 MR. TROUT: Mr. Chairman, in 1974 the Commission
14 authorized a temporary pipeline for fire flow protection in
15 Donner Lake. After a number of six-month extensions, the
16 Commission rather vigorously said that the people up there
17 should get their act together or the Commission would grant
18 no further extensions. The staff was directed to work with
19 the people in the area to see if a permanent solution couldn't
20 be arrived at.

21 As a result of some very good work on the part
22 of our staff, we now have an application from the Donner
23 Lake Utility Company to take the temporary pipeline, to bury
24 it beneath the sand or the beach at Donner Lake, and to use
25 that pipeline one, for continued fire protection for that

PETERS SHORTHAND REPORTING CORPORATION

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

1 northwest corner of Donner Lake; and second to use it in
2 place of an existing diversion that the company now has from
3 Donner Lake.

4 The Donner Lake Utility Company has filed a
5 notice of diversion, and indication of a water right with
6 the State Water Rights Board. The pipeline was initially
7 put in in 1910, as I understand it, which preexists the
8 Water Rights Board's formation in 1914.

9 Now, as we got close to this calendar, we
10 thought we were ready to go with it. However, there are some
11 environmental technicalities of the California Environmental
12 Equality Act. The new pipeline has the potential under
13 certain conditions for allowing increased growth and
14 expansion in the area. The present pipeline now serves the
15 domestic potable water needs of the residents and the houses
16 in the west end of Donner Lake. The new line will have
17 slightly more capacity because they need three to six
18 thousand gallons per minute for fire protection. That's
19 I guess, to reach the top of three-story and multi-story
20 condominiums and other buildings.

21 Because of the technicalities of the Environmental
22 Equality Act, and working some of these things out with the
23 Office of the Attorney General and the Applicants, we have
24 come back to you for a further six-month extension. However,
25 we believe that prior to the running of that six months, we

PETERS SHORTHAND REPORTING CORPORATION

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

1 will have a permanent solution to bring to the Commission
2 for approval.

3 I think the item before you then for the six-month
4 extension is supported by the Applicant, by California Blue
5 Valley, the Donner Lake Utility Company, and by your staff.
6 However, Terry Roach, who is an attorney from Nevada City
7 and represents the trustee, I believe, who is now in
8 effect the owner of the property, would just like to briefly
9 address the Commission to give you a very brief overview of
10 their point of view.

11 What they're really trying to do is to be able
12 to sell some condominiums that they have been foreclosed
13 from selling for some period of time.

14 So, Mr. Roach.

#3 15 MR. ROACH: I'm Terry A. Roach, and I'm the
16 attorney for California Blue Valley, Inc., who is the
17 trustee who holds title to easements, and pumping facilities
18 at the Donner Village -- well, which are the subject matter
19 of these proceedings.

20 We have entered into a contract with Donner Lake
21 Utility Company whereby we will transfer subject to approval
22 of this body, the facilities that have been in the lake --
23 again, which are the subject matter of these proceedings --
24 since approximately 1974.

25 I also am here today speaking on behalf of IDS,

PIETERS SHORTHAND REPORTING CORPORATION

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

1 Investors Diversified Services, who owns Donner Village as
2 a result of foreclosures, and also First National City Bank,
3 which is a party in interest with regard to Donner Pines
4 West, also served by these facilities.

5 It's my understanding in discussions with the
6 staff -- and it's my purpose, basically, to be sure that I
7 understand the staff's position so that we can comply with
8 their wishes -- that the objections, the possible
9 environmental objections arise out of the hooking up of this
10 system for potable water service to the Donner Lake area.

11 It's my further understanding -- and again, I'm
12 subject to being corrected on this -- that you have no
13 basic objections with regard to permanent installation for
14 fire flow purposes.

15 Now, does that fairly state --

16 MR. TROUT: The staff would recommend approval
17 of a lease for the permanent installation of the pipeline
18 for fire flow.

19 ACTING CHAIRMAN BELL: The answer, I think, was
20 yes.

21 MR. TROUT: And the second point was that the
22 application which we have before us -- which the staff has,
23 but is not before you today -- is really to change the
24 point of diversion of the domestic -- not fire flow -- but
25 the domestic water supply. It is that area that the Attorney

PETERS SHORTHAND REPORTING CORPORATION

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

1 General's Office has expressed some concern as to whether
2 we have technically met the requirements of the California
3 Water Quality Act in allowing people who might be affected
4 by the ability to draw further water from Donner Lake, that
5 those people have an opportunity to comment on the proposal
6 and that the use of the pipeline is a discretionary act on
7 the part of the Commission.

8 So, thus the reason for the further extension
9 while we get the environmental data which the Applicant has
10 promised, and which we will then circulate for public comment
11 and see. It looks like there may well be simply an
12 environmental assessment and a negative declaration, but
13 it does appear that the public is entitled and should have
14 the opportunity to comment on the capability.

15 That doesn't mean that the utility company would
16 supply any more customers. It just means that they have
17 the greater capacity to do that.

18 MR. NORTHROP: Mr. Chairman, I might add in
19 buttress to what Mr. Trout has said, I'm sure the staff
20 would feel that we want to look at the cord before we
21 comment with any conclusion at this time. So from what we
22 have seen before us, I think Mr. Trout was indicating we
23 have drawn some preliminary conclusions, but certainly they
24 are far from final.

25 MR. TROUT: On the fire flow, right.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. ROACH: Do I understand now that you're
2 saying that the fire flow -- you're making no final
3 conclusions as to the fire flow either. Is that --

4 MR. NORTHROP: We have given you our indication
5 at the present time, but to I think largely the package,
6 the staff would like to see the entire package.

7 MR. ROACH: I'd also like to make one or two
8 minor corrections here. The total flow that this system
9 can provide is 1350 gallons per minute. I believe the
10 statement is made 32 -- well, it says 2000 here and I
11 think Mr. Trout indicated it was substantially more than
12 that.

13 MR. NORTHROP: Page 82, Mr. Chairman.

14 MR. ROACH: And the fire flow requirements in
15 that area are 2000 gallons per minute. This system plus
16 other existing systems owned by Donner Lake Utility Company
17 combine to provide the 2000 gallon flow.

18 ACTING CHAIRMAN BELL: I see. So it just isn't
19 this one?

20 MR. NORTHROP: Page 82, it should read 1350, is
21 that correct Mr. Trout?

22 MR. TROUT: That is correct.

23 MR. ROACH: Thank you very much.

24 MR. STEVENS: Mr. Chairman, I think that's
25 basically a fair statement. The project is capable of

PETERS SHORTHAND REPORTING CORPORATION

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

1 causing an effect on the environment. Basically, we're
2 required to follow the steps of the Environmental Quality
3 Act, and I think that's the only purpose.

4 ACTING CHAIRMAN BELL: Okay. A six-month
5 extension.

6 All right. Without objections. Without objection,
7 item 25 for the six-month extension is approved.

8 The next item, number 26, PG&E.

9 MR. NORTHROP: Mr. Chairman, this is a finalization
10 of a contract with Pacific Gas and Electric for the use of
11 the McDonald Island Gas Field as a storage area. We have
12 negotiated some new rents and a new biometric through put
13 on it.

14 ACTING CHAIRMAN BELL: All right. Without
15 objection item 26 is approved.

16 Item 27.

17 MR. NORTHROP: Mr. Chairman, item 27 is an
18 application by Union Oil Company for some make up wells
19 for a power unit at the geyser. It will consist of four
20 wells and in an area that has been used for that purpose
21 now. We have done the environmental work that has to be
22 done.

23 ACTING CHAIRMAN BELL: Union and Magma?

24 MR. NORTHROP: Union and Magma. To make up the
25 necessary wells to allow an electrical producing unit to have

PETERS SHORTHAND REPORTING CORPORATION

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

1 the adequate steam to produce at capacity.

2 ACTING CHAIRMAN BELL: Okay. Well --

3 MS. SMITH: Am I correct in understanding that
4 this produces an additional income to the state of \$200,000?

5 MR. NORTHROP: Yes, that's correct. Our contract
6 calls for the steam when it's marketed, so now we'll be
7 able to market not only this, but steam from other wells.

8 ACTING CHAIRMAN BELL: All right. Without
9 objection, item 27 is approved.

10 Item 28.

11 MR. NORTHROP: Mr. Chairman, excuse me.

12 ACTING CHAIRMAN BELL: Well, a noncontroversial
13 subject in a noncontroversial area.

14 MR. NORTHROP: Well, this is really rather non-
15 controversial. We have issued -- it's an assignment of a
16 permit to drill some core holes in the Point Conception
17 area, 20 holes of 120 foot depth. And Western LNG
18 Terminal Company is assigning it to Western LNG Terminal
19 Associates.

20 ACTING CHAIRMAN BELL: Yes. Actually, we're
21 not doing anything but finding out what the geologic strata
22 of Point Conception is. We're not doing any damage to
23 anybody. We're not making any decisions as to whether
24 LNG is going to be anywhere or whether Point Conception is
25 going to be anything.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. NORTHROP: I think preliminarily it may well
2 turn out that these tests could show that -- have the
3 potential of showing that maybe Point Conception does not
4 have the necessary base rock bed, etc., that would allow
5 a trestle to be built there. So we have to find out.

6 ACTING CHAIRMAN BELL: May or may not. Well,
7 it's certainly of advantage to have that basic data,
8 isn't it?

9 MR. NORTHROP: Yes.

10 ACTING CHAIRMAN BELL: Okay. Is there anyone
11 who wishes to speak on item 28 in this regard?

12 If not, item 28 is approved.

13 Item 29.

14 MR. NORTHROP: Mr. Chairman, at the last meeting
15 in the Executive Officer's report, we discussed the problem
16 we were having with the taxation of the Long Beach Field.
17 And if you've read the papers, particularly in the Los
18 Angeles area, you realize that there has been considerable
19 upheaval in the Tax Assessor's Office there with the
20 resignation of the Tax Assessor, the filing of tax appeals
21 by the Assessor himself or his representatives, and so we
22 have been unsuccessful in making some contact.

23 So we are asking with this calendar item to
24 authorize the Executive Officer and the Attorney General
25 to take the necessary steps and appropriate action to affect

PETERS SHORTHAND REPORTING CORPORATION

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

1 a timely filing of an application for the reduction of the
2 1977-78 assessment of the Long Beach unit with the Los Angeles
3 County Assessment Appeals Board.

4 I might add parenthetically that we have
5 communication with the City of Long Beach to affect the
6 same, to affect some of the same problems. And I think Mr.
7 Thompson has --

8 ACTING CHAIRMAN BELL: Do we have a friend in
9 court in terms of the City of Long Beach? Or I should say,
10 a joint interest in this.

11 MR. NORTHROP: Yes, I believe you are prepared
12 to speak to that.

13 MR. LINGLE: In our conversations, though, I
14 think we are going to cooperate with you fully.

15 MR. NORTHROP: That's been the indication --
16 those have been the indications that I have gotten.

17 MR. LINGLE: Realize that we can't help but
18 flinch when our property tax rates go up a little.

19 ACTING CHAIRMAN BELL: I realize that you have
20 an adverse stake in this to some extent. But we are asking
21 Long Beach to cooperate with us in reducing the amount of
22 taxes they get --

23 MR. NORTHROP: That is correct, Mr. Chairman.

24 ACTING CHAIRMAN BELL: From the State of
25 California.

PETERS SHORTI'AND REPORTING CORPORATION

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

1 MR. NORTHROP: And the deadline for the
2 application is, as I understand it, September the 15th.

3 ACTING CHAIRMAN BELL: September 15th?

4 MR. NORTHROP: Right.

5 ACTING CHAIRMAN BELL: Okay. Now, who was going
6 to put it together? The Attorney General and who else?

7 MR. NORTHROP: The Attorney General and our staff
8 will put it together, Mr. Chairman.

9 ACTING CHAIRMAN BELL: Okay. I also wondered
10 who -- you know, a property owner usually is a guy who
11 goes in and appeals his assessment to the Assessment Appeals
12 Board, and I always wondered what the State of California
13 did about that.

14 MR. NORTHROP: Surprisingly, when I made my
15 initial contact, in attempting to get to Assessor Watson,
16 I was told to take it up with the State Board of Equalization.

17 (Laughter.)

18 MR. NORTHROP: So the contents --

19 MR. THOMPSON: In essence, Mr. Bell, you're
20 correct that actually this appeal will be made by the
21 field contractor unless all the participants in the Long
22 Beach unit -- actually those people who are taxed. We're
23 an affected party, but rather than go through the definition
24 of what an affected party is, why, those who actually are
25 taxed.

PETERS SHORTHAND REPORTING CORPORATION

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

1 ACTING CHAIRMAN BELL: In effect it's a joint
2 action?

3 MR. THOMPSON: In other words, the assessor taxes
4 the field contractor through a possessory interest concept.

5 ACTING CHAIRMAN BELL: Which we end up paying.

6 MR. THOMPSON: And your problem then, of course,
7 is that you're trying to decide as to whether taxes collected
8 by the local entity are of more importance than money brought
9 up and used for state-wide. And that's really the issue
10 as far as the commission is concerned.

11 Admittedly, the local taxing agencies will have
12 to collect more taxes to make up if we were to win the
13 appeal, but that same money then would come for state-wide
14 use. This particular money then would actually be going in-
15 to capital outlay for higher education.

16 ACTING CHAIRMAN BELL: Well, it does also involve
17 the Carter Energy Plan, doesn't it?

18 MR. THOMPSON: Well, this is part of our concern
19 on actually the appraised value of the unit.

20 ACTING CHAIRMAN BELL: Part of our appeal process.

21 MR. NORTHROP: Right. And the assumptions made,
22 I think, by the LA County Assessor as to future pricing are --
23 you know, we are at a loss --

24 ACTING CHAIRMAN BELL: What the amount of that
25 possessory interest is.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. NORTHROP: We are at a loss to figure out
2 what information he had on the first Monday in March that
3 led him to believe this kind of for a tax.

4 MR. THOMPSON: Actually, for a little background
5 on this, the appraised value for the Long Beach unit as of
6 March 1st, 1977, was set at \$675 million. And this is
7 about a 40% increase over the March 1st, 1976, appraised
8 value of \$485 million.

9 ACTING CHAIRMAN BELL: That's a depreciation in
10 the figure.

11 MR. THOMPSON: That's a fair market value,
12 supposedly, of what it's going to be. However, an increase
13 is justified. I'll get to that in just a minute.

14 Now, the State Board of Equalization as part of
15 their inter-county equalization program, goes through and
16 samples properties in each of these counties and does their
17 own appraisal. Their appraisal for the Long Beach unit as
18 of March 1st, 1976, was \$347 million compared to the
19 \$485 million the assessor had for the same year.

20 And this graph over here, in the broken red
21 line are the assessed values for the past years. You can
22 also see the blue line then is the remaining research item,
23 and that broken green line now is the Board of Equalization's
24 assessment as to the Long Beach unit as of the same point
25 in time as the county assessment. And that's the difference

PETERS SHORTHAND REPORTING CORPORATION

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

1 between the 347 and the 485.

2 ACTING CHAIRMAN BELL: Okay.

3 MR. THOMPSON: Now, admittedly there should be an
4 increase in market value for the Long Beach unit between the
5 two years because the FEA gave us a reinterpretation of
6 the property. So our composite crude oil price increased
7 about 20% as of September 1st, but we don't believe that
8 the 20% increase in crude oil price quite relates to an
9 over 40% increase in assessed valuation.

10 This increase in oil price more than offsets the
11 amount of oil that you produce during the first year, plus
12 some added value. But we think that extra amount is a
13 little high.

14 Now, since you really don't buy and sell oil
15 properties like this, to get it at the appraised value,
16 you take and run a future revenue period.

17 ACTING CHAIRMAN BELL: It's an income stream
18 approach.

19 MR. THOMPSON: Right, and discountage. Now,
20 the big difference we have here is in the oil price, and
21 the discount rate, because we are in effect using the same
22 oil product rate and the same expenses.

23 The assessor went through and escalated oil
24 prices in the future. We don't think he has any basis for
25 doing this, and especially it's very strange that he

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95026
TELEPHONE (916) 383-3601

1 escalated to \$11.45 by 1984.

2 But at the same time, he got some pretty high
3 escalations. What we show herein, we believe is the impact
4 of the program that's now in front of Congress. That's the
5 Crude Oil Equalization Tax, in which the refinery is to
6 collect an amount of money over and above what is paid to
7 the producer up to a certain level.

8 If this were to pass, as we understand it now,
9 the red area would be the Crude Oil Equalization Tax, which
10 would be collected by the refinery and sent to the federal
11 government. It appears to us that the assessor is crediting
12 the unit with revenue that in effect is going to be collected
13 at the refinery in a tax. And this to us seems to be a very --
14 one of the anomalies we see in this part.

15 MR. NORTHROP: We are paying tax on a federal tax,
16 is what it amounts to.

17 MR. THOMPSON: Now, the impact on this --

18 ACTING CHAIRMAN BELL: This would be one of
19 the things that would create that 40% versus 20%?

20 MR. THOMPSON: That's the reason, because in
21 effect that's the crude oil price in use for future years.

22 Our initial crude price is only 5.34 as of lien
23 date, and then he increased that up to \$11.45. So in
24 effect, he's creating revenue that we don't know.

25 We also think that the discount rate should

PETERS SHORTHAND REPORTING CORPORATION

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

1 probably be higher because this in effect is an offshore
2 operation. You have more environmental risk and hazard
3 involved in offshore operation.

4 And the impact on this, if that assessed
5 evaluation were to stay as shown on the other graph there,
6 this large increase, this would be about \$4 million to the
7 State of California.

8 ACTING CHAIRMAN BELL: Over what period?

9 MR. THOMPSON: The ad valorem tax for that year
10 will be \$4 million.

11 ACTING CHAIRMAN BELL: One year.

12 MR. THOMPSON: One year, for the next year.

13 The total taxes of the Long Beach unit -- ad valorem tax
14 for the Long Beach unit, would be about \$17 million under
15 this. And this equates to about almost 60¢ a barrel, which
16 is about 11% of the gross.

17 This also seems to be a little high on the
18 taxation ratio, to take almost 11% of the gross as tax.

19 Now, I believe it was mentioned before we must
20 file an appeal by September 15th if we want to keep this
21 issue open. So this in effect, we are asking you for
22 permission to file this particular appeal.

23 You have in front of you a newspaper clipping
24 which relates the Board of Equalization's ruling on the
25 adjustment, and this particular adjustment by the Board of

PETERS SHORTHAND REPORTING CORPORATION

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

1 Equalization in its dropping from 25% to 24 1/2% as mandated,
2 would be in excess of \$300,000. So there's every reason,
3 I think, for us to file at least for that.

4 Then, I think that the people should look at it
5 and the lawyers and everyone like that, to see what we
6 wanted to do after that.

7 ACTING CHAIRMAN BELL: Well, at least we had
8 better make our appeal date.

9 Without objection, then -- I assume that is
10 item 29?

11 MR. NORTHROP: Yes, sir.

12 ACTING CHAIRMAN BELL: In effect if we approve
13 item 29, that authorizes you to go ahead.

14 MR. THOMPSON: And file that appeal. And we'll
15 be reporting back to you as to the action we would take
16 under this appeal at any previous meetings.

17 ACTING CHAIRMAN BELL: All right.

18 MR. THOMPSON: This is merely to file the appeal.

19 ACTING CHAIRMAN BELL: All right.

20 MR. THOMPSON: This is merely to file the appeal.

21 ACTING CHAIRMAN BELL: All right. Fine.

22 Motion and second. Without objection, item 29 will then be
23 approved.

24 Item 30, Long Beach operation.

25 MR. NORTHROP: Mr. Chairman, item 30 is approval

PETERS SHORTHAND REPORTING CORPORATION

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

1 of a modification that among other things would allow the
2 City Manager to delegate some of the permitting operations
3 as outlined in Chapter 138 to a Deputy City Manager.

4 MR. THOMPSON: This is merely a delegation of
5 authority.

6 ACTING CHAIRMAN BELL: Delegation of authority?

7 MR. NORTHROP: Right.

8 ACTING CHAIRMAN BELL: No problem. Without
9 objection, item 30 is approved.

10 Item 31.

11 MR. NORTHROP: Mr. Chairman, item 31 will be
12 handled by Mr. Thompson.

13 MR. THOMPSON: This is merely reporting on an
14 enhanced recovery demonstration in prior development.

15 MR. NORTHROP: 31.

16 ACTING CHAIRMAN BELL: 31. Closing AFE.

17 MR. THOMPSON: This is merely a sewer line that,
18 because we had 10 feet of fill, had to be emplaced on top of
19 the line and had to be abandoned, so we had to abandon the
20 line and put a new one in. And the final closing costs of
21 this are \$66,000, of which there are another \$24,000 to be
22 put to the city.

23 ACTING CHAIRMAN BELL: No problem. Item 31 is
24 approved.

25 Item 32 is informative.

PETERS SHORTHAND REPORTING CORPORATION

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

1 MR. NORTHROP: Mr. Chairman, Mr. Thompson is
2 still on center stage with his new problem of flood. He
3 would like just for a few minutes to tell us where we are.

4 MR. THOMPSON: Yes. We are back with this again.
5 This is where we are running a demonstration with the federal
6 government. Our main concern to date has been the fact of
7 whether we could manufacture this material that we inject
8 out of our own crude there. And we have been running tests
9 on this. They look favorable at this time. So because
10 this looks favorable, we took this next step of drilling
11 this one well, as reported here, and coring, and we are
12 running saturations on the particular cores there.

13 At the present time we are running behind schedule,
14 but it looks promising now as far as the preliminary approach.
15 We reevaluated the configuration of the way the program will
16 be run underground in the flooding pattern, but everything
17 is on, still going down the track.

18 ACTING CHAIRMAN BELL: Is this one of our pilot
19 tertiary --

20 MR. NORTHROP: Right. Which ERDA had given us.

21 ACTING CHAIRMAN BELL: This isn't what I call
22 the detergent one?

23 MR. NORTHROP: No. That's the one Long Beach had.

24 ACTING CHAIRMAN BELL: Any questions?

25 Without objection, then, item 32 is approved.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95026
TELEPHONE (916) 383-3601

1 Item 33, Bolsa Chica.

2 MR. NORTHROP: Mr. Chairman, the state Legislature
3 has approved an expenditure of some \$4,600,000 in excess of
4 that for the acquisition of Bolsa Chica area in Orange
5 County. We have had an appraisal of a somewhat lesser
6 figure. What we're possibly asking for in this calendar
7 item is the authority to negotiate with the owners of that
8 area in an attempt to come to some kind of agreement.

9 ACTING CHAIRMAN BELL: Okay. This is strictly
10 negotiation?

11 MR. NORTHROP: Strictly negotiation.

12 ACTING CHAIRMAN BELL: No objection to that
13 negotiation. Item 33 is approved.

14 Item 34, boundary line agreement.

15 MR. NORTHROP: Mr. Chairman, Mr. Hight, staff
16 counsel, will discuss that.

17 MR. HIGHT: Yes, Mr. Chairman, this is the
18 authorization to execute a boundary line agreement between
19 the Commission and Cliffside Properties. This is part of
20 the Golden Gate National Seashore, and this sets the
21 boundary between the public and private ownership.

22 ACTING CHAIRMAN BELL: Okay. Okay. All right.
23 Without objection, then, that item is approved.

24 The next item is called compromise settlement,
25 item 35.

1 MR. NORTHROP: Mr. Chairman, that will be
2 handled by Mr. Hight.

3 MR. HIGHT: Mr. Chairman, the federal government
4 is attempting to set up a South San Francisco Bay Federal
5 Wildlife Refuge. Part of the land which will be encompassed
6 by that refuge is currently state land.

7 This is a settlement of those disputes and a
8 lease to them for 66 years for the interest that we will
9 have. This will only become effective upon the federal
10 government acquiring the other land within the area.

11 ACTING CHAIRMAN BELL: All right. All right.
12 Without objection, then, item 35 is approved.

13 Item 36, Lake Tahoe hazard removal which we talked
14 about.

15 MR. NORTHROP: Mr. Chairman, that's what I was
16 talking about earlier. The Commission authorized me to
17 spend up to \$100,000. However, the first contact was for
18 \$200,000.

19 As in my report earlier, I outlined how we are
20 going to spend the entire half million. I think we are
21 going to get a great deal of work done for that half million
22 dollars, considering Lake Tahoe, Donner, American, and the
23 Upper Sacramento. I think we have had a lot of cooperation
24 with the Corps of Engineers. We are getting exceptionally
25 good cooperation from the County of Sacramento, and all the

PETERS SHORTHAND REPORTING CORPORATION

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

1 areas are really doing everything they can to help us in
2 getting a full value for the money we have spent.

3 ACTING CHAIRMAN BELL: Is this \$200,000 the last
4 of the Lake Tahoe part?

5 MR. NORTHROP: This will wrap up the Lake Tahoe
6 part.

7 ACTING CHAIRMAN BELL: The rest goes down?

8 MR. NORTHROP: The rest will go on the other side.

9 The Corps of Engineers has been very helpful.
10 As a matter of fact, they are going to handle the bids. We
11 are very pleased. We are very pleased at the way not only
12 the federal but the state agencies and local agencies have
13 really cooperated on this effort and done a real fine job
14 so far.

15 ACTING CHAIRMAN BELL: Item 36 is approved.
16 Litigation, item 37.

17 MR. NORTHROP: Mr. Chairman, we would suggest
18 that items 37 and 38 be taken together, as they are
19 represented by a common counsel. Mr. Hight will address
20 that.

21 ACTING CHAIRMAN BELL: All right. Fine.

22 MR. HIGHT: Yes, Mr. Chairman. This is the
23 settlement of some litigation authorized by you as the new
24 Lands Commission. This is two people on the Sacramento River
25 who maintained that they did not have to apply or get a

PETERS SHORTHAND REPORTING CORPORATION

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

1 permit for recreation up here on the river.

2 We would like one change to be made in the
3 resolution. On number 4 on page 100, the resolution
4 currently reads, "authorize the staff to settle litigation
5 and execute a nonprejudicial dismissal of People v. Stanley
6 Gale," etc.

7 We would like to take out the word, "nonprejudicial,"
8 to make it a dismissal. They will be a dismissal with
9 prejudice as to back rent only.

10 MS. SMITH: As to back rent?

11 MR. HIGHT: As to back rent.

12 MS. SMITH: Okay. And what was your settlement
13 agreement on back rent?

14 MR. HIGHT: There wasn't any. That's why we are
15 agreeing to this.

16 MS. SMITH: You're not collecting any back rent?

17 MR. HIGHT: No.

18 MS. SMITH: What are you receiving for forgiving
19 the debt?

20 MR. HIGHT: The lease and a boundary line
21 agreement.

22 ACTING CHAIRMAN BELL: Oh, thank you. I
23 understand that we are just about to get a bill that says
24 that recreational piers, etc., etc.

25 MR. NORTHROP: I hope we don't get that bill,

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95026
TELEPHONE (916) 383-3601

1 Mr. Chairman. We have written a letter asking the Governor
2 to veto it. We will probably have it transmitted today.

3 MR. HIGHT: Excuse me. I misspoke when I said,
4 "boundary line agreement." The lease will provide for a
5 high water boundary as the consideration.

6 That same amendment would be done to both 37
7 and 38, taking out the word, "nonprejudicial," with regard
8 to back rent only.

9 ACTING CHAIRMAN BELL: Okay. That changes the
10 items on page 111 and 109?

11 MR. HIGHT: Yes.

12 ACTING CHAIRMAN BELL: Okay. Without objection --

13 MS. SMITH: No objection.

14 ACTING CHAIRMAN BELL: Without objection, we'll
15 approve item 37, and I guess we'll approve item 38 at the
16 same time.

17 MR. NORTHROP: Yes, we do, sir.

18 ACTING CHAIRMAN BELL: We have made the change
19 as amended on both of those items as amended.

20 MR. HIGHT: Yes, sir.

21 ACTING CHAIRMAN BELL: Item 39.

22 MR. NORTHROP: Mr. Chairman, item 39 is a request
23 by the staff for the authorization of the Attorney General
24 or our State Lands Commission staff to take the necessary
25 steps, including litigation, to eliminate a trespass on the

PETERS SHORTHAND REPORTING CORPORATION

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

1 claim at the Klamath River.

2 ACTING CHAIRMAN BELL: Who is Roy Rook?

3 MR. HIGHT: He is a private land owner who has
4 a small marina.

5 ACTING CHAIRMAN BELL: Oh, this is the marina?

6 MR. NORTHROP: Yes.

7 MR. HIGHT: Yes.

8 ACTING CHAIRMAN BELL: Just curious. Without
9 objection, item 39 is approved.

10 Going to retrocession of concurrent jurisdiction
11 which is a fascinating word -- we have items 40 and 41.

12 MR. NORTHROP: Item number 40, Mr. Chairman, is a
13 retrocession which really will give jurisdiction back to the
14 local agent, share it with the local agency, as well as the
15 federal government in a list of military hospitals and
16 cemeteries that you have in front of you.

17 ACTING CHAIRMAN BELL: Primarily Veterans
18 Administration?

19 MR. NORTHROP: Right. The bulk of the Veterans
20 Administration hospitals and cemeteries.

21 ACTING CHAIRMAN BELL: Okay. Now, there's no
22 problem on this with the local sheriffs?

23 MR. NORTHROP: No. The local sheriffs --

24 ACTING CHAIRMAN BELL: They just objected to the

25 MR. NORTHROP: To the giving up of that authority.

PETERS SHORTHAND REPORTING CORPORATION

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

1 The retrocession is where we had the problem with the
2 sheriffs.

3 MS. SMITH: No objection.

4 ACTING CHAIRMAN BELL: All right. Then as far as
5 we are concerned item 40 is approved.

6 Item 41.

7 MR. NORTHROP: Mr. Chairman, as we commented off
8 the record earlier, we are asking for permission to conduct
9 public hearings to amend our Administrative Code as it
10 applies to recreational piers. As we have discussed earlier,
11 the Attorney General had given us an opinion that the
12 recreational pier without costs per se was unconstitutional.

13 We are now, after consultation with some of the
14 Senators -- some of the Legislators representing the areas
15 affected, we have worked out, we hope, an agreement with
16 them to change our regulations providing for -- that under
17 certain conditions, piers could be rent free.

18 And those conditions would be that the builders
19 or owners of the piers do certain public service features.
20 For example, provide piers with fire extinguishers, and life
21 rings, and those kinds of things that would be of public
22 service. Those piers would be rent free, with the exception
23 I should assume, that we should not bear the obligation of
24 financing the preparation of the necessary papers.

25 ACTING CHAIRMAN BELL: Yes. I was going to say

PETERS SHORTHAND REPORTING CORPORATION

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

1 not a rental charge, but at least a permit fee or something.

2 MR. NORTHROP: A permit preparation fee, just
3 whatever it costs us, because we are running -- the
4 preparation runs several hundred dollars just to process.
5 Just a processing fee.

6 ACTING CHAIRMAN BELL: Yes. A \$200 processing
7 fee might be fair. We could skip the \$4 rental fee if we
8 got a \$200 processing fee.

9 MR. NORTHROP: The staff will be recommending
10 to the Governor a veto of the particular bill involved.

11 MS. SMITH: That's not the way the regulation
12 reads to my understanding, the proposed regulation. It
13 wouldn't be a processing fee, it would be a rental charge.

14 MR. NORTHROP: A rental charge, where the
15 processing fee would be provided in the bill. I'm sorry.
16 We're talking about two separate areas.

17 MS. SMITH: What do you propose to do should the
18 Governor decide not to veto SB 349?

19 MR. NORTHROP: In that case -- if he decides
20 not to veto 349? In that case, we would probably have to
21 go with the law of the land and say it's the law, and we
22 would require a processing fee.

23 ACTING CHAIRMAN BELL: Then what would happen
24 on item 41?

25 MR. NORTHROP: Item 41 would probably be moot.

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 303-3601

1 MS. SMITH: Is that correct, Mr. Stevens?

2 MR. STEVENS: Well, Mr. Chairman, Ms. Smith, I
3 believe it would be possible nevertheless to adopt some
4 regulations. But if the bill in question were signed into
5 law, then we would have to reexamine the situation because
6 the Legislature in effect would have made a finding that
7 these piers constituted a public purpose. And Legislative
8 findings certainly deserve more consideration than
9 administrative or even executive ones.

10 So it may moot the matter, but I really couldn't
11 say that definitely.

12 MS. SMITH: Do you have a date in mind for an
13 administrative hearing?

14 MR. HIGHT: Sometime within the next month, we
15 would hope.

16 ACTING CHAIRMAN BELL: Since the bill is down
17 to the Governor, we would assume that you would wait to
18 find out whether he vetos or signs it before you had public
19 hearings?

20 MR. NORTHROP: Certainly as soon as we got some
21 indication. We would at least wait that far to find out
22 what the feeling on it is, Mr. Bell, yes.

23 MS. SMITH: I would agree to approve or to give
24 you the authorization on the condition that should the
25 Governor approve SB 349, that you come back to the Commission

PETERS SHORTHAND REPORTING CORPORATION

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

1 for reconsideration.

2 ACTING CHAIRMAN BELL: Our action then would be
3 moot. They would have to come back.

4 MR. NORTHROP: Fine. No problem.

5 ACTING CHAIRMAN BELL: Okay. Did we get the
6 change on that one, then?

7 MR. NORTHROP: Yes.

8 ACTING CHAIRMAN BELL: In effect we are
9 authorizing this subject --

10 MR. HIGHT: Subject change.

11 MR. NORTHROP: Subject to the Governor's veto,
12 and if the Governor does not veto, we'll come back.

13 ACTING CHAIRMAN BELL: If the Governor signs the
14 bill, this recommendation is moot and you'll have to come
15 back.

16 MR. NORTHROP: We'll come back to the Commission.

17 ACTING CHAIRMAN BELL: All right. Approval on
18 item 41 as amended.

19 Status of major litigation.

20 MR. STEVENS: Mr. Chairman, Ms. Smith, we have
21 just received a Superior Court ruling in the case of
22 Post versus State Lands Commission. This was a ruling in
23 effect that the statute which gives the owner of geothermal
24 property a right of first refusal in bidding situations is
25 constitutional, not a denial of equal protection or of due

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95816
TELEPHONE (916) 383-3601

1 process. We don't know whether there will be an appeal or
2 not.

3 We have met with the special master in California
4 versus Nevada, and set forth some tentative ground rules for
5 our litigation concerning the interstate boundary north of
6 Lake Tahoe. We expect to have hearings within about three
7 to four months after the completion of research and discovery
8 on that question.

9 We had an extended hearing last week in the
10 litigation over the high water boundary of Lake Tahoe,
11 Fogarty versus State of California, which lasted some two
12 hours and was submitted in Superior Court in Placer County.
13 A similar hearing will take place in Nevada County with
14 respect to Donner Lake on September 16th.

15 We have filed a petition with the California
16 Supreme Court for a hearing in the Exxon case in which the
17 Court of Appeals here in Sacramento held in effect that the
18 Commission was bound by negotiations and representations
19 made with respect to a lease entered into under the prior
20 Commission membership period.

21 We think there is a significant question of law,
22 and we hope that the higher court will accept it and reverse
23 the decision of the Court of Appeals.

24 MR. NORTHROP: That completes it.

25 ACTING CHAIRMAN BELL: Very good. Now, if I have

PETERS SHORTHAND REPORTING CORPORATION

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

1 the right page, the next item is confirmation date, time,
2 and place, of next Commission meeting, tentatively set for
3 Thursday, September 29th, 1977 in Sacramento at 10:00 a.m.,
4 is that correct?

5 MR. NORTHROP: That is correct, Mr. Chairman.

6 ACTING CHAIRMAN BELL: All right. Is there any
7 other business to come before the Board?

8 All right. If not, we are adjourned.

9 (Thereupon at the hour of 10:20
10 o'clock a.m. the meeting of the
11 State Lands Commission was adjourned.)

12 --o0o--

13

14

15

16

17

18

19

20

21

22

23

24

25

PETERS SHORTHAND REPORTING CORPORATION

26 NESS COURT
SACRAMENTO, CALIFORNIA 95876
TELEPHONE (916) 383-3601

1 STATE OF CALIFORNIA)
) ss.
 2 COUNTY OF SACRAMENTO)

3 I, DIANE FATTIG, a Notary Public in and for
 4 the County of Sacramento, State of California, duly appointed
 5 and commissioned to administer oaths, do hereby certify:

6 That I am a disinterested person herein; that
 7 the foregoing State Lands Commission hearing was reported
 8 in shorthand by me, Diane Fattig, a shorthand reporter,
 9 and thereafter transcribed into typewriting.

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

13 IN WITNESS WHEREOF, I have hereunto set my hand
 14 and affixed my seal of office this 25th day of September,
 15 1977.

16

17

18

DIANE FATTIG
 Notary Public in and for the
 County of Sacramento,
 State of California

19

20

--oOo--

21

22

23

24

25

PETERS SHORTHAND REPORTING CORPORATION

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