MEETING

STATE LANDS COMMISSION

STATE CAPITOL

ROOM 2170

SACRAMENTO, CALIFORNIA

THURSDAY, OCTOBER 27, 1977

10:00 a.m.

C.S.R. License No. 3486
MEMBERS PRESENT

Mr. Roy M. Bell, Director of Finance

Mr. Kenneth Cory, State Controller, Chairman

Ms. Betty Jo Smith, representing Lieutenant Governor

MEMBERS ABSENT

None

STAFF PRESENT

Mr. Matt Brady

Mr. P. S. Golden

Mr. Robert Hight

Mr. William F. Northrop, Executive Officer

Mr. Jan Stevens

Mr. W. M. Thompson

Mr. James Trout

Mr. Allen D. Willard

Ms. Genny Fulp, Secretary

Ms. Diane Jones, Secretary

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# INDEX

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Donner Lake Utility Company</td>
<td>8</td>
</tr>
<tr>
<td>12</td>
<td>City of Avalon, Tidelands</td>
<td>23</td>
</tr>
<tr>
<td>13</td>
<td>Western ING Terminal Company</td>
<td>24</td>
</tr>
<tr>
<td>15</td>
<td>Geothermal Task Force Recommendation</td>
<td>24</td>
</tr>
<tr>
<td>16</td>
<td>Mobil Oil Corporation</td>
<td>34</td>
</tr>
<tr>
<td>17</td>
<td>Dow Chemical Company</td>
<td>35</td>
</tr>
<tr>
<td>18</td>
<td>Status of 1978 Crude Oil Sales</td>
<td>35</td>
</tr>
<tr>
<td>20</td>
<td>Authorization to Institute Litigation</td>
<td>41</td>
</tr>
<tr>
<td>21</td>
<td>Closing Accounts of Expenditures of Tideland Oil Revenues</td>
<td>43</td>
</tr>
<tr>
<td>22</td>
<td>Shasta Resources Corporation</td>
<td>45</td>
</tr>
<tr>
<td>23</td>
<td>Request for Authorization to Receive and Deliver Quitclaim Deeds</td>
<td>46</td>
</tr>
<tr>
<td>24</td>
<td>Morro Bay</td>
<td>46</td>
</tr>
<tr>
<td>25</td>
<td>State of Major Litigation</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Reporter's Certificate</td>
<td>51</td>
</tr>
</tbody>
</table>
P R O C E E D I N G S

CHAIRMAN CORY: I will call the meeting to order.

Are there any corrections or additions to the Minutes of the meeting of September 29?

COMMISSIONER BELL: (Shakes head.)

COMMISSIONER SMITH: (Shakes head.)

CHAIRMAN CORY: Without objection, they will be confirmed as presented.

Report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Thank you.

Mr. Chairman and Members, last month you considered an item for issuance of geothermal prospecting permits on Boggs Mountain State Forest in Lake County. Because of questions relative to possible impacts on archeological values and questions about the size of the permit areas, the Commission directed staff to meet with all concerned parties to resolve the issues raised.

Meetings have been held with Mr. Clyde Kuhn, who raised the issues of archeological impact. We also had a meeting with a representative of the Office of Historic Preservation, the Department of Parks and Recreation; and the Executive Secretary of the American Heritage Commission. And we will meet again tomorrow with
the latter.

The applicant and staff hope to have completed its review soon and to have this matter back before the Commission next month. Therefore, Item No. 14 will be removed from the agenda.

On September 29 the Commission, in consideration of calendar Item No. 19, deferred action on natural gas pricing until the Commission had an opportunity to thoroughly review the record. As a result of this review, certain questions were raised. It has been determined that there may be additional evidence available which would be of significance to the Commission in their deliberation over the reasonable value of gas in Northern California.

Therefore, in order to obtain additional evidence on this subject, the Division is reopening the record until further notice so that new evidence may be submitted. All interested parties in this matter will be notified regarding the reopening of the record.

CHAIRMAN CORY: Do you need an action by us?

EXECUTIVE OFFICER NORTHROP: Bob?

MR. HIGHT: Mr. Chairman, yes, it would be helpful if you would confirm that.

COMMISSIONER BELL: No objection.

COMMISSIONER SMITH: No objection.

CHAIRMAN CORY: Without objection, we will reopen
the record on that matter, and you will notify all people that have contacted us thus far.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, my final item is concerning the Davis Lake Project. In October, 1976 the Commission considered the Davis Lake Project for a portion of the Colorado River and approved administrative maps. Efforts were then initiated to have the State of Arizona and the United States agree as to the last natural location of the river in this area. These efforts have failed.

At the June meeting this year, the Commission authorized staff to proceed to quiet the State's title to its lands identified on the maps. Staff intends to advise the Lands Commissioner of Arizona that the State of California is proceeding to file the appropriate legal action in the near future. The Attorney General's Office will petition the U.S. Supreme Court for consideration of the action in that venue.

Also, Calendar Item No. 11 has been removed from the agenda as well as No. 14, as I mentioned.

This completes my report, Mr. Chairman.

CHAIRMAN CORY: Any questions?

COMMISSIONER SMITH: No.

CHAIRMAN CORY: Okay. The next item we have is the Consent Calendar.
For those people in the audience, that consists
of Items C1 --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
believe the Assistant Executive Officer has a report.

CHAIRMAN CORY: I'm sorry. I'm trying to get
out of here.

(Laughter.)

CHAIRMAN CORY: Pardon me, Dick. My apologies.

MR. GOLDEN: That's all right. No problem.

As your representative on the State Coastal
Commission, there was one item that was of some noteworthi-

ness.

During the month of October, the State Coastal
Commission had a lengthy discussion of the Port of Long
Beach's application to expand their oil terminal
capabilities by constructing three berths. Two of these
berths would be for the purpose of off-loading SOHIO's
Alaskan oil production. The other berth would be open
to all other traffic, although MacMillan Ring-Free Oil
Company has been regarded as the chief user. They had
proposed their own berth in another area of the Port.

A permit was finally approved with many
conditions. Primary of these was that the permit was
conditional on the Port's receiving clearance from the Air
Resources Board and the Southern California Air Quality
Management District.

Another major condition imposed was that oil holding tanks, which were to be constructed on Pier J would not be permitted. These tanks were objected to as being unsightly and that because of seismic problems of placing them on filled lands, an extraordinary hazard to public safety was posed.

The Port is now faced with the dilemma that without the Pier J tanks, the tankers will have to stay in port longer to pump their cargo to inland tanks, located some ten miles away. Since tanker pumps are fuel oil operated, this will significantly increase air emissions. Undoubtedly the Port of Long Beach will have to have a rehearing of this decision since it was not clear that all alternatives had been explored.

Another issue raised as a condition may have implications for the State Lands Commission. Because of the increased tanker traffic involved in moving Alaskan oil, the Coastal Commission required that a simulated test of an oil spill in the 40,000 to 50,000 barrel order of magnitude must be run to evaluate the ability of present oil cleanup equipment to handle such a problem. The parameters of such a test were not discussed. This project points up yet other areas of interface between our Commission and State Coastal Commission concerns. These
areas are tanker terminal safety and oil spill containment capabilities, along with the public access and public trust matters already identified.

CHAIRMAN CORY: They're planning on doing a simulated --

MR. GOLDEN: Simulated -- that word was injected into the record very late in the discussions and --

CHAIRMAN CORY: I mean, given the state-of-the-art, I hope they aren't planning on putting that much oil out there because --

MR. GOLDEN: The initial mover of that particular condition wanted to have it carried on in Santa Monica Bay.

COMMISSIONER BELL: Really?

MR. GOLDEN: Yes, but the word "simulated" was injected into the record, and I haven't seen the final findings yet so I don't know how it came out.

CHAIRMAN CORY: That's scary.

MR. GOLDEN: Yes.

EXECUTIVE OFFICER NORTEP: Mr. Chairman, this operation has been run in the OCS on the East Coast, where they were feeding information to the computer on tides and winds and current conditions and so forth. It has not been acceptable on the East Coast because every day
it changes, and so it's not possible to know which day that particular situation is going to change.

CHAIRMAN CORY: How many barrels of oil were up here at the Shell Oil thing of last week?

EXECUTIVE OFFICER NORTHROP: With the information that we have now, Mr. Chairman, it was about 110 barrels.

COMMISSIONER BELL: I thought it was 50,000.

MR. GOLDEN: 40,000 to 50,000 was the figure mentioned.

COMMISSIONER SMITH: Have they set a date yet?

MR. GOLDEN: No. This was just mentioned as one of the conditions of the permit that was issued. It's obvious that there will have to be a rehearing of the permit.

EXECUTIVE OFFICER NORTHROP: That will take care of some of the oil gluts that we have on the West Coast, Mr. Chairman.

CHAIRMAN CORY: Okay. That's a nice report you have. Now I know why I wanted to miss it.

(Laughter.)

CHAIRMAN CORY: Anything else, Dick?

MR. GOLDEN: No. That's it, Mr. Chairman.

CHAIRMAN CORY: Keep fighting for sanity and reality as best you can.

MR. GOLDEN: Thank you.
CHAIRMAN CORY: The next items that we have are the Consent Calendar Items. They are Items C1 through C9.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on Item No. C4, which is a rescission of prior authority granted to the County of El Dorado for the maintenance and removal of hazard mark r buoys, we would like to make this comment for the record. The Division will continue working with the county in cooperately identifying those navigational hazards that are not capable of being removed as part of the Commission's ongoing removal program.

Efforts are continuing on securing an effective means of marking the identified hazards. The ongoing hazard removal program at Lake Tahoe is approximately 70 percent complete, with equipment now operating near the El Dorado County line along the west side of the lake. Hundreds of obstacles at some 35 locations have been removed. Local agency cooperation, for the most part, has been excellent.

Thank you.

CHAIRMAN CORY: Okay. Is there anyone in the audience that has any comment on Items C1 through 9? Without objection, said Calendar will be approved as presented.

Item 10, Donner Lake Utility Company.
This is an existing pipe in the northwest corner of Donner Lake.

EXECUTIVE OFFICER NORTHRUP: That's correct, Mr. Chairman.

MR. HIGHT: Yes. Mr. Chairman, this is the authorization for an assignment and an amendment of an existing lease at Donner Lake and will allow for fire flow protection and some potable water at the Lake.

CHAIRMAN CORY: Is there anyone in the audience on Item 10?

As I recall, we had a similar straw in the same malt glass that created a substantial controversy.

MR. HIGHT: Yes, sir.

CHAIRMAN CORY: And the same people who were concerned about that issue were notified of this one?

MR. HIGHT: Yes.

MR. CHRISTIAN: Mr. Chairman, I'm one of those people.

CHAIRMAN CORY: Yes. Do you have any insight you want to give us before we go ahead and approve this?

EXECUTIVE OFFICER NORTHRUP: Would you come forward, please, sir? Please state your name for the record.

MR. CHRISTIAN: My name is Harold Christian. I'm with the Weeks Tract, Donner Lake, and we opposed this before.
But Mr. Trout and Mr. Golden and the rest of the State Lands have come up with a good idea, and we're in favor of it. So basically, unless there are some changes, we approve it.

CHAIRMAN CORY: Okay. I just wanted to make sure we weren't running over the top of you with something that you didn't know about.

COMMISSIONER SMITH: Move approval.

CHAIRMAN CORY: Without objection, Item 10 will be approved as presented.

Item 11 has been taken off.

MR. MARQUETTE: I wanted to ask a question, please, on 10, if I might.

CHAIRMAN CORY: Come forward and identify yourself.

MR. MARQUETTE: I'm Jack Marquette, a property owner at Donner Lake. I find where there's a little doubletalk, and I'm concerned about it. If I might ask -- where this line is going in is probably the heaviest commercial area at Donner Lake. I find in the Calendar Item here, on page 2, it says this line will be used only for Donner Pines West and Donner Lake Village.

Now, between Donner Pines West and Donner Lake Village there are four fire plugs. There are two private homes, and two 4-unit apartments, and another private home that I know of, plus the country store or what have you.
Is this saying that these fire plugs could not be used in that area for fire flow?

MR. TROUT: Mr. Chairman, the intention of this calendar item is to limit the use of the facility to that already constructed. There's a 10-inch pipeline with the four hydrants that runs along the old Highway 40 there. And it's the intention to limit it to those facilities which are presently existing and which are presently being served by the pipeline. There's about 1200 feet between Donner Pines West and Donner Lake Village.

CHAIRMAN CORY: And they would be covered?

MR. TROUT: Yes.

MR. MARQUETTE: All right.

MR. TROUT: There's no intention to limit the Fire Department from hooking into these fire hydrants for any structure endangered within that area.

CHAIRMAN CORY: That would be an emergency meeting, I guess, right?

MR. TROUT: Yes.

MR. MARQUETTE: What my question is -- also, you will notice in your negative declaration that they refer to the Hadley Manor Houses, of which I am part. And we are tearing out eight units, rental units. There was a doctor's office and an apartment and, in one building,
there were four individual cottages, which we have moved out. And there is a two-unit apartment that will be coming down. It is our intention to bring it down in the spring. This is a motel that was built in 1955.

Now, we're putting back four Manor houses, not seven condominiums as it says here. And is that telling me that with two fire plugs -- one within a hundred feet to the east and one a hundred feet to the west -- that I would not be allowed to use that water in the event of a fire?

MR. TROUT: No. We will work on the language. The intention is to limit it to that pipeline that is now constructed and to those facilities which are now served by that existing pipeline.

COMMISSIONER BELL: It says "existing structures only." I was wondering if it could be modified to say, "existing structures or replacements in kind or replacements of comparable --"

CHAIRMAN CORY: Let's rescind the action, provided the calendar item is approved.

Without objection?

COMMISSIONER BELL: No objection.

COMMISSIONER SMITH: No objection.

CHAIRMAN CORY: Okay. So we now have an unapproved item before us. How do we deal with -- I mean, this gets
back almost to the old private enterprise, insurance company fire departments. Each door will have the appropriate symbol on it so the firemen will know whether or not they can use the water from the hydrant on it.

Is that --

MR. TROUT: We certainly should avoid that problem.

COMMISSIONER BELL: There's no way to enforce it.

MR. TROUT: Yes. You can't enforce it. The idea is that if development in there requires an extension of this line to serve new structures, that that would be the subject of a separate action which would require its own Environmental Impact Report, including growth-inducing impacts and so forth. The idea is to simply limit it to those facilities now served by the existing pipeline.

CHAIRMAN CORY: Okay. Language --

MR. MARQUETTE: I sit right in the middle of that 1200 feet so I would say that I'm covered. That's what I'm trying to find out.

CHAIRMAN CORY: Okay. But if we use the language "existing or replacement equivalent structures --"

EXECUTIVE OFFICER NORTHERN: "Replacement equivalent," that's good language.
CHAIRMAN CORY: -- and also make reference to the 1200-foot area, the area that's in between the two that are designated by name -- we probably should make reference to that as likewise included. I don't know how we can draft this.

Jan, Jim, somebody come up with a solution. I just make policy.

MR. TROUT: I would think that if the Commission would approve the concept of the fire protection for -- as, Mr. Chairman, you indicated -- those facilities existing or replacement equivalent now served, that if the attorneys approve, we can work out the appropriate language.

MR. HIGHT: Mr. Chairman, I believe the language, as it exists now, is broad enough to cover this conclusion. And we can put in the Minutes that it is the intent of the Commission that this area be covered and that it allow for reconstruction of existing facilities.

MR. STEVENS: I believe that would suffice, Mr. Chairman.

CHAIRMAN CORY: I see somebody leaning forward. I think we've blown the deal.

(Laughter.)

MR. CHRISTIAN: Will this also include the 550 condominiums that are available to go in there?

CHAIRMAN CORY: No.
EXECUTIVE OFFICER NORTHROP: No.

MR. MARQUETTE: No.

MR. CHRISTIAN: Well, I was going to say, if we're going to give a couple, let's give them all. Either that, or none.

CHAIRMAN CORY: It is my intent at this point that you're only covering if the man is removing seven units and replacing them with four -- that's fine. If they're tearing down 500 and replacing them with another 500, that would be okay.

MR. CHRISTIAN: The present water system will accommodate four units, but I don't know what he's going to build -- two-story, three-story? I don't know.

MR. MARQUETTE: It will be two stories.

MR. CHRISTIAN: Two-story. And it will require, what, a large fire flow?

MR. MARQUETTE: No. But what I can't understand is why anybody in a forest area would be fighting fire flow to fight in a commercial area.

MR. CHRISTIAN: We're not fighting fire flow. Our problem --

MR. MARQUETTE: Sure you are. Sure you are.

MR. CHRISTIAN: Our problem, Mr. Chairman, is the fact that this area develops heavily with condominiums or anything else. We have one road that goes through this...
area. There are 600 homes on the other side that would be deprived of use of their homes in the winter time, because we're talking about 10, 12 feet of snow on the ground and one lone road. The fact is, the more buildings, the less fire protection we have. So I'm talking about 600 homes sitting back there, and he's talking about a development.

MR. MARQUETTE: Are they turning down any homes for building?

MR. CHRISTIAN: Well, we --

MR. MARQUETTE: You're building your homes within 20 feet of one another, aren't you?

Anyway, what my point is is that I'm sitting right in the middle of a fire flow line, and it just doesn't seem sound or reasonable that you would tell anybody -- the people in the apartments across the road or anyone -- that they couldn't pull water from anywhere. Because when we have a fire up there, we don't think about just the structure. We think about that whole forest, and it's a serious thing. These people that have never seen a fire storm, why, they think the firemen can run out there and put the fire out by sitting on it. And it just doesn't happen that way.

CHAIRMAN CORY: No. I think the question is that this Commission doesn't want to inadvertently end up
providing an approval for a major development that the community may not want. We think that's a local decision that the community should make.

MR. MARQUETTE: I would hardly say that my less-than-one-acre piece of property is going to be a major development.

MR. CHRISTIAN: Well, one leads to another.

If they want --

CHAIRMAN CORY: I understand what you're saying --

MR. CHRISTIAN: Right.

CHAIRMAN CORY: -- and what I think the Commission is prepared to do is that if this gentleman wants to tear down -- he's in the process of tearing down some and replacing them with other structures. That seems to me an equivalent replacement that doesn't impinge upon the local option of what you people want to do in your own community. And the 500, if that seems like a new development, then somebody should come back through with a new program. The lines are there. There are buildings there. Whether they be replaced with 55 buildings or new buildings, I don't see that we should prohibit him from fire protection from the existing lines since his old buildings are being served. I guess that appears to meet his needs.

MR. MARQUETTE: Well, as he says, the line that's in there now -- 700 gallons -- would be adequate. But I
still can't see why not use everything that's adequate
in case the 700-gallon line was down?

MR. CHRISTIAN: If 700 gallons is adequate,
we have no complaint against him building. It's the fact
that if he has to have this 2,000-gallon fire flow, then
he's building condominiums or something of that sort,
which I think is what our purpose is in limiting this.
I mean, if the water company or whoever it is wants
to come back with a full-blown EIR and have the public
decide that, yes, they want it or no, they don't, then
that's something else.

MR. STEVENS: Mr. Chairman, actually, I understand
that this is in the works. This is essentially --

MR. MARQUETTE: It's been approved by the County.

MR. STEVENS: -- an interim measure. The permit
before the Commission now provides for an existing level
of service and therefore, an Environmental Impact Report
isn't necessary. But if it's desired to expand for future
growth, then I understand that the district will, in fact,
prepare an Environmental Impact Report and they'll be backed
by the full consequences of that.

CHAIRMAN CORY: I think what we have done is
not resolved all the problems at Donner Lake but preserved
the status quo modicum of fire protection if we go ahead
and approve this with those amendments. And we have not
addressed ourselves to any proposals for any growth, and we would have to see the full EIRs on those if somebody wants to put in 500 condominiums.

Do you have a meeting of the minds? Are we ready to approve the item as amended?

COMMISSIONER SMITH: Are we approving it for existing structures and equivalent replacement structures?

MR. CHRISTIAN: Equivalent replacement on a 750-gallon fire flow, not on the added fire flow.

CHAIRMAN CORY: That is correct.

MR. CHRISTIAN: We don't want to be building because of the expanded fire flow. I mean, on existing, yes. Anything can be built on the existing fire flow. But on this particular fire flow that we have here of this added 2,000 gallons, well, just existing structures.

MR. MARQUETTE: I'm being told the same thing here again.

MR. STEVENS: The clincher, I guess, is that --

MR. MARQUETTE: I can't use the fire flow.

MR. STEVENS: No, the fire flow is available and actually, it's been checked out, as I understand, with both Mr. Williams, the executive of the district, and the Fire Commissioner, Mr. Afeldt. And they’re both satisfied with the terms of this permit.

I think the clincher with respect to growth is
that the domestic output is restricted to the present level. And if that's to be expanded, then a full environmental assessment has to be made.

CHAIRMAN CORY: Okay. Ready?

MR. CHRISTIAN: There's one other question. This particular fire line for fire flow only is being paid for and for the use only of certain condominiums and buildings there. And in our talks with the Public Utilities Commission, it was their recommendation that the cost of this fire flow only be charged to the units using it, and not the public using the water up there. So, it's going to be a monthly maintenance fee. Maybe if something happens and it's free again --

CHAIRMAN CORY: This is something that we can't do anything about. We have a lease process. You can either lease it or not lease it, but it's up to the Public Utilities Commission to determine what goes into the rate base or doesn't go into the rate base. I think that until that ends, we can't help you with that problem. If they decide it shouldn't be, then I would presume they would exclude it from the rate base so that the rest of the users would not be required to pay. But that's what you pay for: nothing.

(Laughter.)

MR. CHRISTIAN: Thank you, Mr. Chairman.
MR. MARQUETTE: Thank you.

CHAIRMAN CORY: Okay. Without objection, we'll approve Item 10 as submitted.

Item 11 has been taken off Calendar, although I see a note here from Mr. Jack Laven. Item 11 has been taken off Calendar for what reason?

MR. TROUT: Mr. Chairman, the purpose of the item was to get a policy decision from the Commission concerning two applications to lease the same piece of property. A private applicant had filed first. The City of Stockton had filed second, but the City of Stockton's application took precedence pursuant to the provisions of the Public Resources Code. Since that time, the private applicant has withdrawn his application or has indicated he would withdraw it. We have not received the letter yet, but by telephone, he's told us he wants to withdraw it.

And as such, that leaves us only with the City of Stockton's application -- no conflict. The City of Stockton will have to further develop their proposal so that the Commission can comply with the Environmental Quality Act and review the other concepts.

CHAIRMAN CORY: Yes, sir. If we don't have anything before us, do you have something we need to know?

MR. LAVEN: I would like to say a few words. I'm
Jack Laven, Administrative Assistant, City Manager, City of Stockton.

What Mr. Trout has told you is what has happened. I was appearing here today, I thought, to defend the City's position on this agenda item. And the staff's recommendation was to reject our application. And because the other applicant has withdrawn, evidently the staff has changed their position, which was good news for us. But I thought that since I was here, I would like to present for the record the letters from our State legislators -- Assemblymen Waters and Perino -- and I think Senator Garamendi has already sent in a letter supporting our application for a long-term lease.

And if this is appropriate at this time, one of the things that the staff had commented on is that we did not have plans prepared for the area. And I have a color rendering here and if appropriate, I'll enter it for the record. Or if you feel that I should discuss it with staff --

EXECUTIVE OFFICER NORTHRUP: I would recommend that you submit it with the application when it's completed.

CHAIRMAN CORY: It should come in with the detailed, formal application. As I understand it, the reason it was on the calendar before was that there was a private application ahead of it, so we had to deal with it.
As soon as you're ready to go, we'll be prepared to entertain it when you put in the formal application.

MR. LAVEN: Okay. Fine, Commissioners.

The other thing that I wanted to say is that the City Council passed a resolution authorizing the staff to work on this. And they want to see it handled as expeditiously as possible. So I wanted to let the Commission know that our staff will be doing everything we can with your staff and hope we get this back to you as soon as possible.

CHAIRMAN CORY: Okay. As soon as you're ready, we're ready.

MR. LAVEN: Thank you.

CHAIRMAN CORY: Thank you.

Item 12, City of Avalon, Tidelands.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, after consultation with staff, City of Avalon desires that a portion of their grant revert to the State, and this Calendar item accomplishes that.

CHAIRMAN CORY: If there anybody in the audience on Item 12?

Without objection --

COMMISSIONER BELL: Agreed to.

CHAIRMAN CORY: -- reversion takes place as presented.
Item 13, Western LNG Terminal Company wishes to assign to Western LNG Terminal Associates their five-year monitoring buoys.

Any controversy? Is there anybody in the audience on this item?

Without objection, assignments will be approved as presented.

Item 14 is off Calendar.

Item 15, a Geothermal Task Force recommendation on leasing of State lands.

COMMISSIONER BELL: Should we hear the informative report before we take up Item 15? The question is whether we should hear 15 before we have heard 14.

CHAIRMAN CORY: 14 was dropped.

COMMISSIONER BELL: I'm sorry.

CHAIRMAN CORY: Boggs Mountain is out of it.

COMMISSIONER BELL: I apologize.

CHAIRMAN CORY: We're at 15, which is a question of policy in terms of State agencies in --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the Geothermal Task Force has recommended that State agencies be allowed to lease geothermal property. And the staff is recommending to the Commission that rather than take the position of allowing State agencies to lease property, that we would rather take the position that, knowing the
need that water resources have for electrical generation,
we take a position that the State agencies be given first
right of refusal on steam developed on State lands.

COMMISSIONER SMITH: Is there anyone here from
the Department of Water Resources?

COMMISSIONER BELL: Were they aware of the
position to be taken by the Commission on this item?
Was the Energy Commission?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
Mr. Willard will address himself to that question, I
believe.

MR. WILLARD: Yes, the Department of Water
Resources is aware of our position with respect to the
Task Force. We have expressed this during the Task Force
meetings.

COMMISSIONER BELL: What was their position on
your proposal?

MR. WILLARD: They, of course, would like to be
able to lease State lands.

CHAIRMAN CORY: Do they want to lease them in
exploratory or known geothermal?

MR. WILLARD: They would like to lease State
lands to do the exploratory and development work.

CHAIRMAN CORY: What is the adverse effect to us
if they do it?
EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we feel that the development of a geothermal resource could probably be better done by a private enterprise in developing the --

CHAIRMAN CORY: But if they're bidding on it, what is the detriment to us?

EXECUTIVE OFFICER NORTHROP: The detriment to us, frankly, is the fact that if a State agency bids on it and has a right of first refusal on all bids, then there would be no incentive for any private individual to bid the value of the lease, knowing that that bid could be usurped by a State agency. So then, we would have bids that the staff feels would not reflect the full value of the resource, but rather bids without relation to value.

CHAIRMAN CORY: What you're talking about, then, is giving them some competitive advantage in the bid mechanism rather than letting them bid just as anybody else and if they lose, they lose.

EXECUTIVE OFFICER NORTHROP: Yes. The recommendation is that they have right to first refusal so that is inherent in the objection.

COMMISSIONER BELL: They have the right of first refusal after the exploration has developed the resource.

I think the question in my mind was the fact that this would
deny State agencies the ability to go out and explore this State. What do you call it, prospect for it?

CHAIRMAN CORY: It would seem to me that they should be allowed to do that, but they should not be given some advantage which would deter the marketplace for other people.

EXECUTIVE OFFICER NORTHROP: I think staff agrees with that.

MR. WILLARD: The problem, possibly, is this: That the competitive advantage would be that a State agency would be competing against private enterprise; that is, a State agency would not have to produce a profit as opposed to Standard Oil Company or some other industry.

COMMISSIONER BELL: And they might not have to have the State taxpayers pay as much, either, it seems to me.

CHAIRMAN CORY: Yes. I've got no qualms about them. But if they aren't the low bidder, then they shouldn't have the right to jump the bid, which would preclude these other people from bidding.

COMMISSIONER BELL: Right.

CHAIRMAN CORY: I understand what you're saying here, but I'm not concerned about Water Resources putting in a bid. They may be the highest bidder. I mean, I don't see excluding someone from bidding if they're not getting an inordinate advantage. Now, am I missing
something or what?

EXECUTIVE OFFICER NORTHROP: The only other area to look at is the net profits concept. The way that we have found to be very successful in geothermal bids is a net profits concept. And with the definition of net profits with a State agency is a difficult thing to determine.

COMMISSIONER BELL: Mr. Chairman, as you know, our exploration contracts at this time normally call for the first right to go to the guy who's out prospecting. Now, this would then change that concept, wouldn't it? To that extent then, I would think it would also change his interest in bidding on the prospective exploration.

EXECUTIVE OFFICER NORTHROP: Mr. Bell, we have a bill that is halfway through -- it's through the lower House and into the Senate -- which would allow this Commission to put areas out for bid that have been nominated on the net profits basis by industry or anyone interested. And that way would eliminate the preferential treatment of a prospector.

COMMISSIONER BELL: Yes. I saw this as almost a necessary change, and I was wondering how you were going to do it. If it takes a law change to do that, I'm not sure how we would adopt this.

MR. WILLARD: This wouldn't necessarily require
a statutory change, I'm advised by our attorneys.

COMMISSIONER BELL: I see, because this doesn't deal with the prospector. It deals only with the development after something is determined.

MR. WILLARD: Well, certainly, a State agency could apply for a prospecting permit, just as they could submit a bid or a competitive lease.

COMMISSIONER BELL: And under existing law, they would have first rights to it, wouldn't they?

MR. WILLARD: That's correct.

COMMISSIONER BELL: And if we don't get the law changed --

MR. HIGHT: Wait a minute, Mr. Bell. Under existing law, the surface owner has the first right to buy the lease. But if a prospector goes out and prospects for it, then the surface owner then has the right to match that bid. And if the surface owner were the State, then under existing law, they would have the right to match that bid.

COMMISSIONER BELL: "State lands" means the State owns them?

MR. HIGHT: No. Typically, in geothermal prospecting, the surface is owned by private enterprise.

COMMISSIONER BELL: Okay. Yes.

MR. HIGHT: In a few cases, the State -- like in
the Boggs Mountain instance --

CHAIRMAN CORY: Isn't that what we had happen with the bid that was made by the fellow from Oklahoma?

EXECUTIVE OFFICER NORTHROP: The last two bids, the surface owner walked under and picked up.

COMMISSIONER BELL: He did.

CHAIRMAN CORY: Yes.

EXECUTIVE OFFICER NORTHROP: The only two net profits we've had have been the property owner, I think in the Aminoil situation bid sixteen and two-thirds percent. And yet, they walked in and picked up a forty plus ten -- forty percent net, ten percent of the gross, even though they had bid considerably less than that.

In both cases, the surface owner has walked in and picked up the bid. In some cases, the surface owner has not been an oil company but is immediately assigned to a developer.

CHAIRMAN CORY: Then somebody who wants to bid goes out and leases that right from the surface owner, and then he has the right to jump the claim. And that's where we are in the existing position. But I'm somewhat unclear as to what it is the Task Force is specifically proposing. Are you planning on altering that?

MR. BRADY: What the Task Force has claimed is that it would give the right to a State agency who presently
does not have the right to bid on a lease nor, to my understanding -- although I'm a little uncertain as to this -- whether they have the right to even make an application for a prospecting permit because the law, as written, would not allow a State agency the right to bid for either a lease or to apply for a prospecting permit. If there was an application made for a prospecting permit by a private person and assuming the State agency was then given the authority to apply for a prospecting permit, there are other sections of the Resources Code which would give the State agency a priority -- allegedly a priority -- over the private applicant.

That's just as an aside, but basically what the Geothermal Task Force is proposing is that the State agency be given the authority to apply for a prospecting permit for at least the geothermal resources. What we're offering as a counter-proposal to that is that the State agency be given a right of first refusal to purchase the steam from the developer. In other words, he doesn't acquire the leasing rights per se to go out and develop, drill exploratory wells, and drill development wells. But rather, he acquires a right of first refusal to acquire the interest in the steam.

DWR has done this just recently. In fact, in the middle of September they signed a lease with a private
developer for the purchase of steam. And they have done
that already, and they are going to build a power plant
sometime in the near future near the Boggs Mountain area.

CHAIRMAN CORY: The proposal, if there was an
exception from those other mysterious code sections in
the Resources Code that say that they have the priority
rights -- I am not philosophically offended by the State
agency bidding against private enterprise as long as they
don't, in the process of bidding, have some priority
rights. If they compete on a regular basis, I'm not
philosophically opposed. And it would seem to me that
this Commission would be in a poor position before that
Legislature to say that we do not want another bidder to
be bidding.

MR. BRADY: I believe what staff was recommending
was that if you view it -- and this is again the staff's
belief -- what is the position of government? Should
they, one, be competing with private industry in this
field? And, two, should they be in the risk capital
business, which is basically the well-drilling now?

CHAIRMAN CORY: I don't think the State Lands
Commission or the State Lands Commission staff should be
making those policy questions. I think that is something
that the Legislature and you, as individuals and as
taxpayers, might want to talk to your legislators about.
But it seems to me that that's really an appropriate
policy question for Finance and for the Legislature to
determine. But I think it is a very appropriate policy
question if there are priority rights -- that we should
speak out against the priority rights which would screw
up the whole marketplace.

And it's just a question of responsibility, but
I don't see that we should get into -- I understand what
you're saying about the risk, but I don't think that's
our role -- to make that policy question. If the Legislature
wants to go into the risk capital business, if the
Department of Finance and the Governor want to do that,
it's no skin off our nose.

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, in
light of this conversation, I think the staff now has
the thinking of the Commission.

CHAIRMAN CORY: Do the other Commissioners --
EXECUTIVE OFFICER NORTHRUP: But if everyone's
in agreement, I would suggest, sir, that we withdraw
this calendar item, and the staff can proceed with the
thoughts of the Commission as they've been expressed.

CHAIRMAN CORY: I would think that you should
try to talk to -- if it's Kapiloff or whoever -- about
the question of priority rights and how that will foul
up the marketplace. And I think that should be resisted.
Now, I don't know whether the other Commissioners concur in that, but I think that we have a right to point out what they're doing to our ability to derive revenue for the State if they screw up the marketplace by us only taking one bidder -- in essence a State agency.

EXECUTIVE OFFICER NORTHROP: Okay.

CHAIRMAN CORY: And I think that we should defend and protest that.

COMMISSIONER BELL: Yes, I think that's true.

CHAIRMAN CORY: Item 16.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a lease assignment from Mobil Oil Company to Damson Oil Corporation on an uplnd parcel in Venice.

CHAIRMAN CORY: What happens if they have a blow-out or something? Are we getting a lesser financially able --

MR. HIGHT: No, Mr. Chairman.

EXECUTIVE OFFICER NORTHROP: The answer is yes.

MR. HIGHT: No. Mobil Oil will remain liable on this assignment.

CHAIRMAN CORY: Okay. So you're not lessening --

MR. HIGHT: No.

CHAIRMAN CORY: If something goes wrong and Damson disappears into the Oklahoma sunset, we can --

MR. HIGHT: Mobil is --
CHAIRMAN CORY: Mobil's on the hook.

MR. HIGHT: Yes.

CHAIRMAN CORY: Is there anybody in the audience on Item 16?

Without objection, Item 16 will be approved as presented.

Item 17.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a quitclaim of a gas lease by Dow Chemical. Apparently, they feel there's no gas. They're giving it back.

CHAIRMAN CORY: Is there anybody in the audience on Item 17?

When they quit California, they quit California. They mean business.

(Laughter.)

CHAIRMAN CORY: Without objection, Item 17, quitclaim, is accepted.

Item 18.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the Commission instructed the staff to go out for bids on a parcel of oil in the L.B.O.D. portion. Mr. Thompson will give us a report on the results of those bids.

CHAIRMAN CORY: Does he have some particular expertise in these types of results?

EXECUTIVE OFFICER NORTHROP: Yes, he has some way
to say we didn't get anything.

(Laughter.)

MR. THOMPSON: This is known as passing the buck
to say that we didn't do any good.

There were no bids received at all, which was
a potential we realized at the time. I think that there
was also some desire to find, really, what was happening
in the market place as to really what the sell-offs are for.
And it shows conclusively that the market is depressed for
our particular oil. And we again think that because of
the Entitlements Program, we cannot realize the true value
of the oil. In other words, we're pegged again at a $4.34
price for a product that on the open market is probably
worth $3 or so.

But because of the Entitlements Program, it's
priced up around $11 and eleven and a half dollars. And
we just cannot compete under the same Entitlements Program
with oil that comes in at ten and a half or $10.

CHAIRMAN CORY: To make sure that I understand
what you're saying -- although we receive $4.34 --
some figure on that order of magnitude for the oil --
the person who purchases it is paying, in effect, a price
around eleven, eleven-fifty?

MR. THOMPSON: He must buy the right or pay a
penalty for refining that oil on the magnitude of over $8.
So therefore, by the time that you get through the price, what the adjusted price at the refinery is is over $11; whereas imported oil or North Slope crude coming in will get an incentive of several dollars for refining the oil. And therefore, refiners' adjusted costs will be somewhere in the neighborhood of $1 or $2 less than our crude. So the posted price and the price as paid have no relationship. It's the value as decided by the Entitlements Program that determines what the real cost to the refiner is.

CHAIRMAN CORY: Did the length of the contract have any effect on the possibility of realizing this?

MR. THOMPSON: Yes. In other words, we were trying to spend the first increment of time of the federal legislation, the price controls -- which was going to be May, 1979. We thought at that time that there would be a decision by the government as to whether to extend it through to '81 or not so that, therefore, a purchaser would know that he would be under that particular amount of legislation at that time.

CHAIRMAN CORY: How many barrels a day?

MR. THOMPSON: This was a rather small increment -- I believe on the magnitude of a little over a thousand barrels a day. I'll take it back. I think it was less than a thousand barrels a day.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, it
might be interesting for the Commission to know that
up until about 30 days ago, I was receiving -- the reason
we initiated this was that I had received several phone
calls from people interested in purchasing this crude.
So when the sale date came and we received no response,
I called some of the parties who had indicated they had
an interest and asked them why they had not been there.
And they said that because the Entitlements
Program had so confused the marketplace in crude oil, that.
they now had a number of offers to sell them lower-tier
crude, some of which they've used and others they've had
to turn away. And in one particular case, he said in no
instance would he buy any crude for any longer period of
time than 60 days because of the uncertainty of the market
and the uncertainty of the energy program and what's
happening in Washington today regarding the equalization
tax and the other concepts.
So, the industry as far as purchasing crude oil
is in a turmoil because there is a serious flood of crude
on the West Coast, and it's going to get much worse.

MR. THOMPSON: For the same reason, the FRA
has allowed a ceiling price increase for lower-tier crude
for the month of September of three cents a barrel. Only
one company is posted, and it happens to be their posting
because they're now in the process of selling all their oil.
So, in effect, our net increase to us is then that -- by
the time we average that out because there are four
posters -- we get a net increase of three-quarters of
one cent per barrel, which is getting down to a rather
insignificant range. And we don't even know what will
happen for October and November.

CHAIRMAN CORY: Would it make any sense to put
it out to bid on a 30-day, 60-day cancellation clause?

EXECUTIVE OFFICER NORTHROP: Our problem is that
our time fuse for those who have the obligation to take
it back when that credit terminates -- we have a contract
with them to allow them a period significantly longer than
that 30-60 days to take it back. So given the existing
contract, it would probably be impossible to do it less
than six months --

MR. THOMPSON: Yes. If we start to get a quick
turnaround time or else we break the chain of taking the
oil -- and once we break that, it takes 180 days to
retake the oil again.

CHAIRMAN CORY: Okay. What about putting it
out to bid on the basis of a bid increment? They can
serve notice on, like, 60-day evergreen, and they're
required to take it at an alternate price. If they bid
the added amount, they're going to have to pay that. And
if they can't pay that, they have to go ahead and take it
for the six months at a lesser price.

EXECUTIVE OFFICER NORTHRUP: There may be a place -- there is right now -- in lower-tier crude, given the Entitlements Program, where it would be impossible to estimate what that price would be that they would continue to take it below the bonus. If the Alaskan crude is allowed to come into California and fill the glut the way it has been, it may well be that $2 a barrel would be too much to pay for lower-tier crude when you have the competition of Alaskan crude coming in.

And we already have a commitment of somewhere higher than four, and the staff really wonders if -- you know, we've got a committed buyer, given the unbelievable position of the Entitlements Program. It's just unreal.

MR. THOMPSON: Actually, with the whole problem of the energy program back between the Senate and the House of Representatives now, I don't think that anyone will do anything until that is resolved because that is so much up in the air.

CHAIRMAN CORY: Okay. Item 19.

MR. THOMPSON: Item 19 is merely an informational calendar item on Parcel "A" production. And about all I can say on that is that we will make less money next year than this year because, again, if we're in the same box with fixed oil prices and inflational costs for producing
the oil, why, all I can say is that we're going to make less money on a little less oil.

CHAIRMAN CORY: Okay.

MR. THOMPSON: If I get any good news anytime, I'll be up here.

(Laughter.)

CHAIRMAN CORY: All right. Item 20.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on Item 20, we are making a last attempt to adjust the problems we've just been discussing. Staff would like to have the authorization to take the necessary legal steps and initiate negotiations if the current negotiations fail with the FEA and with the administration on the crude oil pricing.

COMMISSIONER SMITH: What was the result of your recent trip to Washington?

EXECUTIVE OFFICER NORTHROP: Miss Smith, may I just say that because of previous reports on trips to Washington, promises that were made by the Federal Government have been turned around because of conversations we've had at this Commission meeting. If you wouldn't mind, I would be happy to discuss that off the record in some other arena. We've been hit three times when we thought we had problems pretty nearly solved in the public area. Then the minute that turns around, we have problems
in Washington, so I would prefer to discuss it later unless you insist.

CHAIRMAN CORY: The negotiations are continuing, and there may be some modicum of relief available, which we can explain. But the industry has found ways of getting back there with stuff that is wrecking our programs.

EXECUTIVE OFFICER NORTHROP: Yes, I can say we have had some favorable results.

COMMISSIONER BELL: Mr. Chairman, what is the advantage to us of getting authorization at this time to institute litigation rather than merely taking it under advisement and coming back at such time as it's found necessary?

CHAIRMAN CORY: The advantage, I think, is in terms of the negotiations of using both the carrot and the stick. I would like very much for this to be approved, even if we did it with a stipulation that before anything is filed, that the staff report to the Commissioners or we hold an executive session to see the draft and go over it that way. But I think it may be helpful in the delicate balance of negotiations if they know the gun is loaded.

COMMISSIONER BELL: Mr. Chairman, I would like to see that -- what did you call it, the stipulation?
CHAIRMAN CORY: That the staff would come back and show us where they're going and why before they actually --

COMMISSIONER BELL: Before they actually file.

CHAIRMAN CORY: That would be a matter of litigation which is available to a private meeting of the Commission, as I understand it.

MR. HIGHT: Yes, sir.

CHAIRMAN CORY: It's an appropriate thing, but I think the public is aware of our posture to deal with litigation and how we play with that in a private session and the handling of strategy of a lawsuit. I'm hopeful that a lawsuit won't be necessary.

COMMISSIONER SMITH: I have no objection to that stipulation.

CHAIRMAN CORY: With that understanding, we will approve it.

COMMISSIONER BELL: Yes, it's fine.

CHAIRMAN CORY: Item 21.

MR. THOMPSON: Item 21 is merely the closing of a subsidence APE, with a credit to the State of $27,000.

CHAIRMAN CORY: Is there anybody in the audience on that?

EXECUTIVE OFFICER NORTHROP: No way.

MR. THOMPSON: And then, just in closing, the
Finance Department wanted a status report on our filing of appeal assessment on the tax bill in the Long Beach unit. I thought by this time that we'd be able to tell you the increasing magnitude of the tax bill, but the numbers were so large that the computer couldn't handle it. And we really don't know the tax bill yet so they have to split one of the parcels in two so they could calculate the tax bill. And by next month we'll be able to tell you actually what the increased taxes will be.

As I say, if I hear any good news sometime, I'll be up.

COMMISSIONER BELL: They were so high the computer couldn't handle it?

(Laughter.)

CHAIRMAN CORY: You understand what they've done on that? It's Bill Watson's State Property Tax Relief Act.

COMMISSIONER BELL: For Los Angeles County.

CHAIRMAN CORY: Yes. It's a nifty little trick, a little going-away present from Bill to the folks.

COMMISSIONER BELL: May I ask either the Chairman or Mr. Northrop, what are we going to do about it?

CHAIRMAN CORY: We are appealing it, are we not?

EXECUTIVE OFFICER NORTHROP: We're taking the steps
to appeal at the present time, Mr. Bell. And when we've
exhausted our administrative remedy, we will then go to
whatever avenues are left open.

CHAIRMAN CORY: I think it's important that we
consider looking at a legislative solution to that problem.

COMMISSIONER BELL: Generally, they like us
to take our administrative appeals first, don't they?

EXECUTIVE OFFICER NORTHROP: Yes. We're
taking those steps and trying to get them out as quickly
as possible.

MR. THOMPSON: And knowing the way they go,
they seem to lag about a year behind. So this is in the
process of being prepared, and we're meeting with them,
but nothing's coming out. They didn't even see the
passbook.

CHAIRMAN CORY: I'd like to go back to one point
and only somewhat facetiously ask Jan if we decide to
proceed on Item 20, will the Attorney General appear for
us?

(Laughter.)

MR. STEVENS: We're authorized to take all
necessary steps.

CHAIRMAN CORY: Other than appearing in public.

(Laughter.)

CHAIRMAN CORY: Okay. Item 22.
EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a request for the emergency sale of 29 trees that have been infected with bark beetles to Shasta Resources Corporation.

CHAIRMAN CORY: Is there anybody in the audience? Okay?

COMMISSIONER BELL: (Nods head.)

CHAIRMAN CORY: Item 22 is approved as presented. Item 23, New Chicago.

MR. HIGHT: Mr. Chairman, this is an authorization to clear some title to about a five-acre piece of property in New Chicago in Santa Clara County. The Federal Wildlife Refuge will maintain some existing facilities on this property, and the Commission's interests will be protected by this quitclaim deed.

CHAIRMAN CORY: Okay. Any questions?

COMMISSIONER BELL: No problem with five acres.

CHAIRMAN CORY: Yes.

Okay. Is there anybody in the audience on the five acres?

Without objection, authorization is granted on Item 23.

Item 24, Morro Bay wants us to help clear up some title, and they want us to be party plaintiff?

MR. HIGHT: Yes, Mr. Chairman.
CHAIRMAN CORY: Any questions?

Without objection, 24 will be approved as presented.

Status of major litigation?

MR. STEVENS: Mr. Chairman, we've asked the California Supreme Court to take jurisdiction of the Murphy case, involving the Berkeley waterfront. We think it's in a proper posture to adjudicate the rights with respect to those -- the patents by which the private holders claim.

And with respect to litigation we have concerning Anderson Marsh and Clear Lake, we've been informed by the county that they would like to withdraw from the case as co-defendants with the State of California and reenter the case as plaintiffs on the side of the private landowner and the land title interests. We believe they have some serious problems respecting consistency with the trust with which they hold these lands if they take such an action, and we're exploring the possibility of preventing them from doing so and taking further steps or recommending steps to the Commission with respect to their trust.

Those are the two highlights of the month in litigation.

CHAIRMAN CORY: How are you doing on your
Supreme Court appearance?

MR. STEVENS: California v. Nevada?

CHAIRMAN CORY: Yes.

MR. STEVENS: We are presently gathering evidence, and we have a meeting that we're setting up with Nevada to arrange for a schedule of depositions. All the evidence appears to indicate acquiescence by Nevada in the existing line north of Lake Tahoe up to Oregon. In fact, after that line was established they bought maps to put in all their schoolrooms, we've learned, indicating this is their boundary. And they don't seem to have disputed it ever since.

However, there was a Nassau meeting devoted to the subject of land sats -- satellite technology -- which has been set at the Conference of State Legislatures at the Cal-Neva, through which the line purportedly goes. And we understand that some local legislators who are interested in this matter are going to attend. So representatives from the Division staff will be there as well to learn what other alternatives they may suggest to us.

CHAIRMAN CORY: I'm impressed. That's not a boondoggle trip.

MR. STEVENS: I don't think so.

CHAIRMAN CORY: You never know. When I was in the
Legislature my California colleagues needing that kind of excuse to get to Cal-Neva -- but politics does change.

COMMISSIONER BELL: Are we giving up all our rights to our casinos?

What I should say is: How about the boundary lines which are further into Nevada? What is our position on that?

MR. STEVENS: Well, the thrust of our argument is that there is an acquiesce line, the one that we're observing now. As an alternative, we're willing to settle for a resurvey, which would extend our boundary to the east.

Nevada has pointed out, however, that both the codes of California and Nevada provide for a line which is 3,000 feet to the west, going through Kings Beach. The Special Master, I think, has shown an inclination in the past -- he had a case like this -- to rely on acquiescence and cut the baby in half, so to speak.

CHAIRMAN CORY: I think it's imperative that you plant the flag, that they don't have the baby between Kings Beach and acquiescence, that they have the baby between Crystal Bay and Kings Beach. That's acquiescence. I'll pass that along. I guess the staff has talked to you about that or will in the near future, that it's time to C.Y.A.
Okay. Any other items?

COMMISSIONER BELL: No.

EXECUTIVE OFFICER NORTHROP: In relation to the next meeting, there may well be a special meeting called to consider gas pricing prior to the next meeting.

CHAIRMAN CORY: Okay. As soon as you get the record complete --

COMMISSIONER SMITH: Are you talking about a public hearing?

EXECUTIVE OFFICER NORTHROP: Yes, ma'am. A public Commission meeting.

CHAIRMAN CORY: Okay. If there are not any other items from the audience, we stand adjourned.

(Thereupon the meeting of the State Lands Commission was adjourned at 11:03 a.m.)

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STATE OF CALIFORNIA

COUNTY OF SACRAMENTO

T, KATHLEEN M. REED, C.S.R., 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, KATHLEEN M. REED, a Certified Shorthand
Reporter of the State of California, and thereafter
transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set m: hand
and affixed my seal of office this 14th day of November,
1977.

KATHLEEN M. REED, C.S.R.,
Notary Public in and for the
County of Sacramento,
State of California,
C.S.R. License No. 3486