APPEARANCES

COMMISSIONERS
Kathleen Connell, Chairperson
Cruz M. Bustamante, Member, Represented by Lorena Gonzales
B. Timothy Gage, Member, Represented by Annette Porini

STAFF
Paul D. Thayer, Executive Director
Jack Rump, Chief Counsel
Kim L. Korhonen, Executive Assistant
Lynda Smallwood

ALSO PRESENT
Dennis Eagan, Representing the Attorney General
Dave Plummer, Regional Manager,
Bay, Delta and Central Coast Region
INDEX

<table>
<thead>
<tr>
<th>Confirmation of Minutes for the Meeting of June 27, 2000</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Officer's Report</td>
<td>2</td>
</tr>
<tr>
<td>Consent Calendar, C01-C13, C15-C16, C18-C26, C28-C57, C59-C70, C72-75</td>
<td>7</td>
</tr>
</tbody>
</table>

Regular Calendar

<table>
<thead>
<tr>
<th>Item 74</th>
<th>Maurya Falkner, Negotiator, Ballast Water Management &amp; Control Program</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 75</th>
<th>Paul Mount, Mineral Resources Management Commission</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item C14</th>
<th>Barbara Dugal, Land Management Division</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Dan Gorfain, Environmental Planning Division</td>
<td>25</td>
</tr>
</tbody>
</table>

Public Comment

<table>
<thead>
<tr>
<th>Ned Greenwood, Project Coordinator, Questar Southern Trails Pipeline</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gerald Mouser, Engineer, Questar Southern Trails, Salt Lake City, UT</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Steve Baker, Representing Aaron Read &amp; Associates</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td></td>
</tr>
</tbody>
</table>

Adjournment

<table>
<thead>
<tr>
<th>Reporter's Certificate</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td></td>
</tr>
</tbody>
</table>
CHAIRPERSON CONNELL: All right. I am going to call the meeting to order.

I apologize for our delay. We had some very significant litigation that we had to deal with -- a Commission -- for all you lawyers in the audience, we were funding your children's trust fund yet again. (Laughter)

I am Kathleen Connell, I am the Controller of the State of California. And I am joined by Lorena Gonzales from the Governor's Office -- thank you for being here today -- and Annette Porini from the Governor's Office, Department of Finance.

And for the benefit of those in the audience, the State Lands Commission, as you know, has responsibility for real property that is owned by the state and its mineral interests.

Today we are going to try to move through the agenda in a rather expeditious fashion. If anyone wishes to speak, we have a policy here of you turning in a form; and I would urge you to do that now rather than later so that if we get to an item, we can be expeditious in discussing that item.

The first item of business is the adoption of Minutes from the last Commission Meeting.

ACTING COMMISSIONER PORINI: Move approval.
ACTING COMMISSIONER GONZALES: Second.

CHAIRPERSON CONNELL: Okay. Minutes have been moved and seconded. Those Minutes are unanimously adopted.

Next item of business is the Executive Officer's Report. Mr. Thayer, can we have your report.

EXECUTIVE OFFICER THAYER: Madam Chair, Members of the Commission, I have seven brief items to mention.

First, I want to report on the success of our Prevention First Conference in Long Beach last month. This conference is the fourth of our semi-annual Prevention First Conferences which deal with oil-spill prevention.

The event was kicked off by speeches by the Chair, Controller Connell, and Lieutenant Governor Cruz Bustamante, which seemed to be well-received. In attendance, we had a capacity crowd. We could only take 400 registered, and we had 401 registered participants. We had 144 Governors; patrons and exhibitors; and 53 speakers.

The customer surveys are still being tallied, but we had many compliments and requests for the opportunity to speak and participate in our next conference, which will be in another two years. There will be some pleadings published from that. Of course, that's information that may be important for educational value -- a matter that I know the Chair has been interested in in the past. And as she suggested we do with Rigs-to-Reefs Conference Proceedings, we
will put that on the web; so that will be available to a
larger audience as well.

Turning next to the Long Beach Queensway Bay
Project. Since our last meeting, Staff conducted a workshop
down in Long Beach to hear of any concerns from citizens,
the city, local business, over a proposal to do some
development on about 20 acres of field tidelands in
Long Beach called Queensway Bay.

That workshop was held July 20. Forty-five
speakers were heard, both in support and opposition to that
project. Staff is analyzing all the issues that were raised.
Some speakers focused on nontrust issues, water quality
redevelopment issues. Those comments will be forwarded to
the appropriate agency for their attention.

The matters that were brought to our attention will
be reviewed in a written report which will come to the
Commissioners in mid-November, is our best guess right now.
We are going to include the Attorney General's Office in the
analysis of those issues. We will also include a copy of the
Minutes with our report as well as all of the written
submittals so that the Commissioners, of course, will have an
opportunity to review, directly, any of the concerns that
have been brought by the concerned citizens.

Next point I would like to touch on is
Brother Jonathan. The Commission will recall that this is a
steamship that sank in the mid-1800s off Crescent City. We
were in litigation for a long period over ownership.
Eventually, a settlement was reached that enabled us to have
ownership of all the important historical artifacts as well
as a portion of the gold coins that were recovered by the
salvage.

Pursuant to that court settlement and the
Commission's lease, Team Salvo is back out there now; it has
been out there for two or three weeks and probably is going
to be out there for another two or three weeks attempting to
recover more gold coins.

There isn't much, yet, to report in terms of
results. They haven't completed their work. We do have a
Commission staffperson on board to monitor it to make sure
that everything is going in accordance with our own lease,
and will report that in the future.

Turning to another item, one of the items on the
calendar today is the final portion of a quitclaim on
offshore oil lease. The Commission accepted quitclaiims from
two out of the three owners at the last meeting. At this
meeting, we have the final owner quitclaiming that owner's
interest. That land will pass into the coastal sanctuary
where it will be immune from future oil and gas development.

Three other items. First, touching on energy
conservation. As the Commissioners are probably aware that
yesterday the state probably came as close to a brownout or blackout as it has this year. We have been checking with our lessees to see if there are ways that our lessees can reduce electrical consumption. Much of the oil development relies on large consumption of electricity. And we have discovered that many of those lessees are willing to suspend use of the electricity to contribute to the conservation efforts in the state.

I have also sent a memo out to Staff asking that it do whatever we can in our offices to reduce energy consumption. We are deferring unneeded faxes and xeroxes in the afternoon until the following morning --

CHAIRPERSON CONNELL: What a novel idea. I think we are onto something here. Maybe we should just eliminate all faxes -- (Laughter) -- all public meetings until we can deal with the energy crisis. I think that there would be a vote of support for the government and the challenge that we have ahead as a state, and it would be right in line with my view of a more limited government.

EXECUTIVE OFFICER THAYER: It would make my life easier too.

CHAIRPERSON CONNELL: Then we could see what government really could do on a more limited basis -- how we could really cut costs.

EXECUTIVE OFFICER THAYER: The last two items, I
just wanted to report that we will be attempting to schedule
the next Commission meeting in mid- to late November; that
would be about two months after this meeting. And of course,
that is dependent on the availability of Commissioners --

CHAIRPERSON CONNELL: And the availability of
energy. (Laughter)

EXECUTIVE OFFICER THAYER: And the availability of
energy. Hopefully, by then we won't have --

CHAIRPERSON CONNELL: Maybe we could meet outside,
so we don't have this lighting problem.

EXECUTIVE OFFICER THAYER: We could have a
dressed-down Commission.

CHAIRPERSON CONNELL: Out in the trees with nature.

EXECUTIVE OFFICER THAYER: It's one of the public
trust values.

So we will be seeking, here, to have Staff meet
either the week of November 13th through 17th, or the week
after Thanksgiving; and we will be in contact with the Staff
about that.

Finally, the last item is that you recall that at
our last meeting, unfortunately I had to report that one of
our staff was involved in an automobile accident on the way
to the airport to come to the meeting. He is doing -- and a
number of the Commission offices have contacted him, and we
appreciate that.
And you asked me to have him present at the meeting today. And I am happy to report that he is doing very well -- still needs physical therapy -- but I would like to introduce Dave Plummer.

MR. PLUMMER: I'm also happy to be doing very well.

(Laughter)

EXECUTIVE OFFICER THAYER: Dave is in charge of two teams in our Land Management Division. He works a lot in the San Francisco area, a lot on base closures.

CHAIRPERSON CONNELL: Dave, let me say I certainly hope you have a speedy recovery. And I hope your Executive Officers, here, are giving you every due consideration so that you can take the time you need for physical therapy.

I'm glad you are here today. I'm glad you are feeling better, and I'm sure the Commission joins me on that.

EXECUTIVE OFFICER THAYER: That concludes the Executive Officer's Report.

CHAIRPERSON CONNELL: Are there any questions?

Then, thank you, Mr. Thayer.

I would like to move on, if I may, to the Consent Calendar and the adoption of the Consent Calendar.

Mr. Thayer, which items have been removed from the Consent Calendar, if any?

EXECUTIVE OFFICER THAYER: The following items are removed: 17, 14, 27, 58, 71, and 76. All but one of those
will be heard at a later meeting. The one that we will hear
today is Item Number 14, the Questar Pipeline Conversion
Project.

CHAIRPERSON CONNELL: Right.

EXECUTIVE OFFICER THAYER: And I recommend that we
hear that after we have done the other two Regular Calendar
items.

CHAIRPERSON CONNELL: All right. May I ask for a
motion on the remaining group of Consent Items; can we take
that up as a singular vote?

ACTING COMMISSIONER PORINI: Yes.

ACTING COMMISSIONER GONZALES: Second.

CHAIRPERSON CONNELL: You moved -- Annette moved,
and Lorena Gonzales has seconded; now, a unanimous vote.

I believe we should move, then, Mr. Thayer, to
Item 74; is that correct?

EXECUTIVE OFFICER THAYER: Thank you, Madam Chair.

Yes, Madam Chair. Item 74 is a status report on the Ballast
Water Program. This is a program that was initiated through
legislation passed last year and begun -- the program itself
-- begun January 1st of this year.

The Commission may recall that there was some
question over the appropriateness of the fee level that was
set by the Commission as well as the low compliance rates
that we were getting in payment of that fee and reporting
what the vessel companies needed to do about their compliance
efforts.

This changed, and I felt it was important that the
Commission be updated on the status of that program. And
Gary Gregory will make this presentation.

MS. FALKNER: My name is Maurya Falkner,
M-a-u-r-y-a  F-a-l-k-n-e-r.

I have been asked to give you an update on the
program. As you know, it went into effect on January 1st.
We have been up and running since that time. Our
responsibilities are fairly broad. We have --

CHAIRPERSON CONNELL: Can Annette see?

MS. FALKNER: I'm sorry. This room is a little
awkward.

So we have implemented an inspection and monitoring
program. We are in the process of looking at alternative
treatment technology and exchange zones. We are coordinating
with various agencies and academia, and establishing the fee
scenario and preparing a report.

Since the first of the year, January 1st through
August 31st, we have had over 4000 qualifying voyages come
into the state; that's 1650 different vessels. So we are
seeing quite a large array of vessels. Compliance is up
significantly now. It wasn't that way earlier in the year;
the first quarter was rather grim. The majority of the
vessels are container vessels. Most of the vessels are coming from Asia, and primarily Japan and China. We also have a large number of vessels that are coming from other west coast ports, Alaska, British Columbia, et cetera.

Discharges: This is the kind of information that we have compiled in the first two years. This is the kind of information that the legislative report will have in it for the entire two years -- the number of discharges that have occurred in the state, broken up by port.

Ballast Water Report Form: Compliance was a big issue. The first quarter we were looking at perhaps a 60 percent -- as low as 50 percent -- compliance across the state. It's currently up at 87 percent.

This is directly a result of nine enforcement letters that were sent out to the larger agents in the state in May and June. We met with these agents. They were quite concerned about the potential implications of this enforcement action. We came up with a good procedure. They are -- they have dramatically changed their ways. We have also initiated some programs on an e-mail basis. We contact them by e-mail and let them know if they have vessels that have not filed their forms. And they appreciate this process. Things are going quite nicely. I have communication with the agents on a weekly basis. So it is getting much better.
As you know, we have dealt with the regulations with regards to setting the fee. The permanent regulation went into effect on August 29th. It sets the fee at $400. We base that fee amount on recommendations from a Tech Advisory Group, cost of the program, voyage numbers, and a 75 percent recovery.

Current Condition of the Fund: This is from the Board of Equalization, as of August 31st, that we have had almost 3,900 qualifying voyages that have invoices sent out. This is the recovery amounts. We are looking at about an 85 percent recovery. Things are looking much better.

We are looking at a lower number of annual qualifying voyages, so we will have to reevaluate the fee amount in the next six to eight months, and see how we're doing, and perhaps drop the fee based on the recommendations from the TAG down the road.

CHAIRPERSON CONNELL: Do you ever audit to see if they are filling in the correct information? I mean, how do you know that the forms they fill out are correct?

MS. FALKNER: We have an inspection program. Inspectors are going out into the field. And 25 percent of the vessels that are coming in, they are double checking that information with what the Ballast Water Report Form says. It comes to my desk with what the inspectors did out in the field. They double check computer readouts; they sample the
ballast water to see if it appears an exchange has occurred; they have a review with the vessel. Granted, it's only 25 percent; but that's actually a pretty nice high number.

CHAIRPERSON CONNELL: That's more than enough for any kind of random-sample test.

MS. FALKNER: Right. Right. And we are actually probably going to be able to drop that amount down in the near future. We wanted to get a large number to start with.

So our inspectors have been out on 25 to 27 percent of the vessels coming in; and that's by port, by class. So we are not hitting -- you know, we are not picking up 50 percent in L.A. and Long Beach and nothing else in the outlying ports. They have been on almost 800 different vessels so far.

Our presence out there is -- the vessels recognize us and most of the agents. So the reputation is improving. Things are going very well.

Most of these gains that we have had over the last eight and a half, nine months wouldn't have been possible without the partnerships that we have established within the industry through the advisory groups, through other ballast-water-type groups, but also with the Coast Guard.

We are in the process of finalizing a cooperative agreement with the Coast Guard where we will share data. We are working with Washington state on ballast water projects.
We were just recently funded by the U.S. Fish and Wildlife Service to evaluate alternative treatment technology -- and the various other organizations that we are involved with. That is what has made the success of this program, I believe, is the fact of the coordination we have put together between the other agencies in the industry.

This is just an example of the type of business flyers -- this is one of our little jewels. We have been working with the V. Grant Organization in Oakland to put together a brochure and a poster that our inspectors will distribute to every single vessel that comes into the state of California. It's a very colorful, flashy poster that will be laminated -- they can put up on their engineering display or whatever. And I think the Coast Guard and State Lands Commission have both contributed to help get more of those brochures out.

That is it briefly, very briefly. Do you have any questions?

ACTING COMMISSIONER PORINI: I just want to congratulate your staff and the partners who have participated with us.

I know when we had our initial discussions, we were concerned about the fee and participation. And I think, even though it started low, all of the folks involved did a lot of work to get communication lines up. So I think it is a real
success story. Thank you.

CHAIRPERSON CONNELL: I would like to join Annette in my congratulations for you. All of this is terrific. And by the way, I think this is another program that should be on our website.

I think it would be helpful for us to update it, periodically, as we find additional scientific information about what kind of infections and viruses are contained in this ballast water.

I found it very fascinating, in preparing for that conference, to read the material you sent me in that regard.

EXECUTIVE OFFICER THAYER: Madam Chair, we will make sure -- there is already some information on the website.

CHAIRPERSON CONNELL: Of course, it made me never choose to wind sail again in the port. (Laughter)

Can we move on, now, to Item 75.

EXECUTIVE OFFICER THAYER: Yes. Thank you, Madam Chair. Item 75 is also an informational item; no action required by the Commission.

The Commission will recall that about a year and a half ago we had some problems with Platform Holly off of Santa Barbara County. There were several different gas leaks which caused concern in the community and concern amongst the Commissioners.
As a result of Commission input, we took a variety of steps in terms of some auditing and working with Santa Barbara County, requiring it to adhere to the platform. And we thought it appropriate to come back and report to the Commission, so that the Commission would know what steps have been taken to address these concerns.

Paul Mount from our Mineral Resources Management Commission is here to make this presentation.

CHAIRPERSON CONNELL: To remind members of the audience who were not present during this discussion, I had, I believe, with the other Commission Members, raised a number of very strong concerns about the operation of Platform Holly following my visit to Platform Holly, in the face of which was concern about an ongoing management contract with the seasoned executives that were no longer part of the current management structure of Platform Holly. It would seem to me that it was a very valuable experience with officials of the former company.

I, secondarily, was concerned about the life expectancy of this facility, seeing as how nine, I think, at the time, of these facilities were granted a right to be placed in the ocean and had no clear sense of how long they would be allowed to remain out there.

And I was concerned about whether the current financial resources of the new management were sufficient to
support an aggressive maintenance program.

Third, I believe I raised the issue of the disparity between federal and state regulations. And it seemed that federal regulations were a bit tighter in regard to the operation of this facility.

And finally, I was concerned about the ability of this facility to continue to have the quality of production that would make it reasonable to be in existence as an oil facility, as the quality grade of the oil continues to decline in some of these oil reserves out there on the Santa Barbara coast.

Those are basically my points. Mr. Mount.

MR. MOUNT: Well, I will try to answer all of your questions this morning and try to be brief. My name is Paul Mount, M-o-u-n-t.

As you stated, from July 1998 to May of 1999, they had a number of H2S, Hydrogen Sulfide, releases offshore -- and onshore facilities. That was symptomatic of the many other problems they may have.

There was concern about the new management out there, which I think are pretty well-seasoned by now. And there was concern about whether they had the resources in order to adequately address any problems that we may both determine were problems offshore and onshore.

We worked together with Santa Barbara County staff,
and we initiated our audit in May of 1999. We audited Platform Holly, the onshore facilities, and the Marine Terminal. The audit was completed for offshore Platform Holly in November of 1999.

Since that time, Venoco has spent 20 man-years correcting some of these problems, as well as spent 6 million dollars on correcting some of the deficiencies that we determined were there.

The other teams consisted of the State Lands Commission, the Air Pollution Control District from Santa Barbara County, the Fire Department of Santa Barbara, Office of Emergency Services and Building and Safety from Santa Barbara, and the Energy Division from Santa Barbara County.

Like I said earlier, the onshore, offshore, and Marine Terminal were all audited. Some of the audits are still on-going, particularly the onshore facility at Elwood.

The deficiencies we found were categorized as Priorities One, Two, Three, or Four. And Priority One, being -- or having a high potential for either a spill or a safety incident. But Category Two, or Priority Two, having a medium potential. Priority Three, having somewhat low potential. And Priority Four, having minimal potential for a problem.

There were seven Priority One deficiencies. They have all been corrected. There were twenty-eight Priority Two's. They have all been corrected. There were twenty-six
Priority Three's. Seventeen of them have been corrected; there are nine remaining. And the Priority Four's -- there were one hundred sixty-seven Priority Four's. Eighty-one have been corrected, and eighty-six are remaining to be corrected.

Let me explain that Priority Four would be something like the drawings are incorrect; the instrumentation and pipeline drawings were incorrect -- it's something in that category. So it has very low risk, very low potential for any impact; but yet, it's a deficiency.

The Priority Three items that were remaining, three are going to be completed by October of this year. Two more will be completed by December of this year. And four will remain until June of 2001.

On the Number Four Priority, there is one to be completed by October of this year. Eighty-two will be completed by December, and three are remaining to be completed by June of 2001.

The reason for the long time is the fact that not only did Venoco look to correct the deficiencies, we -- they did a lot of redesign on the platforms and facilities. So that -- not -- they didn't just correct deficiencies, but we redesigned the whole facility, working with Venoco. Because of that, some parts of the project had to be completed first, and then others were delayed until later.
Of course, this had no impact on the spill potential or any safety. It's just that these things need to be complete in order to have a good, functioning facility. So we have -- a hundred percent completion will be done by June of 2001.

CHAIRPERSON CONNELL: Are you completed?
MR. MOUNT: Just a second. I think -- let me reach my conclusion here. The safety audit was very comprehensive. Venoco was very cooperative in the process. Venoco has completed all critical corrective actions. Future audits and re-engineering inspection programs will ensure proper inspection, maintenance, and training in the future.
Venoco has developed the infrastructure that is necessary to maintain facilities in safe and compliant condition. And preliminary Human Factors Audit Findings show that Venoco has significantly improved in all safety categories.

And that is my report.

CHAIRPERSON CONNELL: Thank you. I am comforted by the fact that we seem to have improved the maintenance of the operation because it is so critical that, as these facilities age -- not Platform Holly -- I'm not targeting a specific platform -- I would like to have this kind of correspondence and this kind of effort.

I want to congratulate Venoco today for their
cooperative support during this activity of almost a year, I
guess. And I would urge that we put together a scale of how
we might conduct similar kinds of evaluations and remediation
activities, where appropriate, at other facilities up and
down the coast where we, the State Lands Commission, have a
lease responsibility.

I think it behooves us, as we get into the twilight
years of the facilities, that we do everything we can to
extend the safety requirements that we all think are so
paramount.

So I want to thank you; but I certainly want to
thank the company for their open cooperation. And I would
urge that we put other facilities on the agenda, now that we
have a standard that hopefully will be the basis by which we
can help evaluate other facilities, and by which we can help
other companies recognize the activities that they might wish
to engage in to make sure that they are rising to the
threshold of security and maintenance that is necessary.

Annette, did you have something you wanted to add?

MR. MOUNT: At the request of the Commissioners, we
have established an audit program. As you know, we put forth
a VCP; we got funded for that. We now have established audit
programs. We have, since then, done a preliminary audit on
Long Beach Unit as well as completed an audit on Rincon
Island, which we are now processing.
So we are moving forward with auditing all offshore facilities and eventually will get to the onshore facilities as well.

EXECUTIVE OFFICER THAYER: That concludes that presentation.

The next item on the agenda, then, would be to take up Item C-14, which has been taken off the Consent Calendar. This is a proposal to convert a pipeline across Southern California, eventually reaching New Mexico, for use for oil transportation to gas transportation.

We have received a letter of about nine or ten pages long from the Morongo Native American tribe asking questions about the Environmental Impact Report.

We have attempted to contact a representative of that tribe to ascertain whether they wanted to come today, and we haven't heard anything. But because we have received that letter, we believed it important to take it off the agenda and respond to the issues raised.

Barbara Dugal from the Land Management Division will start the Staff presentation on this project.

CHAIRPERSON CONNELL: Thank you, Barbara.

MS. DUGAL: Good Morning, Madam Chair; Commissioners.

Can everybody hear me? My name is Barbara Dugal. I am from the Land Management Division, and I will be
presenting to you a brief overview of the project for today.

I should let you know that the project Applicant is Questar Southern Trails Pipeline Company, and they are a wholly-owned subsidiary of Questar Pipeline. The project that is before you today involves an existing 16-inch pipeline which has been used to transport crude oil between northwestern New Mexico and Long Beach since its construction in the mid-1950s.

In 1957 the Commission approved the issuance of seven right-of-way leases to Four Corners Pipeline Company, which subsequently changed its name to ARCO. The leases were issued for the construction and maintenance of a 16-inch crude oil pipeline. The existing pipeline begins at the ARCO West Hines facility in Long Beach and then crosses portions of Los Angeles, Orange, Riverside, and San Bernardino Counties. The pipeline then continues across northern Arizona, a short section into the state of Utah, and then ultimately terminates in New Mexico.

The length of the pipeline from Long Beach to New Mexico is approximately 675 miles; however, the pipeline in California is approximately 250 miles in length. And the pipeline which crosses land under the jurisdiction of the Commission is approximately 5.5 miles.

The leases issued by the Commission for the pipeline involve 1 parcel of sovereign land at the city of
Needles, and then six parcels of state school land; all those properties are in the County of San Bernardino. And there is a map up here, and also the map that I have tried to depict the locations of those parcels.

CHAIRPERSON CONNELL: I appreciate it.

MS. DUGAL: Additionally, there are also two existing aquatic protection systems that are located on two parcels of state school land.

On April the 13th of 1999, the Commission approved the assignment of ARCO's interests to Questar Southern Trails Pipeline Company. The project that is before the Commission today, however, involves the conversion of that existing pipeline and associated facilities for the delivery of crude oil -- excuse me -- from the delivery of crude oil to natural gas service.

In order to complete the conservation project, the Applicant must construct pipeline extensions to interconnect with natural gas sources, other interstate natural gas pipelines, and end-use customers. Additionally, the existing pipeline must be -- portions of the existing pipeline must be replaced, realigned, and/or rerouted to meet federal safety standards for natural gas pipelines.

However, the construction activities that are going to take place under the jurisdiction of the State Lands Commission involve replacement of three short sections of
buried pipeline and removal of four valves, which are all located above ground.

Because the leases were originally issued by the Commission for the transportation of crude oil and do not authorize the transportation of natural gas and the lease terms and conditions related to the transportation of natural gas, it will be necessary to terminate the seven original leases and issue two new right-of-way leases for the transportation of natural gas. One new lease will be for the Colorado River, and one new lease for the six remaining parcels of state school land.

Even though both parties have negotiated in good faith -- Staff has been able to reach agreement with Questar regarding some of the proposed lease terms -- the most important issue left to resolve deals with the pipeline inspection information. Staff believes that we will be able to come to terms with Questar regarding this issue, but we are asking for additional time to negotiate with Questar.

We are therefore recommending that the Commission postpone the consideration of the termination of the seven leases and the issuance of the two new leases at this time.

Even though we are not asking the Commission to consider the issuance of the leases at this time, Questar has asked the Commission that they consider the certifications of BIR which have been prepared for this project as a joint
EIS/EIR for the proposed conversion projects.

And Dan Gorfain will now present information concerning the Environmental Department.

MR. GORFAIN: Good morning. My name is Dan Gorfain. Last name is G-o-r-f-a-i-n.

I would like to briefly summarize for you the specific construction elements, within California, proposed for this pipeline and review the environmental process that we have gone through.

Specifically, the construction in California will include a 6.6 mile new 16-inch pipeline extending from West Hines Refinery through Carson to the ARCO Watson Refinery in Long Beach -- gas distribution to Southern California markets. It will have 120 million cubic feet per day capacity. Also, there will be two reroutes: A 1.1-mile segment in the public right-of-way in the City of Orange, and an eight-and-a-half-mile segment near Cabazon.

There will be two realignments, approximately 150 feet each, in the City of Corona. There will be fifteen replacements of less than one-half mile each in San Bernardino County.

There will be 152 excavations in the existing pipeline right-of-way, approximately 50 by 100 feet each, to include removal of block valves and taps; installation of 27 new block valves, including five automatic line break
shutoff valves -- three of these will be located immediately
upstream of known fault zones; construction of compressor
stations -- pump stations; minor repairs of defects;
installation of temporary facilities for the hydrotesting of
the pipeline prior to start of operations.

As to the environmental review process, this
project was the subject of a joint EIS/EIR with the Federal
Energy Regulatory Commission, or FERC, as NEQA Lead Agency,
and the State Lands Commission as the CEQA Lead agency.
The NOI/NOP was sent to over two thousand
landowners; Native American tribes; federal, state and local
agencies; elected officials; known governmental and
environmental organizations; as well as local libraries and
newspapers. Scoping meetings were held in May of 1999 in
Norco, Banning, Anaheim, Orange, and Long Beach as well as in
Arizona and New Mexico.
The draft EIS/EIR was circulated for the 45-day
public review period in March of 2000. Public meetings -- or
Public Hearings -- on the draft were held in April of this
year in Fullerton, Long Beach, and Banning as well as in
Arizona and New Mexico.
In addition, 39 written comments were also received
on the draft documents, in addition to testimony at these
Hearings. All comments were responded to; these responses
are contained in the final EIS/EIR.
The final document was issued on July 31st, 2000. FERC approved the project in reliance on this document and issued its certificate of Public Convenience and Necessity on July 28th, 2000.

I would just like to acknowledge that with us today we have Scott Ellis from the consulting firm who prepared the environmental document for FERC and the Commission. That concludes my presentation.

CHAIRPERSON CONNELL: We do have some people who wish to speak from the public, and I would believe it would be appropriate to take that testimony at this time.

The first person is Gerald Mouser. Is Mr. Mouser here? And the next one would be Ned Greenwood. Gerald, would you come up, identify yourself -- come right up here to the table. Identify yourself for the record, and spell your name.

MR. GREENWOOD: Good morning to the Commission.

My name is Ned Greenwood. The spelling of the last name, G-r-e-e-n-w-o-o-d. I'm project Coordinator for Questar Southern Trails Pipeline. And I wanted just to take a few minutes this morning to introduce you to the project.

We purchased a pipeline from ARCO in 1998. And at that time the pipeline was being used for oil transportation. The reason we purchased the line was to convert the line to transport natural gas. The line is some 700 miles in length.
It extends from New Mexico around the Four Corners area to Long Beach, California.

   The reason for our appearance today is to discuss the project, and also to ask your -- to request you to approve the EIR.

   As I said, the pipeline is some 700 miles in length, and it is regulated by the Federal Energy Regulatory Commission, or FERC.

   Our plans are to convert this line and to sell the gas to electric-power-generation producers in Southern California; for that reason we believe that this pipeline does bring economic benefit to the state of California.

   And the pipeline is now empty of oil. It was purged of oil before we purchased it. And right now there's just an inert gas that is inside the pipeline to prevent corrosion. Before we would ever put the line into service, there will be several remediation activities that will be taking place. Mr. Gorfain has gone through a list of those.

   The intent would be to test the line; to replace pieces of the line; to hydrostatically test the line to make sure that the line will operate safely before the line would ever be put into service. Also, the line would be operating at a pressure less than what it was operating at as an oil pipeline.

   I just wanted to also introduce Questar
Corporation, which is the parent company of Questar Southern Trails. We have been in the natural gas business for over 70 years, and we have a very good record as far as safety in the operation of our pipeline.

This pipeline was purchased -- or built -- excuse me -- in 1957. And while this pipeline is over 40 years of age, before we purchased the line we got what we call "smart pig" or internal data that showed the condition of the line which was that it was in very good shape.

Obviously, we are going to be doing some remediation work with the pipeline. But I did want to point out that pipelines can safely operate even though they may be considered old pipelines.

An example of that is one of the original pipelines that we installed in 1930, we just recently took out of service; and we did so because the line had grown too small for our needs. But once the line was removed, it was inspected, and we found that the line could be reused again -- or the pipe could be reused again. So we feel that this pipeline is in good shape. We will be doing several remediation activities to make sure that it will operate safely. And --

CHAIRPERSON CONNELL: Can you outline those today?

MR. GREENWOOD: Yes.

CHAIRPERSON CONNELL: Do you feel comfortable,
today, doing that?

   MR. GREENWOOD: I'm glad you asked that.

   CHAIRPERSON CONNELL: I think the Commissioners and
I -- I think we are all very concerned.

   MR. GREENWOOD: I appreciate that, and we have the
same concern as you do for safety. I guess I would just ask,
for my portion, if there are any general questions about the
pipeline or about Questar. If not, then I would ask a fellow
colleague to get into the engineering and safety aspects of
the pipeline.

   CHAIRPERSON CONNELL: My concerns are safety.

   MR. GREENWOOD: Okay. Then why don't we get right
to that then.

   CHAIRPERSON CONNELL: All right. Mention your
name, and spell it on the record, please.

   MR. MOUSER: Yes, Madam Chair.

   My name is Gerald Mouser, G-e-r-a-l-d, M-o-u-s-e-r.

   I am an engineer with Questar Southern Trails in Salt Lake
City. I would just like to take a very brief amount of time
to outline the safety precautions that would be taken on this
pipeline.

   First of all, the pipeline has been in service for
a number of years -- gas service. It is operated under DOT
regulations and has had very hard federal scrutiny. It will
be certified for gas service in accordance with DOT
guidelines. It will be retested hydrostatically -- that is, with water -- completely, for one and a half times minimum the pressure that it would operate at throughout the populated area in California.

As Mr. Greenwood mentioned, Questar does have the results of a very sophisticated internal inspection survey of the pipeline which was conducted in 1996. This is an ultrasonic inspection that basically allowed an internal device to be run through the then-active oil pipeline, and any defects, metal losses -- items that need to be repaired were monitored and gathered on disk for future work. We have that information, and that is the guideline for repair work that we would be doing for conversion to gas service.

In conjunction, as a DOT -- Department of Transportation, Office of Pipeline Safety -- regulated company, we are working with communities and cities along the pipeline to develop emergency plans, liaison plans; and are aggressively maintaining the pipeline on a daily basis to assure it is kept safe while we await the approval for conversion to gas service.

In conjunction with the environmental assessment that was performed for the project and at the request of the California State Lands Commission, Questar is committed to the installation of emergency line break valves along the pipeline at five locations, primarily in the populated areas:
San Bernardino, Riverside, Orange counties. And these are detailed in the environmental document and mitigating measures that were handed down by the Federal Energy Regulatory Commission.

Last, and probably one of the most important aspects, Questar has committed to the agencies, the FERC and the California State Lands Commission, to run another internal inspection device in the pipeline within three years of gas service. And that is a commitment that is in the mitigated measures from the FERC. And it is above and beyond the current DOT regulations, but is something that we feel very important to do.

With that overview, I would conclude and await questions, if there were any.

CHAIRPERSON CONNELL: Yes, I have a question. The safeguards you have just now outlined seem to be appropriate and adequate to give some potential protection.

How are you going to legally bind your company to do that? I don't know if I should speak to you or Mr. Greenwood. How will this protection be written up in the agreement?

MR. GREENWOOD: Well, in the --

CHAIRPERSON CONNELL: And who is bonding against it if there should be a problem?

MR. GREENWOOD: Are you asking for the specific
name of the company that is bonding against this?

CHAIRPERSON CONNELL: Well, I just want to know how
we are going to be protected? We want to make sure there is
some kind of safeguard embodied in the legal agreement and
that there is some kind of insurance policy that would
protect us should there be a disruption and a need to clear
up the problem --

MR. GREENWOOD: Well, we have shared with --

CHAIRPERSON CONNELL: -- or other circumstances.

And we want to make sure that we are not left with no
resources.

MR. GREENWOOD: I understand that. We have shared
with the State Lands Commission our liability insurance, as
we have met the thresholds that they have required of us. We
have supplied them with our insurance policies.

Perhaps I should also give you some idea of
Questar, the parent company. We have assets of about 2.5
billion dollars. We are listed on the New York Stock
Exchange. And we have revenues of about 750 million dollars
a year.

We also have a representative here from the company
that can actually give you more details on our insurance and
liability policies if that would be of help to you.

CHAIRPERSON CONNELL: Well, I think the concern --
is this something, Commissioners, that you wish to take
action on today? What is the feeling?

LORENA GONZALES: I would like to defer.

CHAIRPERSON CONNELL: What would you like the Commission Staff to do in the interim?

LORENA GONZALES: Well, I actually just got this letter that was done by the Morongo tribe attorneys, I believe. And they bring up questions about mitigation and some feelings that they have.

I didn't get any response -- I just got it today -- I didn't ask for a response to their accusations in this letter. So I would like to go over with Staff what the response would be.

CHAIRPERSON CONNELL: Annette?

ACTING COMMISSIONER PORINI: That's fine.

CHAIRPERSON CONNELL: Well, yes, we seem to have a majority desire to defer here.

MR. BAKER: Steve Baker, B-a-k-e-r. I'm with the firm of Aaron Read & Associates, A-a-r-o-n R-e-a-d.

Madam Chair, I think that there is a way of accomplishing the Commission's objectives of deferring this measure at the same time allowing Questar to begin proceeding with the project, and that is by certifying the environmental document and then deferring the lease terms, at which time the Staff can work out the safety issues, bonding issues -- all of those issues that are contained in the lease with the
State Lands Commission.

And that way, that lease will be brought back to
the Commission for your consideration and approval. In the
meantime, Questar can get going on the project.

CHAIRPERSON CONNELL: Well, let me just tell you
what my feelings are. The other two Commissioners have known
where I am on this.

I'm not against deferring this matter if we
accomplish something in the interim. I hate deferrals
because we are not ready to take action or because a party
has written a letter and expressed concerns and is not here
today to join us to express concerns.

I would be willing to go along with the Board if
three things happen.

If we ask that we have a Staff report that responds
to any public-stated concerns, whether it be this letter or
any other letters that have been received.

Secondarily, if we move forward on a lease
agreement so that we are prepared, should we choose to take
action to move forward on the lease.

And third, that we, then, as Commissioners, make a
commitment to have a chance to deal with some of the
environmental concerns that, I guess, are still out there.

That way, I think we accomplish our objective as a
Commission. We deal with our concerns which appear to be
existent on the part of Commission members; we give a chance
to the parties to articulate and get a response back -- we
may be able to address the concerns articulated in the
letter. And third, we are ready to take action on the lease,
so we don't lose time.

ACTING COMMISSIONER PORINI: Well, if I could just
comment that I just received this letter today.

CHAIRPERSON CONNELL: As did I. It was unfortunate
that we did not receive it ahead of time.

MR. BAKER: I understand, Madam Chair. My
impression, after talking to the Staff and to Questar, was
that the environmental issues have been addressed, and the
outstanding issues are the terms and the conditions of the
lease -- which the staff still has a few issues that need to
be resolved.

CHAIRPERSON CONNELL: We now have a letter, and I
think it behoves the Commission to be respectful to the
letter from the Indian community. And I certainly want to
show respect for that letter.

MR. BAKER: I understand. I'm listening very
carefully.

CHAIRPERSON CONNELL: The lease agreement -- so
that we can move that effort forward at the same time we
respond to the concern which is unfortunately late in getting
to this Commission, I would be willing to take a motion in
that regard.

LORENA GONZALES: I move.

ACTING COMMISSIONER PORINI: Second.

CHAIRPERSON CONNELL: Okay. It's been moved and seconded. We will, then, defer this matter, given the three concerns that we must address.

And I would ask that our Staff notify that there is a time certainty for that action; and that, should any community wish to express concerns, that they should meet in an open process with our Staff and with members of the Commission who appear ready to answer their concerns and address these environmental matters.

I'm sure each of the Commissioners would like to be briefed on the results of the conversations prior to our next meeting -- so that we are prepared to be better informed and can take action at our next meeting -- and secondarily, on a lease document so that we do not continue to delay this matter. All right.

MR. BAKER: May I ask, when would be the next time that the Commission would be meeting? Would that be --

CHAIRPERSON CONNELL: Mr. Thayer, would you like to inform us as to when our next meeting is?

EXECUTIVE OFFICER THAYER: Of course, we would need to work with the Commission and Staff to make sure that we can find a date that is mutually agreeable, but we were
planning on scheduling one for either the third week in
November, the one immediately before the Thanksgiving week,
or the week immediately after.

CHAIRPERSON CONNELL: All right. Well, these dates
are open to discussion and debate, depending on the schedules
of the Commissioners who are all sitting on multiple
Commissions, I guess. But we will be in touch with you
regarding that matter.

Any other items, Mr. Thayer?

EXECUTIVE OFFICER THAYER: No, the only item left
on the calendar, Madam Chair, is anyone who wants to make
public comment.

CHAIRPERSON CONNELL: Is there anyone who wishes to
comment? If not, we stand adjourned. Thank you.

(Thereupon, the State Lands Commission
Meeting was adjourned at 12:02 p.m.)
CERTIFICATE OF REPORTER

I, SUZANNE MIKOLAJCIK, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, Suzanne Mikolajcik, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewritten form by means of computer-aided transcription.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of September, 2000.

SUZANNE MIKOLAJCIK, CSR
Certified Shorthand Reporter
License No. 11928