MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

THURSDAY, MAY 28, 1981
10:00 A.M.

Nadine J. Parks
Shorthand Reporter

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TELEPHONE (916) 383-3601
MEMBERS PRESENT

Carl J. D'Agostino, Chairperson
Susanne Morgan, representing Mary Ann Graves, Director of Finance, Commissioner
David Ackerman, representing Mike Curb, Lieutenant Governor, Commissioner

STAFF PRESENT

William Northrop, Executive Officer
James F. Trout, Assistant Executive Officer
R. C. Hight, Chief Counsel
W. M. Thompson
Diane Jones, Secretary
R. S. Golden
N. Gregory Taylor, Assistant Attorney General
Gene Shafer
D. J. Everitts
Les Grimes
Rick Ludlow
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CHAIRPERSON D'AGOSTINO: We can begin by confirming the minutes of the last meeting.

EXECUTIVE OFFICER NORTHROP: Yes. Before we start, for the record, Mr. Chairman, it's my understanding that you will be acting as Chairman in a nonvoting capacity and the voting members will be Mr. Ackerman and Miss Morgan.

CHAIRPERSON D'AGOSTINO: The minutes of the last meeting, without objection, stand approved. Report of the Executive Officer?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, members, the first item on my report deals with a letter of permission for Pacific Gas and Electric Company.

Pacific Gas and Electric Company has requested permission from the Commission to install a 12 kilovolt powerline across the old bed of the Sacramento River in Butte County to serve an irrigation pump on an island owned and farmed by Mr. Chand. The powerline is needed immediately in order to avoid potential crop loss in this location, and PG & E requests a letter of permission in order to install this powerline.

The company has applied for a standard right-of-way lease for this facility. The staff requests the Commission's authorization to issue a letter of
permission for the installation of this powerline pending
the normal processing of the application by PG & E for a
formal lease.

They have also applied to the U.S. Army Corps
of Engineers and the State Reclamation Board for permits.
Staff assures me that the Department of Fish & Game and
Butte County have no problems with this application.

With your permission, we will issue a temporary
permit until we can get to the regular one.

MS. MORGAN: Fine.

MR. ACKERMAN: Yes.

EXECUTIVE OFFICER NORTHROP: Thank you.

The next item is the Western States Land
Commissioners.

On May 6th and 7th, the Legislative Committee,
of which the Executive Officer is the Chairman of the
Western States Land Commissioners, met with Secretary of
Interior James Watt, BLM Director Bob Burford, and various
congressional representatives. Some of the issues
discussed included royalty accounting for FLPMA, the
windfall profits tax, bonus bid, and one-eighth royalty
and in lieu selections.

With regard to the in lieu selections, the
Secretary and others felt that the equal mineral value
problem, which is the problem that has kept us from
exchanging lands, because it was impossible to determine
what the alternate mineral value was or is on a piece of property. It's suggested that on all properties we trade we retain 50 percent mineral interest; the federal government retain 50 percent mineral interest on the lands so that the lands we received will be held at fifty and the ones we gave up we hold the fifty.

And under the lands acquired by the feds, FLPMA, the Federal Leasing Policy Management Act, we are entitled to half of the revenue. So, in effect, we would not only be entitled to our 50 percent half of revenue, but 25 percent of revenue. And it seemed to be the feeling there that the locals then could proceed -- the States then could proceed with the leasing.

In addition, we were encouraged by the fact that Director Burford indicated that he firmly believes in the blockup concept of federal and state lands, which we have brought before this Commission for the last six or seven years and have done several reports on. They now agree that may be the better way to go.

MS. MORGAN: What do you call it?

EXECUTIVE OFFICER NORTHROP: Blocking up.

In other words, taking the scattered parcels we have and blocking them into a usable piece. And then we can do forestry or some other things with it.

MS. MORGAN: I hadn't heard the term before.
EXECUTIVE OFFICER NORTHROP: He also agreed that the 50 percent mineral concept was something that we should progress with.

And overall, the consensus from the delegation of the five Western States that attended was very positive.

MR. ACKERMAN: Did they indicate that BLM has made any changes in their budget to provide adequate staff to do the survey work?

EXECUTIVE OFFICER NORTHROP: No. There was no indication that they had made any budgetary changes. There was an indication that they had reduced some staff and that money may well be directed to this program. But there was no commitment on budgets in that area.

But we are following the BLM budget and plan, at the proper time, to encourage Congress to keep enough adequate funds in the budget to handle this program. These programs were discussed.

MR. ACKERMAN: Okay.

EXECUTIVE OFFICER NORTHROP: Yesterday -- Tuesday, when I was in Washington, I met with the staff of the California congressional delegation on the windfall profits tax legislation strategy. We discussed largely the tax legislation and the timing. The congressional staff felt -- particularly the staff of the Senate side -- felt the opportune time to press the resolution would be as soon
as the current budget and tax cut problems have been resolved. And they felt this would be the next order of business to direct their -- as a natural followup to the tax program -- would be to correct the windfall profits tax that is the problem we have been suffering with.

And I also had some discussions with the Department of Energy and our Washington counsel on the notice of probable violation on property definitions for the Long Beach Unit. I've been advised, as I have been on two other occasions, that it is under study by the decision-making authority and the resolution should be forthcoming. The amount involved here is just short of a million dollars.

Mr. Chairman, members, that completes my report.

CHAIRPERSON D'AGOSTINO: Thank you.

Staff report on the Coastal Commission?

MR. GOLDEN: Mr. Chairman, members of the Commission, there are several brief items to report this morning.

Under the State Coastal Commission, the Commission approved the joint risk management plans for the Ports of Los Angeles and Long Beach on May 19th. The development of the risk management plans for hazardous substances was undertaken in response to the development
of the port master plans under the Coastal Act. This cooperative planning undertaken by these competing ports was a milestone and should provide greater safety to adjacent homeowners, port workers, and the environment.

And then under the San Francisco Bay Conservation & Development Commission, the Bay Commission reviewed and discussed our Land Bank Bill, AB 1418, and with some minimal amendments have approved a support position by a vote of 16 to 3.

That completes my report, Mr. Chairman.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on Item C-17, would you kindly take that -- remove that from the calendar? And would you kindly take C-18 and move it from consent to the regular calendar. I am informed there is an appearance on Item C-18, so that would be the first one you would want to consider after the consent calendar.

CHAIRPERSON D'AGOSTINO: With those changes, without objection, the consent calendar will be deemed approved. And the regular calendar, shall we take Item C-18 first?

EXECUTIVE OFFICER NORTHROP: Yes, sir. Mr. Les Grimes from our staff will give you a rundown on Item C-18.

MR. GRIMES: Mr. Chairman and Commissioners, I've just been informed that Mr. McCabe is in the audience
and wants to talk about the Item C-18, which is a small marina down in the Mokelumne River down by Andrus Island.

Mr. McCabe has been in to see the staff about this. The rental is based on an appraisal. And Mr. McCabe and the staff have not been able to come to an agreement. We're talking about a prime -- probably the prime area in the Delta for marina use. And we're talking $100 a month for six-tenths of an acre, which is about $25,000 in market value, on which the rent is based, which doesn't seem out of line to me nor has it seemed out of line to the staff.

Perhaps Mr. McCabe has something else that he'd like to bring up and we could respond after knowing what his problem is.

CHAIRPERSON D'AGOSTINO: Is Mr. McCabe in the audience?

MR. MCCABE: Yes, sir. I don't want to take up too much of your time, because I can see this is a much more important meeting --

EXECUTIVE OFFICER NORTHROP: Would you please give your name for the record.

MR. MCCABE: Oh. My name is Harold McCabe. I own and operate Rancho Marina with my wife and three
children.

I've been there 15 years and this man is
telling me that's prime property. It's never been prime
property because it faces the river and there's wave
damage continuously on it. And we can never get any boats
to stay there or anything like that.

It is adjacent to a small mobile park we have
for the convenience of people to go up there and fish. We've
been before them and asked them to look at this a little
closer, because before we was $432 -- $432 a year, which
sounds very reasonable to everybody, but not to us. They
want to jack it up all the way to 1500 in a five-year period.
And that's inflation -- you can take inflation at 10 percent
a year, that only comes up to about $700.

They say they appraised the area and we're
in the prime area. We're not. Because there's many in
that area that are worth a lot of money and they're judging
us by the other million dollar operation. They've got our
value appraised at $33,000, whereas the county only
appraises us at about $8,000 at the most.

I just feel it's very unfair to have to pay
these kind of prices. If I'm successful, I'd be more than
glad to pay the amount of money. But in the 15 years I've
been there, I've never seen any great amount of money. I
make less than $10,000 a year off of this thing. And if I
end up paying $170 a year just to the State, I think it's a little unfair.

I went before them before. I went up there to see if we could reason something out. And finally I found out that they were charging me for almost six-tenths of an acre. And I said, "Go look at your records and look at this again." And I got it down to .47 acres.

You know, so they dropped it from 1520 down to 1240. I think there's still too much acres in there, because, you know, I have shown them pictures. They've seen the condition of the marina.

CHAIRPERSON D'AGOSTINO: Mr. Grimes.

MR. GRIMES: If there is an argument over the area, certainly that is something we should look at. If you only have three or four boats in there as an accommodation for your trailer park or something, perhaps you could find a way to cut the area down significantly.

I understood one of the reasons -- apparently you're rebuilding the marina somewhat at this time?

MR. MC CABE: Yes, I am.

MR. GRIMES: And you're looking towards a sale.

MR. MC CABE: Pardon me?

MR. GRIMES: The staff indicated that you were looking towards an ultimate sale of the property and
if somebody comes in there and sees a half-acre of stuff under lease for a nominal value, that could just push our problems down the road. But if you do have an area problem, we'd be glad to talk to you about that or if you want to cut back on your area, we can certainly cut back.

MR. MC CABE: There must have been a misconception. I don't have any plans to sell. I never have. I've been there 15 years. I was going under this assumption that in our area there's been about four other resorts that have sold -- in the 15 years I've been there there have been about four or five of them that have sold four or five times.

It's a very speculative area for land values. So, one person comes in and hangs in there, and he finds out he can't make a living or he makes improvements and he turns around and sells to somebody else. So, me and my wife just continue on. You know, we don't have no plans to sell.

CHAIRPERSON D'AGOSTINO: Are the leases transferable on sale or do they have to be renewed?

MR. GRIMES: The leases have to -- they have to come back to the Commission for approval. But usually the rent clauses are not negotiated at that time.

MS. MORGAN: When is the lease up?

MR. GRIMES: This is just a rent review. The
lease continues for 15 years from July 8, 1976, to '91.

MS. MORGAN: This gentleman has been there for 15 years. Has he had a lease with us for 15 years?

MR. MC CABE: Yes, ma'am.

MR. GRIMES: Yes.

MS. MORGAN: And the basis for the price in prior years has been what?

MR. GRIMES: It's changed over the years. The regulations changed from six percent of market value to eight percent. Of course, the market value has gone up, as has all market values.

This is in the area, I believe, that suffered some damage from the levee break down at Andrus Island.

MR. MC CABE: It was inundated.

MR. GRIMES: And we do have a number of leases coming up for rent review. Some of them are being hung up because of the problems associated with that levee break.

MS. MORGAN: Okay. That prior lease was based on six percent or eight percent of market value?

MR. GRIMES: It would have been six percent, I believe.

MS. MORGAN: So, we're not only increasing the rate, but we're increasing the basis -- we're increasing the rent based on inflation and we're also increasing it based on our policy change from six percent to eight percent?
MR. GRIMES: That's true.

MS. MORGAN: I see.

MR. GRIMES: Both changes are probably a reflection of inflation.

MS. MORGAN: Have you seen the appraisal?

He mentioned there was a different appraisal from the county.

MR. GRIMES: Well, he mentioned that the rent was 1500 and if you work backwards on that, you would get thirty-three grand an acre, I suppose. But I used the actual rent working backwards, and I get 26,000 an acre.

MR. MC CABE: They come up with these in the office and -- go ahead. I'm sorry.

EXECUTIVE OFFICER NORTHERN: The difference between us and the county is that the county is, of course, working under Prop 9, which holds the value of some time ago. We're operating under a current market value on reappraising.

CHAIRPERSON D'AGOSTINO: Is there some question on the amount of acreage? Our report shows .584 acres.

MR. MC CABE: That was corrected to .470 acres by the staff.

CHAIRPERSON D'AGOSTINO: That's .470?

MR. MC CABE: Uh-huh.
MR. GRIMES: That isn't indicated in the calendar item. And I can't say that the staff has made that correction or not. I would assume that the .584 is what the rent was calculated on.

CHAIRPERSON D'AGOSTINO: Are you still operating on the assumption that it's a .584 acre parcel?

MR. GRIMES: Yes, sir.

CHAIRPERSON D'AGOSTINO: If Mr. McCabe is correct, that would have -- that would be about 20 percent.

MR. MCCABE: When he said 26,000 -- I got this information from their staff. If they go by .470 times 33,000 an acre -- that's what they said the values of the marinas in the area were.

CHAIRPERSON D'AGOSTINO: Les, if you come to an agreement on the acreage, would that reduce the proposed annual rental charge?

MR. GRIMES: If the acreage went down, it would. It's the function of value, acres, and rate.

MR. ACKERMAN: So the $1240 is based upon .58 acres?

MR. GRIMES: Yes. .584 acres. About six-tenths.

CHAIRPERSON D'AGOSTINO: Mr. McCabe, if you're correct what the acreage is .470, that would be
about a 20 percent change downward.

MR. MC CABE: Uh-huh.

CHAIRPERSON D'AGOSTINO: I guess it would be roughly about a thousand dollars a year.

MR. ACKERMAN: Les, are there other marinas along the area, roughly in the same geographical area?

MR. GRIMES: Yes. It's a whole string of marinas along there. Where Mr. McCabe is at are smaller type marinas, but they're right in the immediate vicinity Court's, Moore's, and Willowberm, and that sort of thing.

MR. ACKERMAN: What basis do you use for rental of the other adjacent marinas?

MR. GRIMES: The small ones we use eight percent of appraised value. The larger ones we use a percentage of gross income generated.

MR. ACKERMAN: So, for similar types of marinas to Mr. McCabe's, you use the eight percent of appraised value?

MR. GRIMES: Yes, sir.

MR. MC CABE: Sir, may I reiterate again he's indicating a marina that's a $5 million operation and right down the road is -- a thousand feet down the road is a million and a half operation -- Lighthouse. And there are several very rich ones in the area. But I indicate once again, I'm on open river. I do not have a
berm in front of me to protect.

The other places can put up covered sheds. They have complete boat protection. They have no wakes, no damage from the elements or by large boats. I am sitting out in the opening. I'm only open eight months of the year. Four months I have to shut down because of the elements.

I am subjected to daily breakup of my docks by cruisers. I don't have the protection. What's why I say I'm unique in that he's judging by the other marinas in the area. They have berms behind -- rock things -- and everything. They're protected. I'm not. I think I'm a unique --

MR. ACKERMAN: Is that fact reflected in the assessed value of your parcel?

MR. MC CABE: No, sir. I don't think so.

MR. ACKERMAN: Les?

MR. GRIMES: I haven't seen the actual appraisal on this. If Mr. McCabe would like and if the Commission please, I'd be glad to go back and look at the appraisal and make an appointment next week to talk --

CHAIRPERSON D'AGOSTINO: I think it would be a good idea for you to do that. And also try and resolve the question of the acreage.

MR. GRIMES: Yes, sir.
MS. MORGAN: Is it possible for us to move so he doesn't have to come back? Mr. McCabe, it's a big jump, I know, going from 400-some dollars to a thousand, but the review period is what? Every four years, five years? So, basically, you've had a good deal for the last four years. It probably was a valid rent during the first year that you had it. And for four out of the five years it's been lower than it should have been. The trouble is that we held off making the increase until now.

But if there is a problem in the appraisal, number one, or a problem in the acreage, those should be adjusted. I, for one, think that the rental rate should be based on the proper acreage on a market value appraisal at an eight percent rate.

Now, is it possible to do that and do something that seems reasonable?

MR. ACKERMAN: There might be another alternative. If you are shut down four months out of the year, or whatever, you may want to go for a gross profits lease that more accurately reflects the type of business that you do in your marina.

MR. MC CABE: Yes. I suggested that. But what I've been trying to tell you is that there is no profit.

MS. MORGAN: I don't think it's worth it to us.
to have to do that. It would cost us more to audit than
to --

MR. ACKERMAN: If you've got unique
circumstances, I really think those should be taken into
account in the provisions of the rental agreement.

MS. MORGAN: I mean, the fact that he's shut
down would affect the appraised value also.

MR. GRIMES: Well, the appraisal -- if the
comparable sales are appropriate, it would reflect whatever
conditions exist there, including the four-month closedown
and other disabilities of the property.

To go on to a percentage of the profits, or
gross, or something when there is no gross or profits,
might be also misleading the guy down the road who --

MS. MORGAN: Well, I just think it's time
for the rate to go up. But it should be based on things
that you agree with that are reasonable.

Okay. You will bring it back?

MR. GRIMES: Yes.

MR. ACKERMAN: That's the only way to do it
is to bring it back.

MR. GRIMES: Yes, sir.

MR. NORTHROP: We'll bring it back. And if
there's any problem -- if we reach agreement, we'll put it
back on the consent calendar.
CHAIRPERSON D'AGOSTINO: Mr. McCabe?

MR. MCCABE: Yes, sir.

CHAIRPERSON D'AGOSTINO: Are you aware of what we're going to do? Mr. Grimes is going to look at the appraisal and at the acreage. If you reach agreement, it will go back on the consent calendar.

If you don't have agreement, you will have an opportunity to come back and argue the case before the Commission.

MR. MCCABE: I'm sure we can work this out some way.

MR. ACKERMAN: I would encourage you to explain any unique circumstances to Mr. Grimes.

MR. MCCABE: Yes.

MR. ACKERMAN: Try to convince him to adjust the appraisal.

MR. MCCABE: If I can talk to Mr. Grimes, I can.

Thank you very much.

MS. MORGAN: Thank you.

CHAIRPERSON D'AGOSTINO: The next calendar item is Item 23.

EXECUTIVE OFFICER NORTHPROP: Item 23 is a result of a task force and some legislation and we have before us a contract. We're putting before the Commission
today a contract with Westec Services for experimenting --
testing for the dust storm abatement.

Don Everitts from our staff has been a member
of Westec -- of the Owens Dry Lake study group, and you
have before you letters from other members of the study
group indicating that they are in support of this proposal
before us for Westec Services, Inc.'s contract.

Mr. Everitts may care to go into a little more
detail with the scope of the contract and what's involved.

MR. EVERITT S: Well, this thing started back
in 1979 when Mr. Fryxell of the Great Basin Unified
Air Pollution Control District wrote a letter to the
Commission stating there were problems with fugitive
dust emissions on the lake and since we were the surface
owners, that it was our legal responsibility to solve the
problem.

A task force was set up. And over a year's
time a number of meetings were held and many proposals
were developed, including just leaving it as was, which
wasn't acceptable.

Eventually we got some legislation. Senator
Stiern and Wyman sponsored the legislation and got us
$250,000 -- got the task force $250,000 to do some
experimental work. And the bill specifically stated that
we have to match official soil types and geomorphic patterns
on the lake, establish test plots, and conduct field
demonstration studies. And we have to take soil and water
samples.

We've put together a request for proposals.
We got a number of proposals. A special group of the
task force was set up: Mr. Fryxell from the Great Basin
Air Pollution Control District, Mr. Kuebler from the
Los Angeles Department of Water and Power, and a member
of our staff. And with the assistance of some of the
members of the group, analyzed and determined that Westec
was the only or was the best proposal that we had.

Now, they had proposed a number of items that
we didn't have the money for. So obviously, we had to
knock out some items. But, in our opinion, there's a good
proposal. Again, as Mr. Northrop has stated, the task force
has backed us up and said that's it.

EXECUTIVE OFFICER NORTHRUP: Who are the
members of the task force?

MR. EVERITTS: The members of the task force
that are here -- Mr. Fryxell is here, Dr. Pierre St. Amand
from the Naval Weapons Station is here. I believe
Mr. Kuebler was going to be here. He hasn't shown up as yet.
And they're prepared to answer any particular questions you
have on this matter.

CHAIRPERSON D'AGOSTINO: We also have a
Mr. Angelillo who is here to testify on this matter.

Mr. Angelillo?

MR. ANGELILLO: Gentlemen, my name is Peter Angelillo. I represent SRA/EIP, bidders on this project. If I may read from my prepared statement?

I believe that this contract should be denied to Westec on the following basis: Both the request for proposal -- the RFP -- and the contract violate both the intent and spirit of the Stiern's Senate Bill 1591.

Westec was a nonresponsive bidder because their initial bid before private conferences with the State Lands staff was in excess of the amount of $250,000 allocated by the Senate Bill No. 1591.

The sealed bids were altered and changed. Evidence suggests that the apparent unseemly approach among State Lands Commission staff, Westec, and Lake Minerals has totally nullified the purpose of the project.

We believe that SRA and EPI was the only totally responsive bidder under the section that stated "...at the discretion of the offerer, other test sites are solicited." This was reinforced in a meeting with Mr. Shaefer and Mr. Willard of the State Lands Commission staff in the Long Beach office. This SRA and EPI proposed to perform to obtain significant information that could lead to an economically feasible program with a reasonable
chance of success to mitigate the fugitive dust problem of Owens Dry Lake.

The RFP was ill-conceived and misleading, and failed completely to implement the legislation -- the legislative purpose of Bill -- Senate Bill 1591.

To be specific, under Vegetation Section, SCL (sic) 1001-80, Section III, Soils: The soil and water samples taken by the Department of Water and Power all contained higher parts per million of boron and other alkalines than the U.S. Salinity Laboratory, Department of Agriculture, Riverside, California believes suitable for the possible propagation of almost any known species.

The expending of funds on a three-acre plot before microplot or greenhouse tests and laboratory toxicity tests of any vegetation which could have a possibility of germination, given the related soil and water conditions referred to in the Los Angeles Department of Water and Power analyses, is a complete waste of money.

The University of California Farm and Home Advisor for the Counties of Inyo and Mono feel that any native vegetation, if it is not growing on the soil of the lake at this time, would be highly unlikely to propagate without extensive soil building and nutrient modifications.

The vegetation called out in the RFP, Section VI,
A, l.b., are notable examples for the lack of scientific observation and methodology approach. To quote the California Plant and Soil Conference held January 28, 1930 -- January 28 through 30, 1981, Sacramento, California, sponsored by California Chapter of the American Society of Agronomy, in a paper presented by E. V. Maas, entitled "Salinity and Crop Productivity," the following quote is excerpted:

"Even if optimal growing conditions were known and attainable for various crops, absolute tolerances could not be predicted."

Before test plots are established, a complete soil nutrient and water profile must be completed. The question is what would a reasonable person do? And the answer is test before expending funds.

Nonvegetation Section, SLC 1002-80, Section II, states the scope of work is one-acre crushed dolomite bed cover, a partial snow fence to test wind erosion, one-eighth section test site to leach salts by dikes and ditches.

Analyzing this provision in its respective parts: crushed dolomite. Dolomite is water soluble. Which means over a period of time it will increase the crystalline matter ablated.
The dolomite or any rock surface in the
daytime collect and hold more heat than the surrounding
surface. This would generate a thermal condition during
the day, pulling into its rising column ablated material,
not only from the one-acre site, but from surrounding areas.
This would give greater lifting to the particles and
creates more unhealthy conditions.

Also, this could generate dust devils and place
more material into the atmosphere.

This phenomenon is well known and is discussed
in the Department of Transportation publication, Aviation
Weather, page 113.

In fact, they call out a procedure "never
approach this type of condition at an altitude of less than
500 feet as a minimum."

At night this rock cover phenomena would
reverse, causing a higher amount of cooling and moisture
to accumulate on the surface of the rocks, depositing
any mineral content thereon. So that on the following day,
it would be in an ideal position to be launched into the
atmosphere.

This phenomena is well documented by Dr. James
G. Edingerger, Professor of Meteorology, UCLA publication,
Watching for the Wind.

The purpose of the project is to try to
mitigate the dust problem, not enhance the activity.

On the "One-Acre Test Site - Woodchip Bed Cover," the woodchip bed cover is so unrealistic, even if the material were available at a partially economically viable price, I can only fantasize what would happen in a 40 mile per hour wind.

This section was one of the areas negotiated out of Westec's bid proposal so that their bid would be within the $250,000 limitation. This shows that even the State Lands' staff could visualize that the woodchips could become flying missiles or floating objects. Furthermore, the Westec bid should have become invalid, null and void.

Snow Fence: The effect sought to be accomplished by the expenditures allotted for hundreds of feet of snow fence to stop ablation of any particulate matter is thoughtless.

NOAA's photographic evidence has established the presence of particulate matter at heights above seven to ten thousand feet above the Owens Dry Lake surface.

The Leaching of Soils by Means of Dikes and Ditches: The soil characteristics from the laboratory analyses of Los Angeles Department of Water and Power, confirmed by our field analysis, submitted to the bidders by the State Lands as a basis for bidding confirms the fact
that the RFP totally ignored the meaningful results of
the Department of Water and Power findings.

Two main things must be present to leach
soils: A, water with less mineral components than the
soil to be leached; and, B, a soil with sufficient
permeability and porosity to allow water migration, both
laterally and vertically.

If, in this case, we had a source of water
in the State Lands' proposed site area with less than
100 parts per million undissolved salts and a pH in the
acid radical, the odds of leaching clays with high mineral
salts content are infinite.

The waters in the proposed test site area
are better suited for deposition than leaching. For, as
it is well documented in many books and pamphlets, clays
do not leach. Clays swell, blocking all capillary passages.

But even more importantly, any standing water
on the proposed area could draw more mineral from the
soil and launch them with greater energy into the atmosphere
through the process of efflorescence and the shallow pan
evaporative process.

Air Quality/Meteorological Bid - SLC 1003-80,
Section II, Paragraph 3: Paragraph 3 states:
"...specific air monitoring from
noncrystalline areas of the lake bed."
Let us remember "noncrystalline" and let us go to Section III, Specific Air Monitoring, No. 5, which calls for a particulate sampler.

How can a particulate sampler define where any particulate matter originated? It can only tell you what was in the air at that time, but whence it came, never.

What part of some 200 square miles was that particle launched? The mathematical odds of this method giving data of any substance are astronomical. To put it into perspective, out of a harvest of wheat from an acre, tell me which plant a specific kernel of wheat came from. This task can only be accomplished with numerous ablation and collection plates at selected and diverse locations.

I referred to an apparent unseemly approach at the beginning. Now, let us ask these three questions:

Is it not a fact that the State Lands Commission lease at Owens Dry Lake, covering the area being mined and worked by Lake Minerals, permitting Lake Minerals' operations in the leased area, is a source of one of the highest contributors to the fugitive dust problem of Owens Dry Lake? The answer need not be conjecture.

The photographic evidence of the facts are available.

And why did the air quality request state,
"...not to monitor in the crystalline area"? Is this not where Lake Minerals' operation is?

If this is a wet operation, in toto, why are there the verifiable evidence of tractors and gang disk plows in use?

What is the rationale for Mr. Shaefer's statement that Westec was the most qualified for this civil engineering problem that requires heavy equipment readily available and know how to build roads? Whose equipment? Lake Minerals, maybe?

And what roads are required by Senate Bill No. 1591?

Does this statement, "Do not monitor the crystalline area," also include the dumpsite south of Keeler? Does it also include a dumpsite -- a toxic waste dumpsite -- as defined by the Health Code?

Does it not include a State Lands' site and the LADWP site with no monitoring, a site where the grab samples analysis show 70 to 150 times the allowable amounts of arsenic?

Does this side not have some type of arrangement with the trucks which deliver the material and the generator of this toxic material?

Does this statement intend to preclude a study of the possibility of large quantities of bluestone and
its efflorescent capabilities?

Could it be possible that this is the source of the seven times higher than EPA standard of arsenic in the Keeler water wells?

Is it only the private sector that can violate State toxic and hazardous waste laws and be subject to criminal penalties?

What liquidous material was dumped at 5:45 p.m. on May 21, 1981 at the dumpsite south of Keeler?

Why is there such a high incidence of pulmonary disease, blood and tissue cancers in the Owens Lake affected area?

Why are the people --

MS. MORGAN: Can I interrupt, sir?

MR. ANGELILLO: Yes.

MS. MORGAN: How much more do you have?

MR. ANGELILLO: One page here.

MS. MORGAN: All right. Because you're asking us basically technical questions which I assume you have addressed to the staff previously.

MR. ANGELILLO: Most of them, yes.

MS. MORGAN: And you've received answers for them.

MR. ANGELILLO: No, ma'am.

MS. MORGAN: Well, why don't you go ahead and
finish and then we'll talk to the staff.

MR. ANGELILLO: Why are the people on the Indian reservation in Lone Pine affected by skin rashes? Why are many members of the medical profession asking what the interrelation may be between the crystalline dust and the high incidence of the above-mentioned health disease?

We began to work on this project six months ago to obtain a contract. We studied. We made field trips. We found possible vegetation varieties, performed analyses, talked to many knowledgeable people, sampled and tested waters and soils, and installed weather stations for a limited time.

At this time, if you asked me what would solve the problem and when could this program proceed, we would be forced to say we don't know. We haven't enough data of the lake area to make a realistic judgment.

We only have enough data to ask intelligent and germane questions, and that is the first step on the road to a solution.

May I please ask this honorable and distinguished body of jurisdiction to thoughtfully consider the health of the people affected by this project, people within an area of one-sixth of the State of California. To do otherwise is to squander the $250,000 appropriated specifically to protect the people's health.
Thank you very much for your time.

CHAIRPERSON D'AGOSTINO: Thank you.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman.

MS. MORGAN: Go ahead.

EXECUTIVE OFFICER NORTHROP: Several questions have been raised on the legal side. I think counsel would like to address himself to those.

MR. HIGHT: Yes. As I was listening to Mr. Angelillo -- he had a number of problems, but I think the first one is the bidding procedures.

I think we can clear that up and then we can go to the rest of his problem, which appears to be that he does not agree with the plan that the task force approved.

And perhaps I'd ask Rick Ludlow, Staff Counsel, to address the bidding procedures.

MR. LUDLOW: Mr. Chairman, members of the Commission, my name is Rick Ludlow. I'm Staff Counsel with the State Lands Commission. And I have been assigned to handle the legal aspects of this project.

The procedure used to select a contract, or the request for proposal procedure, which, as you are aware, is quite different from a bid procedure. We sent out three specific requests for proposals covering three separate phases of the problem as we saw it and as it existed -- vegetative, nonvegetative, and air quality --
monitoring specifically to check the results of the test plots that we had intended to establish.

Two contractors responded to all three of the proposals, or the request for proposals. One was Westec. One was Mr. Angelillo's group, Stinson Research group.

In each request for proposal we said, "These are the ideas that we have. We recognize that there are other approaches. We are looking for answers. Please give us your ideas," which is the essence of a request for proposal, asking for ideas and describing the problem.

Westec submitted their proposal, which was evaluated by a committee from the task force. And I am informed that this committee felt that Westec's proposal was by far superior to anything else that was submitted from its technical standpoint, the competence and background of the people, their ability to handle this project over a -- this is a program of a multi-year period. They were able to supervise it and coordinate the phases.

This was the first criteria evaluated -- their ability to do the work, the ideas that they submitted. They did, in fact, go over the amount of money that we have available.

Mr. Shaefer of our staff discussed this with Westec, discussed their ideas, discussed the ideas that we had in the RFP, discussed this with the task force, discussed
it with the members of the evaluation committee. He went back to Westec and said, "We would like you to give us a price for these various things which we included in our request for proposal," and one or two of their ideas.

Well, they did. And we had the money for that. And on that basis we feel that the contract should be awarded to Westec. This is not a bid situation. This was not negotiated down. We did not ask them to cut their consulting per-hour fee or anything like that.

It was more like going into a store or something and selecting the various items that we felt would be appropriate to solve the problems -- the very important problem. The people out there are very anxious for us to get going on it. We have the complete support of the task force, from the counties out there, from Senator Stiern's office. And I have discussed this contract procedure with General Services, with the attorney over there who handles our contracts and reviews them. And he feels that -- well, he hasn't seen the contract yet. But I described to him basically what I described to you and I don't think we'll have any problem there.

The procedure was appropriate. And I think I can turn over the technical aspects, if there are no questions, to members of our staff and members of the task force that are here.
CHAIRPERSON D'AGOSTINO: Are any members of the task force here that would like to comment on the proposal?

MR. LUDLOW: Would you like to comment, Doctor?

DR. ST. AMAND: My name is Pierre St. Amand. I'm employed at the Naval Weapons Center. And I am a member of the task force to look out for the interests of the United States Navy in this particular case.

The request for proposal was given very, very considerable thought. All the members of the task force had an opportunity to state their views. A great deal of research had been done previously on the surface of the lake by ourselves and by others.

The State Lands Commission took a series of borings around the surface of the lake with labor supplied by the CETA organization, some logistics support from the Navy. These things were analyzed -- the materials taken were analyzed by the Department of Water and Power, and the information brought together.

We prepared a map of the lake surface showing where the critical areas of ablation were. And then we looked through the literature and talked to people who were experts on deserts and the process of desertification and got suggestions from them and from ourselves as to methods to be tried. These methods are not novel, not
entirely, at any rate. And they have been effective in other circumstances elsewhere. Some of them are methods that happen in the desert anyway.

The thing, from my point of view, was a very sound approach to the problem. Moreover, it's limited to some extent -- because a complete study of the water, soil, and mineral contents of Owens Lake done in the detail necessary to satisfy people whose sole interest is research would cost more than the budget of the State of California could ever supply. It's a variable area and there's a hell of a lot of it. There's a hundred or so square miles that have to be considered.

We took the sounds in what we thought were the sensible places, and we collected enough information for decision-making. And that was the basis on which we put together this request.

Having read the approaches to the problem that Mr. Angezillo's group was interested in doing, they were the very things we had already done on somewhat of a grander scale, a scale in perhaps in excess of that necessary for decision-making.

Now in scientific research, the academic community is never satisfied with the information at hand. They always want more. People who have to do something and are faced with a problem can be satisfied with less
information to begin with. And in actively attacking the problem, they developed some more information that they will need to be able to deal with effectively. And that was the way we thought about this.

A number of the arguments presented by Mr. Angelillo are not indicative of a great deal of experience in the desert and under conditions of the sort that one finds around Owens Lake. I don't want to challenge each of the statements in there, but just take, for example, one or two -- adding or dumping dolomite on the lake.

Small, flat rocks in the desert are blown by the wind and they turn over and they eventually lodge in position from which they cannot be removed because not enough of the rock is sticking up. This is called desert pavement.

Surfaces have been armored in the desert by nature and also by people who wish to stop ablation. They simply spread the stuff around and let the wind, after a year or so, arrange this. It takes about three years for a desert pavement to form.

A large test plot of that sort would see if the material would armor the surface. Dolomite was chosen because it's cheap. It's readily available in large quantities in just about the right size in the local area.

Another kind of rock might be satisfactory, but would require sizing and so forth. Another point is the
carbonate ion in the dolomite will prevent the material from going into solution because the lake is already saturated with carbonate ion. A solution of dolomite is going to be trivial. But what does dissolve out of it will recrystallize during dry periods and form a hard layer between the pebbles even more. So there is good reason to think that.

Now clays can be coagulated by adding acid materials. One of the cheapest sources of acid materials is decaying wood. Putting woodchips on the surface releases humic acid. And as I said, humic acid coagulates the clay. Large areas of very similar clays in other parts of the world have been stabilized by adding sulfate ion to it. It's a great deal cheaper to add the woodchips. Ultimately, if this does prove successful, and the clay does coagulate, it makes it harder to blow and it opens the option for us to come and get the calcium sulfate and other materials that have been taken out of smelter stacks in the L. A. area by air pollution devices and use those to armor the surface to coagulate the clays.

I think that, in my opinion, there's nothing to be gained by researching the work the Lands Commission has done, the Department of Water & Power has done, and the U.S. Navy has done. And to do it in such a scale as to
encompass the whole of the lake, I think that's meaningless.

I think that the options we selected were the best options available in the present state of the knowledge. I think if we go ahead and carry these out, we'll learn more than we will by protracted research which, to my mind, was not the intent of the bill in the first place.

Thank you.

CHAIRPERSON D'AGOSTINO: Thank you.

Is there anyone else in the audience who wishes to address this item?

MR. FRYXELL: I'm Charles Fryxwell, Air Pollution Control Officer at Great Basin Basin Air Pollution Control District, and I feel sort of responsible for this, seeing that I got it going.

I've been working on this project for two and a half years and have looked at data, photographic evidence, and so forth surrounding the lake and its problems dating back to the early 1970's.

First, I guess I'll say a little bit about the request for proposals and how we determined that Westec was the best proposal that we saw.

I was a member of the evaluation committee.

And three of us separately took all seven proposals that were received and evaluated them first on a technical basis, not
even looking at the cost. And independently we came up
with Westec as the best. But, of course, their cost was a
little excessive in relationship to the funds that were
appropriate.

After looking at some of the nonessential
things that they were doing, things that did not really
contribute to the program -- and they were kind of fringe
benefits -- we were able to get a program that was still
the best at the most reasonable cost.

And I believe that the evaluation committee
and the task force, as a whole, will stand behind that.

I'd like to say a couple of things about the
statements that Mr. Angelillo said -- especially about the
air quality and indicating that the Lake Minerals mining
operation is the most substantial air quality problem at
the lake.

It's just absolutely untrue. We have evidence
prior to the operation of Lake Minerals that indicates
that there was a considerable amount of dust being generated
from other parts of the lake. And also in recent
photographs we can see where the dust comes from other
places than the mining operation.

The last thing I'd like to address is the
toxic substance, because in this whole process I got
involved with that particular dumpsite that was alluded to.
Some of the citizens were concerned around the area that there was cyanide coming out of these -- it's a mining operation in Northern Inyo County that is using that facility under lease from the Department of Water and Power. Myself and the State's Solid Waste Board staff members investigated these. They took soil samples and found no adverse -- anything toxic. And our investigation concluded that there was no airborne particulates or anything coming off of that particular dumpsite.

That's all I have.

CHAIRPERSON D'AGOSTINO: Thank you.

MR. KUEBLER: Good morning. My name is Bruce Kuebler. I'm a senior hydrologic engineer with the Los Angeles Department of Water and Power. I'm also one of the members of the evaluation team to select the proposal that has been discussed today. And I have been involved with all kinds of activities in the Owens Valley for the past 12 years, including environmental studies of soil, water, air quality, and various other things.

I'll make my comments very brief. I believe that the proposal that Westec had was the very best one that we could go with at this time. The need is for experiments as Westec is proposing and as the task force has proposed, not for additional research. Although that may be desirable, I don't think it's practical.
We carefully evaluated -- myself and the two engineers who work for me -- each of the proposals and came up with the same conclusion that Westec’s proposal was by far the best.

I might just add that in the original proposal EIP/SRA submitted did not even include a cost estimate. That was submitted after the original proposal was selected.

I think that based with my experience with contractors, I have more confidence in Westec being able to do a good, credible job than I do with EIP/SRA.

Thank you.

CHAIRPERSON D'AGOSTINO: Thank you.

MR. MATTHEWS: My name is Larry Matthews with the United States Navy. I work in the research department at China Lake.

Mr. -- I forget his name -- Mr. Angelillo said something about arsenic being in the air. Well, we ran an analysis of the dust in 1975 and '76 and we ran a mineral analysis. And we never did find any arsenic. It's a heavy metal and the method of analysis would definitely have showed it up.

Also the nuclear lab at the University of California at Davis ran an analysis on this dust as well at different locations in the valley and around the lake and
down near our area. And they never did find arsenic in the analysis.

And the method they used would have definitely showed up the arsenic. That's about all I want to say.

CHAIRPERSON D'AGOSTINO: Thank you.

Mr. Angelillo, do you have a brief rebuttal?

MR. ANGELILLO: It's very tough, but I'll start with Larry and work backwards.

I have right here in front of me the analysis that came through as of this morning. I took it over the phone.

A soil sample now, right? They ran it on an A.A. spectrometer 500 with a basic background connection and the percentage is .03, three hundred parts per million of arsenic. It's very hard for me to --

CHAIRPERSON D'AGOSTINO: This was soil?

MR. ANGELILLO: This was soil. This was in the soil itself. Now, what percentage is going to be airborne, I would defer to those two sitting there --

DR. ST. AMAND: Was it soil sitting in the middle of the lake or soil sitting in the middle of the dump?

MR. ANGELILLO: In the middle of the dump, sir. It's very hard for me to have any rebuttal to Pierre St. Amand, because I respect his knowledge. In
fact, a lot of the basis of what we propose was to fill in the holes of what Dr. St. Amand had done. And I disagree with him a little on desert pavement with dolomite, but that's scientific argument and can go on for the next 20 years.

But as far as Mr. Fryxell saying that Lake Minerals is not a major contributor, I did not say it was the only contributor. I said it was a major contributor. We do have over 80 slides of the ablation from Owens Lake Lake Minerals site in wind conditions ranging from five miles an hour to forty miles an hour. And those slides are available. And I've already offered to send them to Larry Matthews, because I think they are necessary.

I have made my statements and I have to live by them. I do not believe that the contract was done in good faith. I don't believe the contract fulfills the wording of the State Senate bill. As far as the test plot area, Dr. Pierre St. Amand -- I have to bite my tongue because of my respect for the man -- the analysis from the DWP, I have a copy here. If you want, I'll put it in the record.

The best water, at over 38 parts per million of boron -- that is pretty hard to grow anything in. But when you get 300 parts per million, it's impossible.

The high calcifications, the calciums, and
the sodiums, and the other minerals in it, according to Salinity Labs, they doubt if anything would grow in it.

Now, I have made my point, gentlemen and lady, and that's all I can do. It's up to you. We could rebut for the next 20 years, but we would be scientifically playing. Thank you.

CHAIRPERSON D'AGOSTINO: Thank you.

MS. MORGAN: Well, it doesn't surprise me in the least that people will disagree over the technically best way to do something that we've never done before. It's something that's been a problem. It makes sense that there would be different ideas on how to deal with it. That's what we were trying to do when we put out the RFP. It was to get as many ideas as possible. And I'm satisfied with what the staff has told me that the people who reviewed the proposals are really competent and they selected the ones that they thought, from the technical point of view, would be the most acceptable.

This is an experiment. And maybe it will work and maybe it won't. Mr. Angelillo feels that his ideas will work better, but that's a question of judgment.

And I just wanted to ask if there were any minority reports from the task force. Was there general agreement?

MR. NORTHROP: It was unanimous. I was
informed that Mr. Angelillo had indicated there was
dissension in the group. And we polled the group and we
found no dissension.

MS. MORGAN: As far as the process goes,
those are technical questions of a different nature about
how the State conducts its business. If we already knew
what the answers were, if we had a described procedure
with scientific solutions already developed, then it makes
sense to me that we might have gone out with that kind of a
package to be bid on specific parts. When you're looking
for a solution and you don't really know the answers, then
that kind of a bid is not appropriate.

It makes sense to me to use the proposal
approach where you look at possible alternatives and select
those that are best rather than using the bid approach
where you already know what you want and you're looking for
the best price available.

Unless there's something else, for example,
if the RFP was misleading, then I think we'd probably have
a problem. But I did not hear anything except that
statement. I would like to know how the RFP was misleading.

MR. ANGELILLO: It stated that these tasks
would be performed, already presupposing that the answers
were available. We will put dolomite down; we will leach.
The maps were issued, the site proposed in that site, in
that area.

MS. MORGAN: Do you have any response?

MR. SHAEFER: Ladies and gentlemen, my name is Gene Shaefer. I'm an Associate Mineral Resources Engineer with the State Lands Commission in the Long Beach office.

I'd like to just answer what Mr. Angellilo had said with respect to the guidelines of his comment; namely, No. 5 on page 5 -- page 1, which states that "The RFP was ill-conceived, misleading, and failed completely to implement the legislative purpose of Senate Bill No. 1591."

Senate Bill 1591 first of all asks for mapping of soil types and geomorphic patterns on Owens Dry Lake. This was already accomplished by construction of a soils and geomorphic map by Dr. Pierre St. Amand.. We have it in our possession.

The other point, according to the spirit of the bill, it asked that -- it would establish test plots and conduct field demonstration studies. This will be accomplished by the contractor. It was the design of the RFP.

Thirdly, taking of soil and water samples, their analysis: This was already accomplished by myself and Mr. Bill McClung in June of 1980. We have those samples still on file. And we included the analysis of those
samples and samples that were taken at a later date and
included that as an addendum to the RFP for the knowledge
of the proposers.

The fourth point that the bill has asked was
the writing of the final report covering all phases of the
dust control program, including mapping, observations,
verification, and recommendations. These are all written
requirements of the RFP and will be supplied by the
contractor.

So, I'm saying here that item for item the
spirit of the bill was not violated. The integrity of the
program has remained as such and we hope that we can continue
as soon as possible.

MS. MORGAN: Maybe I didn't understand,
Mr. Angellillo, when you said the RFP was misleading, I took
that to mean that if it had not been misleading, you would
have submitted a different proposal.

MR. ANGELILLO: I don't think we would have
submitted it different. After conversations with Mr.
Shaefer -- and you mentioned the whatcha-ma-call-it -- I
have the copies of the addendum here. We could start a
whole hurrah, and I don't wish to do that. We could bring
in 20 experts right from Cal State at Davis that the water
samples and the soil samples are zero growth. They were
submitted for the vegetation. The plot that was in the map,
laid out, you've got five test sites. Nothing is going to
grow with the water available. It's submitted. You've got
a jury here. Ask them.

MS. MORGAN: Okay.

MR. ACKERMAN: Wasn't the task force
technically competent drafting the RFP in that manner?
Wasn't the task force selected from technically competent
individuals?

EXECUTIVE OFFICER NORTHROP: That's the way
the task force was made up. And I think the competency
of the task force has been attested to by all that are
here, even Mr. Angelillo, the opponent of the proposal.

MS. MORGAN: Right.

MR. ACKERMAN: Then there's no reason not to
lean upon the task force's recommendations very strongly.

EXECUTIVE OFFICER NORTHROP: Right.

MS. MORGAN: My only question was if there
were some words and phrases in the RFP that would
lead the contractor or a bidder to submit something when,
if it read in a different manner, they would have submitted
something else. Mr. Angelillo says no, that after getting
a proper reading of the RFP, he still would have submitted
the same proposal.

MR. ANGELILLO: We feel we would not change it,
because we feel we have the answer. The whole thing boils
down to one thing. We've got one-sixth of the area of the State of California affected. Nobody, none of us sitting here, not one of us have the answers.

MS. MORGAN: Okay.

MR. ANGELILLO: We go to Dr. St. Amand's map and it's got a lot of holes in it. I think Dr. St. Amand will attest that it has a lot of holes in it. We have a copy of it. He was kind enough to give it to us. It has a lot of holes in it. We think they should be filled in.

MS. MORGAN: I understand. Okay. I'm prepared to move for a recommendation.

MR. SHAEFER: May I make one more comment, please?

MS. MORGAN: If you have to.

CHAIRPERSON D'AGOSTINO: Do we have a motion?

MR. ACKERMAN: I move to approve the staff recommendation.

MS. MORGAN: Fine.

CHAIRPERSON D'AGOSTINO: Item 24 is approved.

EXECUTIVE OFFICER NORTHROP: 23.

CHAIRPERSON D'AGOSTINO: Item 23. I'm sorry. Item 23 is approved. Item 24 is off calendar.

Item 25?
EXECUTIVE OFFICER NORTHROP: Item 25 is an application by Independent Valley Energy Company to install and maintain a 10-inch crude oil pipeline. This is for about 200 feet of a 28-mile pipeline.

MS. MORGAN: Okay.

MR. ACKERMAN: No problem.

CHAIRPERSON D'AGOSTINO: Without objection, approved.

EXECUTIVE OFFICER NORTHROP: Item 26 is a volumetric rental by San Diego Gas & Electric Company. Gerry Horn of our staff has done a great deal in putting this together. As Executive Officer, I want to compliment him on his actions in this.

MS. MORGAN: Where is he?
Way up in the back corner? Well, stand up and take a bow.

MR. ACKERMAN: I understand this is the last --

EXECUTIVE OFFICER NORTHROP: This is the last of the volumetric rentals. We have them all where they should be.

MS. MORGAN: Move for approval.

MR. ACKERMAN: No problem.

CHAIRPERSON D'AGOSTINO: Without objection.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
Item 27 is a final solution for the City of Newport Beach. It is the termination of the public trust in a relatively small portion and the receiving in the public trust of some new property of approximately six acres in the upper Newport Bay. This ends a very complicated transaction with the homeowners and the ownership of property in which their homes are located.

MR. ACKERMAN: And this was --

EXECUTIVE OFFICER NORTHROP: A representative from Newport Beach is sitting in the audience and he is shaking his head in the affirmative.

MR. ACKERMAN: Good.

EXECUTIVE OFFICER NORTHROP: I believe this is a good solution --

MS. MORGAN: Fine.

MR. ACKERMAN: No problem.

CHAIRPERSON D'AGOSTINO: Fix objection. Item 28?

EXECUTIVE OFFICER NORTHROP: Item 28 is a boundary line agreement. It covers about 85 percent of our area in the Davis Lake --

MS. MORGAN: Okay. So this takes care of the last one or the first one or --

EXECUTIVE OFFICER NORTHROP: This takes care of a good part of Davis Lake. We were very successful --
MS. MORGAN: Where's that, Blythe?
EXECUTIVE OFFICER NORTHROP: Blythe.
MR. ACKERMAN: You have two more to go then.

Two more major areas?
EXECUTIVE OFFICER NORTHROP: Yes.
There are other activities in the Blythe area, but this takes care of the major part of the Blythe area.

MS. MORGAN: Okay.

CHAIRPERSON D'AGOSTINO: Without objection.
Item 29?
EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
Item 29 is a demonstration project on about 26 acres of school land in Summit in Shasta County.

MS. MORGAN: A forest experiment?
MR. ACKERMAN: Planting some trees?
EXECUTIVE OFFICER NORTHROP: Boy, I'll tell you. It's the only way we can get the budget out. When he says, "It's work for my kids, it gets out."

MS. MORGAN: Move approval.
CHAIRPERSON D'AGOSTINO: Without objection.
Item 30?
EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
item 30 is the sell-off contract on 21,000 -- approximately 21,000 barrels a month of Huntington Beach crude. The
high bid was Newhall Refining at $1.59. USA bid a $1.47, and $1.36 for Beacon. We're recommending we accept -- there were 13 other bids in addition to those three. We're recommending that Newhall be approved as the purchaser at $1.59.

MS. MORGAN: Okay.

MR. ACKERMAN: That's per barrel base price?

EXECUTIVE OFFICER NORTHROP: Right. Over post.

MR. ACKERMAN: Okay. Get them while the bids are still there.

EXECUTIVE OFFICER NORTHROP: We had some bids yesterday that reflect prices -- we had some bids last week that were not as good. We had some bids yesterday that reflect almost the same area, within 15 to 20c.

MR. ACKERMAN: I'll be interested to see what you get in about a month from now.

MS. MORGAN: We have some sell-offs coming in July.

EXECUTIVE OFFICER NORTHROP: About seven or eight coming in July and August.

MS. MORGAN: We'll have to keep an eye on it.

MR. ACKERMAN: See what those produce.

MS. MORGAN: And we're going to do a revenue update in August?
EXECUTIVE OFFICER NORTHROP: Yes, as soon as we get some concept of where we're going.

MS. MORGAN: It's not going to be good though.

CHAIRPERSON D'AGOSTINO: Without objection.

Item 31?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 31 is an agreement with Aminoil to allow us a granting of a variance in a drilling unit which allows us if we're unable to put or work out a program with the federal government, if we're --

MR. ACKERMAN: These are trespass wells, right?

EXECUTIVE OFFICER NORTHROP: Right. If the federal leases -- Mr. Chairman, I'm receiving double signals from a guy with no notes on his paper.

Item 31 and 32 are connected. Are you ready?

MR. HIGHT: I will leave it alone.

EXECUTIVE OFFICER NORTHROP: Don Everitts, would you explain 31?

MR. EVERITTS: This is an approval for application by Aminoil for a variance in the boundaries of a restricted area on the lease they had. The old lease, which originally had a bunch of trespass wells in it back in the early thirties, and at that time they protected it. All of those old wells are abandoned and are part of --

MS. MORGAN: And we don't care any more.
MR. EVERITT: -- a unit, and we don't care any more and we need to drill some new wells in there.

MR. ACKERMAN: Is there any objection at all from any local people?

MR. EVERITT: We have had no objections.

EXECUTIVE OFFICER NORTHROP: All right. No.

32 is -- excuse me.

MS. MORGAN: That's fine.

CHAIRPERSON D'AGOSTINO: Without objection.

No. 32?

EXECUTIVE OFFICER NORTHROP: No. 32 is -- we are attempting to work out an arrangement with the federal government on trespass and we have an agreement with Union Oil Company that if we are unable to get such an agreement, that we have three slots on their platform --

MS. MORGAN: Okay.

EXECUTIVE OFFICER NORTHROP: -- which will allow us to drill in that area.

MS. MORGAN: That's good.

MR. ACKERMAN: No problem there.

CHAIRPERSON D'AGOSTINO: No objection.

Item 33?

EXECUTIVE OFFICER NORTHROP: This is the --

MS. MORGAN: I want to interrupt a minute.

Did anyone see the debate between the Governor and someone
from Chevron last night?

EXECUTIVE OFFICER NORTHROP: No. I didn't even know about it.

MS. MORGAN: It was on late, late, late. I didn't see it either, but I understand it was quite good. They couldn't get Watt to come, but there was a debate on that. I understand the Governor did a good job.

EXECUTIVE OFFICER NORTHROP: And Watt was represented by the oil companies?

MS. MORGAN: I don't know. Some might say.

EXECUTIVE OFFICER NORTHROP: Now, now. There was a question.

MS. MORGAN: It was on the approved watching list.

(Laughter.)

MS. MORGAN: Okay. Sorry. We're on Item 33?

EXECUTIVE OFFICER NORTHROP: The geothermal area has been nominated for bid. We'd like your approval of those.

MS. MORGAN: These are where there are surface owners -- private parties, surface owners?

EXECUTIVE OFFICER NORTHROP: Right.

MR. ACKERMAN: I have no problem with that.

MS. MORGAN: Approval, yes.

CHAIRPERSON D'AGOSTINO: Without objection.
Item 34?

EXECUTIVE OFFICER NORTHROP: Do you want to talk about this Don?

MR. SHAEPFER: This is a report on the status of several hundred thousand dollars of budgeted funds that are dedicated in our own exploration program in Point Conception in the same general area as Lease Sale 53, which is in trouble right now.

We're simply reporting that we have issued one contract --

EXECUTIVE OFFICER NORTHROP: This area is not in trouble. This isn't in the northern basin.

MR. SHAEPFER: No. This is offsetting some very high bonus parcels that the feds had a year or so back. And we had entered into contracts to buy geophysical data. We're entering into contracts to get resource data and seismic hazard studies, cultural studies. We're running into contracts or deals to write EIR's. We're spending the money. We're going to get it all before the fiscal year is over.

EXECUTIVE OFFICER NORTHROP: I'm going to send you back to charm school.

(Laughter.)

MS. MORGAN: When will the project be completed?
MR. SHAEBER: The overall project is like 1984 or '85.

EXECUTIVE OFFICER NORTHROP: We periodically report to the Legislature on the progress before we --

MS. MORGAN: Okay. The next report, do we --

EXECUTIVE OFFICER NORTHROP: November of this year, I believe, we report back to the Legislature.

MS. MORGAN: This is informational.

EXECUTIVE OFFICER NORTHROP: Yes.

CHAIRPERSON D'AGOSTINO: Item 35.

EXECUTIVE OFFICER NORTHROP: The status of the seep study. Mr. Everitts.

MR. EVERITTS: Okay. We have requested an augmentation from the -- we have proposed the request on augmentation to a current CEIP grant to do some submarine work on oil seeps, natural oil seeps in the Santa Barbara Channel. We're asking for permission to request an augmentation. We have spent approximately 65,000, $67,000 to date. We need some more money to finish it.

MS. MORGAN: What exactly is before us?

MR. EVERITTS: We're asking for you to authorize the Executive Officer to accept the augmentation of $36,000 to the grant to be considered by the Coastal Commission.

EXECUTIVE OFFICER NORTHROP: It's from the feds.
MS. MORGAN: Okay.

MR. ACKERMAN: Haven't the funds already expended resulted in Arco doing substantial recementing work and things like that?

MR. EVERITTS: This -- not really. What we have spent so far has encouraged them to continue with their engineering design for a tent to collect this huge seep, which probably makes 40 to 50 barrels a day.

EXECUTIVE OFFICER NORTHROP: The problem on this is that when we originally got into this, we felt that we would be able to use this trade-off with the oil companies, or other people felt that they would be able to use the seep trade-off offshore for onshore problems. And that has not been as clear as we hoped it would be. We've been working on that problem.

MR. EVERITTS: This has been the latest development. But it seems that they're really proposing something, because Arco called me the other day and wanted to know when we were going to be doing the subwork. They want to join us and perhaps spend another --

MR. ACKERMAN: Good. Good.

MS. MORGAN: Thank you.

EXECUTIVE OFFICER NORTHROP: It probably will be resolved.

MS. MORGAN: Good. That's fine.
CHAIRPERSON D'AGOSTINO: Item 36, 37, and 38,
EXECUTIVE OFFICER NORTHRUP: That will be
explained by Mr. Thompson.

MR. THOMPSON: We've combined the 10th and 12th
modification together. They're out of sequence. It is
a request for modification and augmentation, and as of
the end of --

MS. MORGAN: Where it says the tenth
modification, those are actually the numbers that are in
there?

MR. THOMPSON: Yes.

MS. MORGAN: All right.

MR. THOMPSON: The budget augmentation, the
total will be $11,238,000 as proposed, which is
$2,115,000 in investment, $8.7 million in expense, and
$403,000 for administrative overhead. With this
augmentation, the total revised budget would be
$189,336,000, so the estimated carry-over for the fiscal
year would be $30 million over the $160 million in this
budget year.

CHAIRPERSON D'AGOSTINO: Any questions?

MS. MORGAN: We went through this yesterday
because he always advises me on budget items. I've
embarrassed him in public enough.

(Laughter.)
MS. MORGAN: I just don't like getting into expansion work which is too expensive right now, of course, you don't know what future augmentations will be later on. And we may look very carefully at this during the time of a world-wide glut. This may be the time to slow up the expansion effort.

MR. THOMPSON: This would complete the funding for the additional wells, and what might be needed in the future if justified by the reservoir studies --

MS. MORGAN: Okay. I have no problem with this.

MR. ACKERMAN: OPEC's contributions to the oil glut will be to keep cutting back as it is right now. I don't have any problem. Thank you.

MR. THOMPSON: 39 is an informative item on the caustic study. This is a project where we intend to recover additional oil by the emulsification process in the reservoir. It's a long-range project. The results will be very slow in coming about. We would like to suggest that we're reporting on two projects semi-annually, and mainly for the convenience of the Commission. We have about seven tertiary in the field. If you would like, maybe we can report maybe once a year or twice a year on the projects and cut down on some of the paper load.

MS. MORGAN: That's fine.
MR. ACKERMAN: Yes.

MR. THOMPSON: All right. This next calendar item's for a prior approval for -- to do some study by the City of Long Beach. They have submitted a proposal to us asking for your approval of $133,000 out of a million dollar sewer project. Our staff, in reviewing, think that there is some subsidence damage in the project, but some that may not be associated with subsidence. All we are doing is asking you to give prior approval so they can do additional studies and submit this to us for a later consideration.

MR. ACKERMAN: No problem with that.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, items 40 through 43 are legal -- through 45 are legal. And I will turn it over to Mr. Hight and Mr. Stevens. I understand that Mr. Stevens has two items that he'd like to report on that are not on the calendar.

MS. MORGAN: Okay.

MR. HIGHT: Item 40, Mr. Chairman, is the approval of the legal sufficiency of the boundaries of incorporation of the City of Rodeo.

MR. ACKERMAN: No problem

MS. MORGAN: No problem.

CHAIRPERSON D'AGOSTINO: No objection. 41?

MR. HIGHT: Item 41 is a disclaimer for the Castaic Reservoir project. The Commission has no land -- has
no interest in the particular condemnation.

MS. MORGAN: Okay.

CHAIRPERSON D'AGOSTINO: 42?

MR. HIGHT: 42 is, Mr. Chairman, the settlement of a lawsuit involving a dredger cut in Webb Tract. The Commission will stipulate that no public access or rights will be terminated or hindered as a result of this quiet title action.

MS. MORGAN: Okay.

MR. ACKERMAN: I have a question. It's just on the Delta and general policy. If an island floods down there, like when Frank's Tract flooded way back when, does that then become a public navigable waterway?

EXECUTIVE OFFICER NORTHROP: Mr. Ackerman, I think Mr. Stevens or Mr. Taylor in the audience may be able to address that.

MR. ACKERMAN: Isn't what we're saying is that the public has a right to access --

MR. STEVENS: That's what the state of the law is, as an easement over those flooded areas, and has a right to pass over.

MR. ACKERMAN: So what we're really approving with this item is, even though a private entrepreneur made the cut, the public has the right-of-way to use that because it is now a navigable waterway?
MR. STEVENS: The public may follow the water.

MR. TAYLOR: That's not the case. This is a cut that was put in for navigational purposes and has been maintained by the federal government is my understanding, and is shown on navigational charts as a waterway.

And it's been that way for more than the turn of the century. So, this is different than Frank's Tract which broke. And if they could have saved the tract, they could have reclaimed it by taking the water away, denied the public ability to boat on it.

But this one has been there for many, many years. It's beyond the prescriptive period for reclamation. They want it. The people there want it as a waterway. It has been used for commercial navigation for a period of time since that occurred. So, that's different than when you get a break and you get, you know, a period of time to reclaim. So this is a different thing.

But because of the existence of water on it, there needs to be a definition of rights so that the private party can proceed and so that the public interest is protected. And both of them are done by this settlement.

MS. MORGAN: Okay.

MR. ACKERMAN: Okay.

MR. HIGHT: 43, Mr. Chairman, is another
disclaimer. The Lands Commission has no interest in the
project.

MS. MORGAN: Okay.

MR. ACKERMAN: No problem.

MR. HIGHT: Same thing with 44 and 45.

MS. MORGAN: Okay.

MR. ACKERMAN: No problem with them.

MS. MORGAN: What about --

MR. STEVENS: There are two additional
items. First of all, concerning the public trust, you know
that the California Supreme Court has issued two very
significant public trust decisions over the last two years --
the City of Berkeley and the last decision involving Lake
Tahoe and Clear Lake. And now they appear to be on the verge
of making a third one because they granted hearing to Los
Angeles vs. Venice Properties. And the issue is whether
the public trust lies within an old Mexican rancho grant.

It could be an extremely significant case.

The second thing is that on Tuesday we filed
an action against Secretary Watt for an accounting for
underpayment of mineral royalties from the federal onshore
lands. We have reason to believe that there has been
underpayment by the Department of Interior to the State of
its 50 percent share anywhere from 10 percent up each year.

And as the value of the crude goes up, the value of the
State's share becomes more and more important.

We expect a number of Western States to join us. We filed Tuesday.

EXECUTIVE OFFICER NORTHPROP: The last item is an informative item, Mr. Chairman. On June 1st the Commission members will conduct a field trip and a fact-finding investigation of the tide and submerged leased land granted around Santa Catalina.

The idea of this is preliminary to the application by the Island Company for renewal of their lease.

There is no closed session, Mr. Chairman. We have no items for that.

CHAIRPERSON D'AGUSTINO: If there are no further items on the agenda, this meeting stands adjourned.

(Thereupon this meeting of the State Lands Commission was adjourned at 11:49 a.m.)
I, Nadine J. Parks, a 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, Nadine J. Parks, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of June, 1981.

Nadine J. Parks
Shorthand Reporter