

STATE OF CALIFORNIA

Minutes of the meeting of the
State Lands Commission
Sacramento, California.

APPEARANCES

Commissioners Present:

Kenneth Cory, State Controller, Chairman
David Ackerman, Commission-Alternate for Mike
Curb, Lieutenant Governor
Roy Bell, Commission-Alternate for Mary Ann
Graves, Director of Finance

Staff Members in Attendance

William F. Northrop, Executive Officer
James F. Trout, Assistant Executive Officer
R. C. Hight, Chief Counsel
D. J. Everitts, Chief, Division of Energy and
Mineral Resources Development
W. M. Thompson, Chief, Division of Long Beach
Operations
Allen D. Willard, Supervisor Mineral Resources Engineer

Representing the Office of the Attorney General

Jan Stevens, Assistant Attorney General

Re Minute Item 34:

Spencer Sheldon, representing Aminoil U.S.A., Inc.

Re Minute Item 41:

Stephen Meyer, representing Ocean Front Oil Company

Re Status of Major Litigation

Honorable Robert Hayes, Assemblyman

MINUTES OF THE STATE LANDS COMMISSION
MEETING OF

June 26, 1980

The regular meeting of the State Lands Commission was called to order by Chairman Kenneth Cory at 10:02 a.m. in Room 6031, State Capitol, Sacramento.

Also present were David Ackerman and Roy M. Bell.

The minutes of the meeting of May 29, 1980 were approved as presented.

EXECUTIVE OFFICER'S REPORT:

During Mr. Northrop's report concerning the windfall profit tax, the Commission authorized the Executive Officer to enter into a limited term contract with a law firm in Washington, D.C. specializing in Federal tax law at a cost not to exceed \$10,000 and report back to the Commission at its next meeting.

Attachment: Exhibit A

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EXHIBIT "A"

EXECUTIVE OFFICER'S REPORT

By

WILLIAM F. NORTHROP
EXECUTIVE OFFICER

JUNE 26, 1980

EMERGENCY PERMIT

PRC 5839.9

THE CORPS OF ENGINEERS IS IN THE PROCESS OF RECLAIMING WEBB TRACT, AN ISLAND IN THE DELTA, WHICH WAS FLOODED DUE TO LEVEE BREAKS DURING LAST WINTER'S STORMS. PUMP-OUT FACILITIES WILL REQUIRE THAT P.G.&E. PROVIDE EMERGENCY ELECTRICAL SERVICE TO THE ISLAND. THE RECLAMATION WORK IS SCHEDULED FOR COMPLETION WITHIN 12 MONTHS, DEPENDING UPON WEATHER CONDITIONS. WORK IS TO START ON JULY 1, 1980.

IN RESPONSE TO THE PROPOSAL FOR STORM DAMAGE CORRECTIVE WORK, STAFF ISSUED AN EMERGENCY PERMIT TO P.G.&E. FOR INSTALLATION OF A SUBMERGED POWER CABLE UNDER THE SAN JOAQUIN RIVER BETWEEN TWITCHELL ISLAND AND WEBB TRACT. THE TEMPORARY EMERGENCY PERMIT WILL EXPIRE ON DECEMBER 31, 1981, WHICH SHOULD ALLOW FOR COMPLETION OF THE RECLAMATION WORK AND REMOVAL OF THE SUBMERGED POWER CABLE. ISSUANCE OF EMERGENCY PERMITS FOR LEVEE REPAIR WAS APPROVED BY THE COMMISSION AT ITS FEBRUARY 1980 MEETING.

W 9603

WINDFALL PROFIT TAX

COMMISSION AND ATTORNEY GENERAL STAFF, ALONG WITH OUR WASHINGTON COUNSEL AND THE CITY ATTORNEY OF LONG BEACH, MET WITH THE DEPUTY UNDERSECRETARY OF THE DEPARTMENT OF TREASURY. WE INDICATED TO HIM OUR INTERPRETATION OF THE INTERIM WITHHOLDING

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1120

TAX REGULATIONS AND THE PROBLEMS WHICH HAVE ARISEN AS TO THE DEFINITION OF "ECONOMIC INTEREST" AND THE DIFFERENCE IN APPLICATION OF IRS REGULATIONS FOR DEPLETION VS. WINDFALL PROFIT TAX CALCULATION. WRITTEN COMMENTS HAD BEEN SUBMITTED EARLIER FOR HEARINGS ON JULY 16 AND 17 AT WHICH TIME REVISIONS OF THESE INTERIM REGULATIONS ARE TO BE CONSIDERED. THEY RECOMMENDED THAT WE MAKE A PRESENTATION AT THAT HEARING AND SUBMIT ADDITIONAL WRITTEN COMMENTS.

CURRENTLY, APPROXIMATELY \$13 MILLION IN WINDFALL PROFIT TAXES PAID BY VARIOUS TIDELAND CONTRACTORS HAVE BEEN WITHHELD FROM STATE REVENUE FOR THE MONTHS OF MARCH, APRIL AND MAY. APPLICATION FOR REFUND OF THESE WITHHOLDING TAX MONIES FROM THE TREASURY DEPARTMENT IS NOW UNDER CONSIDERATION.

CRUDE OIL SELL-OFFS

W 9306.4
W 9306.5
W 9306.6

IN ACCORDANCE WITH YOUR AUTHORIZATION OF JANUARY 24, 1980, THE STAFF CALLED FOR AND RECEIVED BIDS ON THE UNCONTROLLED PORTION OF ROYALTY OIL PRODUCED UNDER CERTAIN STATE LEASES IN THE ELLWOOD AND CARPINTERIA AREAS IN SANTA BARBARA COUNTY AND THE HUNTINGTON BEACH AREA IN ORANGE COUNTY. THE BIDS WERE BASED ON THE HIGHEST PER BARREL BONUS OVER THE HIGHEST POSTED PRICE FOR UNCONTROLLED OIL IN THE RESPECTIVE FIELDS. LA JET, INC., SUBMITTED ON MAY 27, 1980, THE ONLY BID FOR APPROXIMATELY 2300 B/D IN THE SOUTH ELLWOOD FIELD IN THE AMOUNT OF \$0.367 PER BARREL. ON MAY 30, 1980, TWO BIDS WERE RECEIVED FOR APPROXIMATELY 100 B/D IN THE SUMMERLAND/CARPINTERIA FIELDS, WITH THE HIGHEST

BID FROM USA PETROCHEM IN THE AMOUNT OF \$0.86 PER BARREL. ON JUNE 17, 1980, TWO BIDS WERE ALSO RECEIVED FOR THE 100 B/D OF HUNTINGTON BEACH OIL WITH USA PETROCHEM SUBMITTING THE HIGH BID OF \$0.32 PER BARREL. THESE BIDS ARE CURRENTLY BEING REVIEWED BY STAFF AND WILL BE PRESENTED FOR YOUR CONSIDERATION AT THE JULY MEETING.

LB: ADMIN.

ADDITIONALLY ON JUNE 23, 1980, WE CALLED FOR BIDS ON APPROXIMATELY 250 B/D FROM TRACT 2 OF THE LONG BEACH UNIT AND NO BIDS WERE SUBMITTED. IT APPEARS FROM THE RATHER LIMITED RESPONSE WE ARE RECEIVING ON THE SELL-OFFS THAT THE DEMAND FOR CRUDE OIL IS DECREASING.

RECORD OF ACTION TAKEN BY THE
STATE LANDS COMMISSION
AT ITS MEETING OF June 26, 1980

During the meeting, the recommendations of the staff relative to Calendar Items C1, C2, C3, C4, C6, C7, C8, C9, C10, C11, C12, C13, C14, C15, C16, C17, C18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 42, 43, 44, 45, 46, 47, 48, 49 were adopted as resolutions of the Commission by unanimous vote.

Commission action on Calendar Items C5, 24, 34, are set forth on pages 1165, 1313, 1413, 1477.

Calendar Items 30, 32 were withdrawn from the agenda prior to the meeting.

Status of Major Litigation is set forth on page 1518.