

MINUTE ITEM

This Calendar Item No. 29
was approved as Minute Item
No. 29 by the State Lands
Commission by a vote of 3
to 0 at its 3-25-76 MINUTE ITEM
meeting.

3/25/76
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29. RENEWAL, AMENDMENT, CONSENT OF ASSIGNMENT AND SUBLEASE APPROVAL UNDER PRC 2757,1; PHILLIPS PETROLEUM COMPANY - WP 2757, PRC 2757.

During consideration of Calendar Item 29, Mr. William F. Northrop, Executive Officer, stated that Chairman Kenneth Cory (absent from this meeting) raised the question of why Gulf Oil Company, GITCO, which is normally not in the coke business, is being apparently subsidized in the coke business by the First National Bank of Chicago which also happens to be the bank of ARCO.

Mr. Richard S. Jensen, attorney, representing Phillips, appeared in support of the item. Mr. Jensen attempted to answer Chairman Cory's question. However, his answer did not clarify the question. Mr. Peter Pelkofer, alternate for Chairman Cory, inserted that since the Chairman was absent and he was not fully informed on the matter, it should probably be deferred until the next meeting. Acting Chairman Roy M. Bell, however, suggested that instead of adjourning the meeting, he recess it and reconvene the next day, or consider the item after the Executive Session immediately following this regular meeting. Mr. Northrop then recommended that the item be considered at the end of this agenda. In the meantime, Chairman Cory could be conferred with to obtain his views. It was agreed to use the latter suggestion.

At the conclusion of the meeting, Mr. Pelkofer advised the Commission that, after consulting with Chairman Cory, the questions raised had been answered and the Chairman's objections had been withdrawn.

The Commission therefore unanimously approved the resolution presented in Calendar Item 29 attached.

Attachment:
Calendar Item 29 (2 pages)

RENEWAL, AMENDMENT, CONSENT OF ASSIGNMENT
AND SUBLEASE APPROVAL UNDER PRC 2757.1

In 1950, subsequent to the dismissal of a condemnation action, the Commission authorized the issuance to the United States of America of right-of-user permit PRC 398.1, covering the same 2.72 acres of tide and submerged lands in New York Slough at Pittsburg, Contra Costa County, for the maintenance and use of an embarkation wharf adjacent to Camp Stoneman.

The permit provided that in the event the improvements were to be sold, the State would have first refusal on the purchase of such improvements at a price determined by the United States. The State Lands Commission, on December 17, 1960 (Minute Item 29, pages 5525-27), declined the purchase of the improvements located on the State lands covered by user permit PRC 398.1.

General Services Administration advised the State Lands Division on August 25, 1960, of the election by the United States of America to terminate Lease PRC 398.1, and further notified this Division that the improvements located within the lease area had been sold to M & R Services.

M & R Services was issued a State Lands Commission lease effective July 19, 1960, for a period of 15 years with two renewal options of ten years each, for the maintenance and operation of the wharf facility. The annual rental was \$2,700.96 per year, with a surety bond of \$30,000.

On April 8, 1963, M & R Services was officially changed in name to Diablo Seaways Terminal. Subsequently, 100% of the stock in Diablo Seaways Terminal was acquired by Tidewater Oil Company, and in August 1965, the Commission approved assignment of the lease to Tidewater. Tidewater Oil Company was subsequently acquired by Phillips Petroleum Company and in May of 1966, the Commission approved the assignment of the lease to Phillips.

The facility is presently used for bulk loading and unloading of water transported materials, primarily caustics.

Phillips Petroleum has tentatively entered into a complex agreement of sale which accomplishes the following:

1. Phillips will sell the entire terminal, both private lands and the State Lands Commission leasehold, to Lion Oil Company ("Lion Oil Co.") a Delaware Corp. qualified to do business in California under the name "Subsidiary of the Oil Shale Corp., Lion Oil Co."

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2. The Commission's consent to the assignment and approval of the sublease will be contingent upon the consummation of the sale agreement between Phillips and TOSCO.

The staff has reappraised the property under lease and finds that a fair rent during the 10-year renewal should be \$9,266.40 per year. The original bond of \$30,000 should be raised to \$50,000. Liability insurance in the amount of \$2,000,000 combined single limit per occurrence for bodily injury and property damage.

This action is exempt from CEQA in that it does not constitute a project.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER PROVISIONS OF PRC 21065 AND 14 CAL. ADM. CODE 15037.
2. AUTHORIZE THE ISSUANCE TO PHILLIPS PETROLEUM COMPANY OF A 10-YEAR RENEWAL OF LEASE PRC 2757.1, IN CONSIDERATION OF AN ANNUAL RENT IN THE AMOUNT OF \$9,266.40; PROVISION OF A \$50,000 SURETY BOND; PROVISION OF PUBLIC LIABILITY INSURANCE IN THE AMOUNT OF \$2,000,000 COMBINED SINGLE LIMIT PER OCCURRENCE FOR BODILY INJURY AND PROPERTY DAMAGE; AND RESERVING THE RIGHT TO REVIEW AND RESET RENTAL DURING THE PERIOD MARCH 1, 1976, THROUGH FEBRUARY 28, 1977, TO CONFORM TO ANY CHANGES OR ADDITIONS TO TITLE 2, DIVISION 3 OF THE CALIFORNIA ADMINISTRATIVE CODE.
3. APPROVE ASSIGNMENT OF PRC 2757.1 FROM PHILLIPS PETROLEUM COMPANY TO LION OIL COMPANY, SUBSIDIARY OF THE OIL SHALE CORPORATION ("TOSCO").
4. AUTHORIZE THE STATE LANDS DIVISION AND THE OFFICE OF THE ATTORNEY GENERAL TO TAKE ALL STEPS NECESSARY, INCLUDING LITIGATION, TO EFFECT THIS TRANSACTION.

THE ABOVE SHALL BE EFFECTIVE UPON THE CONSUMMATION OF A VALID SALE AGREEMENT BETWEEN PHILLIPS PETROLEUM COMPANY AND THE OIL SHALE CORPORATION ("TOSCO") AND APPROVAL OF THE SALE BY A COURT OF COMPETENT JURISDICTION.