

MINUTE ITEM

This Calendar Item No. 48  
was approved as Minute Item  
No. 48 by the State Lands  
Commission by a vote of 2  
0 at its 12-16-80  
meeting.

CALENDAR ITEM

48

12/80  
W 503.1052  
PRC 4886.1  
Faber

SETTLEMENT OF LITIGATION-VALLEY  
NITROGEN PRODUCERS, INC., BANKRUPTCY

In December of 1976, the Commission authorized the transfer of Lease PRC 4886.1 from Hercules, Inc., to Valley Nitrogen Producers, Inc., (VNP). Located on the premises was a deteriorating pier. As part of the assignment, VNP was obligated to repair or replace the pier. VNP failed to do the work and on October 1, 1979, it filed for reorganization under Chapter 11 of the new Bankruptcy Code. Pursuant to that code and with court approval, VNP rejected the lease and all related obligations in December of 1979.

Commission staff estimated the cost of removal of the pier at \$127,000 and accordingly filed a claim for that amount plus one year's rental, for a total of \$127,300. VNP objected to all but \$300 of the claim. Briefs have been submitted by the respective parties. Negotiations between VNP and State Lands Commission staff have resulted in a proposed settlement. Attorneys for VNP and the Creditors Committee have agreed to recognize a claim by the Commission in the amount of \$63,500. The Commission will then receive the same percentage as all other unsecured creditors as against that claim. The estimated recovery will be approximately 20 cents on the dollar.

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACCEPT THE OFFER OF OPPOSING COUNSEL TO SETTLE THIS CASE BY VNP AND THE CREDITORS COMMITTEE RECOGNIZING A CLAIM OF \$63,500 BY THE COMMISSION IN RE: VALLEY NITROGEN PRODUCERS, INC., ET AL., UNITED STATES BANKRUPTCY COURT, EASTERN DISTRICT OF CALIFORNIA, CASE #179-01648.

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S 7