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CALENDAR ITEM  
C39

MINUTE ITEM  
This Calendar Item No. C39  
was approved as Minute Item  
No. 39 by the State Land  
Commission by a vote of 3  
to 0 at its 3/1/95  
meeting.

FIVE YEAR RENT REVIEW

03/01/95

Lessee:

Union Oil Company of California  
2323 Knoll Drive  
Ventura, CA 9006  
Attn: Mr. Patrick Moran, Landman

PRC 4017.1  
A. SCOTT

AREA, TYPE LAND AND LOCATION:

116± Acre parcel of tide and submerged land in the Santa Barbara Channel from Sea Cliff to existing platforms in the Outer Continental Shelf.

LAND USE:

Maintenance of existing pipelines for oil, gas, water and a wastewater outfall.

BACKGROUND:

In December of 1992, in accordance with the terms of the lease, the staff began its routine process of reviewing the annual rent for this lease to determine if the current rent required adjustment. Following our standard operating procedure, again in accordance with the terms of the lease, we mailed notice of our proposal to review the rent to Union. This notice was followed by notice of the proposed change to the existing rent from \$19,150 to \$33,930 and a subsequent notice of the final action of the Commission authorizing an increase in the annual rent. Following approval by the Commission the accounting office of the Commission was notified of the change in annual rent and they proceeded to send an invoice to Union for rent in the amount of \$33,930 for the lease year beginning August 28, 1993.

When this invoice was received by Union they contacted our office concerning the rental amount. They indicated they had not received any of our prior notices. These notices had been mailed to an old address from the lease file and had not been forwarded to the proper unit of Union. When the invoice was received Union protested the amount and the fact that they had received no opportunity to contest the rent change before the Commission had acted on the staff's recommendation. Union asked for reconsideration of the rental change. Staff agreed to reconsider the rental adjustment and Union agreed to continue to pay the new rental amount of \$33,390 under protest until such time as an agreement could be reached on a rent acceptable to both Union and the Commission.

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**CURRENT SITUATION:**

Commission staff and representatives of Union have worked during the past two years to determine a methodology for calculating a reasonable rental for this type of pipeline installation, e.g. multiple small pipe lines located in a very wide right of way over a long length (shore to the 3-mile limit). We have reached agreement on the method of calculating the area of use within the described right of way for rental purposes and an upland industrial land value to be used in setting rent for this facility. Staff believes that the methodology developed and the land value used in this case is reasonable given the specific circumstances of this pipeline right of way. The annual rental using this methodology and land value will require rescinding the Commission's prior approval of a rental adjustment given on April 28, 1993 and authorizing a change in the annual rental from \$19,150 to \$23,755.77, effective August 28, 1993.

**STATUTORY AND OTHER REFERENCES:**

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

**AB 884:**

N/A

**EXHIBITS:**

A. Location Map

**IT IS RECOMMENDED THAT THE COMMISSION:**

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. RESCIND COMMISSION ACTION C02 SUB-ITEM C FROM ITS MEETING OF APRIL 28, 1993.
3. AUTHORIZE THE CHANGE IN THE ANNUAL RENTAL OF LEASE PRC 4017.1 FROM \$19,150 TO \$23,755.77, EFFECTIVE AUGUST 28, 1993.

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