

MINUTE ITEM

2/26/76
LHG

48. RENEWAL, AMENDMENT, CONSENT OF ASSIGNMENT AND SUBLEASE APPROVAL UNDER PRC 2757.1; TIDE AND SUBMERGED LAND IN NEW YORK SLOUGH AT PITTSBURG, CONTRA COSTA COUNTY; PHILLIPS PETROLEUM COMPANY - WP 2757, PRC 2757.

After Mr. James P. Trout, Manager, Land Operations, explained Calendar Item 48, Chairman Kenneth Cory expressed that he preferred to defer the item until the March meeting so that certain questions he has can be clarified relating to the interests of the parties involved in the transaction.

The Commission therefore unanimously agreed to defer Calendar Item 48 attached until the March meeting.

Attachment:
Calendar Item 48 (3 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 Co. ("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. Lion Oil Company will mortgage the entire terminal to First National Bank of Chicago, conditional upon Lion leasing the entire terminal to Gulf International Trading Company ("GITCO"), a wholly-owned subsidiary of Gulf Oil Company.
3. Rents from the entire terminal will be assigned to First National Bank of Chicago as additional security for the loan.
4. Gulf International Trading Company ("GITCO") will lease the entire terminal back to Lion Oil Company.
5. Lion Oil Company and Gulf International Trading Company ("GITCO") will be jointly and severally liable for the performance of terms, conditions and obligations under Lease PRC 2757.
6. 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.
7. First National Bank of Chicago will agree to dispose of any interest acquired in the leasehold only on such terms and conditions as the Commission deems appropriate.

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

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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. APPROVE THE MORTGAGE AND HYPOTHECATION OF PRC 2757.1 BY LION OIL COMPANY TO FIRST NATIONAL BANK OF CHICAGO.
5. APPROVE THE SUBLEASE OF PRC 2757.1 FROM LION OIL COMPANY TO GULF INTERNATIONAL TRADING COMPANY ("GITCO") A WHOLLY-OWNED SUBSIDIARY OF GULF OIL COMPANY.
6. APPROVE A LEASEBACK OF PRC 2757.1 FROM GULF INTERNATIONAL TRADING COMPANY ("GITCO") TO LION OIL COMPANY.
7. REQUIRE FIRST NATIONAL BANK OF CHICAGO TO DISPOSE OF ANY INTERESTS IT ACQUIRES IN PRC 2757.1, THROUGH FORECLOSURE, ON TERMS AND CONDITIONS THE COMMISSION MAY DEEM APPROPRIATE.
8. REQUIRE LION OIL COMPANY AND GULF INTERNATIONAL TRADING COMPANY TO BE AND REMAIN JOINTLY AND SEVERALLY LIABLE FOR THE PERFORMANCE OF TERMS, CONDITIONS AND OBLIGATIONS IMPOSED BY PRC 2757.1 AS RENEWED AND AMENDED.
9. AUTHORIZE THE STATE LANDS DIVISION AND THE OFFICE OF THE ATTORNEY GENERAL TO TAKE ALL STEPS NECESSARY, INCLUDING LITIGATION, TO EFFECT THIS TRANSACTION.

ITEMS 3 THROUGH 9, INCLUSIVE, 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.