APPEARANCES

Commission Members:

Nancy Ordway, representing Jesse Huff,
Director of Finance, Chairperson

Walter Harvey, representing Kenneth Cory,
State Controller

Susan Wallace, representing Leo T. McCarthy,
Lieutenant Governor

Staff Present:

Claire T. Dedrick, Executive Officer

James F. Trout, Assistant Executive Officer

Robert C. Hight, Chief Counsel

Judy Markell, Executive Secretary
INDEX

Proceedings

I. Consideration of Assignment of Royalty Oil Sales Contract
   PRC 6480 From Powerline Oil Company, Huntington Beach, Orange County
   Staff Presentation, Mr. Hight
   Comments by Commissioner Harvey
   Commission Action
   Adjournment

Certificate of Shorthand Reporter
The one and only order of business for today is the consideration of assignment of royalty oil sales contract from Powerine Oil Company, Huntington Beach, Orange County.

EXECUTIVE OFFICER DEDRICK: I think that Bob Hight should present this item.

MR. HIGHT: Powerine filed bankruptcy on Monday and we would like to make this assignment subject to staff review of that assignment in light of the filing and staff's determination that the state's interest can be adequately protected because of that.

CHAIRPERSON ORDWAY: Why don't you go back one step and summarize the item and then condition it.

MR. HIGHT: This is a royalty oil sales contract for oil that Powerine is currently taking from Huntington Beach. It's about 1,000 barrels a day. Powerine is currently the bidder at $2.12 above posted price. The assignment would take Powerine off the hook and put Edgington in their place.

CHAIRPERSON ORDWAY: We have a prerequisite item that needs to be discussed at all?

MR. HIGHT: No, all the assignments and other forms have been completed.
EXECUTIVE OFFICER DEDRICK: For your information, Powerine has notified the state that they will not be able to pay for the oil which they took in February and March. That's $600,000 a month. So, it's $1.2 million. That is covered by the bond which Powerine had to post when they took the royalty oil sales.

CHAIRPERSON ORDWAY: So, we will not see revenue losses as a result of that.

EXECUTIVE OFFICER DEDRICK: As far as we can tell, we're not going to have a revenue loss.

CHAIRPERSON ORDWAY: Any other comments from staff?

Members?

COMMISSIONER HARVEY: No. I have a question. I would like, if I can --

CHAIRPERSON ORDWAY: Mr. Harvey has questions.

COMMISSIONER HARVEY: Mr. Counsel, some of what I get into may delve into the area of confidentiality. I have not had an opportunity to speak to counsel from other agencies that may be involved in some of the things that I will say here. However, what I intend to address is, I think, already a matter of public record, basically.

First, I would hope that, even behind the bond, that we have filed a lien against the Huntington Beach operation, because I have some feelings that we may have
trouble from the bonding company. I understand that was to.

have been done last Monday.

EXECUTIVE OFFICER DEDRICK: That has been done.

COMMISSIONER HARVEY: I don't know whether that

preceded the filing. Actually, Powerine filed under

Chapter 11 on the 26th. I don't have the time. I have

a case number. I have the judge to whom it is assigned

and I have some off-the-record comments that have been

made back to various state agencies by people who are

representing Powerine.

I also might give you for your record the

attorney of record who will represent Powerine in their

bankruptcy. It is Herbert Young. It will be General

Counsel. His address is 12354 Lakeland Road, Sante Fe

Springs, 90670. Other attorneys who have represented

Powerine have advised me that they will no longer do so

unless they are specially retained on tax matters.

Secondly, as a matter of public record, there

are presently two petitions involving Powerine under

submission, I guess, at the State Board of Equalization.

One involves something over a million dollars worth of

sales taxes and interest and penalties thereon. The other

involves something over $100,000 in corporate franchise

taxes that have been petitioned from an assessment made by

the Franchise Tax Board.
The State of California, I hope, is adequately protected under its bonds. I don't know where we will stand with respect to these taxes.

I have been told that all of the assets of Powerine are encumbered greater than their value by bank loans. That means that we're treading on relatively infirm ground to get a heck of a lot of money.

Is it proper to discuss the Long Beach contract at this point, Mr. Counsel?

MR. HIGHT: It is not an element of this particular calendar item.

COMMISSIONER HARVEY: But I think the position and condition of the assignee of this particular contract is.

Since this is going to an entity that will also be involved in that contract, that's my question; whether or not any discussion of that bench contract or what I would recommend we do is premature?

MR. HIGHT: I think it's premature based upon the fact that we have adequate bonding to cover the state's liability exposure, if any, in this transaction.

COMMISSIONER HARVEY: Subject at this point, I understand, to some extent at least by what action may be taken by bankruptcy court, which may not be in existence by Monday. There may not be a bankruptcy court on Monday.
unless Congress does something before today is over. All of the bankruptcy judges in the State of California will be without any authority to act period. There is some possibility that all heck is going to break loose. That's why I wanted to make certain that we do everything we can to protect our interest today.

MR. HIGHT: I believe we have.

COMMISSIONER HARVEY: I think I've got all I need into the record.

CHAIRPERSON ORDWAY: Any other questions?
Do we have a recommendation?

COMMISSIONER HARVEY: I have no problem in recommending that we approve, subject to the conditions the staff has imposed. At this point I don't know whether approval of the trustee in bankruptcy, whoever that may wind up to be, is something that is necessary. I'd like you to look into that as an additional condition.

If you find that it's necessary, fine. If you don't, then that's okay with me.

But I would like to give that caveat. You may not find anybody that can. That's what our problem is liable to be with the bonding company.

I would then recommend that we accept the staff recommendation on the assignment of the involved lease from Powerine to Edgington.
COMMISSIONER ORDWAY: Second?

MR. HIGHT: I must make a statement for the record.

Susan Wallace is sitting for the Lieutenant Governor in a non-voting capacity.

CHAIRPERSON ORDWAY: That's right.

Without objection, it's so moved.

Any other items to come before the Commission?

EXECUTIVE OFFICER DEDRICK: That's it.

(Thereupon the hearing adjourned at 10:10 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, EILEEN JENNINGS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing Special Meeting of the State Lands Commission was reported in shorthand by me, Eileen Jennings, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set hand this 15th day of April, 1984.

EILEEN JENNINGS
Certified Shorthand Reporter
License No. 5122