

1. ROYALTY OIL SALES; FEDERAL ENERGY OFFICE REGULATIONS OF FEBRUARY 21, 1974.

During the emergency meeting of the State Lands Commission, Chairman Houston I. Flournoy read the proposed resolution into the record. Mr. Flournoy noted that if legal action was going to be taken, it had to be done immediately and, therefore, he had called this emergency meeting. Mr. Flournoy pointed out that the action of the Federal Energy Office in rolling back the price for this one segment of the sales of crude oil in no way was accompanied by any move to rollback the price of gasoline for anybody. He noted that instead of being a windfall to the State, the rollback is an additional windfall to the oil companies. In his opinion, the State Lands Commission has the responsibility to not be in the business of subsidizing oil companies by artificially low prices. He repeated that the Commission should fight this action. At this time, Mr. Flournoy moved to support the resolution and authorize the Executive Officer and the Attorney General to take any and all actions appropriate to obtain a reversal of the new ruling.

At this time Verne Orr, Director of Finance, presented his views. He stated that the State of California is a sovereign state, that the sales of crude oil represents a capital asset, and that it is not the business of Federal government to tell the sovereign State of California the price at which it can sell an asset. He continued by saying that the amount of additional money that the State would receive compared to the overall money spent by oil companies for gasoline would be a negligible amount. Mr. Orr then seconded Mr. Flournoy's motion to support the resolution.

Upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER AND THE ATTORNEY GENERAL TO TAKE ANY ACTION TO REVERSE, AMEND OR REPEAL THE ACTION TAKEN BY THE FEDERAL ENERGY OFFICE ON FEBRUARY 21, 1974, IN CONNECTION WITH THE EXEMPTION OF STATE AND LOCAL GOVERNMENTS FROM CEILING PRICES FOR CRUDE OIL, INCLUDING BUT NOT LIMITED TO BRINGING APPROPRIATE COURT PROCEEDINGS AND FILING OBJECTIONS AND PETITIONS WITH THE FEDERAL ENERGY OFFICE.