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STATE LANDS COMMISSION
1020 - 12th Street, 2nd Floor
Sacramento, CA 95814
(916) 445-5303

July 30, 1974

STATEMENT OF CHAIRMAN HOUSTON I. FLOURNOY

At the close of business today, the people of the State of California will have lost \$181,350,000 in public tidelands oil revenue due to the Temporary Emergency Court of Appeals July 26th reversal decision.

The decision declared that the Federal Energy Office had the right to remove State and local government exemptions from crude oil price ceilings, and to make that right retroactive to October 25, 1973, without prior notice or public hearing.

As each 24 hours rolls by, that \$181 million loss is increased at the rate of \$650,000 a day. By the end of this calendar year, the loss to the people of this State will be an additional \$100 million.

That's more than a quarter of a billion dollars of their own money that the people of California could lose in 14 months and 7 days unless we get judicial relief from a federal administrative regulation that forces us to sell our state-owned oil to independent oil producers at less than half the fair market value.

At today's prices, major oil companies and independent producers are allowed to sell crude oil at the posted price of more than \$10 a barrel. The Federal Energy Office, supported by last Friday's court decision, is retroactively forcing the State of California to sell its royalty oil at the artificial price ceiling of \$4.21 a barrel. If the posted price should go higher, the price ceiling on California oil would not budge one cent.

Tidelands oil is a public resource in California, and belongs only to the people of this State. The revenue from that resource also belongs to the people of this State. By statute, that revenue is applied, in its greatest majority, to water projects; to recreation, fish and wildlife preservation; and, to higher education.

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At a time when major oil companies are reporting profits which have been called everything from "obscene" to "phenomenal", it is unconscionable that a temporary administrative energy office should countenance and perpetuate increasing private gains while slapping a lid on public revenues.

It is amazing to me that some oil companies seem to be perfectly willing to pay whatever price a foreign country charges for oil, but are unwilling to pay their own posted prices for oil from a sovereign state within their own country.

Their attitude is totally irresponsible and completely contrary to the best interests of the people of California. It is, in effect, an insulting demand that the people of California provide them with a subsidy even beyond the gas pump.

The State Lands Commission has an obligation to the people of this State to get a fair market price for their oil and if we have to go to the United States Supreme Court in order to operate on the open market, then that's where we'll go.

At the emergency meeting this afternoon, I will introduce a motion that the State Attorney-General be authorized to petition the U.S. Supreme Court to hear the State of California on appeal from the recent decision of the federal Temporary Emergency Court of Appeals.

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STATE LANDS COMMISSION
1020 - 12th Street, 2nd Floor
Sacramento, CA 95814

Redlands Del
NEWS RELEASE

July 8, 1974

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-- FOR IMMEDIATE RELEASE --

SACRAMENTO -- State Controller Houston I. Flournoy said today he will oppose U. S. plans for massive offshore oil operations along the Southern California coast unless the Federal Government guarantees to meet California's stringent standards for drilling operations.

"I am not against oil drilling or exploration for new energy sources," said Flournoy, who also is chairman of the State Lands Commission, "but I do demand optimum safety measures.

"I intend to see to it that the Federal Government applies to all of its off-shore oil operations the same strict controls the State has adopted in order to give the best possible protection to the people of California."

Flournoy said he had a particular problem with the federal interest in granting exploratory oil leases off Santa Monica Bay.

"Santa Monica Bay," he said, "has been termed a sanctuary by both local and state government. We have long-established policies preserving this area and we intend to maintain them. The Federal Government must take into consideration the particular concerns of Californians in this area."

Flournoy pointed out that the Federal Government has operated its offshore oil leases under more relaxed requirements than those of the State.

"When the State Lands Commission lifted the five-year drilling moratorium on State leases last December," he said, "we

adopted even stricter regulations than were in force when the Santa Barbara blow-out occurred on a federal offshore lease in 1969. The requirements we have today are probably the toughest in the world."

The Commission's request for stricter safety assurances, he said, has already been forwarded to U.S. Secretary of the Interior Rogers C. B. Morton and to the Outer Continental Shelf Research Management Advisory Board.

Flournoy said any federal action without considering California's major concerns would meet certain opposition from him, personally, and possibly additional opposition from the State Lands Commission, which has jurisdiction over all development crossing the three-mile width of offshore state waters along the entire California coastline.

"The Lands Commission," he explained, "as well as the Coastal Commission, will have jurisdiction over federal lessees wanting to transport oil across state tidelands and into coastal refineries for processing. So there are definite commitments that must be made by the Federal Government to abide by our safety standards and regulations, as far as I am personally concerned.

"If the lessees were to try offshore loading," he continued, "then I would want to see an environmental impact report on that possibility, with all alternatives explored. California definitely is entitled to that consideration."

Flournoy also called for establishment of formal, meaningful coordination mechanisms for meeting California's concerns before any final action is taken by the Federal Government.

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