FOIA Number: 2014-0908-F

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Folder Title:
Elk Hills, CA 9-10/96

Stack:	Row:	Section:	Shelf:	Position:
S	24	4	7	2

66210

TO: KRIS BALDERSTON
FR: MELANIE KENDERDINE
RE: CALIFORNIA TEACHERS

ISSUE

The California Retired Teachers System and the State of California have a 100 year old claim against a DOE oil field which we are in the process of selling. The Department is statutorily obligated to sell this property and to settle the claim with the teachers. **The President** sent **legislation to the hill to do this in early 1995.** Congress passed a variation on our legislation in the Defense Authorization bill in 1996.

The net present value of the field is $1.5 billion although we are seeking bids and do not know the final sale price. The settlement would give the pension fund 9 percent of the proceeds of the sale. Estimates of the value of the settlement range from $135 million to $180 million. Payment of the claim requires a settlement and appropopriation.

There are 500,000 teachers in California and 160,000 retired teachers. Teachers in the California pension plan apparently do not receive social security and receive extremely small monthly payments from the fund -- this settlement is the number one issue for the teachers this year.

EVENT

Event starts promptly at 8:45 am California time, Thursday, October 10. Congressman Fazio is going to Sacramento to the California Teachers Association state headquarters to announce that the negotiating parties (DOE, Teachers, CA Land Commission and CA AG's Office) have reached agreement which will be finalized when the Governor signs it.

Secretary O'Leary will be phoning in to tell the assembled teachers and CTA that she is signing the settlement agreement. She will praise Fazio and other members for their help, etc.

All California papers cover Sacramento. They know what is going to be announced but are honoring an embargo. Fazio also expects television coverage.

SENSITIVITIES

We have had a difficult time making this a smooth roll out because the Retired Teachers Board and AG's office could give this to the Governor for his announcement if we give them any lead time.

The President sat next to the CTA President, Lois Tinson, at a dinner two or three months ago. She is from Arkansas, used to teach there and the President remembered her. They spoke about this issue and he apparently told her he would get back to her on it.

Patrick → 6 - 9987
Mel → 6 - 4891

~~NEWS MEDIA CONTACT:~~
PR Bill Wicker, 202/586-5827

DRAFT DRAFT DRAFT
October XX, 1996

President Clinton Acts To Boost Pension Checks For California Teachers

President Clinton today delivered on his promise to help provide for the financial security of retired California school teachers when the U.S. Department of Energy announced a settlement agreement that could yield more than $100 million to the California State Teachers' Retirement System. The money will be used to provide cost-of-living increases for the retirees.

"This action today demonstrates the President's strong commitment to those who have dedicated their lives to teaching our children," said Energy Secretary Hazel O'Leary. "California teachers can be confident that this agreement will strengthen their retirement system."

President Clinton, a strong advocate for 'common sense government,' in 1995 proposed legislation calling for the sale of Elk Hills Naval Petroleum Reserve near Bakersfield. Privatizing Elk Hills, which will get the federal government out of the business of producing oil and natural gas, reflects the vision of the President concerning the proper roles of the federal government, state government and private industry.

The Elk Hills sales process was set in motion in February when the President signed the Defense Authorization Act of 1996, which also includes a provision that settles a long-standing dispute between the State of California and the Federal government over certain "school lands" within the Elk Hills Reserve. That provision provided an avenue for the state to address its claims by setting aside a percentage (9 percent) of the net proceeds from the Elk Hills sale to benefit the State Teachers Retirement System. (Using Congressional Budget Office estimates of a $1.5 billion sales price for Elk Hills, more than $000 million -- 9 percent of the net proceeds from the sale -- could be available for retired public school teachers in California.)

Once Elk Hills is sold, the Department of Energy (DOE) will pay the 9 percent in five equal installments (without interest) beginning in 1999 and ending in 2003. If the amount exceeds $180 million, the balance over $180 million would be paid in two equal installments in the years 2004 and 2005. The DOE's obligation to pay is contingent on sale, and the obligation to pay each installment is subject to an appropriation from Congress. DOE is obligated to request the President to seek appropriation necessary to fund the agreement.

L-96-000

- MORE -

If the settlement installments are appropriated and disbursed, the State of California will release all Elk Hills school lands claims against the United States and the purchaser(s) of Elk Hills. If Congress does not fund the settlement, or funds only part of the settlement, the state may terminate the agreement and sue DOE or the purchaser(s) for damages. However, whether or not Congress funds the settlement, the agreement would preclude the state from seeking to enjoin the Elk Hills sale and would rule out treble damage claims under state law. It also would permit the purchaser(s) to convert the state's claims that it has title to claims for money damage.

Settlement negotiations had been underway since February. Representatives from [names here...

] were among the parties which agreed to the settlement terms announced today by Secretary O'Leary.

[Next steps here ...]

- DOE -

L-96-000

THE WHITE HOUSE
WASHINGTON

Oct 4 —

John Emerson
Jenn Palmieri

An update fr: Energy on
ELK HILL.

I will try to set up
a call for ~~[illegible]~~ this
afternoon.

Kris

~~CONFIDENTIAL~~/CONTRACT SENSITIVE

TO: KRIS BALDERSTON
FR: MELANIE KENDERDINE
RE: STATUS OF CALIFORNIA TEACHERS' SETTLEMENT
DATE: 10/04/06

Per your request, I am sending you an abbreviated proposal for an event for the signing of a settlement agreement between the DOE and the California Retired Teachers (time is extremely short) and have included the text of the previous memo I sent you on this subject back in August.

UPDATE -- 10/03/96

The Department, the Teachers and the State of California are extremely close to reaching an agreement; DOE is waiting for written concurrence from the DOJ but has already received a verbal OK from a staff counsel at Justice. The draft agreement would give the Teachers Retirement Fund nine percent of the proceeds of the sale of the DOE's Naval Petroleum Reserve. We will not know the final sale price until 1998, when we are statutorily obligated to sell the property; for budget assumption purposes, OMB and CBO estimates would place the value of the settlement at somwhere between $150 and $180 million.

The Governor and the Secretary must sign the final agreement. The teachers and the state have internal approval processes which will take, at a minimum, ten days.

Assuming we have a tentative agreement with all parties within the next 24 hours, we anticipate being ready for some kind of roll-out of an **agreement in principle** by early to mid-week next week (Oct. 8 or 9).

Several members of Congress (Fazio, Dooley, Brown, Harmon, Eshoo, Woolsey, Dellums) have expressed interest in this settlement. The Lieutenant Governor also aware that we are ready to settle.

I recommend that we have an event in California, next Wednesday or Thursday with either Charlie Curtis or Tom Grumbly, any interested members of congress, the head of the teachers association, and a crowd of retired teachers. Mr. Panetta could participate or call in, depending on his schedule, etc.

Timing will be tricky. In order to get an event together with the teachers, we will have to notify their board. As soon as we do this, it is possible that Governor Wilson will take credit for the settlement. Perhaps the California Democratic Caucus, the Senators and John Emerson can help us solve the timing problem.

BACKGROUND (FROM PREVIOUS MEMO)

The Department of Energy owns and operates the Elk Hills Naval Petroleum Reserve in Bakersfield, California. Vice President Gore proposed that this facility be privatized as part of the National Performance Review in 1993.

The President's legislation to privatize the Reserve went to the Hill in the spring of 1995 and included a provision which would settle a longstanding claim by the California State Retired Teachers and the California Lands Commission against Elk Hills property. The State's ownership claim involves two tracts of land within the Elk Hills field. The State has taken the federal government to court to seek compensation for this property and loston the basis that the statute of limitations for the claim had expired.

The State maintains that when and if the property changes hands, as it would in the event of a sale, the claim would be re-activated. This has raised concerns at the Department about the possible dilatory impacts of the claim on the sale process. As such, the DOE recommended and the President included, a settlement provision in his legislation authorizing the sale of Elk Hills. This provision, based on fairness and equity as opposed to the legal validity of the claim, would have paid the State 7 percent of the proceeds from the sale over a nine year period of time.

The 1996 Defense Authorization bill includes language to sell Elk Hills and establishes a mechanism to compensate the teachers for their claim, either through settlement or a successful legal challenge. Under the Congressionally-passed statute, the teachers could be provided up to 9 percent of the value of the property, with the actual amount of the compensation to be determined by an assessment of the "fair value of the claim." Funds for the settlement amount would have to be appropriated.

STATUS

The Department of Energy, with the concurrence of the White House and OMB, has initiated settlement negotiations with the California Retired Teachers, the California Attorney General's office and the State Lands Commission (all interested parties.)

On Friday, August 2, representatives of the Teachers, the CA AG's office and the CA Land Commission, met with DOE and OMB representatives. All parties were reportedly happy with the progress that was made and agreed to have a phone conference in approximately ten days to negotiate further. The group established mid-September as a target date to sign a contingent settlement agreement (any agreement must be contingent because it is necessarily based on value at sale, which will not occur until 1998; and is subject to appropriation.)

General concerns raised by the Department are calculation of fair value of the claim (since the State has lost in court, some of our lawyers view the fair legal value as "0"), timing, appropriations language that would in some way validate the settlement agreement and how to calculate the equitable value of the claim.

The Teachers have drafted a favorable article for their newsletter (circulation: 500,000) which indicates they are optimistic about settlement and that they had a very positive negotiating session with DOE.

DOE indicated that it would like to honor the nine percent amount found in the statute but needed more than preliminary numbers to validate that figure
problem.

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

27-Sep-1996 03:59pm

TO: Kris Balderston
TO: T J. Glauthier
TO: Kathleen Peroff
TO: John C. Angell

FROM: Jennifer Palmieri
Office of the Chief of Staff

SUBJECT: Elk Hills

It appears that DOE has not yet signed off on the final agreement related to compensation for California teachers from the Elk Hills sale.

Lt. Gov. Gray Davis has written Leon to nudge the Administration along on this and we have also started receiving mail on this from teachers across the state.

Anyone know what's going on over a DOE?

thanks.

ps -- I will send the Davis letter to you.

GRAY DAVIS
Lieutenant Governor
State of California

VIA FACSIMILE

September 25, 1996

The Honorable Leon E. Panetta
Chief of Staff to the President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Leon:

As you know, California representatives have been negotiating with the Department of Energy since July to ensure that California is adequately compensated for its ownership interest in Elk Hills Petroleum Reserve. Secretary O'Leary publicly stated in February that California would get 9 percent of the ultimate sales price as compensation for its interest in the field, an interest which has been held since statehood.

Once appropriated by Congress, California's share would come to the State Lands Commission, of which I am a member, for investment on behalf of the 500,000 active and retired teachers in California. Because of the commitments provided and publicity generated by the Administration on this issue, there is a high -- and perfectly reasonable -- expectation on the part of California teachers that their retirement fund will benefit from this sale.

In March, the State provided the Department a draft agreement on this matter. I understand this agreement is now on Secretary O'Leary's desk for her final disposition. I urge the Administration not to lose this opportunity, and to do its utmost to culminate the agreement in an expeditious manner.

Best regards,

Gray

GRAY DAVIS

P.S. It was Nice To see and Talk To you at Chaffey College.

☐ State Capitol, Rm. 1114, Sacramento, CA 95814 (916) 445-8994 FAX (916) 323-4998 E-Mail: Gray.Davis@ltg.ca.gov
☐ 333 South Grand Avenue, Suite 2040, Los Angeles, CA 90071 (213) 620-2211 FAX (213) 620-2033

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

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ps -- I will send the Davis letter to you.

Teacher lawyers being obstinate about [illegible]

Gen Counsel sez can bind future Cong w/o approp

negot several settlements over Fair Value

principal to principal conversat instead of lawyers

Gray LT

Fax Leg Dodd Kennedy

EXECUTIVE OFFICE OF THE PRESIDENT

27-Sep-1996 07:36pm

TO: PALMIERI_J

FROM: Kathleen Peroff

CC: balderston_k
CC: angell_j
CC: T J. Glauthier

SUBJECT: Re: Elk Hills

Message Creation Date was at 27-SEP-1996 19:37:00

I talked with John Emerson about this late this afternoon. DOE and Teachers are discussing a final agreement proposed by California teachers. California wants DOE to agree that the money being paid (the amount of which appears no longer to be a real issue) is the fair value of their legal claim. This causes DOE's General Counsel problems. The General Counsel feels that the claim has to be evaluated on the basis of litigation risk and its potential impact on the sales proceeds the government ultimately receives. California's proposal would require the Secty to agree that the amount of the settlement agreed to by DOE and California is equal to the value value of the legal claim, and there is question as to whether that is the case from DOE's perspective.

I'm not sure why California wants that par ticular condition; perhaps, they feel it will enhance the likelihood that appropriators will come up with the appropriations that will be necessary to make the money agreed to by DOE available to the teachers. The approval of the appropriators is necessary by law; the money will not go to California after the agreement, but only after the appropriators have enacted the funds settled upon by DOE. DOE feels that California's language could actually backfire on the Hill, since the authorizing and appropriation committees know the full history on this issue.

Timing sensitivity:

DOE has to respond to California's offer tomorrow. Apparently on Wednesday, there is a public Board meeting of the Teacher's organization in California and they want to announce that the agreement is ratified. They will take opportunity to pummel DOE if agreement not accepted. DOE told me tonight that they plan to respond tomorrow (Saturday) that they are reviewing the agreement and not give any more substantive indication of where they are. WE plan to discuss this further with them tomorrow. I know they also want to bring in Justice and WH ont he substantive issues soon.

Department of Energy
Washington, DC 20585

OFFICE OF THE
DEPUTY SECRETARY

July 19, 1996

To: Chris Balderston

From: Kyle Simpson

Re: Settlement of claims by the California State Teachers Retirement System (CSTRS).

Attached is a memo that describes the statutory framework requiring an offer of settlement of the Teacher's claim to a portion of the proceeds from the potential sale of the Elk Hills Naval Petroleum Reserves in California, a history of the claim, and our proposed approach to resolving the claim.

We will engage the CSTR in an effort to reach agreement on this approach to achieving a settlement. The requirements of the statute that governs the sale restrict our ability to effectively settle the claim at this time. We propose to determine the fair value of the State's claim over the next 18 months, so that it can be resolved promptly after sale, as required by the statute.

Privileged & ~~Confidential~~

PROCESS FOR SETTLING CALIFORNIA TEACHERS' CLAIM FOR PORTION OF ELK HILLS SALES PROCEEDS

I. Statutory Framework

The Administration's 1995 legislative proposal for the sale of the United States' interest in the Elk Hills Reserve in California (Naval Petroleum Reserve No. 1) provided that 7 percent of the proceeds of sale would be paid to the State of California for the Teachers' Retirement Fund (State). The Congress refused to accede to this approach, and instead provided in the 1996 statute that 9 percent of the net proceeds of the sale would be placed in a contingent fund in the Treasury for up to 10 years after the effective date of the Act, to be available in such amounts as may be appropriated to cover any settlement between the United States and the State or any judgment the State obtains against the United States. The Secretary is required within 30 days after the sale of Elk Hills (scheduled for February 1998) to make an offer of settlement to the State, based on the "fair value for the State's claim, including the mineral estate, not to exceed the amount reserved in the contingent fund." The statute did not affect the merits of the State's claim or recognize the validity of any claim.

II. History of Claim[1]

Although there presently is no pending formal "claim" by the State, the State's historical claims have been based on the California School Lands Grant Act of March 3, 1853, 10 Stat. 244, as amended. Pursuant to Section 6 of that Act, Congress granted to the State sections 16 and 36 of each township for public schools with the exception, inter alia, of lands previously appropriated and mineral lands. In 1927, Congress extended the grant to mineral lands, but continued to except any lands included within the limits of an existing reservation. Act of January 25, 1927, 44 Stat.1026 (codified at 43 U.S.C. 870).

The 1853 Lands Grant Act did not grant the State mineral lands and did not vest title to any school lands immediately. The State took title to school lands only after a survey was approved by the Commissioner of General Land Office ("GLO") (United States v. Morrison, 240 U.S. 192 (1916)), and, until the survey was approved, the United States could dispose of the lands as it wished (see Minnesota v. Hitchcock, 185 U.S. 373, 400 (1901)). Lands that were determined to be mineral lands by an approved survey did not vest in the State. To compensate the State for lands reserved for public uses or taken by private claims, Congress provided that

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[1] The following history borrows heavily from the Findings of Fact filed by the U.S. District Court in 1992 in State of California, ex rel. v. Watkins, et al., No. CV F-87-665 EDP.

other lands could be selected in lieu thereof by the State subject to approval of the Secretary of the Interior. Act of March 3, 1853, sec. 7, 10 Stat. 244.

The Elk Hills school lands were not surveyed until 1901 and they were determined to be mineral in character. United States v. State of California, 55 I.D. 121, 122 (1935). The survey was accepted and approved by the Commission of the GLO in 1903. Because the lands were mineral in nature, title to these lands did not vest in the State, and the lands were reserved from entry under all applicable statutes. Since the Elk Hills Naval Petroleum Reserve had been established in 1912, title to the Elk Hills school sections remained in the United States even after the Act of January 25, 1927 allowed school land grants to apply to mineral lands.

Despite the creation of the Elk Hills Reserve and the exceptions in the 1927 Act, the State claimed title to the sections within Elk Hills, and sold section 36 to Standard Oil Company of California. In the late 1920s and early 1930s, the United States brought a series of successful actions to quiet title to the lands within the Elk Hills Reserve, including the school lands issue. Title to section 36 was quieted in the United States as a result of this litigation. The dispute over section 16 was settled by consent decree.

Following further unsuccessful attempts in the 1980s to resolve the matter to its favor administratively, the State of California filed suit in 1987 to, inter alia, quiet title to Elk Hills school sections and to claim entitlement to fifty percent of all moneys received by the United States from sales, bonuses, royalties and rentals from Elk Hills. In 1992, the U.S. District Court for the Eastern District of California entered judgment in favor of the United States on all counts, and dismissed the case with prejudice. The State's motion for reconsideration was denied.

In 1987, the Department of the Interior Solicitor issued an opinion to the Energy Department General Counsel stating, inter alia, that: California had no vested rights in the lands so as to prevent their sale; Congress was free to vest title in the State (but was not obliged to) and could do so by revoking the withdrawal of the lands; and, if the lands are not restored to the public domain prior to sale, the buyer(s) would acquire title superior to the State's expectancy interest. The 1996 sale legislation did not revoke or terminate the reservation, although both the Administration and the State had requested that Congress take action to give the State a claim to the lands or to the proceeds of sale.

III. Proposed Approach: Consider merits of State's claim during next 18 months so that it can be resolved promptly after sale, as contemplated in the sale statute

Under this proposal, the State and the Department of Energy would pursue a form of administrative dispute resolution known as a "neutral evaluation". This process would entail the informal presentation of positions by each party to an independent, mutually agreeable neutral who, at the end of the process, would recommend to the Secretary of Energy the "fair value of the State's claim" as specified in the statute. After consideration of the neutral's recommendation, the Secretary would make an offer of settlement to the State. If settlement was not achieved, the State would be free to pursue whatever legal avenues were available. The basic steps in the process would cover:

A.	Parties' agreement on process	August 1996
B.	Selection of neutral	November 1996
C.	Written and oral presentations to neutral	January - June 1997
D.	Neutral recommends "fair value" (in terms of a percentage of proceeds of sale)	October 1997
E.	Secretarial decision to accept or modify recommendation	December 1997
F.	Secretarial offer of settlement	February 1998

Elk Hills and California Teachers' Settlement
August 6, 1996 - received from DOE

Background

The DoE owns and operates the Elk Hills Naval Petroleum Reserve in Bakersfield, California. Vice President Gore proposed that this facility be privatized as part of the National Performance Review in 1993.

The President's legislation to privatize the Reserve went to the Hill in the spring of 1995 and included a provision which would settle a longstanding claim by the California State Retired Teachers and the California Lands Commission against the Elk Hills property. The State's ownership claim involves two tracts of land within the Elk Hills field. The State has taken the federal government to court to seek compensation for this property and lost, on the basis that the statute of limitation for the claim had expired.

The State maintains that when and if the property changes hands, as it would in the event of a sale, the claim would be reactivated. This has raised concerns at the Department about the possible dilatory impacts of the claim on the sale process. As such, the DoE recommended and the President included, a settlement provision in his legislation authorizing the sale of Elk Hills. This provision, based on fairness and equity as opposed to the legal validity of the claim, would have paid the State seven percent of the proceeds from the sale over a nine year period of time.

The 1996 Defense Authorization bill includes language to sell Elk Hills and establishes a mechanism to compensate the teachers for their claim, either through settlement or a successful legal challenge. Under the Congressionally-passed statute, the teachers could be provided up to nine percent of the value of the property, with the actual amount of the compensation to be determined by an assessment of the "fair value of the claim." Funds for the settlement amount would have to be appropriated.

Status

The DoE, with the concurrence of the White House and OMB, has initiated settlement negotiations with the California Retired Teachers, the California Attorney General's office and the State Lands Commission (all interested parties).

On Friday, August 2, representatives of the Teachers, the CA AG's office and the CA Land Commission, met with DoE and OMB representatives. All parties were reportedly happy with the progress that was made and agreed to have a phone conference in approximately ten days to negotiate further. The group established mid-September as a target date to sign a contingent settlement agreement (any agreement must be contingent because it is necessarily based on value at sale, which will not occur until 1998; and is subject to appropriation).

General concerns raised by the Department are calculation of fair value of the claim (since the State has lost in court, some of DoE's lawyers view the fair legal value as "0"), timing,

STATE OF CALIFORNIA PETE WILSON, Governor

STRS
State Teachers' Retirement System

STATE TEACHERS' RETIREMENT SYSTEM
POST OFFICE BOX 15275
SACRAMENTO, CA 95851-0275

Toll Free · 1-800-228-5453
or · (916) 229-3870
Teletalk · 1-800-222-8844
Hearing Impared · (916) 229-3541

(916) 229-3714

cc: Baldwin
Glantner
Ruffo

FYI
JP

July 19, 1996

John Emerson
Deputy Assistant to the President
and Deputy Director for Intergovernmental Affairs
Executive Office of the President
Old Executive Office Building, Room 148
17th Street and Pennsylvania Avenue NW
Washington, DC 20500

Re: State of California Teachers - Elk Hills Compensation

Dear Mr. Emerson:

I'm contacting you regarding recent activities impacting education in California. An agreement was reached between the California Legislature and the Governor to reduce class size in primary grades in California's public schools. This is the first truly positive accomplishment for California's public schools in many years and is strongly supported by teachers, teachers' unions, and the public. This high visibility on education provides the President with an opportunity to present his themes on education.

As you know, funding for public education in California is among the lowest in the country. California is also among the lowest in overall test scores and among the highest in drop out rates in the nation. Additional funding for education provides hope to all Californians that breakthroughs can be made in improving these statistics. A task force to implement the class size reduction agreement has been established and will begin meeting on July 31. The California State Teachers' Retirement System will participate on the task force because the need for 20,000 new teachers to effect the agreement will require that approximately 10,000 - 15,000 retired teachers return to the classroom on an interim basis until permanent teachers can be certified.

As a result of the class size reduction agreement, California media coverage has been intense and continues to focus on this issue. The agreement has even surfaced in Dole campaign stories. The attached articles demonstrate the media attention being given to this issue.

We understand the President has been invited to attend the California Teachers Association's Political Action Institute the week of August 4, 1996. This may be an excellent opportunity for the President to affirm his commitment to non-partisan education reform that will provide the best possible environment for student achievement. It would also serve as a forum for the President to reiterate his commitment to retired teachers and the agreement reached with California regarding its claim to school lands within the Elk Hills Naval Petroleum Reserve.

Please feel free to contact me if you would like to discuss this further.

Sincerely,

Jennifer D. Morrill

Jennifer D. Morrill, Director
Governmental Affairs

Attachments

cc(w/att): Jennifer Palmieri
Special Assistant to
the Chief of Staff
to the President

appropriations language that would in some way validate the settlement agreement and how to calculate the equitable value of the claim.

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E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

16-Jul-1996 06:18pm

TO: BALDERSTON_K

FROM: CN=Lori A. Krauss/OU=OMB/O=EOP

CC: palmieri_j
CC: martinez_r
CC: emerson_j

SUBJECT: Re: Elk Hills

Message Creation Date was at 16-JUL-1996 18:16:00

As we understand the current status of this issue, the Department of Energy(DOE), at OMB's request, talked with Jennifer Morrill (Director of Governmental Affairs, California State Teachers' Retirement System) in late June or early July, and told her that the Administration could not agree to an expedited settlement on Elk Hills. It was felt that the high degree of visibility of the Elk Hills sale necessitated methodic analytical review of the hydrocarbon reserves underlying the sections of land California is claiming.

In conjunction with the sale of Elk Hills, as required by statute, an Elk Hills Reserve Report is being prepared by an independent expert. We checked with DOE to determine whether or not the two sections of land involved in the California settlement could be "studied" at the beginning of this independent effort. DOE said that because of the complicated geologic nature of the reserves in question, it would not be possible to study them before extensive work had been done on the producing zones they cross. DOE then conveyed this information to Jennifer Morrill.

At the same time, we've seen James Mosman's June 27th letter to John Emerson. We asked DOE a few weeks ago, what Secretary O'leary's position regarding an expedited settlement was. We have not heard back yet.

The statute authorizing divestiture of Elk Hills has specific provisions regarding the California settlement. If you would like more information on these provisions, please let me know.

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

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17-Jul-1996 06:08pm

TO: Kris Balderston

FROM: Kathleen Peroff
Office of Mgmt and Budget, ESD

SUBJECT: RE: thought you should weigh in on this

Thanks, I talked with Jennifer briefly about this and was told that Leon was likely to go out there in California and that we would have to have something to say that was positive re settlement. I think that we can work something out with DOE. Our concern would be not to go too far in promising a particular % or particular amount of money that would go to California Teachers at that point since the data on the reserves will not be in. But, in my conversations with Kyle Simpson, I have that sense that we would come up with language that would be workable...perhaps talk about a range. If you have any further questions, let me know.

Mclarty

ELK HILLS

sent PROCESS Agreement last wk

CTA rejected agreement today

- going ahead w negative article that is not flattering to Admin.

Bakersfield

OIL + gas producing field → DOE owns it

Chevron $\frac{1}{3}$

- POTUS budget privatize it.
- Legis passed to sell land by FY 98.
- Teacher's have a land claim on it.

(piece of state land owned by teachers

so during WW I Feds stole IT

— in court → lost 2x)

160K retired Teacher → Legis to Help CTA

who had had priv. pensions

We would compensate retirement Funds:

fr: sale of land

directs DOE to work out a settlement

or take IT to court.

DOE lawyers do not think CTA has claim

go to court

OMB → agst IT.

Need WH push

→ Teachers want 4%

→ we gave them a process agreement

→ they want a harder contingent agreement

$170 M to Teachers

How much do we care

\# midlevel Strict at OMB