

MINUTE ITEM NO. 23

APPROVED 1/12/76

MINUTE ITEM

1/15/76
RGN

23. AMENDMENT OF ROYALTY OIL SALES CONTRACTS PRC 4832, 4833, 4834, 4835, 4836 AND 4837; HUNTINGTON BEACH AND BEHMONT OFFSHORE FIELDS, ORANGE COUNTY - W 9914.

During consideration of Calendar Item 23 attached, Chairman Cory questioned whether the Division could use a form of messenger service instead of mail service to expedite delivery of the royalty payments. In that way, the delivery time would not have to be lengthened.

Mr. N. Gregory Taylor, Assistant Attorney General, stated that written agreements have to be drawn up among the contractors to alleviate the ambiguities which now exist. He indicated that at this time the State is operating under oral agreements, and this item reduces the oral agreements into writing.

Upon motion by Commissioner Bell, seconded by Commissioner Dynamally, the Commission approved the item as presented with an amendment to retain the 10-day payment period.

The following resolution was adopted:

THE COMMISSION:

1. DETERMINES THAT AN ENVIRONMENTAL IMPACT REPORT NEED NOT BE PREPARED FOR THIS ACTIVITY AS SUCH A REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF TITLE 14, CAL. ADM. CODE 15073 (MINISTERIAL PROJECTS).
2. AUTHORIZES AMENDMENT OF THE PAYMENT PROVISION OF STATE ROYALTY OIL SALES CONTRACTS PRC 4832, 4833, 4834, 4835, 4836 AND 4837, UTILIZING THE AMENDMENT, REFLECTING THE CHANGES MADE BY THE COMMISSION ON JANUARY 15, 1976, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

Attachment:

Calendar Item 23 (1 page)

A 39, 44, 68, 70
S 32, 34, 37

CALENDAR ITEM

23.

1/76
RGN
W 9914

AMENDMENT OF ROYALTY OIL SALES CONTRACTS
PRC 4832, 4833, 4834, 4835, 4836 AND 4837

Six royalty oil sales contracts have been issued by the State Lands Commission covering royalty oil produced under State oil and gas leases in the Huntington Beach and Belmont Offshore Fields, Orange County. The contracts have been in effect since November, 1973.

Section 5 of the contract provides that the State shall invoice the purchaser for oil delivered during any month on or about the 10th day of the succeeding month and payment shall be made by the 20th day of that month. Under actual practice it was discovered that the State could not invoice the purchaser by the 10th of the following month. Therefore, after discussing this matter with each of the royalty oil purchasers, it was orally agreed that the intent of the contract would be complied with if payment would be made no later than 10 days after receipt of the State's invoice.

The orally agreed-to 10-day payment period has presented some difficulties and misunderstandings with some of our purchasers, and it is proposed to reduce the agreement to writing and to extend the payment period to 15 days. In addition, and in order to further reduce the possibility of misunderstandings, the proposed amendment will include the statutory penalty procedures (5% penalty plus 1% per month interest) for late payments. The purchasers have reviewed and agreed to the proposed amendment.

IT IS RECOMMENDED THAT THE COMMISSION.

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT REPORT NEED NOT BE PREPARED FOR THIS ACTIVITY AS SUCH A REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF TITLE 14, CAL. ADM. CODE 15073 (MINISTERIAL PROJECTS).
2. AUTHORIZE AMENDMENT OF THE PAYMENT PROVISION OF STATE ROYALTY OIL SALES CONTRACTS PRC 4832, 4833, 4834, 4835, 4836 AND 4837, UTILIZING THE AMENDMENT ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

A 39, 44, 68, 70
S 32, 34, 37