

MINUTE ITEM

11/78
Willard

44. - PROPOSED AGREEMENT TO RESOLVE DISPUTED ROYALTY PAYMENTS
BETWEEN AMINOIL USA, INC. AND THE STATE OF CALIFORNIA
W 9603

Calendar Item 44, attached, was pulled prior to the meeting.

Attachment: Calendar Item 44 (2 pages)

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CALENDAR ITEM

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PROPOSED AGREEMENT TO RESOLVE DISPUTED ROYALTY PAYMENTS
BETWEEN AMINOIL USA, INC. AND THE STATE OF CALIFORNIA

Aminoil USA, Inc. and the State Lands Commission are involved in several outstanding disputes concerning the proper amount of royalties payable under the terms and conditions of a number of oil and gas leases being operated by Aminoil. The disputed matters cover both large and small underpayments and overpayments of royalties which were the result of alleged errors in computing royalty values, misunderstanding and misapplication of federal crude oil price regulations and minor accounting discrepancies. The major dispute has been the State's claim for at least 77 cents per barrel as additional payment for royalty oil not subject to federal price controls from Leases PRC 425.1 and PRC 91.1 (non-unit) in the Huntington Beach field. Such claim is based on the premise that the current market price of crude oil not subject to price controls exceeded the posted price for such oil by at least 77 cents because uncontrolled oil was being sold by the State during certain periods from other State leases in the Huntington Beach field at a bonus of at least 77 cents over the average posted price.

Aminoil and the State have agreed to resolve their disputes as follows:

- In full satisfaction of its 77 cents per barrel bonus claim, the State will accept an additional royalty payment of 38.5 cents per barrel for all oil not subject to federal price controls produced and saved from PRC 425.1 and PRC 91.1 (non-unit).
- Aminoil and the State agree that resolution of the overpayments and underpayments will result in a net payment of \$177,848 to the State; and that neither party will be liable for any interest on settled royalty amounts, nor will the provisions of Section 6224 of the P.R.C. relating to penalties and interests be applicable in this instance.
- Finally, Aminoil agrees to release to the State all monies heretofore paid under protest. The State in turn acknowledges a net amount due Aminoil in the sum of \$271,894, representing royalty overpayments as a result of a retroactive adjustment

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of royalties under the PRC 91.1 Main Zone Unit Agreement. This amount will be set off by the aforementioned \$177,848 due the State, and will result in a final remittance by the State to Aminoil of \$94,046 upon execution of this agreement.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE AGREEMENT RESOLVING DISPUTED ROYALTY PAYMENTS, WITH AMINOIL USA, INC. ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.