

17
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meeting.

CALENDAR ITEM

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PRC 6533.1
Tanner

ASSESSMENT OF PENALTY AND INTEREST CHARGES FOR LATE
PAYMENT MADE BY PRI OF HAWAII, INC. UNDER
ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASE
PRC 3120, SOUTH ELWOOD OFFSHORE FIELD,
SANTA BARBARA COUNTY

APPLICANT:

PRI of Hawaii, Inc.
300 Oceangate, Suite 540
Long Beach, California 90802
Attn: Mr. Chuck Lightner, Controller

PERTINENT INFORMATION:

On December 22, 1983 the State Lands Commission approved the award of the Royalty Oil Sales Contract for State Oil and Gas Lease PRC 3120, South Elwood Offshore Field, Santa Barbara County, to Pacific Oasis for 1,600 B/D of 200 API gravity crude. The contract was executed on December 23, 1983 to be effective July 1, 1984. In March, 1984 Pacific Oasis was acquired by Envestco, Inc. and its name changed to Paramount Petroleum Corporation. Subsequent to this action, Paramount Petroleum Corporation filed for bankruptcy under Chapter 11 and the Royalty Oil Sales Contract was assigned to PRI of Hawaii, Inc. effective July 1, 1984, and continuing until January 1, 1986.

On October 1, 1984 an invoice was delivered for \$908,089.74 to PRI of Hawaii's Long Beach office for royalty crude oil delivered during the month of September, 1984. The invoice clearly indicated that payment was due on October 11, 1984 in our Long Beach office. Payment was not received until October 15, 1984. The postal meter stamp on the payment

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envelope was marked October 12, 1984 and the check was also dated October 12, 1984 (the postmark is accepted if dated on or before the due date). Since payment was not received until October 15, 1984, it is considered four days late.

Pursuant to Section 5 of the Royalty Oil Sales Contract, all late payments are subject to penalty and interest. The penalty shall not exceed five percent of the amount of the invoice. Interest shall be computed at the rate of one percent per month from the due date until the date of payment. In this instance, it is recommended that a token penalty of \$100 be assessed. Interest would be charged for four days.

The amount of the interest would be \$1,191.40. A token penalty fee is recommended because PRI of Hawaii's check was postmarked only one day late and they have agreed to procedures which provide mailing future payments from their office in Hawaii to their Long Beach office so that payment can be picked up by State messenger on or before the tenth day as required in Section 5 of the Royalty Oil Sales Contract. Further, this company took over the royalty oil sales contract that was about to be terminated because of Chapter 11 Filing by the original purchaser (Paramount Petroleum), which could have been a much greater loss to the State than the subject late payment, if the contract assignment had not been made.

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15.78.

AB 884: N/A.

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IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. AUTHORIZE THE EXECUTIVE OFFICER TO DIRECT STAFF TO ASSESS PRI OF HAWAII, INC. \$1,291.40 AS PENALTY AND INTEREST FOR A LATE PAYMENT MADE UNDER THE ROYALTY OIL SALES CONTRACT FOR STATE OIL AND GAS LEASE PRC 3120, SANTA BARBARA COUNTY.

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