

This subject is ... 19
No. 12
Committee ...
to ... on the 12/20/84
meeting.

CALENDAR ITEM

A 58, 69

S 37

19

12/20/84
PRC 6481.1
Tanner

ASSESSMENT OF PENALTY AND INTEREST CHARGES
FOR LATE PAYMENT MADE BY EDGINGTON OIL COMPANY UNDER
ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASE E-392,
HUNTINGTON BEACH FIELD, ORANGE COUNTY

APPLICANT:

Edgington Oil Company
2400 East Artesia Boulevard
Long Beach, California 90805
Attn: Mr. Garry Pealer, Controller

PERTINENT INFORMATION:

On August 25, 1983 the State Lands Commission approved the award of the Royalty Oil Sales contract for State Oil and Gas Lease E-392, Huntington Beach Field, Orange County, to Edgington Oil Company for 1,000 B/D of 19° API gravity crude oil. The contract was effective on November 1, 1983 and continuing until May 1, 1985.

On January 20, 1984 an invoice was delivered to Edgington Oil Company in the amount of \$775,126.62. On January 30, 1984 (due date) Edgington paid the invoice with a check in the amount of \$750,126.62, \$25,000 less than the invoice amount. A telephone call on January 31, 1984, to Mr. Garry Pealer, Controller at Edgington, revealed to Staff that Edgington had deducted the \$25,000 in error, applying a bid deposit from another State sales contract Edgington held in the same producing region. Mr. Pealer promptly remitted the \$25,000 as soon as the procedural error was explained. However, since the full invoice amount was due on January 30, 1984, the \$25,000 submitted on January 31, 1984 is considered one day late.

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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 1 percent per month from the due date until the date of payment. Interest would be charged for one day amounting to \$8.20. In this instance, it is recommended that a token penalty and interest charge of \$50 be assessed. Staff recommends the token penalty and interest charges because Edgington promptly remitted payment when the procedural error was discovered.

OTHER PERTINENT INFORMATION:

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 15378.

AB 884.

N/A.

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 EDGINGTON OIL COMPANY \$50 AS PENALTY AND INTEREST FOR A LATE PAYMENT UNDER THE ROYALTY OIL SALES CONTRACT FOR STATE OIL AND GAS LEASE E-392, HUNTINGTON BEACH FIELD, ORANGE COUNTY.

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