

MINUTE ITEM

This Calendar Item No. C17
was proposed on the item
No. 17 at the meeting
Continued at the
to 0 at 10/24/85
meeting.

CALENDAR ITEM

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10/24/85
PRC 4675
Gonzalez

APPROVAL OF AMENDMENT OF COMPENSATORY GAS AGREEMENT
PRC 4675, SUTTER AND COLUSA COUNTIES

PARTY: Campbell Energy Corporation
200 East Carrillo, #203
Santa Barbara, California 93101

AREA, TYPE LAND: A 42.61-acre parcel of tide and submerged lands
in the bed of the Sacramento River, Grimes
Area, Sutter and Colusa counties.

- APPROVAL REQUESTED:
1. Approval of an amendment to a compensatory gas agreement changing the due date of royalty payments to the State.
 2. The Amendment be made retroactive to April 1, 1985.

BACKGROUND INFORMATION:
Compensatory Gas Agreement PRC 4675 was entered into by Commission authorization on May 24, 1972, with Love Oil Company, in order to compensate the State for drainage of gas from state sovereign lands by wells drilled by Love on uplands adjoining the State lands. Campbell Energy Corporation has succeeded Love Oil Company as Party to the agreement with the State. Campbell sells gas produced from the subject area to Pacific Gas and Electric (PG&E). Because of PG&E's well production data collecting methods, accounting procedures and payment scheduling, Campbell is unable to make royalty payment to the State by the due date for payment as stated in Section 2 of the Compensatory Agreement.

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The sales contract between Campbell Energy Corporation and PG&E provides that PG&E will make payment for gas delivered during any month by the later of 15 days following receipt of an invoice from the seller or the 25th of the month following the month of production. General practice has been that payments are not received from PG&E before 30 to 40 days following the month of production. The compensatory agreement requires royalty payments by the 25th of the month following production. Therefore, in order for Campbell to make payment based on the deliveries and sales to PG&E and to avoid penalty and interest charges for late payment, the payment provision should be amended to provide for payment on or before 40 calendar days following the month of production.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. 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 the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

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 THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE AMENDMENT OF STATE COMPENSATORY GAS AGREEMENT PRC 4675 TO PROVIDE THAT THE DUE DATE OF NON-OIL ROYALTY PAYMENTS SHALL BE ON OR BEFORE 40 DAYS FOLLOWING THE CALENDAR MONTH OF PRODUCTION.
3. APPROVE THE AMENDMENT RETROACTIVE TO APRIL 1, 1985 TO AVOID ASSESSMENT TO CAMPBELL ENERGY CORPORATION OF APPROXIMATELY \$60 IN LATE PAYMENT PENALTY AND INTEREST.

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