

MINUTE ITEM

This Calendar Item No. 38
was approved as Minute Item
No. 38 by the State Lands
Commission by a vote of 3
to 0 at its 3-0-81
meeting.

CALENDAR ITEM

W 38

3/81
PRC 5472
Brown

AUTHORIZE REFUND OF OVERPAYMENT
BY SHELL OIL COMPANY FOR
STATE COMPENSATORY GAS AGREEMENT
PRC 5472.1

Shell Oil Company paid to the State Lands Commission back payment of royalty for the above agreement for the period from January 1977 through June 1980 in the total amount of \$90,438.87. Commission staff has calculated that this amount represents an overpayment of \$84,127.33. Of this amount \$3,393.49 was not yet deposited as revenue and has been refunded to the Company. The remaining \$80,733.84 has been deposited and requires Commission and Board of Control approval pursuant to Public Resources Code Section 6217 before it may be refunded.

The cause of the large overpayments was due to a Shell Oil Company accounting error. Shell paid the State the full 34% royalty rate on 100% of the production instead of the "State Land Percentage" which is 16.2% from "Trans-america" one well and 1.55% for the "Hershey Estate" one well. They later noted this error, which has been confirmed by Commission Staff, and have requested refund.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE A REFUND OF \$80,733.84 TO THE LESSEE, SHELL OIL COMPANY.

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