

MINUTE ITEM

This Calendar Item No. 38
was submitted for information
only, no action thereon
being necessary.

INFORMATIVE
CALENDAR ITEM

A 57, 58

38

03/26/87
W 15060
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S 29

REPORT ON REDUCTION OF RETROACTIVE EQUITY ADJUSTMENTS
LONG BEACH UNIT
(IMPLEMENTATION OF ASSEMBLY BILL 2568)

On February 18, 1987 some Townlot working interest owners met with members of the staffs of the Long Beach Department of Oil Properties and State Lands Commission to discuss various alternatives, methods and the attendant costs involved in implementing the Elder bill.

The Townlot working interest owners had reviewed previous cost estimates, which were additional costs of \$800,000 for each of the first two years and \$450,000 each year thereafter, and confirmed that their previous estimates were good "ball park" figures. ARCO indicated that they had continued paying royalties for up to three months after the last two equity changes as if the changes (reductions) had not happened and that no additional withholding had ever been made to recover any of these over payments which amounted to over one million dollars by September of 1985. Because of this and the reduction in the amount of royalty due because of the unit pay back, some of the royalty owners would not pay back for many years if ever.

In addition, the cost of implementing Assembly Bill 2568 for just the royalty owners might be greater than the extra money the royalty owners would receive by reducing the pay back from 50 percent to 40 percent.

Another meeting with the royalty owners has been scheduled for 2 p.m., March 31, 1987 at the Main Library in Long Beach. Representatives of ARCO and Chevron have agreed to attend and participate in the meeting.

(ADDED 03/18/87)

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