

**MINUTE ITEM**

This Calendar Item No. 27  
was approved as Minute Item  
No. 27 by the State Lands  
Commission by a vote of 2  
to 0 at its 3-2-88  
meeting.

**CALENDAR ITEM**

A 58

27

S 37

03/02/88  
PRC 91  
PRC 163  
PRC 425  
PRC 426  
E-392  
Smith

**ROYALTY ADJUSTMENT - PHILLIPS PETROLEUM COMPANY  
PRC 91, PRC 163, PRC 425, PRC 426, E 392  
HUNTINGTON BEACH OFFSHORE FIELD  
ORANGE COUNTY**

**APPLICANT:** Phillips Petroleum Company  
Attention: S. C. Drennan, Controller  
8055 Tufts Avenue Parkway  
Denver, Colorado 80237-2896

On April 22, 1987, Phillips Petroleum Co. presented a claim for return of overpaid royalties and royalty crude oil delivery discrepancies during the period May 1, 1981 to June 1, 1986 from their Huntington Beach State Oil and Gas leases.

After a detailed audit of the claim, staff has reduced Phillips' claim from \$1,289,598 to \$894,249 and now recommend that amount as justified for repayment.

The basic cause for the royalty overpayment was a change in the method of handling natural gasoline liquids from the gasoline extraction plant, which processes some gas that is not subject to State royalty. The royalty accounting procedures are being corrected.

Phillips Petroleum Company was operator of these five aforementioned leases from October 26, 1984 until June 1, 1986. In acquiring the leases held by Aminoil from R. J. Reynolds, Industries, Inc., Phillips also acquired all assets including receivables as of that date. When selling the leases to Shell Oil Company as of June 1, 1986, accrued receivables were not included in the sale.

(ADDED 02/29/88)

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CALENDAR ITEM NO. 27 (CONT')

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 THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. AUTHORIZE THE REFUND OF \$894,249 TO PHILLIPS PETROLEUM COMPANY FOR OVERPAYMENT OF ROYALTIES DURING THE PERIOD MAY 1, 1981 TO JUNE 1, 1986 FOR PRODUCTION FROM STATE OIL & GAS LEASES E-392, PRC 91, PRC 163, PRC 425 AND PRC 426.
3. AUTHORIZE THE STAFF OF THE COMMISSION TO TAKE SUCH OTHER STEPS AS MAY BE NECESSARY TO CARRY OUT THIS AUTHORIZATION, INCLUDING ASSISTING PHILLIPS PETROLEUM CO. TO SUBMIT A CLAIM TO STATE BOARD OF CONTROL IF NECESSARY.

(ADDED 02/29/88)

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