

Decisions from October 23rd RIK meeting

Attendees: Ken Vogel, Mary Williams, Bob Prael, Pattie Kann, Herb Buskirk

Issue: Should RMP bill refiners for August sales lines reported by Shell when Shell is not delivering those barrels until September?

Decision: RMP should wait until August sales are delivered to bill the refiners. Therefore, the November bills to refiners will include Shell August sales lines and other operators September sales lines (since other operators are still delivering in the month of sales).

RIK Action Item: Put a note in the contract file to explain that Shell lines will be billed one month later than other operators to account for one month delay in delivery. Prepare credit bills to reverse the Shell lines billed in October. The new billing procedures and instructions need to be revised to reflect this decision.

Issue: The Omnibus budget bill included language that states that RIK refiners are paid in full for all prior bills and will not be billed for any price increases. Did this mean all price increases or just audit increases?

Decision: The Omnibus language says all adjustments so starting with the November bills, there will be no pricing adjustments.

RIK Action Item: The new billing procedures and instructions need to be revised to reflect this change

Issue: After the meeting several refiners raised the point that the October bills included retroactive adjustments that should not be billed (originally the decision was that since the effective date of the Omnibus language was after the October bills were issued, the October bills with pricing adjustments still should be paid).

Decision: After Ken Vogel reread the Omnibus language he agreed that the pricing adjustments on the October bills should not have been billed.

RIK Action Item: Credit bills need to be generated to eliminate the October billed lines dealing with pricing changes.

Issue: How does RMP handle unit revisions that are approved and retroactively affect RIK properties?

Decision: Have operators pay or take credits in value for all adjustments on terminated contracts. For current contracts, adjustments can be made in kind. (Example: when a unit revision retroactively increases the amount of RIK oil, the operator will pay the net increase in value; when a unit revision retroactively

decreases the amount of RIK oil, the operator will submit negative lines and recoup the overpayment or obtain a refund if needed).

RIK Action Item: Notify operator who asked this question (retroactive decrease in RIK oil case).

Issue: Operators are asking how to report gravity bank adjustments and they want instructions in writing.

Decision: Hold a workshop with a small group of operators to discuss options and best methods to report gravity bank adjustments.

RIK Action Item: Call selected operators (Amoco, Mobil, etc. - need their reporting people and transportation people) and try to arrange a workshop in Houston or Dallas. RMP participants will include RIK employees, Reports Branch employees, RVD employees, and OE employees.

Issue: When reconciliations of terminated contracts find under/over deliveries, how do we value the under/over deliveries (month by month based on the month of under/over delivery or at the end of the contract at the price existing at the end of the contract). RMP has stated that the month by month methodology is preferred but industry believes the end of the contract methodology is best.

Decision: Use the month by month methodology. For under deliveries, this is no problem, we will bill operators using the month by month price. For over deliveries, we will have the operators recover the money by credits or refunds but RMP will only allow the amount calculated by the month by month method.

RIK Action Item: Notify Mobil for the AGE refining reconciliation of this decision - put in writing to Mobil.

Question: If the refiner did not pay for the overdelivery, we can not allow the operator to recover from RMP - does this only work if the refiner paid for the overdelivery?