

Secure information -- Calif Royalty Secret Deals

3/4/94 11:00am

Source called to alert on secret deals between MMS & companies on Calif. royalty issue. Deals "not the sort of deals you or I would make."  
Prior or current deals? "As we speak." "Who?" "Is Fry the Director?"  
Clearly nervous, refused to talk any more, disavowed call & hung up.  
Immediately went to Heintz for advice. Set 1pm mtg w/Yeager.

3/4/94 1:00pm Scheduled mtg w/Brooks Yeager.

Ted Heintz also present.

Yeager informed. Said that he'd take up the matter with Bonnie Cohen & John Leshy. Requested 2 copies of my paper on background.

3/4/94 2:00pm

Mentioned to Brooks that this may be included in the global settlements.  
Recommended he alert Leshy to check all settlements.

3/9/94 9:00am

Mentioned to Ted Heintz how one could bury issue in settlement by settling all issues to a point in time, except as noted. Recommended not to as might see as malfeasance later. Stress not sure anything, said Chevron may be negotiating now (source said 'as we speak') and Chevron part of Calif issue.

3/10/94 2pm/4pm

After confirming w/src, told Ted settlement was with Chevron & Ca royalty was not on table OR in reserved issues. Later Ted said he reported it to Yeager who said that "he was confident that Leshy would handle things properly."

3/18/94

Yeager said (Ted confirmed that Yeager also told him) that Fry assured him that the Chevron settlement would specifically exclude Calif.

3/24/94

Chevron global settlement signed 3/22/94 received here on 3/24/94.  
Only partial exclusion of Ca royalty issue (post1980), all pre80 matters on Ca considered settled. Yeager appeared bothered when presented with it & stated his understanding was that the whole issue was to be preserved, not just part of it.

3/24/94 8:40am

Met w/Yeager to raise concerns on limiting text in Chevron settlement.  
Also left following note:

Brooks --

I am concerned that the situation regarding the California royalties in the Chevron settlement may be much worse than simply the limitation of 1/1/80-9/30/89. Specifically, the Calif issue has been defined not simply as "prices being used to determine royalty value which do not represent reasonable value" as the regulations provide and as my issue paper proposed that we address. Rather, the preservation appears to be ONLY (?) for that subset of prices where (1) posted prices existed (not all cases) and (2) were established "as a result of such posted prices being through collusion with third parties, fraud, or improper conduct which violates the lease conditions or the Mineral Leasing Act." This appears to be a very limited preservation, or, at least may require a legal interpretation of whether "improper conduct which violates..." is sufficiently broad to overcome an apparent implicit obligation to first prove fraud.

Please note that the preservations in 6.(a) and 6.(c) are far less limiting than the above referenced 6.(b) preservation.

Bob