



STATE BOARD OF EQUALIZATION

September 1, 1964

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“S”

From the facts stated in your letter of August 26, 1964, it is our opinion that the sale of diesel, lubricating oils and greases by “S” to “B” for use by that corporation in performing its contract with “S” is exempt from sales tax under that portion of Ruling 55 [now Reg. 1620] quoted by you.

We do not question the fact that “M” may be regarded as a facility operated by “S”, by means of which “S” effects delivery to the drilling platform, which we understand to be located outside the boundaries of the State of California. The tax will apply, and we believe you do not question this, to that portion of the products which are consumed in the operation of the “M”. These products would be consumed by “S” and tax would apply to the extent of the purchase price of any of the products or raw materials purchased which become a part of the products consumed.

The remainder of the products actually delivered to “B” and used by that corporation acting as an independent contractor are, as we understand your letter, in fact, sold by “S” to that contractor in a bona fide sales transaction. We gather this from the next to the last paragraph of your letter in which you state “our contract with “B” contains a provision that they buy from “S”.

Very truly yours,

E. H. Stetson  
Tax Counsel

EHS:fb      [lb]