

MINUTE ITEM

8. (REQUEST FOR CONSENT TO HYPOTHECATION, OIL AND GAS LEASES P.R.C. 91.1, 145.1, 186.1, 920.1, AGREEMENTS FOR EASEMENT 400.1 AND 401.1, MONTEREY OIL COMPANY, ORANGE AND VENTURA COUNTIES - W. O, 3003.)

After presentation of Calendar Item 15 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO INFORM THE MONTEREY OIL COMPANY AS FOLLOWS: PURSUANT TO THE REQUEST BY THE MONTEREY OIL COMPANY FOR A STATEMENT RELATIVE TO THE PROPOSED CONTINUED HYPOTHECATION OF OIL AND GAS LEASES P.R.C. 91.1, 145.1, 186.1, 920.1 AND AGREEMENTS FOR EASEMENT 400.1 AND 401.1, THE STATE LANDS COMMISSION HAS NO OBJECTION TO THE ASSIGNMENT AND TRANSFER BY TRUST DEED AS OF AUGUST 28, 1958 OF THE LEASE INTERESTS OF MONTEREY OIL COMPANY, LESSEE, IN STATE OIL AND GAS LEASES P.R.C. 91.1, 145.1, 186.1, 920.1 AND AGREEMENTS FOR EASEMENT 400.1 AND 401.1 TO SECURITY FIRST NATIONAL BANK OF LOS ANGELES, TRUSTEE, WHICH ASSIGNMENT AND TRANSFER WERE FOR SECURITY PURPOSES ONLY; PROVIDED, HOWEVER, THAT:

1. THE COMMISSION DOES NOT HEREBY APPROVE IN ADVANCE ANY ASSIGNMENT, TRANSFER, OR SUBLEASE WHICH MAY BE ATTEMPTED BY SAID TRUSTEE PURSUANT TO THE PROVISIONS OF SAID TRUST DEED OR OTHERWISE, AND THE COMMISSION RESERVES THE RIGHT TO DISAPPROVE ANY SUCH ASSIGNMENT, TRANSFER, OR SUBLEASE;
2. THE COMMISSION DOES NOT HEREBY APPROVE IN ADVANCE ANY CHANGE IN THE OPERATOR OR MANAGEMENT OF SAID LEASES WHICH MAY BE ATTEMPTED PURSUANT TO THE PROVISIONS OF SAID TRUST DEED OR OTHERWISE, AND THE COMMISSION RESERVES THE RIGHT TO DISAPPROVE ANY SUCH CHANGE IN OPERATOR OR MANAGEMENT, OR ANY PROPOSED OPERATING, DRILLING, OR DEVELOPMENT CONTRACT;
3. MONTEREY OIL COMPANY, LESSEE, REMAINS FULLY BOUND BY ALL ITS OBLIGATIONS UNDER THE SAID LEASES, BOTH AS LESSEE AND AS OPERATOR, AND THE SURETY ON ITS BOND HERETOFORE FILED IN CONNECTION WITH SAID LEASES ARE IN NO WAY RELEASED OR EXONERATED HEREBY;
4. THE STATE OF CALIFORNIA AND THE STATE LANDS COMMISSION RETAIN ALL THEIR RIGHTS AND POWERS UNDER SAID LEASES, UNAFFECTED BY THE EXECUTION OF SAID TRUST DEED OR THE FAILURE OF THE COMMISSION TO OBJECT THERETO.

Attachment

Calendar Item 15 (2 pages)

CALENDAR ITEM

OIL & GAS

15.

(REQUEST FOR CONSENT TO HYPOTHECATION, OIL AND GAS LEASES P.R.C. 91.1, 145.1, 186.1, 920.1, AGREEMENTS FOR EASEMENT 400.1 AND 401.1, MONTEREY OIL COMPANY, ORANGE AND VENTURA COUNTIES - W. O. 3003.)

On December 17, 1954 (Minute Item 38, pages 2233-2334) the Commission did not object to the assignment and transfer by trust deed as of November 30, 1954 of the lease interests of Monterey Oil Company, the lessee, in State Oil and Gas Leases P.R.C. 91.1, 145.1, 186.1, 920.1 and Agreements for Easement 400.1 and 401.1 to Security First National Bank of Los Angeles, trustee, which assignment and transfer were for security purposes only.

The office of the Attorney General had reviewed informally the proposal of the Monterey Oil Company and the proposed form of deed of trust, with the following conclusions:

"Strictly speaking, although the trust deed in question purports among other things to assign and transfer the leases to the trustee, the purpose of the conveyance is so limited that it does not appear to be the type of transfer concerning which Section 6804 of the Public Resources Code calls for the approval by the State Lands Commission. The situation is comparable to the case cited by counsel for the lessee wherein the Department of the Interior declined either to give or to deny consent to a similar security transaction involving a lease under the Federal Mineral Leasing Act of 1920.

"Notwithstanding the fact that Commission approval does not appear to be required, it would be unwise to advise the parties that the Commission has no objection to the lease, unless it were to be made clear that any changes in operation or ownership, pursuant to the provisions of the trust deed, will remain subject to the approval of the Commission. Counsel for the lessee have indicated that some definite statement by the Commission is desired, and unquestionably the parties are entitled to such a statement. Moreover, now that the Commission has been appraised of the existence of the trust deed, silence might be interpreted as approval of the transaction without reservation.

"It is therefore recommended that the Commission: (1) formally declare that it has no objection to the trust deed (if in fact that is the case), and (2) expressly indicate that no advance approval of future transfers is being made and that the State reserves all its rights and powers under the lease."

Monterey Oil Company is now renewing and extending loans made previously and proposes to continue the existing hypothecation to the same banks under a fourth supplemental indenture from Monterey to Security First National Bank, and under the terms of said fourth supplemental indenture in precisely the same manner as the original deed of trust, Monterey's interest in the above-

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captioned properties will be assigned to Security First National Bank as trustee, for security purposes only. Monterey Oil Company has requested a letter of nonobjection to the proposed continued hypothecation.

IT IS RECOMMENDED THAT THE EXECUTIVE OFFICER BE AUTHORIZED TO INFORM THE MONTEREY OIL COMPANY AS FOLLOWS: PURSUANT TO THE REQUEST BY THE MONTEREY OIL COMPANY FOR A STATEMENT RELATIVE TO THE PROPOSED CONTINUED HYPOTHECATION OF OIL AND GAS LEASES P.R.C. 91.1, 145.1, 186.1, 920.1 AND AGREEMENTS FOR EASEMENT 400.1 AND 401.1, THE STATE LANDS COMMISSION HAS NO OBJECTION TO THE ASSIGNMENT AND TRANSFER BY TRUST DEED AS OF AUGUST 28, 1958 OF THE LEASE INTERESTS OF MONTEREY OIL COMPANY, LESSEE, IN STATE OIL AND GAS LEASES P.R.C. 91.1, 145.1, 186.1, 920.1 AND AGREEMENTS FOR EASEMENT 400.1 AND 401.1 TO SECURITY FIRST NATIONAL BANK OF LOS ANGELES, TRUSTEE, WHICH ASSIGNMENT AND TRANSFER WERE FOR SECURITY PURPOSES ONLY; PROVIDED, HOWEVER, THAT:

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3. MONTEREY OIL COMPANY, LESSEE, REMAINS FULLY BOUND BY ALL ITS OBLIGATIONS UNDER THE SAID LEASES, BOTH AS LESSEE AND AS OPERATOR, AND THE SURETY ON ITS BOND HERETOFORE FILED IN CONNECTION WITH SAID LEASES ARE IN NO WAY RELEASED OR EXONERATED HEREBY;
4. THE STATE OF CALIFORNIA AND THE STATE LANDS COMMISSION RETAIN ALL THEIR RIGHTS AND POWERS UNDER SAID LEASES, UNAFFECTED BY THE EXECUTION OF SAID TRUST DEED OR THE FAILURE OF THE COMMISSION TO OBJECT THERETO.