

MINUTE ITEM

10/27/66

25. QUITCLAIM OF COMPENSATORY ROYALTY AGREEMENT P.R.C. 1559.1, LLANO SECO AREA, GLENN AND BUTTE COUNTIES; HUMBLE OIL & REFINING COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, AND SUNRAY DX OIL COMPANY - W.O. 6199.

After consideration of Calendar Item 45 attached, and upon motion duly made and carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO ACCEPT THE QUITCLAIMS AND TO TERMINATE COMPENSATORY ROYALTY AGREEMENT P.R.C. 1559.1 EFFECTIVE OCTOBER 27, 1966, IN ACCORDANCE WITH PARAGRAPH 6 OF THE AGREEMENT, AS REQUESTED BY THE LESSORS, HUMBLE OIL & REFINING COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, AND SUNRAY DX OIL COMPANY.

Attachment

Calendar Item 45 (1 page)

45.

QUITCLAIM OF COMPENSATORY ROYALTY AGREEMENT P.R.C. 1559.1, LLANO SECO AREA, GLENN AND BUTTE COUNTIES; HUMBLE OIL & REFINING COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, AND SUNRAY DX OIL COMPANY - W.O. 6199.

On March 31, 1955, Compensatory Royalty Agreement P.R.C. 1559.1, covering State lands in the bed of the Sacramento River in the Llano Seco area, in projected Sections 32 and 33, T. 20 N., R. 1 W., and projected Sections 4, 5, 6, 7, 8, and 9, and portions of projected Sections 16 and 17, T. 19 N., R. 1 W., M.D.B.& M., was authorized to be issued to Humble Oil & Refining Company.

On February 8, 1956, Standard Oil Company of California and Sunray DX Oil Company, formerly named Sunray Mid-Continental Oil Company, owners of outside lands in the Llano Seco area not controlled by Humble but abutting State lands, entered into a joinder agreement to the Llano Seco Compensatory Royalty Agreement. Under upland leases abutting State lands, Standard completed one well which drained State lands. Standard advised on June 17, 1966, that the well was abandoned and that the oil and gas leases within the Llano Seco area had been surrendered. Sunray terminated its leases without completing a well, and Humble completed and produced to abandonment three wells that drained State lands and surrendered all of its leases in the area. The lessees have paid all royalties due the State and have complied fully with the requirements of the compensatory royalty agreement.

Paragraph 6 of the agreement provides that the lessee may be relieved of performance under the agreement should it surrender or terminate all of the leases as shown on Exhibit "B" of the agreement, in which event the compensatory royalty agreement and all rights and obligations of the parties thereto shall thereupon cease and terminate.

The lessees submitted quitclaims to surrender and terminate the agreement in September 1966.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO ACCEPT THE QUITCLAIMS AND TO TERMINATE COMPENSATORY ROYALTY AGREEMENT P.R.C. 1559.1 EFFECTIVE OCTOBER 27, 1966, IN ACCORDANCE WITH PARAGRAPH 6 OF THE AGREEMENT, AS REQUESTED BY THE LESSORS, HUMBLE OIL & REFINING COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, AND SUNRAY DX OIL COMPANY.