

MINUTE ITEM

8/28/68

59. CONSENT TO HYPOTHECATION OF OIL AND GAS LEASES P.R.C.s 2933.1 AND 2205.1, SANTA BARBARA COUNTY; AND P.R.C.s 163.1, 425.1, 426.1, AND 3177.1, AND E. 392.1, ORANGE COUNTY - W.O. 7092.

After consideration of Calendar Item 47 attached, and upon motion duly made and carried, the following resolution was adopted:

THE STATE LANDS COMMISSION APPROVES THE HYPOTHECATION BY PAULEY PETROLEUM INC. OF ITS INTERESTS IN STATE OIL AND GAS LEASES P.R.C.s 2933.1, 2205.1, 163.1, 425.1, 426.1, AND 3177.1, AND E. 392.1, PURSUANT TO SECURITY AGREEMENT AND DEED OF TRUST AND A FIRST SUPPLEMENTAL DEED OF TRUST, CHATTEL MORTGAGE AND SECURITY AGREEMENT, WHEREIN ALVIN C. JOHNSON IS TRUSTEE AND MORTGAGEE, AND THE FIRST NATIONAL BANK OF CHICAGO, A NATIONAL BANKING ASSOCIATION, IS BENEFICIARY. SUCH APPROVAL IS SUBJECT TO THE CONDITION THAT THE TRUSTEE AND MORTGAGEE OR BENEFICIARY UNDER SAID INSTRUMENTS ARE PROHIBITED FROM MANAGING OR OPERATING THE INTEREST OF THE ASSIGNOR IN THE LEASED LANDS WITHOUT PRIOR APPROVAL OF THE STATE LANDS COMMISSION; PROVIDED, FURTHER, THAT PAULEY PETROLEUM INC., LESSEE, IS TO REMAIN FULLY BOUND BY ALL ITS OBLIGATIONS UNDER SAID LEASE BOTH AS LESSEE AND AS OPERATOR, AND THE SURETIES ON ITS BOND HERETOFORE FILED IN CONNECTION WITH SAID LEASES ARE IN NO WAY RELEASED OR EXONERATED HEREBY; AND, FURTHER, THAT THE STATE OF CALIFORNIA AND THE STATE LANDS COMMISSION ARE TO RETAIN ALL THEIR RIGHTS AND POWERS UNDER SAID LEASES, UNAFFECTED BY THE EXECUTION OF SAID SECURITY AGREEMENT AND DEED OF TRUST AND FIRST SUPPLEMENTAL DEED OF TRUST, CHATTEL MORTGAGE AND SECURITY AGREEMENT.

Attachment

Calendar Item 47 (1 page)

47.

REQUEST FOR CONSENT TO HYPOTHECATION OF OIL AND GAS LEASES P.R.C.'s 2933.1 AND 2205.1, SANTA BARBARA COUNTY; AND P.R.C.'s 163.1, 425.1, 426.1, AND 3177.1, AND E. 392.1, ORANGE COUNTY - W.O. 7092.

Pauley Petroleum Inc., holder of interests as lessee under State Oil and Gas Leases P.R.C.'s 2933.1, 2205.1, 163.1, 425.1, 426.1, and 3177.1, and E.392.1, proposes to offer its lease interests therein to secure loans, such lease interests being hypothecated by inclusion of such lease interests in a Security Agreement and Deed of Trust and First Supplemental Deed of Trust, Chattel Mortgage and Security Agreement, wherein Alvin C. Johnson is trustee and mortgagee and the First National Bank of Chicago, a national banking association, is beneficiary. The lessee has requested that the State Lands Commission approve this hypothecation. The required filing fees have been paid. Trustee and beneficiary are qualified under Public Resources Code Section 6801.

The Office of the Attorney General has stated informally in previous cases of this type that there is no legal objection to approving such hypothecation, except that such approval should be qualified to prohibit the trustee or the beneficiary under the instruments from managing or operating the interest of the lessee in the leased lands without the prior approval of the State Lands Commission.

IT IS RECOMMENDED THAT THE STATE LANDS COMMISSION APPROVE THE HYPOTHECATION BY PAULEY PETROLEUM INC. OF ITS INTERESTS IN STATE OIL AND GAS LEASES P.R.C.'s 2933.1, 2205.1, 163.1, 425.1, 426.1, AND 3177.1, AND E. 392.1, PURSUANT TO SECURITY AGREEMENT AND DEED OF TRUST AND A FIRST SUPPLEMENTAL DEED OF TRUST, CHATTEL MORTGAGE AND SECURITY AGREEMENT, WHEREIN ALVIN C. JOHNSON IS TRUSTEE AND MORTGAGEE, AND THE FIRST NATIONAL BANK OF CHICAGO, A NATIONAL BANKING ASSOCIATION, IS BENEFICIARY. SUCH APPROVAL IS TO BE SUBJECT TO THE CONDITION THAT THE TRUSTEE AND MORTGAGEE OR BENEFICIARY UNDER SAID INSTRUMENTS ARE PROHIBITED FROM MANAGING OR OPERATING THE INTEREST OF THE ASSIGNOR IN THE LEASED LANDS WITHOUT PRIOR APPROVAL OF THE STATE LANDS COMMISSION; PROVIDED, FURTHER, THAT PAULEY PETROLEUM INC., LESSEE, IS TO REMAIN FULLY BOUND BY ALL ITS OBLIGATIONS UNDER SAID LEASE BOTH AS LESSEE AND AS OPERATOR, AND THE SURETIES ON ITS BOND HERETOFORE FILED IN CONNECTION WITH SAID LEASES ARE IN NO WAY RELEASED OR EXONERATED HEREBY; AND, FURTHER, THAT THE STATE OF CALIFORNIA AND THE STATE LANDS COMMISSION ARE TO RETAIN ALL THEIR RIGHTS AND POWERS UNDER SAID LEASES, UNAFFECTED BY THE EXECUTION OF SAID SECURITY AGREEMENT AND DEED OF TRUST AND FIRST SUPPLEMENTAL DEED OF TRUST, CHATTEL MORTGAGE AND SECURITY AGREEMENT.