

MINUTE ITEM

This Calendar Item No. 28
was approved as Minute Item
No. 28 by the State Lands
Commission by a vote of 2
0 at its 10/28/76
meeting.

CALENDAR ITEM

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ASSIGNMENT OF PRODUCTION PAYMENT

LEASES: PRC 410 and PRC 429.

ASSIGNOR: Cabot Oil and Gas Corporation, Lessee

ASSIGNEE: 110 North Wacker Drive Foundation, Inc.

TRUSTEES: Continental Illinois National Bank and Trust
Company of Chicago
Lucy K. Viet, Trustee
John A. Nagy, Trustee

PREREQUISITE: 1. Mortgage, Deed of Trust, Security Agree-
ment and Financing Statement executed
by assignee and trustees.

2. Conveyance of Production Payment to
assignee executed by assignor.

3. Filing and expense fees of \$125 have been
submitted.

OTHER PERTINENT INFORMATION:

1. Cabot Oil & Gas Corporation proposes to
assign to the 110 North Wacker Drive
Foundation, Inc., as a production payment,
an undivided interest in all hydrocarbons
produced from the subject leases after
deducting royalties, overriding royalties
and production payments from the effective
date of the assignment to October 1, 1981.
The purpose of the production payment is
to obtain a loan of \$2,000,000 from the
Continental Illinois National Bank and
Trust Company of Chicago. The loan due
on or before October 1, 1981, will be re-
paid in monthly installments of \$33,000.
2. According to studies by Babson and Burns,
consulting engineers, and concurred with
by the State Lands Division, approximately
two million barrels of oil may be recovered
from PRC 410 through additional development
work.
3. State Lease PRC 429, currently has its
facilities located at the end of a 3,000-
foot pier at Rincon and Lease PRC 410 has
its facilities located onshore near the

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entrance to the pier. Cumulative production from the leases is 7,403,000 barrels of oil and cumulative royalty is \$1,395,681. Production during the month of June was 1,578 barrels of oil and royalty at the present rate of 12 1/2% was \$1,970. The wells on these leases are stripper wells and the oil is sold at upper-tier prices.

4. The Office of the Attorney General has advised that there is no legal objection to approving the assignment of an oil production payment. Such approval will be qualified to prohibit the assignee from managing or operating the interest of the lessee in the leased lands without prior approval of the State Lands Commission.
5. The documents have been reviewed by our legal staff and were determined to be in compliance with the provisions of the Public Resources Code and the rules and regulations of the Commission.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE ASSIGNMENT BY CABOT OIL AND GAS CORPORATION OF ALL ITS INTEREST IN STATE OIL AND GAS LEASES PRC 410 AND PRC 429, TO 110 NORTH WACKER DRIVE FOUNDATION, INC., PURSUANT TO A CONVEYANCE OF PRODUCTION PAYMENT DATED AUGUST 24, 1976; SUCH APPROVAL TO BE SUBJECT TO THE CONDITION THAT THE ASSIGNEE OF THE PRODUCTION PAYMENT IS PROHIBITED FROM MANAGING OR OPERATING THE INTEREST OF CABOT OIL AND GAS CORPORATION IN THE LEASED LANDS WITHOUT PRIOR APPROVAL OF THE STATE LANDS COMMISSION; PROVIDED FURTHER, THAT CABOT OIL AND GAS CORPORATION IS TO REMAIN FULLY BOUND BY ALL ITS OBLIGATIONS UNDER SAID LEASES, 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 SAID CONVEYANCE OF OIL PRODUCTION PAYMENT.