

MINUTE ITEM
This Calendar item No. 21
was approved as Minute Item
No. 21 by the State Lands
Commission by a vote of 2
to 0 at its 3-2-88
meeting.

CALENDAR ITEM

A 35
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03/02/88
PRC 145
Willard

AMENDMENT OF STATE OIL AND GAS LEASE PRC 145.1,
RINCON OIL FIELD, VENTURA COUNTY

LESSEE/OPERATOR:

Bush Oil Company
Mr. Harvey L. Byrant
President
P. O. Bin X
Taft, California 93268

AREA, TYPE OF LAND AND LOCATION:

Approximately 326 acres of tide and submerged
lands located in Ventura County.

BACKGROUND INFORMATION:

State oil and gas lease PRC 145 was issued on
July 3, 1944 to Beloil Corporation, Limited,
Lido Petroleum Company, and O. C. Field
Gasoline Corporation. After many assignments,
including that appearing on the agenda today,
the lessees, effective March 1, 1988 (and their
interests), are Energy Development Corporation
(87 1/2% above 5,500 feet), Bush Oil Company
(75% below 5,500 feet), Sexton Corporation
(12 1/2% above 5,500 feet) and Seahawk Oil
International, Inc. (25% below 5,500 feet).
Lease PRC 145 contains 11 wells (6 producing, 5
idle) drilled from an upland site. Daily
production currently averages 80 B/D. Bush Oil
Company will become the operator of Lease
PRC 145 on March 1, 1988, and is proposing
further exploration of the lease together with
the extensive exploration program of leases
PRCs 410, 429 and 1466 in the Rincon Offshore
Field.

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The program includes exploration of a potentially productive deep zone on the leases. In order to justify the capital expenditure for the exploration program, the Lessee and Bush, as operator, have requested modification of the lease. Staff believes that production from the leased lands. The modification is essentially the same as that approved by the Commission on September 23, 1987 for leases PRCs 410, 429 and 1466.

The modification will provide:

1. The oil and gas royalty which Lessee shall pay will be as follows:
 - a. A flat royalty rate of twelve-and-one-half percent (12 1/2%) for two (2) years from the effective date of this amendment.
 - b. Thereafter, the royalty rate shall be a flat sixteen-and-two-thirds percent (16 2/3%).
 - c. No royalty payment shall be required on the production from the first new deep-zone well drilled and completed on the lease until the gross value of the oil and gas produced by the well equals the direct drilling and completion costs, exclusive of operating and salvageable equipment costs, of that well. The cost of this well, if it is noncommercial, shall not be offset by production from other wells which may be producing in commercial quantities.

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2. Bush, as operator, shall commence drilling by March 1, 1988, a new Deep Zone test well to evaluate Lease PRC 145. This well shall also fulfill the obligation for a deep-zone well on Lease PRC 410 as provided in the amendment approved by the Commission on September 23, 1987 for leases PRCs 410, 429 and 1466.
3. Lease PRC 145 shall be included with those leases named under the \$4 million letter-of-credit guaranteeing performance of all of the terms and conditions of the leases including amendments. The amount of the security is subject to review and modification every three years (from October 1, 1987) based on changes in Bureau of Labor Statistics Index Code No. 0561 Crude Petroleum (Domestic Production) Base Year 1967, with March 1987 Index of 387.4.
4. The term of the amendment will be for so long as oil and gas are produced in paying quantities from the leased lands.
5. Performance by Bush, as operator, of all terms and conditions of the lease and all terms and conditions of this amendment shall be guaranteed by Berry Petroleum Company.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Adm. Code; Title 2, Div. 3; Title 14, Div. 6.

AB 884:

N/A.

CALENDAR ITEM NO. 21 (CONT'D)

OTHER PERTINENT INFORMATION:

1. Section 6827.2 of the P.R.C. provides that the Commission, in order to prevent premature abandonment of a lease, may renegotiate the royalty provisions of the lease if after a public hearing it finds that continued production from the lease is in the best interests of the State and that such production is economically unfeasible under the existing terms of the lease.
2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. FIND THAT CONTINUED PRODUCTION FROM STATE OIL AND GAS LEASE PRC 145 IS IN THE BEST INTEREST OF THE PEOPLE OF CALIFORNIA AND THAT SUCH PRODUCTION IS ECONOMICALLY UNFEASIBLE UNDER THE PRESENT TERMS OF THE LEASE.
3. AUTHORIZE, PURSUANT TO SECTION 6827.2 OF THE P.R.C., THE AMENDMENT OF STATE OIL AND GAS LEASE PRC 145 TO PROVIDE FOR THE MODIFICATION OF STATE ROYALTY AND OTHER SPECIFIED CONDITIONS AS SET FORTH ABOVE AND SUBSTANTIALLY IN THE FORM ON FILE IN THE OFFICES OF THE COMMISSION AND MADE A PART HEREOF. ALL OTHER TERMS AND CONDITIONS OF STATE OIL AND GAS LEASE PRC 145 SHALL REMAIN IN FULL FORCE AND EFFECT.

EXHIBIT "A"

STATE LANDS COMMISSION

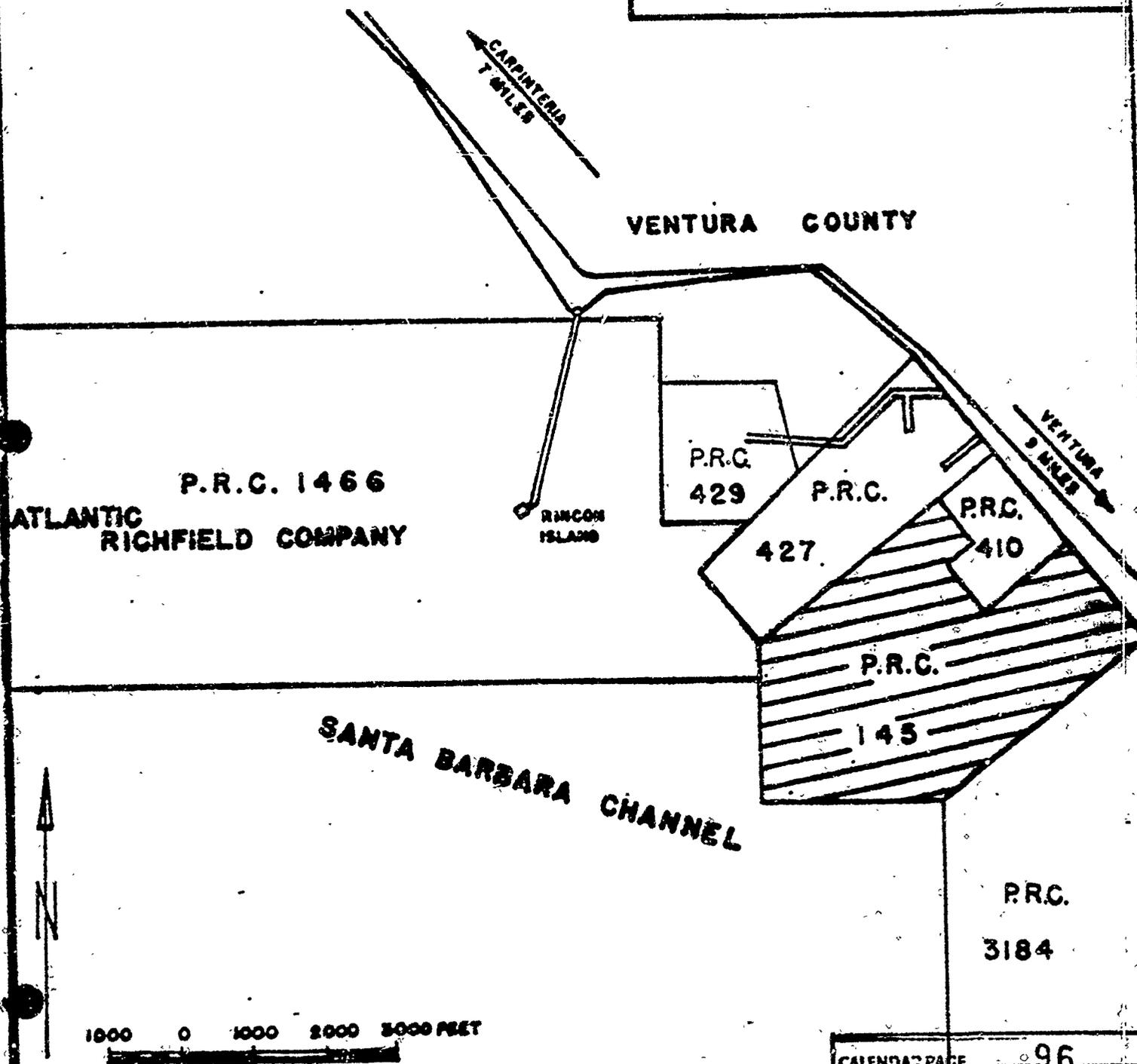
BUSH OIL COMPANY

AMENDMENT OF STATE OIL
AND GAS LEASE PRC 145

VENTURA COUNTY

JANUARY 1988

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