MINUTE ITEM
This Calendar Item No. C84
was approved as Minute Item
No. 84 by the State Lands
Commission by a vote of 3
to 0 at its 10-17-95
meeting.

CALENDAR ITEM

A 35

S 18

C84

10/17/95
PRC 145
PRC 410
PRC 429
PRC 1466
PRC 1961
PRC 5968
Willard
Tanner

APPROVE THE ASSIGNMENT AND AMENDMENT OF
STATE OIL AND GAS LEASES
PRC 145, PRC 410, PRC 429, PRC 1466,
AND RIGHT-OF-WAY LEASES PRC 1961 AND PRC 5968,
RINCON OIL FIELD, VENTURA COUNTY

ASSIGNOR:

Berry Petroleum Company
Attention: Mr. Jerry V. Hoffman
Post Office Bin X
Taft, California 93268

ASSIGNEE:

Rincon Island Limited Partnership
Attention: Mr. Thomas E. Hogan
2911 Turtle Creek, Suite 300
Dallas, Texas 75219

AREA, TYPE LAND AND LOCATION:

State oil and gas leases PRC 145, PRC 410, PRC 429 and PRC 1466 consists of 1,631 acres of tide and submerged lands located within the Rincon Oil Field in Ventura County. State leases PRC 1961 and PRC 5968 are Right-of-Way leases for the causeway Rincon Island to shore) and pier built to support oil operations on lease PRC 429.

LAND USE:

Oil and gas development and production.

LEASE TERMS:

Lease Term:

20 years and for so long as leases continue to produce oil and gas in economic quantities.

Surety bond:
$4.6 million pledged as security for lease performance.

Consideration:

PRC 145:	$1,630/rental per year.
PRC 410:	$250/rental per year.
PRC 429:	$400/rental per year.
PRC 1466:	$5,875/rental per year.
PRC 1961:	$50/rental per year.
PRC 5968:	$860/rental per year.

Royalty:
16 2/3 percent of oil production from leases.

BACKGROUND:

Berry Petroleum Company (Berry) is the current lessee of State oil and gas lease PRC 145 (partial interest), PRC 410, PRC 429 and PRC 1466 and right-of-way leases PRC 1961 (causeway)and PRC 5968 (pier). Berry proposes to assign all of its interest in the leases to Rincon Island Limited Partnership, a Texas limited partnership. The assignments will be conditional and will require Berry to remain jointly and severally liable for the abandonment and removal, if required, of Rincon Island, the connecting causeway, and the pier. Undivided interest in the leases was previously assigned from Atlantic Richfield Company (ARCO) to Berry on January 8, 1992, with ARCO remaining jointly and severally liable for abandonment of the island, causeway and pier. Therefore, performance for such abandonments will be secured by not only the current lessee but also by Berry and ARCO.

Berry currently maintains $4.6 million of pledged securities for performance under the terms of the leases. This amount was based on an estimated cost for the abandonment of wells and associated facilities (it did not include removal of the island, causeway or pier). The security is adjusted every three years bases on the change of Bureau of Labor Statistics Index Code No. 0561, Crude Petroleum (Domestic Production). The assignee will be required to maintain the same performance security in the form of a bond and a performance guarantee by the operator, Torch Operating Company in the amount of $400,000.

An amendment of the leases has been proposed to provide that the Lessee, with consent of the State, may designate an operator with full authority to act on behalf of the Lessee

in complying with the terms and conditions of the leases and to provide the required security to ensure performance under the leases. Designation of an operator will not relieve the Lessee of responsibility for compliance with the terms and conditions of the leases, statutes and regulations of the Commission.

On August 1995, Berry requested approval of the assignment of these leases to Rincon Island Limited Partnership. Rincon Island Limited Partnership, general partner Windsor Energy has submitted corporate and financial data which was reviewed by Commission staff. Based on the results of the reviews, Commission staff has determined that Rincon Island Limited Partnership possesses the financial resources to meet the requirements and obligations required under the oil and gas leases and right-of-way leases. Therefore, Commission staff recommends approval of the assignments of Berry's interests in these leases to Rincon Island Limited Partnership.

APPLICANT STATUS:

Applicant is lessee of upland.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Assignment forms have been executed by Berry Petroleum Company and Rincon Island Limited Partnership and are on file in the office of the Commission; Rincon Island Limited Partnership is qualified to hold State leases; and the filing fee and processing costs have been received.

STATUTORY AND OTHER REFERENCES:

A. Article 3.5, Cal. Code Regs.

B. Section 2153, Cal. Code Regs.

C. Public Resources Code Section 6804.

D. Section 4 of oil and gas leases.

AB 884:

N/A

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

   Authority: Public Resources Code 21065 and 14 Cal. Code Regs. 15378.

2. Commission staff has reviewed corporate and financial information supplied by Rincon Island Limited Partnership. Based on the review, Commission staff has determined that Rincon Island Limited Partnership is capable of fulfilling the obligations and provisions of the assigned oil and gas leases and right-of-way leases.

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. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE ERGS. 15378.

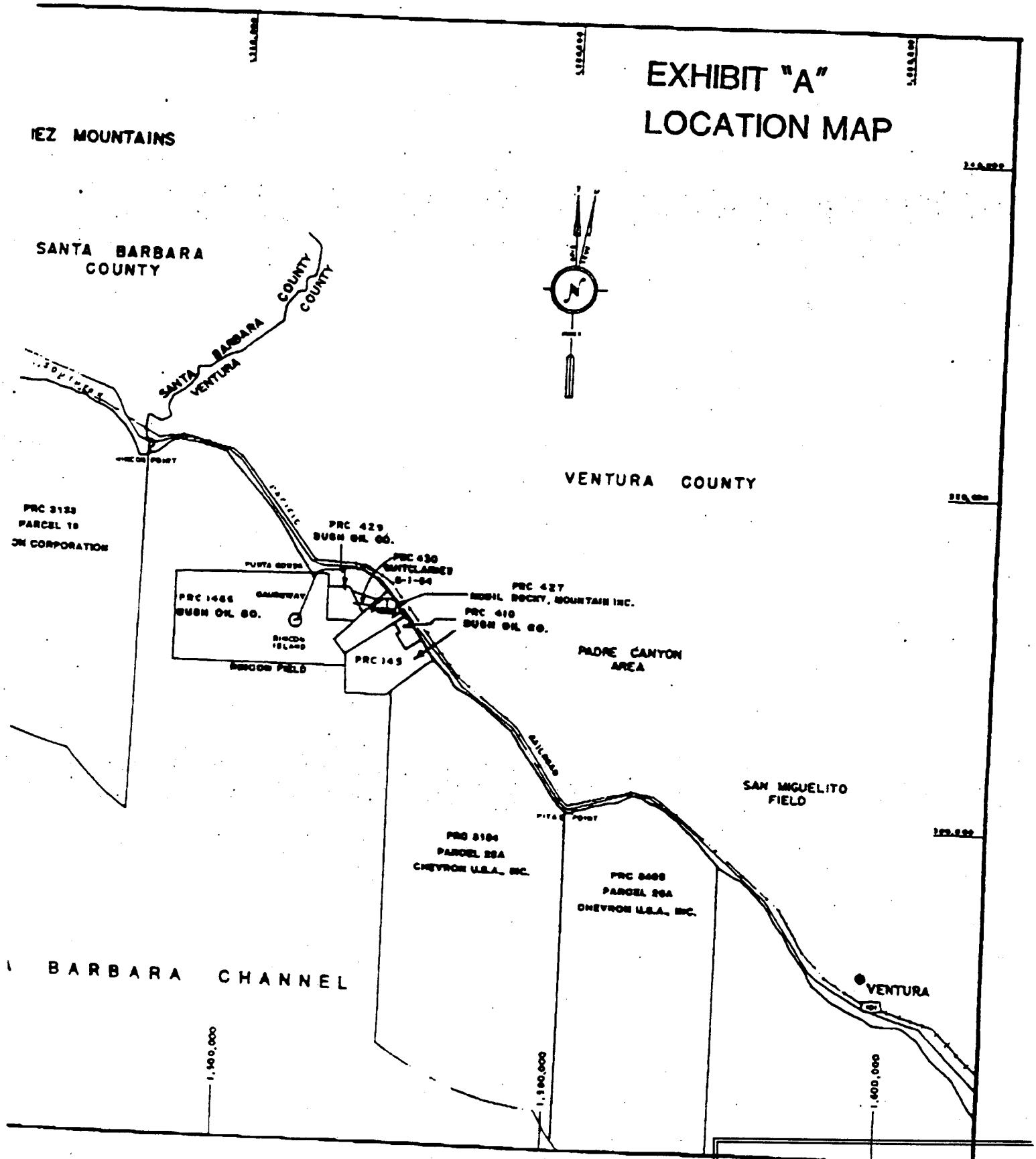
2. APPROVE THE ASSIGNMENT FROM BERRY PETROLEUM COMPANY (LESSEE/ASSIGNOR) TO RINCON ISLAND LIMITED PARTNERSHIP (ASSIGNEE) OF ALL OF BERRY'S INTEREST IN STATE OIL AND GAS LEASES PRC 145, PRC 410, PRC 429 AND PRC 1466, RIGHT-OF-WAY LEASES PRC 1961 AND PRC 5968, RINCON OIL FIELD, VENTURA COUNTY. COMMISSION APPROVAL OF THE ASSIGNMENTS IS GIVEN UPON THE CONDITIONS THAT THE ASSIGNOR WILL REMAIN JOINTLY AND SEVERALLY LIABLE FOR THE ABANDONMENT AND REMOVAL, IF NECESSARY, OF RINCON ISLAND, THE CONNECTING CAUSEWAY AND THE PIER, ANY CONDITIONS IN THE ASSIGNMENT AGREEMENT TO THE CONTRARY NOTWITHSTANDING, AND THAT THE ASSIGNEE WILL BE BOUND BY THE LEASES, INCLUDING ANY MODIFICATIONS AND COLLATERAL AGREEMENTS, TO THE SAME EXTENT AS THE ASSIGNOR, ANY CONDITIONS IN ANY ASSIGNMENT AGREEMENT TO THE CONTRARY NOTWITHSTANDING.

3. APPROVE AMENDMENT OF STATE OIL AND GAS LEASES PRC 145, PRC 410, PRC 429 AND PRC 1466 AND RIGHT-OF-WAY LEASES PRC 1961 AND PRC 5968 TO PROVIDE FOR DESIGNATION OF AN OPERATOR BY THE LESSEE, IN SUBSTANTIALLY THE FORM ON FILE IN THE OFFICE OF THE COMMISSION.

4. AUTHORIZE THE EXECUTIVE OFFICER, OR HIS DESIGNEE, TO EXECUTE SUCH DOCUMENTS AS NECESSARY TO EFFECT THESE ASSIGNMENTS.

5. THE ASSIGNMENTS SHALL TAKE EFFECT ON THE FIRST DAY OF THE MONTH FOLLOWING APPROVAL BY THE COMMISSION AND THE RECEIPT OF THE REQUIRED SECURITY, EXECUTED ASSIGNMENT DOCUMENTS AND AMENDMENTS TO THE LEASES. IF THESE DOCUMENTS ARE NOT RECEIVED PRIOR TO JANUARY 1, 1996, THEN THIS APPROVAL IS NULL AND VOID.

EXHIBIT "A"
LOCATION MAP



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