

MINUTE ITEM

This Calendar Item No. C81 was approved as Minute Item No. 81 by the California State Lands Commission by a vote of 2 to 0 at its 5-9-96 meeting.

**CALENDAR ITEM
C81**

A 36
S 18

05/09/96
PRC 3314.1
Tanner

**CONSIDER APPROVAL OF DEFERMENT OF DRILLING OBLIGATION,
STATE OIL AND GAS LEASE NO. PRC 3314,
VENTURA COUNTY**

LESSEE/OPERATOR:

Berry Petroleum Company
Ralph E. McPhetridge, Land Manager
PUBLIC RESOURCES CODE SECTION O. Bin X
Taft, California 93268

AREA, TYPE LAND AND LOCATION:

State Oil and Gas Lease PRC 3314.1 contains approximately 5,430 acres of tide and submerged lands located west of Oxnard in Ventura County.

BACKGROUND:

State Oil and Gas Lease No. PRC 3314.1 was issued on July 1, 1965. The current lessee of Lease No. PRC 3314.1 is Shell Western E&P, Inc. (SWEPI). On May 31, 1994, the State Lands Commission approved a deferment of drilling obligations under State Oil and Gas Lease No. PRC 3314.1 until August 1, 1996. The deferment was granted so that Berry, as lease operator, could continue to study alternatives which would decrease the operating expenses for this field and improve the economics associated with further field development.

The uncertainty of California oil prices and the need to identify ways to reduce costs have delayed any decisions regarding the drilling of additional wells under this lease. Berry is currently discussing different royalty scenarios with Commission staff for the purpose of encouraging further activity on this lease. Because of the foregoing, Berry is requesting an additional deferment of drilling until August 1, 1998.

This deferment will allow Berry to study further the complex geology on this lease, continue to discuss different royalty scenarios with Commission staff and, hopefully, allow time for the crude oil market in California to stabilize.

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STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

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), Commission 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 Section 21065 and 14 Cal. Code Regs. 15378.

- 2. Commission staff recommends approval of Berry Petroleum Company's request for an extension of its drilling deferment until August 1, 1998, provided, as a condition of granting this deferment, Berry will report quarterly to Commission staff on the lease operating economics and Berry's progress toward an additional well drilling program for this lease.

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 REGS. 15378.

CALENDAR ITEM NO. C81 (CONT'D)

2. APPROVE A DEFERMENT OF THE DRILLING OBLIGATION UNDER STATE OIL AND GAS LEASE NO. PRC 3314.1 FROM AUGUST 1, 1996 UNTIL AUGUST 1, 1998; PROVIDED THAT, AS A CONDITION OF THIS DEFERMENT, BERRY PETROLEUM COMPANY SHALL REPORT QUARTERLY TO COMMISSION STAFF ON THE LEASE OPERATING ECONOMICS. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

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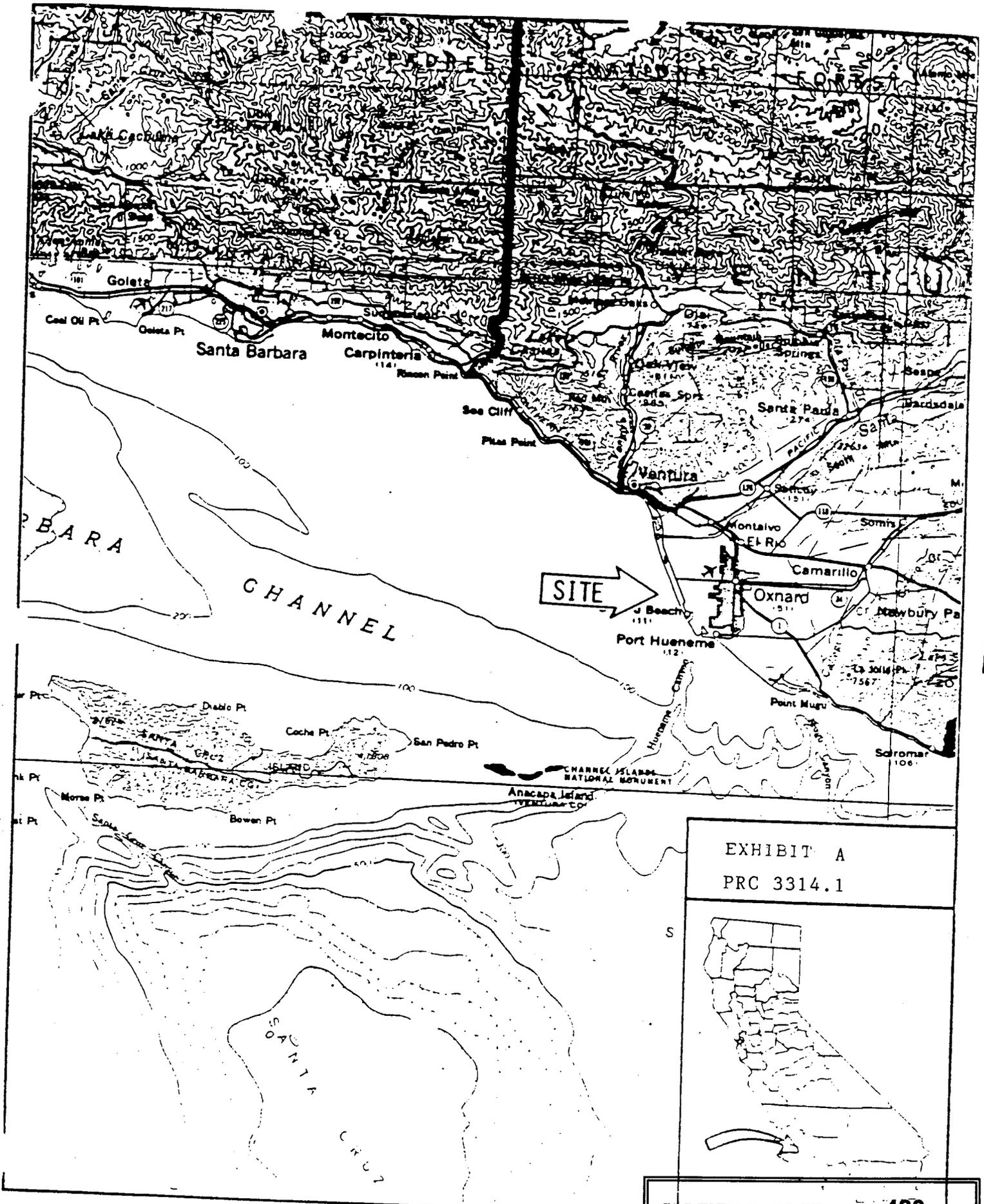


EXHIBIT A
 PRC 3314.1

