

AMENDMENT TO PRC 410.1, PRC 429.1
AND PRC 1466.1

WHEREAS the State of California by and through the State Lands Commission did lease certain lands known as PRC 410.1 in Ventura County to Pan American Petroleum Company on April 17, 1929 and through successive assignments to Norris Oil Co. on January 26, 1981; and

WHEREAS the State of California by and through the State Lands Commission did lease certain lands known as PRC 429.1 in Ventura County to Sea Cliff Development Company on April 21, 1931 and through successive assignments to Norris Oil Co. on January 26, 1981; and

WHEREAS the State of California by and through the State Lands Commission did lease certain lands known as PRC 1466.1 in Ventura County to Richfield Oil Corporation on August 29, 1955 and through an assignment to Norris Oil Co. on July 22, 1982; and

WHEREAS Norris Oil Co. was purchased by Berry Petroleum Company on June 26, 1987 and operates Norris Oil Co. as Bush Oil Company, hereinafter referred to as Bush, a wholly owned subsidiary of Berry Petroleum Company, hereinafter referred to as Berry; and

WHEREAS Bush has requested the State to modify the royalty rates and certain other terms of the above-referenced leases as last amended on July 11, 1986. The purpose of such amendments is to maintain the economic production of oil and gas from the lease so as to prevent the premature abandonment of the leases and to provide for further exploration and development of the leases; and

WHEREAS it has been determined to be in the State's best interests to make such modifications to prevent the premature

abandonment of the leases and to encourage continued exploration and development of the field; and

NOW THEREFORE, Bush Oil Company, Berry Petroleum Company and the State Lands Commission mutually agree as follows:

1. Prior Amendment.

The prior amendment to PRC 410.1, PRC 429.1 and PRC 1466.1 dated July 11, 1986 and effective August 1, 1986 shall be terminated and its terms declared null and void upon execution of this amendment by the parties and approval of it by the State Lands Commission at its regularly scheduled meeting.

2. Royalty Payments

The State agrees to amend paragraph 2 of leases PRC 410.1 and 429.1 and paragraph 3 of lease PRC 1466.1 as amended relative to the calculation and payment of royalty as follows:

(a) Lessee agrees to account for and pay to the State in money as royalty on oil twelve and one-half percent (12 1/2%) of the current market price of all oil production removed or sold from the leased lands. When paid in money, the royalty shall be calculated upon the current market price of the oil as determined by the State, which price shall not be less than the highest price at which an oil of like gravity and quality is being sold in substantial quantities at the Rincon Field in Ventura County, California, and it shall be due and payable not later than the 45th day following the calendar month in which the oil is produced. Current market price of the oil is hereby interpreted to mean the current market price as determined by the State; plus any subsidy or extra payment which the Lessee, or any successor in interest thereto, may receive at any future time or at any time during the term of this lease, whether or not such subsidy or extra payment shall be in the nature of money or other consideration.

(b) At the State's option, exercised upon sixty- (60) days' written notice and in lieu of money royalty on oil

production, the Lessee shall deliver to the State in kind its royalty percentage, as provided above, of all oil production removed or sold from the leased lands. If the State elects to take in kind its royalty share of oil produced from the leases lands, the State may require the Lessee to provide at the Lessee's shipping tanks, without charge to the State, tankage of sufficient capacity to store the State's royalty share of oil produced from the leased lands during any continuous forty-eight (48) hours.

(c) In addition to the rental, the Lessee shall account for and pay to the State in money as royalty on non-oil production, which consists of dry gas, including vented and flared gas, (except during testing with approval of the State) natural gasoline and other products extracted and saved from the gas produced from the leased lands, except gas used for lease operations or reinjected into the leased lands, twelve and one-half percent (12 1/2%) of the current market price of all non-oil production removed or sold from the leased lands. The current market value shall be current market value as fixed by the State, unless such dry gas, natural gasoline and other products are sold pursuant to a sales contract approved by the State. Money royalty on non-oil production shall be due no later than the 45th day following the calendar month in which the non-oil production is produced.

(d) At the State's option, exercised upon sixty- (60) days' written notice and in lieu of money royalty on non-oil production, the Lessee shall deliver to the State in kind its royalty percentage, as provided above, of all non-oil production removed or sold from the leased lands.

(e) If the State elects to take in kind its royalty share or shares of oil or non-oil production, or both, it may elect thereafter, upon sixty- (60) days' written notice, to take its royalty share or shares in money, and upon like notice at any time thereafter, may elect to take its

royalty share or shares either in kind or in money.

(f) All royalties payable to the State, whether in money or in kind, shall be without deduction for the cost of producing, gathering, separating, compressing, treating, dehydrating, processing, transporting and otherwise making the oil and non-oil production marketable.

(g) The royalty percentage rates described above shall remain in effect for two (2) years from and after the effective date of these amendments. At the end of such two-year period, the royalty percentage rates shall increase to sixteen and two-thirds percent (16 2/3%).

3. New Drilling.

(a) Bush agrees to complete the drilling of the following wells by the dates specified herein.

(1) A Deep Zone Test Well on PRC 410 by March 1, 1988.

(2) A Deep Zone Test Well to evaluate PRC 429 and a Deep Zone Test Well on PRC 1466. One well at Bush's choice shall be spudded by January 1, 1989. Both wells shall be spudded and completed by January 1, 1990.

(b) The State agrees to waive the payment of royalty on oil and gas production from each of the wells referenced under 3(a) above until the gross value of production from each well equals the direct drilling and completion costs of each well. Such costs shall be exclusive of operating and salvageable equipment costs. Each well shall be considered individually, and production from one well shall not be credited to another. Nor shall production from one well be credited against the costs of any other commercial or noncommercial well on its own or any other leasehold. After Bush has recovered its costs on a well-by-well basis, Bush shall pay the royalty in effect at that time without further adjustments. This waiver of

royalty shall only apply to the three wells identified under 3(a).

(c) Bush agrees to complete the drilling of an exploratory well on the western portion of PRC 1466 from a jack-up drilling rig by January 1, 1990.

(d) Bush shall file with the State no later than June 30, 1988 such permit applications, project descriptions, reimbursement agreements and other documents necessary for the State to declare the permit applications for the wells referenced in 3(a) and 3(c) complete and to begin necessary environmental analyses for the drilling of said wells.

4. Well Abandonment.

(a) Bush agrees to complete an evaluation of all wells idle on the effective date of these amendments and to submit specific proposals to the State for well abandonments by January 1, 1988. Well abandonments shall be completed by July 1, 1988, except as stated in 4(b).

(b) Bush agrees to abandon well No. 1466-102 by January 1, 1990. It is intended that this abandonment and the drilling of the new well on PRC 1466 as outlined in paragraph 3(c) above be done sequentially. Bush shall submit an application to do the abandonment in conjunction with its application to drill the well described in paragraph 3(c) above. A single application may be submitted for both projects. The State agrees to prepare an environmental document encompassing both projects. Bush recognizes and agrees that the State shall have the discretion to approve or disapprove either or both projects. In the event that one project is approved, Bush agrees to complete that project by the date specified in these amendments or seek a deferment from the State. If both projects are approved, they shall be completed by the dates specified in these amendments.

5. Letter of Credit.

Berry agrees to obtain and submit within 15 days following approval of this amendment an irrevocable letter of credit in the amount of \$4 million guaranteeing performance of all terms and conditions of the leases as amended now and hereafter. The amount of the security shall be subject to review and modification every three years based on the change of Bureau of Labor Statistics Index Code No. 0561 Crude Petroleum (Domestic Production) Base Year 1967, with March 1987 index of 387.4.

6. Sinking Fund.

The sinking fund established under Amendment effective August 1, 1986 shall be terminated and returned to Bush upon approval of this amendment and receipt of an irrevocable letter of credit pursuant to paragraph 5. The sinking fund will be used for abandonment of wells under Paragraph No. 4, well work for restoration of production from the leases and costs of environmental assessments.

7. Default and Termination.

Bush agrees that its failure to meet the obligations set forth in these amendments in a timely manner shall immediately invoke the default and termination provisions found in the respective leases, provided, however, that the obligations imposed on Bush by the provisions of this amendment shall be suspended during such time as Bush is prevented from complying therewith by the rules and regulations of any federal, state, county or municipal agency.

8. Representatives.

Berry and Bush shall immediately name a representative who at all times shall have such authority as is necessary to simultaneously represent, bind and speak for both Bush and Berry in all matters concerning these leases.

9. Terms of Amendments.

The term of the amendments shall be for so long as oil and gas are produced in paying quantities from the leased lands.

10. Effective Date.

The effective date of these amendments of State Oil and Gas Leases PRC 410.1, PRC 429.1 and PRC 1466.1 shall be October 1, 1987.

11. Other Terms and Conditions.

It is further agreed that all other terms and conditions of State Oil and Gas Leases PRC 410.1, PRC 429.1 and PRC 1466.1, as amended, are to remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment of State Oil and Gas Leases PRC 410.1, PRC 429.1 and PRC 1466.1 as of the date hereafter affixed.

LESSEE:

BUSH OIL COMPANY
P. O. Box 1538
Taft, California 93268

LESSOR:

STATE OF CALIFORNIA
STATE LANDS COMMISSION
245 W. Broadway, Suite 425
Long Beach, CA 90802

By Harvey L. Bryant, President

Dated: September 22, 1987

By W. M. Johnson

Dated: 9/23/87

GUARANTOR:

BERRY PETROLEUM COMPANY
P. O. Bin X
Taft, California 93468

By Harvey L. Bryant, President

Dated: September 22, 1987

Guaranty by Berry Petroleum Company.

In consideration of the execution of these amendments by and between the State and Bush Oil Company, (hereinafter referred to as Bush) the undersigned, Berry Petroleum Company,

(hereinafter referred to as Berry) does hereby guarantee unconditionally to the State, its successors and assigns, the prompt payment by Bush of the rental and all other sums in the lease reserved in the manner and at the times prescribed, and the faithful performance by Lessee of all the terms, covenants and conditions contained in the lease.

This guaranty shall not be affected by any deviation from the lease by Bush or by any alteration of the terms, covenants or conditions of the lease consented to by Berry or by any permitted assignment or subletting of all or any part of the interest of Bush in the lease consented to by Berry. This guaranty shall not be released, extinguished, modified or in any way affected by failure on the part of State to enforce any or all of the rights or remedies of State whether pursuant to the terms of said lease or at law or in equity.

The guaranty is a continuing one and shall terminate only upon payment by Bush of all the rental and other sums in said lease reserved and upon performance by Bush of all duties and obligations contained in the lease.

The undersigned waives notice of acceptance by State of this guaranty. State agrees to give written notice to the undersigned ten days prior to commencing legal action against ~~the~~ Bush or against the undersigned.

The undersigned further consents that it shall not be necessary for State, in order to enforce this guaranty, to institute suit or exhaust its legal remedies against Bush.

Notwithstanding any other paragraph of the leases, the insolvency of Bush, as defined in paragraph 24 of PRC ~~410.1~~^{410.1} and PRC 429.1 and in paragraph 23 of PRC 1466.1, shall be deemed a default of the leases. HUB

In the event any action should be commenced by State against the undersigned to enforce any of the terms of conditions of this guaranty, State shall be entitled to recover from the undersigned hereunder in any action in which it shall prevail, reasonable attorney's fees which shall be fixed as

part of the costs by the court or judge in which the action is pending.

This guaranty shall inure to the benefit of State, its successors and assigns, and shall bind the successors and assigns of the undersigned.

GUARANTOR:

BERRY PETROLEUM COMPANY

By Harvey L. Bryant, President
Dated: September 22, 1987

State of CALIFORNIA }
County of KERN } SS.

On this the 22 day of SEPTEMBER 1987, before me,

DORIS YATES,
the undersigned Notary Public, personally appeared

HARVEY L. BRYANT,

personally known to me
 proved to me on the basis of satisfactory evidence
to be the person(s) who executed the within instrument as
PRESIDENT or on behalf of the corporation therein
named, and acknowledged to me that the corporation executed it.
WITNESS my hand and official seal.

Doris Yates
Notary's Signature

