

32227

NATURAL GAS DELIVERY AND PURCHASE AGREEMENT FOR UNIT GAS

This Natural Gas Delivery Agreement (this "Agreement") for Unit Gas is dated for reference purposes as of March 1, 2011, is made by and among the CITY OF LONG BEACH ("City" or "LBGO"), a municipal corporation, the CITY OF LONG BEACH, acting in its capacity as Unit Operator under that certain Unit Agreement dated November 1, 1964 executed by and among the City and the working interest owners, and approved by the State of California (in such capacity, "Unit Operator"), THUMS LONG BEACH COMPANY ("THUMSCO"), a Delaware corporation, and OXY LONG BEACH, INC., a Delaware corporation ("OLBI") (collectively referred to as the "Parties" and individually as a "Party"), and is created pursuant to minute order adopted by the City Council of the City of Long Beach on December 9, 2008, for the delivery of Unit Gas by THUMSCO into City's pipeline generally for the purpose of remarketing to a Contracted Gas Supplier.

NOW, THEREFORE, in consideration of the mutual agreements and undertakings set forth below, the Parties agree as follows:

SECTION 1. TERM

This Agreement shall be effective on March 1, 2011 and shall be in effect through and including February 28, 2013, subject to the terms and conditions set forth herein. Following the initial two (2) year period, this Agreement shall automatically renew annually for a period of one (1) year, unless a Party delivers a written termination notice to the other Parties at least ninety (90) days prior to the then-current termination date. Any party hereto may terminate this Agreement at any time by giving the other party ninety (90) days prior written notice.

SECTION 2. DEFINITIONS

For the purpose of this Agreement, the letters, words, phrases, and terms used herein shall be used in the ordinary meaning unless this Agreement clearly indicates otherwise. The following letters, words, phrases and terms are hereby defined as follows:

2.1 "Agent/Contracted Marketer" shall mean Shell, or any replacement therefore designated in writing by LBGO.

2.2 "Bid Week" shall mean, with respect to any given month, the last five (5) Business Days of the month immediately preceding such month.

2.3 "Belmont Gas" shall mean gas produced from State Lease PRC 186 by and between the State and OLBI.

2.4 "Btu" shall mean the British thermal unit, which is the standard unit for measuring a quantity of thermal energy.

2.5 "Business Day" shall mean a day in which City is open for business. A Business Day shall begin at 7:30 a.m. and close at 4:30 p.m., Pacific Clock Time.

2.6 "Contracted Gas Supplier" shall mean MLCI, Shell, any other gas supplier contracted with City, or any other gas supplier contracted with a LBGO transport customer.

2.7 "CPUC" shall mean the California Public Utilities Commission or its successor agency with regulatory jurisdiction over intrastate pipelines, tariff and gas services in California.

2.8 "Curtailement" shall mean when SoCalGas and/or LBGO (jointly or separately referred hereafter in this definition as "Utility") or other operator of any other transmission pipeline used by LBGO, initiates suspension of gas service and temporarily reduces the daily quantity of gas it will transport or deliver, or terminates service entirely for certain service categories as needed for operational and/or contractual requirements.

2.9 "Day" shall mean a period of twenty-four (24) consecutive hours commencing at 12:01 a.m. Pacific Clock Time and ending at 12:00 midnight Pacific Clock Time.

2.10 "Delivery Point(s)" shall mean those points designated on Exhibit "A" attached hereto as the Point(s) of Connection.

2.11 "Excess Gas" shall mean, for any Unit Gas, gas delivered greater than the first of month gas baseload nomination as submitted by THUMSCO or as adjusted as set forth in Section 3.2(c).

2.12 "Force Majeure" shall mean, without limitation, the following events: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailement of transportation and/or storage by transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law statute, ordinance, regulation or policy having the effect of law promulgated by a governmental authority having jurisdiction.

2.13 "Gas" shall mean natural gas meeting the Required Specifications.

2.14 "Pre-Pay Gas Price" shall mean a price equal to the price paid for natural gas by City for the applicable month in connection with the "pre-pay" natural gas transaction between City and MLCI entered into in 2007 and as shall be amended from time to time.

2.15 "Long Beach Unit" shall mean that certain oil and gas unit created by, and described in, the Unit Agreement.

2.16 "Long Beach Unit Contractors Agreement" shall mean that certain Contractors' Agreement Long Beach Unit Wilmington Oil Field, California, by and between the Unit Operator and various predecessors to OLBI relating to the operation of the Long Beach Unit, recorded on March 10, 1965 in Book 1796, Page 409 of the Official Records of Los Angeles County, and all amendments thereto.

2.17 "Mcf" shall mean one thousand (1,000) Standard Cubic Feet.

2.18 "MLCI" shall mean Merrill Lynch Commodities, Inc.

2.19 "Metering Station(s)" shall mean all pipe, gauges, gas chromatographs, flow computers, meters, valves, regulators, filters, fittings and other equipment operated by City immediately downstream of the Delivery Points.

2.20 "MMBtu" shall mean one million (1,000,000) Btus.

2.21 "MMcf" shall mean one million (1,000,000) Standard Cubic Feet.

2.22 "Month" shall mean the period commencing on the first day of a calendar month and ending at the end of the last day of the same calendar month.

2.23 "Normal Business Hours" shall mean the hours between 7:30 a.m. and 4:30 p.m., excluding weekends and holidays recognized by City.

2.24 "Odorizer" shall mean a device, and its associated piping and components, which adds odorant to the gas stream and makes leaks detectable.

2.25 "Power Plant" shall mean that certain 45 megawatt gas-fired power generation facility located in the Harbor District in the vicinity of the Long Beach Unit.

2.26 "Processing Facility" shall mean the area which includes all connecting pipelines, meters, regulators, filters, monitors and all other equipment necessary for THUMSCO to process Gas for City (excluding the odorizer).

2.27 "psia" shall mean pounds per square inch absolute.

2.28 "psig" shall mean pounds per square inch gauge.

2.29 "Required Specifications" shall mean those specifications set forth in Exhibit "B" attached hereto, or such other specifications as may be required pursuant to Section 7.4.

2.30 "Shell" shall mean Shell Energy North America (US), L.P.

2.31 "SoCalGas" shall mean Southern California Gas Company, a public utility regulated by the CPUC.

2.32 "Standard Cubic Foot" shall mean the volume of gas contained in one (1) cubic foot of space in accordance with the standards prescribed in the appropriate American Gas Association publication, as amended from time to time.

2.33 "State" shall mean the State of California.

2.34 "Townlot Gas" shall mean the portion of Unit gas (shallow and produced) allocated to the townlot and administered by the Unit Operator, as agent under Section 5.14 of the Unit Agreement on behalf of the City and the other working interest owners in the "townlot".

2.35 "Tract I Produced Gas" shall mean the portion of Unit produced gas allocated to Tract I and owned by the Unit Operator, as agent under Section 5.14 of the Unit Agreement.

2.36 "Tract I Shallow Gas" shall mean the portion of Unit gas that is allocated to OLBI pursuant to the Agreement Providing Financial Incentive for Development of Shallow Gas and Additional Deep Gas Reserves in the Long Beach Unit, by and between the City of Long Beach, OLBI and the State Lands Commission, including but not limited to Tract I Shallow Gas and 237 gas (as defined therein). For purposes of this Agreement only, Belmont Gas shall be included in the definition of Tract I Shallow Gas.

2.37 "Tract II Gas" shall mean the portion of Unit gas (shallow gas and produced gas) allocated to Tract II and owned by OLBI.

2.38 "Unit Agreement" shall mean that certain Long Beach Unit Agreement dated November 1, 1964 by and among the City and the working interest owners, and approved by the State.

2.39 "Unit Gas" shall mean Townlot Gas, Tract I Produced Gas, Tract I Shallow Gas and Tract II Gas, and any other gas produced by THUMSCO operations.

2.40 "Unit of Measurement" shall mean one (1) MMBtu.

2.41 "Upset Condition" shall mean a situation where inlet pressure exceeds 150 psig or falls below 50 psig or the quality of the delivered gas fails to meet any of the Required Specifications.

2.42 "Wilmington Oil" shall mean any and all oil produced by THUMSCO and valued in accordance with the Long Beach Unit Contractors Agreement, as the same may be amended.

SECTION 3. DELIVERY OF GAS

3.1 Subject to the terms and conditions of this Agreement, City agrees on a best efforts basis, to allow all Unit Gas into City's gas system at Delivery Points specified on Exhibit "A" attached hereto.

3.2 THUMSCO agrees to provide City with an estimate of deliveries (with each Delivery Point and Tract I Produced Gas and Tract I Shallow Gas estimated separately) and notification of any daily fluctuations from this estimate during such month as detailed below:

(a) Monthly baseload gas nominations for flow on the first day of the upcoming month must be received in writing via electronic mail or facsimile by LBGO and Agent/Contracted Marketer no later than 9:00 a.m. Pacific Clock Time, a minimum of six (6) business days prior to the first day of the delivery month.

(b) Monthly baseload Gas nomination data must be received by LBGO and Agent/Contracted Marketer in writing and shall include any information LBGO deems reasonably necessary.

(c) Once a month, but not later than 5:00 a.m. Pacific Clock Time of the twentieth (20th) day of the applicable month, THUMSCO may revise its first of month daily gas baseload nomination amount for the remainder of the applicable month. The increased or decreased volumes shall adjust the total cumulative monthly baseload nomination, for which THUMSCO shall be responsible for the applicable monthly balancing.

(d) Due to LBGO's gas system capacity and projected demand load, a maximum daily gas volume delivery threshold may be enforced by LBGO for any given delivery day. LBGO will reserve the right to adjust any individual day's threshold as determined by actual daily capacity and demand load on the LBGO system. All volume determinations by LBGO shall be final. These adjustments, which are enforced by LBGO, will reduce the Unit's daily nomination, but not the total monthly baseload gas nomination commitment.

3.3 The parties recognize and agree that City has no obligation under this Agreement to purchase and receive any specified minimum quantity of gas from THUMSCO for any given period during the term of this Agreement. Further, City represents that City does not have storage capabilities to accept any gas volumes at any specified time in excess of its immediate requirements. City's hourly and daily requirements may fluctuate substantially depending upon weather conditions or other external events.

3.4 The parties recognize and agree that THUMSCO's obligation to deliver and City's obligation to receive gas hereunder is subject to THUMSCO's ability to deliver and City's available capacity in the pipeline utilized to transport such gas, the need for such gas and other factors affecting operations and maintenance of City's pipeline facilities.

SECTION 4. MONTHLY BALANCING AND RECONCILIATION

4.1 THUMSCO will continually monitor actual daily deliveries of gas relative to the associated cumulative monthly baseload gas nominations. To the extent actual deliveries deviate from monthly baseload gas nominations during a given month, THUMSCO shall use best efforts to adjust daily deliveries to bring the imbalance as reasonably possible to zero by the end of the month.

4.2 If at the close of any month, THUMSCO's cumulative gas deliveries are over THUMSCO's total monthly nominated volumes for that month, the over-delivery shall be handled in the following manner:

(a) Excess Tract I Shallow Gas shall be sold by OLBI to City at a price equal to the lesser of the Pre-Pay Gas Price for either the delivery month or the subsequent month.

(b) Excess Tract II Gas sold by OLBI and excess Townlot Gas sold by Unit Operator shall be purchased by City at a price equal to the lesser of the Pre-Pay Gas Price for either the delivery month or the subsequent month.

(c) Excess Tract I Produced Gas may be sold by Unit Operator, as agent, to any other Contracted Gas Supplier that can physically take possession of the gas on LBGO's gas pipeline system, at any time before the tenth (10th) day of the month following the over-delivery event, and such sale may be credited to that Contracted Gas Supplier for use during the month immediately subsequent to the month in which the over-delivery occurred. If Unit Operator fails for any reason to sell its share of the excess volume by the tenth (10th) day of the month described, City shall purchase such volumes at a price equal to the lesser of the Pre-Pay Gas Price for either the delivery month or the subsequent month, or such other price as may be required by agreement(s) entered into between City and the State applicable to Tract I Produced Gas. If the Power Plant is shut down for any reason, and Unit Operator is unable to sell excess volumes under short term contracts, City shall purchase such volumes at a price equal to the lesser of the Pre-Pay Gas Price for either the delivery month or the subsequent month, or such other price as may be required by agreement(s) entered into between City and the State applicable to Tract I Produced Gas.

4.3 The reconciliation of THUMSCO's actual gas deliveries against monthly nominated volumes will occur at the end of each month and will be transmitted by LBGO to THUMSCO by the tenth (10th) day of the subsequent month.

4.4 LBGO shall be kept whole for any charges, penalties or costs incurred by LBGO for the under-delivery or over-delivery of any volumes of Gas from the monthly baseload nominated by THUMSCO. This includes under/over-deliveries due to the physical shut-in of Tract I Shallow Gas or Tract I Produced Gas due to LBGO's system capacity or out of specification gas.

4.5 Should SoCalGas impose additional stricter balancing provisions upon LBGO, the stricter provisions will be adopted and implemented by LBGO, as required by SoCalGas, and thereafter apply to THUMSCO. THUMSCO shall be subject to changed balancing requirements at the time such balancing is imposed by SoCalGas upon LBGO, irrespective of prior written notice to THUMSCO; provided however, LBGO will use reasonable efforts to provide advance written notice to THUMSCO.

SECTION 5. PERMITS

5.1 City's acceptance of Gas under this Agreement is conditioned upon the continuing effectiveness of a South Coast Air Quality Management District ("SCAQMD") permit for operation of the Odorizer at the Metering Station. City shall be responsible for all SCAQMD permits and fees associated with operation of the Odorizer. Execution of this Agreement by THUMSCO obligates THUMSCO to timely reimburse City for all permits paid for by City, including without limitation SCAQMD permits, which are required/incurred as a result of the execution of this Agreement.

5.2 THUMSCO shall obtain, at its own expense, all necessary permits and approvals for construction and placement of all concrete work, fences and equipment for the Processing Facility, except as specifically set forth herein. City's execution of this Agreement shall not be considered a waiver or approval of any permitting process, including but not limited to, those required by City's Harbor Department, or of the zoning and permit requirements as presently exist by ordinance, statute and procedural rules of City and the State.

SECTION 6. DELIVERY POINT

6.1 THUMSCO shall deliver all Unit Gas to City or its designee at the Delivery Point(s).

6.2 Except as otherwise set forth herein, THUMSCO shall be deemed to be in control and possession of the gas and responsible for any damage, or injury, or risk of loss of such gas prior to City's (or its designee's) receipt at the Delivery Point(s), after which City shall be deemed to be in exclusive control and possession thereof and responsible for any damage, injury, or risk of loss of Gas caused thereby, except where such damage is attributable to THUMSCO's failure to meet any of the requirements of this Agreement.

6.3 The location of the Delivery Point(s) may be changed by mutual written agreement of the Parties executed with the same formality as this Agreement, and upon execution of any other necessary amendments to the documents evidencing the "pre-pay" natural gas transaction.

SECTION 7. GAS QUALITY & DELIVERY PRESSURE

7.1 City shall not be obligated to accept delivery, receive or pay for any Gas which does not meet the Required Specifications. City may, at its sole and absolute discretion and without payment therefor, accept gas which fails to meet the Required

Specifications, but City shall be under no continuing obligation to accept such non-compliant gas.

7.2 The Gas shall be delivered into the Metering Station at (i) a minimum pressure of 50 psig, and (ii) a maximum pressure of 150 psig. THUMSCO shall provide an automatic shut-off device at the Processing Facility to ensure that the maximum pressure limit is not exceeded and to ensure that all other Required Specifications are met. In addition, and as permitted by law, THUMSCO shall provide an additional over-pressure protection device which will prevent the maximum pressure limit from being exceeded in the event that the automatic shut off device fails to operate.

7.3 City shall operate an automatic shut-off device at the Metering Station, which will close automatically, in the event of an Upset Condition. City shall make one attempt to re-open the valve after notification by THUMSCO that the Upset Condition has been cleared. If the valve shuts off again within seven (7) days of the initial shut-off and re-opening, City shall only be obligated to attempt to re-open the valve during Normal Business Hours.

7.4 If any governmental entity or agency having authority over the gas quality standards requires City to adhere to more stringent quality specifications than those set forth in Exhibit "B" attached hereto, then City shall deliver notice of such requirements to THUMSCO and within seven (7) days thereof THUMSCO shall respond to City's notice. If THUMSCO accepts the quality specification change, THUMSCO, at its own cost and expense, shall meet the quality standards required by such governmental entity or agency. City and THUMSCO shall agree to a reasonable time period, not exceeding any time period required by such governmental agency, to implement any changes necessary to meet quality specifications changes. In the event THUMSCO elects not to change specifications as requested in the notice, THUMSCO may terminate this Agreement by service of written notice upon City as provided herein within sixty (60) days after receipt of the notice of change.

SECTION 8. MEASUREMENT

8.1 The volume of Gas delivered to the Delivery Point, as measured in Mcf, shall be corrected to the Unit of Measurement. The measurement and determination of Gas delivered shall be made in accordance with the applicable reports of the American Gas Association, as amended from time to time, which will be provided to THUMSCO upon request.

8.2 THUMSCO's deliveries of Gas hereunder shall be calculated from the measurements taken at the meter operated and maintained by City at the Delivery Point, and from the heating value determined by the instruments operated by City. THUMSCO shall have the right to inspect and verify the calibration and accuracy of such measuring devices by request. In the event an inaccuracy is discovered, City shall, upon notice from THUMSCO, promptly make all necessary repairs or adjustments, and adjust the basis for all affected payments on a retroactive basis. THUMSCO shall reimburse City for all costs associated with such repairs or adjustments provided that the malfunction of the measuring devices was not due to

City's negligence. THUMSCO shall reimburse City for all such costs within thirty (30) days of receiving an invoice from City.

8.3 On or before the fifth (5th) day of the succeeding calendar month, City shall submit to THUMSCO a statement indicating City's measurement of Gas delivered at the Metering Station for the preceding calendar month.

SECTION 9. PRICING, CREDITS AND FEES

9.1 Each month on or before the twentieth (20th) day of the month, THUMSCO shall pay City a monthly connection fee, in the amount of \$85,000 ("Connection Fee"), to reflect the flexibility THUMSCO is requesting to periodically place fluctuating volumes of gas physically onto LBGO's system, and the impact this flexibility causes for LBGO's operations. If the average price of Wilmington Oil (as calculated by City in its sole discretion) (the "Wilmington Oil Price") for a given calendar month is below \$40 per barrel, then only \$20,000 of the Connection Fee shall be payable in that month, and the remaining portion of the Connection Fee for that month shall be due, without interest, after the first subsequent month in which the Wilmington Oil Price is \$40 or above.

9.2 For Unit Gas volumes delivered into LBGO's system that could otherwise have been consumed in the Power Plant, which cause LBGO to avoid charges for gas delivery, LBGO may credit a portion of those savings to THUMSCO's subsequent month's Connection Fee payment. LBGO will issue a letter to THUMSCO determining the calculation of the avoided charges credit and reissue the letter if conditions change the calculation method. This credit will be applicable each month to the positive difference between the average daily Unit Gas deliveries (in MMBtu) into LBGO's system for the month, not to exceed 10,000 MMBtu per day, minus the average daily gas delivered to the Power Plant for the month and will be multiplied by the number of days in the month.

9.3 City shall pay THUMSCO monthly for Townlot Gas, as well as any other gas delivered by THUMSCO on behalf of Unit Operator for sale to City and accepted into City's pipeline system according to the terms and conditions set forth in this Agreement. The gas price shall be paid based upon MMBtu and shall be adjusted each month and paid according to THUMSCO's monthly volume delivered and accepted into City's pipeline system for the purposes of sale to City. The price paid by City to Unit Operator for any given month shall be equal to the Pre-Pay Gas Price for that month for gas delivered up to the volume nominated by THUMSCO for first of month monthly baseload gas nomination or as modified by Section 3.2(c). If for any reason it becomes impossible to determine the Pre-Pay Gas Price, then City shall have no obligation whatsoever to pay Unit Operator for gas accepted into City's pipeline, and THUMSCO shall have no obligation whatsoever to deliver such gas, until such time as LBGO and Unit Operator have agreed upon an alternative price and have amended this Agreement in writing.

9.4 City shall pay OLBI monthly for Tract II Gas, as well as any gas delivered by THUMSCO on behalf of OLBI for sale to City and accepted into City's pipeline system according to the terms and conditions set forth in this Agreement. The gas price

shall be paid based upon MMBtu and shall be adjusted each month and paid according to THUMSCO's monthly volume delivered and accepted into City's pipeline system for the purposes of sale to City. The price paid by City to THUMSCO for any given month shall be equal to the Pre-Pay Gas Price for that month for gas delivered up to the volume nominated by THUMSCO for first of month monthly baseload gas nomination or as modified by Section 3.2(c). If for any reason it becomes impossible to determine the Pre-Pay Gas Price, then City shall have no obligation whatsoever to pay OLBI for gas accepted into City's pipeline, and THUMSCO shall have no obligation whatsoever to deliver such gas, until such time as City and OLBI have agreed upon an alternative price and have amended this Agreement in writing.

9.5 If the Power Plant is shut down for any reason, and Unit Operator is unable to sell Tract I Produced Gas volumes under short term contracts, City shall purchase such volumes at a price equal to the Pre-Pay Gas Price for that month for gas delivered up to the volume nominated by THUMSCO for first of month monthly baseload gas nomination or as modified by Section 3.2(c), or such other price as may be required by agreement(s) entered into between City and the State applicable to Tract I Produced Gas. If for any reason it becomes impossible to determine the Pre-Pay Gas Price, then City shall have no obligation whatsoever to pay Unit Operator for gas accepted into City's pipeline, and THUMSCO shall have no obligation whatsoever to deliver such gas, until such time as LBGO and Unit Operator have agreed upon an alternative price and have amended this Agreement in writing

9.6 THUMSCO shall pay to City the Meter Assembly Repair fee published in the City's current Master Fee and Charges Schedule for all site visits made by City to perform repairs and non-routine maintenance on the Metering Station, or at the request of THUMSCO, to perform equipment calibration.

9.7 THUMSCO shall pay for or reimburse City for any repairs, other than routine repairs, City deems necessary for continued operation of the Metering Station and Odorizer, including without limitation, reasonable and necessary equipment replacement and contractor costs.

9.8 All production, severance, excise, ad valorem and any other similar taxes imposed or levied by federal, state, or any other governmental entity on the gas delivered herein, shall be paid by THUMSCO prior to its delivery to City at the Delivery Point. THUMSCO shall hold City harmless from any liability against all such taxes. Nothing contained herein shall be construed as applying to any tax imposed on City after the Delivery Point or after title and possession of the gas have passed to City. Neither party shall be responsible or liable for any ad valorem taxes or other statutory charges which are levied or assessed against any of the facilities of the other party used for the purpose of carrying out the provisions of this Agreement.

9.9 THUMSCO shall purchase all equipment, construct all facilities and obtain all permits necessary for processing gas to meet the Required Specifications.

9.10 THUMSCO shall pay for or reimburse City for all costs associated with the planning, design, purchase, installation, maintenance and operation of a suitable

Metering Station and Odorizer, or any re-commissioning of an existing Metering Station and Odorizer, together with connecting lines to the nearest suitable gas main, including but not limited to the pipeline, meter, regulators, separator, samplers, analyzers, gas chromatographs, detection equipment, filter and other equipment as specified by City. THUMSCO shall deposit with City funds in an amount equal to City's reasonable estimate of the costs of work prior to such work being initiated by City. THUMSCO shall deposit such additional funds as City may reasonably require should the scope of work increase. In the event such deposited funds are insufficient to cover City's cost of work, THUMSCO shall reimburse City for all additional costs incurred by City within thirty (30) days of receiving an invoice from City. In the event such deposited funds are in excess of City's cost of work, City shall refund excess funds to THUMSCO within thirty (30) days of completion of work. City shall provide THUMSCO with all invoices, bills, and other documents which evidence costs incurred by City, and for which City seeks reimbursement from THUMSCO, associated with planning, designing, purchasing, installation, maintenance and operation of the Metering Station and Odorizer.

9.11 If THUMSCO's Processing Facility is relocated, THUMSCO shall be obligated to pay, or reimburse City, for all costs associated with the removal and relocation, construction, and installation of a new Metering Station and Odorizer, together with connecting lines to the nearest suitable gas main, including but not limited to the pipeline, meter, regulators, separator, samplers, analyzers, gas chromatographs, detection equipment, filter, flow computers and other equipment. THUMSCO shall reimburse City for any costs associated with relocation within thirty (30) days of receiving an invoice and appropriate back-up documentation from City.

9.12 THUMSCO shall pay to City the Technical Service fee published in the City's current Master Fee and Charges Schedule for each service visit made by City software support technicians at THUMSCO's request. Notwithstanding the foregoing, THUMSCO shall not be obligated to pay any fees in connection with the initial software installation and training visit.

SECTION 10. BILLING AND PAYMENT

10.1 Each party hereto shall have the right, at any and all reasonable times, for a period up to two (2) years after the date of billing to examine the books and records of the other party, to the extent necessary to verify the accuracy of any statement, charge, computation or demand made under this Agreement. There shall be no adjustment after such two (2) year period for gas delivered hereunder unless written notice of claim had been previously made to the other party, which specifies with some particularity the basis for claim or objection.

SECTION 11. TITLE TO GAS AND EQUIPMENT

11.1 THUMSCO represents that it has lawful written authority to deliver the gas to City.

11.2 THUMSCO shall indemnify and hold City harmless from and against any and all claims, suits or encumbrances relating to the quality of gas as delivered by THUMSCO and/or authority to deliver said gas.

11.3 During the term of this Agreement, City shall possess and control the Metering Station, Odorizer, and all connecting lines, meters, regulators, gas chromatographs and other facilities or equipment located downstream of the Delivery Point whether installed by City or THUMSCO. THUMSCO shall provide a suitable 110-volt power supply and 100-psi supply of air at the Metering Station for City's use in performing under this Agreement. THUMSCO shall be responsible for all costs associated with the electrical power supply, including monthly power consumption costs. Except as stated, all costs of equipment and installation of the equipment shall be borne by THUMSCO, whether installed by THUMSCO or City at THUMSCO's request.

11.4 Upon termination of this Agreement, City shall disconnect THUMSCO pipeline, cut and cap same at an appropriate location, and abandon it in place to sever same from City's distribution system. Thereafter, ownership, possession and control of the Metering Station, Odorizer, and all connecting lines, meter, regulators, analyzers, gas chromatographs and other facilities or equipment located downstream of the Delivery Point that were purchased by THUMSCO (or cost reimbursed to City by THUMSCO pursuant to the provisions of Section 9.8) shall revert to THUMSCO in an "as is" condition. THUMSCO may remove such facilities and equipment at its cost or retain same in place.

11.5 THUMSCO shall accept full responsibility for disposing of any liquids or other impurities which are removed by THUMSCO from the gas in strict accordance with all current federal, state, and local rules and regulations pertaining to same.

SECTION 12. INGRESS AND EGRESS

12.1 THUMSCO shall provide City access to the Processing Facilities, pipelines, Metering Station, and Odorizer at all times without prior notice, and City shall comply with all THUMSCO safety requirements while at THUMSCO-operated facilities. If requested by City, THUMSCO shall provide a security fence with a locked gate, erected at THUMSCO's expense, directly around the area containing the Metering Station. City shall provide THUMSCO with a key to the gate lock.

12.2 THUMSCO shall permit no structures (whether permanent or temporary), trees or other utility lines or pipes (including but not limited to electric, water, cable and telephone) within five (5) feet on either side of the ground below which the pipeline from the Metering Station to City's pipeline facilities is located, without City's written prior consent. During the term of this Agreement, should THUMSCO desire to move the location of the pipelines or Metering Station, it shall be relocated at THUMSCO's expense after mutual agreement of the Parties to the changed location.

SECTION 13. SUCCESSION AND ASSIGNMENT

13.1 This Agreement shall inure to and be binding upon the successors and assigns of the Parties. Neither party may assign its rights nor delegate its obligations under this Agreement without prior written consent of the other party, which consent shall not be unreasonably withheld.

SECTION 14. LIABILITY, INDEMNIFICATION AND INSURANCE

14.1 THUMSCO and City each shall indemnify and hold harmless the other party from all liability including injury and death to persons, and expense on account of any and all damages, claims, actions, arbitration or settlement, arising out of or resulting from the acts of the party causing the damage; except that THUMSCO accepts full and sole responsibility for the proper allocation of all gas volumes delivered by THUMSCO, and THUMSCO accepts full and sole responsibility for allocation, or misallocation, of ownership volumes and proper identification of the proper party for payment for any and all gas volumes delivered by THUMSCO to City.

14.2 Except as otherwise agreed to herein, neither THUMSCO nor City shall be liable to the other for special, punitive, consequential, incidental or indirect damages, whether in contract or tort, for any actions or inactions related to this Agreement.

14.3 No language in this Agreement shall create any duty or obligation on City or THUMSCO to investigate, inspect, ensure compliance with rules and regulations, maintain or repair the other party's pipelines, connections, meters or valves or any part thereof, or any condition, occurrence or create any right, duty or obligation to third parties, except as the Parties performance is set forth herein.

14.4 THUMSCO shall indemnify and hold harmless City from all liability and expense arising under any gas purchase agreement between City and any other Contracted Gas Supplier, provided that such liability or expense is due to City's execution of this Agreement and/or City's purchase of Gas from THUMSCO hereunder. City agrees to promptly notify THUMSCO of any potential penalty situation to the extent that City receives advance notice from Contracted Gas Supplier. After receipt of notice of a potential penalty situation from City, THUMSCO agrees to promptly notify City of any planned reduction or increase in gas deliveries to City under this Agreement. If THUMSCO incurs any liability to City under this Section 14.3, then THUMSCO shall promptly deliver payment of the excess amount to City.

As a condition precedent to the effectiveness of this Agreement, THUMSCO shall procure and maintain at THUMSCO's expense for the duration of this Agreement and any extensions, renewals or holding over hereof, any and all insurance policies required to be maintained in the Unit Agreement.

SECTION 15. FORCE MAJEURE

15.1 Except for City's obligations to make payment for gas delivered hereunder, neither party hereto shall be liable for any failure to perform the terms of this Agreement when such failure is due to Force Majeure.

15.2 The Force Majeure shall, so far as possible, be remedied with all reasonable dispatch. The settlement of strikes or lockouts or industrial disputes or disturbances shall be entirely within the discretion of the party having the difficulty and the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts or industrial disputes or disturbances by acceding to the demands of any opposing party therein when such course is inadvisable in the discretion of the party having the difficulty.

SECTION 16. GOVERNMENT REGULATION

16.1 This Agreement shall be subject to all present and future applicable and valid laws, orders, rules and regulation of any regulatory body or agency having jurisdiction over the Parties, their facilities or gas supply, or any provisions of this Agreement. The Parties specifically acknowledge that certain information may need to be provided or certain documents or reports may need to be filed with certain city, county, state or federal regulatory agencies to implement or continue the transaction contemplated herein. Accordingly, upon the request of one party, the other party shall use its best efforts to cooperate in providing information or making or requesting certain filings to allow the intent of this Agreement to be fulfilled.

16.2 If any regulatory body having jurisdiction shall, after the date of execution of this Agreement, impose by rule or order any terms or conditions for such regulatory approval which is not satisfactory to the party burdened thereby, then such party may terminate this Agreement upon thirty (30) days prior written notice to the other party.

SECTION 17. NONDISCRIMINATION

17.1 In connection with the performance of this Agreement and subject to applicable rules and regulations, THUMSCO shall not discriminate against any person or employee, or fail to provide any service on the basis of race, religion, national origin, color, age, gender, sexual orientation, AIDS, AIDS related condition, handicap, disability or veteran status. THUMSCO shall ensure that applicants are employed, and that employees are treated during their employment, without regard to these bases. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

17.2 In connection with the performance of this Agreement, THUMSCO shall be in compliance with all applicable provisions of the Americans with Disabilities Act ("ADA"). City has no duty under this Agreement to ensure THUMSCO's compliance with applicable ADA legislation.

SECTION 18. NOTICES AND STATEMENTS

18.1 Any notice, request or demand provided for in this Agreement, or any notice which a party may desire to give to the other, shall be in writing and shall be considered as duly delivered when personally served, or when received if sent by

facsimile, telex or next day delivery service, or if deposited in the U.S. Postal Service, first class, postage prepaid, as of the third business day after the postmark date at the following addresses:

- a) To THUMSCO:
THUMS Long Beach Company
Attn: Rey Navarro
111 W. Ocean Blvd., Suite 800
Long Beach, CA 90802
EM: rey_navarro@oxy.com
PH: (562) 624-3400
FAX: (562) 624-3299

- b) To City:
Long Beach Gas & Oil Department
2400 East Spring Street
Long Beach, CA 90806-2285
Attention: Gas Supply Officer
PH: (562) 570-3981
FAX: (562) 570-2008

Any email or facsimile notice shall be followed with a mailed confirmation copy to ensure the email or facsimile was properly received.

18.2 Any statement or invoice provided for in this Agreement, except as otherwise provided and until changed by written notice shall be sent to the parties at the following addresses:

- a) To THUMSCO:
THUMS Long Beach Company
Attn: John Black
111 W. Ocean Blvd., Suite 800
Long Beach, CA 90802

- b) To City:
Long Beach Gas & Oil Department
2400 East Spring Street
Long Beach, CA 90806-2285
Attn: Accounting

18.3 No waiver by either City or THUMSCO of any default of the other hereunder shall operate as a waiver of any future default, whether of like or different character or nature.

18.4 This Agreement shall be construed consistently with all laws and public policies of the federal, state and local governments having proper jurisdiction over this Agreement and the Parties.

SECTION 19. MISCELLANEOUS

19.1 This Agreement sets forth all understandings between the Parties respecting the terms and conditions of this transaction. All prior agreements, understandings and representations, whether consistent or inconsistent, oral or written,

concerning this transaction are merged into and superseded by this written Agreement. No modification or amendment of this Agreement shall be binding on either party unless amended by an instrument in writing executed with all the formalities and by the proper Parties in the same manner as this Agreement.


19.2 The headings throughout this Agreement are inserted for reference purposes only, and are not to be construed or taken into account in interpreting the terms and provisions of any section, nor to be deemed in any way to qualify, modify or explain the effects of any such term or provision.


19.3 In the event that any provision of this Agreement is held by a court of competent jurisdiction or other regulatory body having jurisdiction herein, to be unenforceable or invalid, such holding shall not render unenforceable any other provision of this Agreement, each provision being expressly severable and independently enforceable to the fullest extent permitted by law.

IN WITNESS WHEREOF, the Parties have each caused this Agreement to be duly executed by its duly authorized officer as of the date first written above.

"THUMSCO"

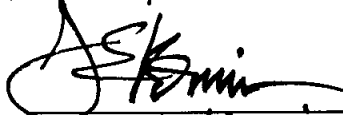
THUMS LONG BEACH COMPANY,
a Delaware corporation

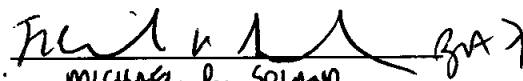
By: 
Name: F.E. Komia BAC
Title: President

By: 
Name: Don La Foster BAC
Title: V.P. of Finance

"OLBI"

OXY LONG BEACH, INC.,
a Delaware corporation

By: 
Name: F.E. Komia BAC
Title: President and G.M.

By: 
Name: MICHAEL R. SOLANO BAC
Title: AUTHORIZED REPRESENTATIVE

"UNIT OPERATOR"

CITY OF LONG BEACH, acting in its capacity
as Unit Operator under the Unit Agreement
dated November 1, 1964

Assistant City Manager

By: 

Name: Patrick H. West

Title: City Manager

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

"CITY"

CITY OF LONG BEACH

Assistant City Manager

By: 

Name: Patrick H. West

Title: City Manager

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

The foregoing document is approved as to form.

ROBERT E. SHANNON, City Attorney

Dated: February 17, 2011

By: 

Deputy

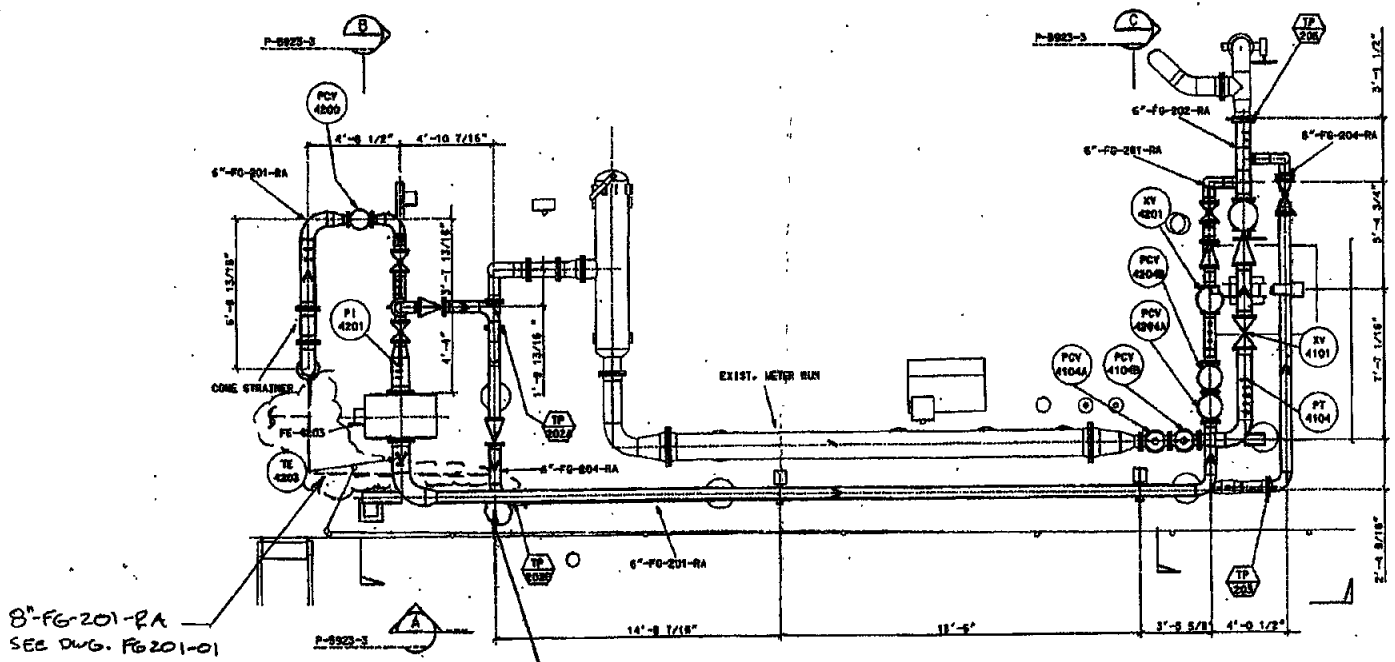
RFA
01/07/09

EXHIBIT "A"

POINT OF CONNECTION



THIS DRAWING IS THE PROPERTY OF THURMS. IT MAY NOT BE COPIED, REPRODUCED, OR USED IN WHOLE OR IN PART IN ANY WAY WITHOUT THE PRIOR WRITTEN PERMISSION OF THURMS.



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TP 22V 8\"/>

As - Built 12/16

REVISIONS				
DATE	REVISION	BY	CHK'D	APP'D
	ISSUED FOR CONSTRUCTION	SV	PF	SM

Wesley Parsons
 ENGINEERS
THURMS LONG BEACH COMPANY
 1000 WEST 10TH STREET
 LONG BEACH, CALIF. 90802
BROADWAY MITCHELL
 SHALLOW GAS PIPING MODIFICATIONS
 PIPING PLAN - METERING AREA
 SCALE 3/8" = 1'-0" DRAWING NO. P-5923
 DATE 6/12/02 DRAWN BY SV CHECKED BY PF
 APPROVED BY SM

EXHIBIT "B"

CITY OF LONG BEACH GAS & OIL DEPARTMENT
NATURAL GAS QUALITY SPECIFICATIONS



CITY OF LONG BEACH GAS & OIL DEPARTMENT

NATURAL GAS QUALITY SPECIFICATIONS

EXHIBIT "B"

- Heating Value: The minimum heating value is nine hundred and seventy (970) Btu (gross) per standard cubic foot on a dry basis. The maximum heating value is one thousand one hundred fifty (1150) Btu (gross) per standard cubic foot on a dry basis.
- Moisture Content or Water Content: Gas delivered shall have a water content not in excess of seven (7) pounds per million standard cubic feet.
- Hydrogen Sulfide: The gas shall not contain more than twenty-five hundredths (0.25) of one (1) grain of hydrogen sulfide per one hundred (100) standard cubic feet. The gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-product in the gas stream.
- Mercaptan Sulfur: The mercaptan sulfur is not to exceed three tenths (0.3) grains per hundred standard cubic feet.
- Total Sulfur: The gas shall not contain more than seventy-five hundredths (0.75) of a grain of total sulfur compounds per one hundred (100) standard cubic feet. This includes COS and CS₂, hydrogen sulfide, mercaptans and mono, di and poly sulfides.
- Carbon Dioxide: The gas shall not have a total carbon dioxide content in excess of three percent (3%) by volume.
- Oxygen: The gas shall not at any time have an oxygen content in excess of two-tenths of one percent (0.2%) by volume, and customer will make every reasonable effort to keep the gas free of oxygen.
- Inerts: The gas shall not at any time contain in excess of four percent (4%) total inerts (the total combined carbon dioxide, nitrogen, oxygen and other inert compound by volume).
- Dust, Gums, and Other Objectionable Matter: The gas shall be commercially free from dust, gums, and other foreign substances.
- Hazardous Substances: The gas must not contain hazardous substances (including but not limited to toxic and/or carcinogenic substances and/or reproductive toxins) concentrations which would prevent or restrict the normal marketing of gas, be injurious to pipeline facilities, or which would present a health and/or safety hazard to Utility employees and/or the general public.
- Delivery Temperature: The gas delivery temperature is not to be below 50F or above 105F.
- Interchangeability: The gas shall meet American Gas Association's Wobbe Number, Lifting Index, Flashback Index and Yellow Tip Index interchangeability indices for high methane gas relative to a typical composition of gas in the Utility system near the points of receipt. Acceptable specification ranges are:
- Wobbe Number (W for receiving facility)
(WP for producer)
 $0.9 W \leq WP \leq 1.1 W$
 - Lifting Index (IL)
 $IL \leq 1.06$
 - Flashback Index (IF)
 $IF \leq 1.2$
 - Yellow Tip Index (IY)
 $IY \geq 0.8$