



Merrill Lynch Commodities, Inc.

20 E. Greenway Plaza, 7th Floor, Houston TX 77046

City of Long Beach
Address: 2400 E. Spring St.
Long Beach, CA 90806
Attn: Christopher Garner
Phone: 562.570.2001
Fax: 562.570.2008

30897

Physical Natural Gas Transaction Confirmation
Trade ID: LBPG0001
Original Version

The purpose of this communication is to confirm the terms and conditions of the transaction entered into between **Merrill Lynch Commodities, Inc.** and the **City of Long Beach** on the Trade Date specified below (the "**Transaction**"). This communication constitutes a "**Confirmation**" as referred to in the Agreement specified below.

This Confirmation supplements, forms part of, and is subject to, the **International Swap Dealers Association, Inc. Master Agreement** dated as of September 3, 2008, as amended and supplemented from time to time, between **Merrill Lynch Commodities, Inc.** ("MLC" or "**Buyer**") and **City of Long Beach** ("LB" or "**Seller**") (the "**Agreement**"). Each of Buyer and Seller may be referred to herein as a "party" and collectively as the "parties". All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The terms of the particular Transaction to which this Confirmation relates are as follows:

Terms and Conditions:

Trade Date: March 1, 2011

Trade ID: LBPG0001

Buyer: Merrill Lynch Commodities, Inc.

Seller: City of Long Beach

Commodity: Physical natural Gas

Contract Quantity: A daily quantity of physical natural Gas nominated by Seller to Buyer by 11:00 a.m. central time six Business Days prior to the beginning of the Month in which such daily quantities are to be delivered ("**FOM Nomination Quantities**"); provided that one time on or before the 20th calendar day during a Month, Seller may revise by not more than 50% its FOM Nomination Quantities nomination as applicable to the remainder of such Month if Seller has provided notification to Buyer and Buyer has received such notification of such revised nomination by 7:00 a.m. central time on the nearest Local Business Day prior to the first delivery day of such Month to which such revised nomination would apply ("**Revised Nomination Quantities**"). If Seller nominates zero MMBtus as its FOM Nomination Quantity, then Seller shall not submit a

Revised Nomination Quantity for that same Month. Seller acknowledges that the Revised Nomination Quantities may result in a payment due from Seller to Buyer.

Additionally, the parties acknowledge that, for a given Month, any quantities in excess of the sum (1)(A) the FOM Nomination Quantities multiplied by (B) the number of Days in such Month for which FOM Nomination Quantities have been nominated and not revised pursuant to this Confirmation plus (2)(A) the Revised Nomination Quantities multiplied by (B) the number of Days in such Month for which Revised Nomination Quantities have been nominated ("**Excess Quantities**") shall not be accepted or purchased by Buyer. In the event that Seller delivers Excess Quantities to the Delivery Point(s), then Seller is responsible for such Excess Quantities.

Notwithstanding the foregoing, Seller may not nominate and Buyer has no obligation to accept a quantity of Gas for any Day which, when added to the quantity of Gas nominated for such Day in that certain Transaction Confirmation dated as of March 1, 2011, under that Base Contract for Sale and Purchase of Natural Gas dated as of February 1, 2011, between Merrill Lynch Commodities, Inc. as Buyer and Oxy Long Beach, Inc. as Seller, (the "**Oxy Confirmation**") would result in an aggregate quantity of Gas that exceeds the applicable daily contract quantity specified in Schedule 1 attached hereto, less any volumes which are remarketed by Buyer pursuant to Long Beach Bond Finance Authority's directions. The parties agree that Buyer shall accept (1) the full FOM Nomination Quantities under this Confirmation before accepting FOM Nomination Quantities under the Oxy Confirmation and (2) the full Revised Nomination Quantities under this Confirmation before accepting Revised Nomination Quantities under the Oxy Confirmation.

For the avoidance of doubt, Seller retains the right to nominate zero gas to Buyer as the FOM Nomination Quantities hereunder. Additionally, Seller shall provide a copy of all nominations of FOM Nomination Quantities and Revised Nomination Quantities to Shell Energy North America (US), L.P. ("**Shell**") within one Business Day of providing such nominations to Buyer.

Contract Price: **FOM Nomination Quantities:** The Contract Price for the FOM Nomination Quantities on a given Month shall be the first of the month index (\$/MMBtu) for the applicable delivery Month published under the heading "Spot Gas Prices: California: Southern Cal. Border Avg.: avg," as reported by Natural Gas Intelligence in the relevant issue of NGI's Bidweek Survey minus \$0.05 per MMBtu. This pricing formula shall be referred to as the "**FOM Nomination Price**."

Revised Nomination Quantities: The Contract Price for a given Day for the Revised Nomination Quantities for a given Month shall be calculated each applicable Day as follows and such pricing formula shall be referred to as the "**Revised Nomination Price**":

- a. **Increased Nomination Quantities.** If the Revised Nomination Quantities are greater than the FOM Nomination Quantities, the price applicable to the increased volume (i.e., the amount by which the Revised Nomination Quantities exceed the FOM Nomination Quantities) for each applicable delivery Day shall be the Midpoint price as published in the Platts Gas Daily "Daily price survey" under the heading "Daily price survey (\$/MMBtu): Others: SoCal Gas: Midpoint" ("**Gas Daily Price**") minus \$0.05 per MMBtu (The FOM Nomination Quantities shall continue to be priced based at the FOM Nomination Price).
- b. **Decreased Nomination Quantities.** If the Revised Nomination Quantities are less than the FOM Nomination Quantities, the price applicable to the volume for each applicable delivery Day remaining in the Month shall be equal to the following:
 - i. If the Gas Daily Price is less than FOM Nomination Price for a given Day, then the Revised Nomination Price for that Day equals the FOM Nomination Price,
 - or
 - ii. If the Gas Daily Price is greater than the FOM Nomination Price for a given

Day, then the Revised Nomination Price for that Day equals the FOM Nomination Price which shall be applied to the FOM Nomination Quantities ("**Gross Settlement**"). For each applicable Day, the Gross Settlement shall be reduced by an amount ("**Reduction Amount**") equal to the product of (i) the FOM Nomination Quantities LESS the Revised Nomination Quantities and (ii) the Gas Daily Price for such Day PLUS \$0.02/MMBtu. For clarity, the parties agree that if the Reduction Amount exceeds the Gross Settlement, Seller shall owe Buyer an amount equal to the difference between the Reduction Amount and the Gross Settlement.

See Schedule 2 hereto for examples of how the Contract Price shall be calculated.

Netting: All amounts owed between Buyer and Seller under this Confirmation each Month, including all amounts owed pursuant to Special Provision 4 and Special Provision 5, shall be netted into a single payment.

Calculation Agent: Notwithstanding anything in the Agreement to the contrary, the Calculation Agent with respect to this Confirmation is Buyer. Buyer shall be responsible for delivering to Seller an invoice setting forth the net amount owed each Month.

Delivery Point: The Delivery Point for all volumes of physical natural Gas up to the Contract Quantity shall be (i) Production Gas TF200-01, (ii) Shallow Gas TF207-01, and (iii) Power Plant Alternate Delivery Point

Delivery Period: April 1, 2011, to and including April 30, 2011 ("**Initial Delivery Period**"), and month to month thereafter; provided that either party may terminate this Transaction after the Initial Delivery Period upon thirty days written notice provided to and received by the other party in accordance with the notice provisions of the Agreement. Notwithstanding the foregoing, the Delivery Period shall not be more than 3 years (including the Initial Delivery Period). Either party shall have the right to terminate this Transaction, which termination shall be effective at the end of the Month that the terminating party gives notice of its intent to terminate to the non-terminating party, upon the occurrence of any of the following events: (1) the termination of that certain Master Imbalance Confirmation Agreement (the "**Shell Confirmation**") dated as of March 1, 2011, between Buyer and Shell regarding the volumes arising pursuant to this Transaction; (2) the termination of the 2010 Long Beach Tidelands Dry Gas Price Agreement (substantially in the form attached as Exhibit A hereto) (the "**2010 Pricing Agreement**"); (3) a determination that the MLCI Confirmation (as defined in the 2010 Pricing Agreement) is no longer approved on behalf of Seller by the Long Beach City Council and on behalf of the State of California (the "**State**") by the California State Lands Commission; or (4) an Event of Default under the Agreement caused by the non-terminating party, including failure to pay any amounts owed under this Confirmation. Furthermore Buyer shall have the right to terminate this Transaction at any time upon: (a) Seller's delivery of none of the Contract Quantity for a period of 2 consecutive Days if, as a result of such non-delivery, on those 2 consecutive Days Buyer delivers to the Long Beach Bond Finance Authority none of the applicable daily contract quantity specified in Schedule 1 hereto or (b) a failure by Seller to deliver at least 50% of the Contract Quantity for 10 cumulative Days during a period from November 1 through and including the immediately following October 31 if, as a result of such failure, on those 10 cumulative Days Buyer fails to deliver to the Long Beach Bond Finance Authority at least 50% of the applicable daily contract quantity specified in Schedule 1 hereto. Except for the obligations described in Special Provisions 1 and 8, upon termination of this Transaction, the parties shall have no further obligations under this Transaction and no early termination damages shall be payable by either party.

Performance Obligation: No specific quantity is required, but Seller is required to deliver the amounts of Gas nominated by Seller and accepted by Buyer, and failure to do so will trigger damages pursuant to Special Provision 4 below.

Special Provisions:

1. **2010 Pricing Agreement.** Seller is selling physical natural Gas under this Confirmation in compliance with the 2010 Pricing Agreement.
 - (a) The 2010 Pricing Agreement sets forth the terms, including the price, pursuant to which Seller may sell Long Beach tidelands dry gas that cannot be utilized economically in the municipal system and is not required for oil field operations in the Long Beach tidelands and cannot be sold to the Long Beach tidelands oil operations for other purposes. The 2010 Pricing Agreement also provides that all of the proceeds of such sales are paid to the State. The sale under this Confirmation is approved under (and made pursuant to) the 2010 Pricing Agreement, including the pricing mechanism set forth herein, with the intent that all economic benefits and consequences (including in particular Special Provisions 1, 2, 4, 5 and 8) from this sale are to be flowed through to the State. As a result, all amounts received by Seller under this Confirmation will be paid by Seller to the State pursuant to the 2010 Pricing Agreement and any amounts required to be paid to Buyer will reduce the amounts paid to the State.
 - (b) Notwithstanding anything to the contrary contained in this Confirmation or otherwise, the parties agree that the effectiveness of this Transaction and the obligations of the parties to perform hereunder are subject to the conditions precedent and ongoing conditions that the 2010 Pricing Agreement and, in particular, the State's approval of the MLCI Confirmation, as defined therein, have been properly approved, authorized and executed by the City of Long Beach and the California State Lands Commission and that such 2010 Pricing Agreement and approval of the MLCI Confirmation remain in effect for the Delivery Period of this Transaction. Seller agrees that it shall immediately notify Buyer if at any time during the Delivery Period of this Transaction, the 2010 Pricing Agreement or approval of the MLCI Confirmation on behalf of Seller by the Long Beach City Council and on behalf of the State by the California State Lands Commission ceases to be in effect or there is reasonable cause for belief that the 2010 Pricing Agreement or approval of the MLCI Confirmation on behalf of Seller by the Long Beach City Council and on behalf of the State by the California State Lands Commission may cease to be in effect.
 - (c) If the 2010 Pricing Agreement or approval of the MLCI Confirmation on behalf of Seller by the Long Beach City Council and on behalf of the State by the California State Lands Commission ceases to be in effect, this Transaction shall automatically terminate, provided that (a) if this Transaction automatically terminates before the last Day of a Month, the parties shall be responsible for their respective obligations under this Transaction through the end of such Month and (b) if this Transaction automatically terminates less than six Business Days prior to the beginning of the following Month, the parties shall be responsible for their respective obligations under this Transaction through the end of such following Month.
2. **Pipeline Charges.** Notwithstanding anything to the contrary, if the Long Beach Gas and Oil Department ("LBGO") or the applicable operator of the Long Beach natural gas pipeline system imposes charges (including Imbalance Charges), penalties, increased/decreased pricing or the like ("**Long Beach Charges**") that affect this Transaction or the transaction documented by the Oxy Confirmation, Seller shall be solely responsible for such Long Beach Charges and Seller shall accept billing for

such charges directly from LBGO.

3. **Title.** Seller represents and warrants that if the Gas delivered hereunder is originally owned by parties other than Seller, Seller shall acquire title in compliance with Part 7(g) of the Agreement prior to delivery to Buyer and Seller shall be solely responsible for any and all royalties, overriding royalties, levies, payment obligations and the like owed to such parties and will indemnify and defend and save Buyer harmless from all losses, liabilities, penalties or claims including reasonable attorneys fees with respect to same.
4. **Quantity Variances.** In the event that Seller fails to deliver any portion of the Contract Quantity, Buyer may elect to apply the remedies set forth in this Special Provision 4.
 - (a) **Operational Variances.** The parties agree that for each Month that Seller delivers to Buyer a quantity less than the sum of (i) the FOM Nomination Quantities and (ii) the Revised Nomination Quantities for such Month as a result of normal operational variances related to production gas, Buyer shall purchase replacement Gas from Shell pursuant to the Shell Confirmation. Buyer shall pay to Seller (1) the FOM Nomination Quantities multiplied by the FOM Nomination Price, plus (2) the Revised Nomination Quantities multiplied by the Revised Nomination Price, less (3) any amount that Buyer pays to Shell under the Shell Confirmation for such replacement Gas; if the sum of (1) and (2) is less than (3), Seller shall pay to Buyer the amount by which (3) exceeds the sum of (1) and (2). Normal operational variances means differences between actual Gas delivery quantities and nominated quantities due to the nature of Gas production, including uncertainty regarding normal variances in production volumes.
 - (b) **Non-operational Variances.** The parties agree that for each Month that Seller delivers to Buyer a quantity less than the sum of (i) the FOM Nomination Quantities and (ii) the Revised Nomination Quantities for such Month as a result of non-operational variances related to production gas, Buyer may purchase replacement Gas either from Shell pursuant to the Shell Confirmation or from any other source pursuant to Part 7(b) of the Agreement (the "**Cover Standard**"). Buyer shall pay to Seller (1) the FOM Nomination Quantities multiplied by the FOM Nomination Price, plus (2) the Revised Nomination Quantities multiplied by the Revised Nomination Price, less (3) any amount that Buyer pays to Shell under the Shell Confirmation or to any other source pursuant to the Cover Standard, less (4) \$0.05 per MMBtu of replacement gas purchased by Buyer; if the sum of (1) and (2) is less than the sum of (3) and (4), Seller shall pay to Buyer the amount by which the sum of (3) and (4) exceeds the sum of (1) and (2). Non-operational variances means differences between actual Gas delivery quantities and nominated quantities as a result of economic decisions on the part of Seller and shall be treated as non-performance under this Transaction.
 - (c) **Pricing.** Seller recognizes that pricing under the Shell Confirmation shall be determined by good faith negotiations between Buyer and Shell to reflect the then-current SoCal pool imbalance market ("**Shell Imbalance Price**"). The calculation of cover damages pursuant to this Special Provision 4 shall be made each applicable Month for quantities sold and purchased pursuant to the Shell Confirmation and each applicable Day for quantities purchased pursuant to the Cover Standard. See Schedule 2 for examples of how the calculations pursuant to this Special Provision 4 shall be applied.
5. **Prepaid Gas Agreement.** Seller acknowledges that Buyer has entered into this Transaction in order to ensure that Buyer will fulfill its delivery obligations under that certain Prepaid Natural Gas Agreement between MLCI and Long Beach Bond Finance Authority dated September 13, 2007 ("**Prepaid Gas Agreement**"). If Buyer owes any damages under the Prepaid Gas Agreement as a result of Seller's failure to perform under this Agreement, then Seller shall owe Buyer damages, in addition to any other damages provided for in this Agreement, in an amount equal to the damages that Buyer owes under the Prepaid Gas Agreement.
6. **Quantities and Pipeline Statements** Seller agrees to provide each Month to both



Buyer and Shell the quantity of Gas actually delivered by Seller to Buyer pursuant to this Transaction by the 13th Day of the subsequent Month, or if such Day is not a Business Day, then by the immediately preceding Business Day. Additionally, Seller agrees to deliver a copy of all pipeline statements related to the Contract Quantity to Buyer each Month immediately upon Seller's receipt of such pipeline statements.

7. **Quality.** If Seller's Gas is delivered to Buyer, then for this Transaction, such Gas shall be deemed to meet pipeline gas quality requirements.
8. **Payment Obligations.** Notwithstanding anything herein to the contrary, any payment obligations relating to performance prior to the termination of this Confirmation shall survive such termination and shall remain outstanding until all such payment obligations have been satisfied.

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by returning via facsimile an executed copy of this Confirmation within 3 Business Days of your receipt of this Confirmation (or other time period if expressly set forth in the Agreement). Failure to respond within such period will not affect the validity or the enforceability of this Transaction, and shall be deemed to be an affirmation of the terms and conditions contained herein, absent manifest error.

To confirm your agreement, please sign where indicated below and return an executed copy by fax to Merrill Lynch Commodities, Inc., to the attention of **confirmations group at fax number 713-544-1467**.

For questions regarding this Confirmation, please contact **confirmations group at phone number 713-544-5811**.

Merrill Lynch Commodities, Inc.

By: _____

Name: _____

Title: _____

City of Long Beach Assistant City Manager

By: _____

Name: _____

Title: _____

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

APPROVED AS TO FORM

2-17, 2011
ROBERT E. SHANNON, City Attorney

By _____

RICHARD ANTHONY
DEPUTY CITY ATTORNEY



Buyer and Shell the quantity of Gas actually delivered by Seller to Buyer pursuant to this Transaction by the 13th Day of the subsequent Month, or if such Day is not a Business Day, then by the immediately preceding Business Day. Additionally, Seller agrees to deliver a copy of all pipeline statements related to the Contract Quantity to Buyer each Month immediately upon Seller's receipt of such pipeline statements.

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For questions regarding this Confirmation, please contact **confirmations group at phone number 713-544-5811.**

Merrill Lynch Commodities, Inc.

City of Long Beach

By: David Owens
Name: David Owens
Title: MD

By: _____
Name: _____
Title: _____





EXHIBIT A
2010 PRICING AGREEMENT

32226

2010 LONG BEACH TIDELANDS DRY GAS PRICE AGREEMENT

Pursuant to section 6 of Chapter 29 of the Statutes of 1956, First Extraordinary Session, the City of Long Beach (City) shall receive into the system of its municipal gas department all Long Beach tidelands dry gas that it can economically utilize. The City shall pay to the California State Lands Commission (State) for the gas it can economically utilize the reasonable wholesale market value as determined from time to time jointly by the City and the State. The last agreement where the City and the State jointly determined the reasonable wholesale market value of tidelands dry gas was made in 2003 and is known as the 2003 Long Beach Tidelands Dry Gas Price Agreement (2003 Agreement).

In 2007, the Long Beach Bond Finance Authority (LBBFA) entered into a long-term agreement with Merrill Lynch Commodities, Inc. (MLCI) pursuant to which LBBFA prepaid for a supply of natural gas. LBBFA receives the prepaid natural gas pursuant to the agreement with MLCI and delivers the gas to the City at a discounted price pursuant to a separate natural gas supply agreement.

Shortly after the 2003 Agreement became effective, the carbon dioxide content of the tidelands dry gas increased to a point where it no longer could be received into the system of the City's municipal gas department. The City then sold the tidelands dry gas to the Long Beach Unit power plant and paid to the State the net proceeds from that sale, as provided in the Interim Agreement for Sale of Tidelands Dry Gas to the Long Beach Unit Power Plant. The amine plant became operational in January 2009, so that the carbon dioxide in the tidelands dry gas could be reduced to a level where it could be received into the City's system.

The City recently entered into an arrangement with MLCI for the sale of tidelands dry gas received into its municipal system under a short-term contract (i.e., a delivery period no longer than three years under any transaction confirmation). Whenever any Long Beach tidelands dry gas cannot be utilized economically in the City's municipal system and is not required for oil field operations in the Long Beach tidelands or cannot be sold to the Long Beach tidelands oil operations for other purposes, the City may sell the gas under short-term contracts, including that certain purchase and sale agreement between the City and MLCI referred to as the Physical Natural Gas Transaction Confirmation (Trade ID: LBPG0001) dated 03/01/11, 2010, and entered into pursuant to the International Swap Dealers Association, Inc. Master Agreement dated as of September 3, 2008 (MLCI Confirmation).

The City gave notice under the terms of the 2003 Agreement for a renegotiation of the determinant of the reasonable wholesale market value of tidelands dry gas. The MLCI Confirmation provides the price the City pays to the State for tidelands dry gas received into the City's system and purchased by MLCI. The City and the State, however, still need to maintain an agreement pursuant to which they have determined jointly the reasonable wholesale market value of tidelands dry gas. This price determination will be used to implement the agreement for valuing Long Beach tidelands shallow gas production and for valuing Long Beach tidelands dry gas received into the City's system when the City does not market it under short-term contracts.

The 2003 Agreement uses as the market value determinant 100% of Southern California Gas Company's cost of purchases of interstate gas for sales to its core customers (SoCal WACOG) in effect at the time the tidelands dry gas is taken by the City, plus one-half of the total intrastate transportation rate per MMBtu paid by the City to Southern California Gas Company (SoCalGas) on the gas the City transports through SoCalGas's pipeline system. This market

value determinant needs to be updated to reflect current market practices and conditions. The City and the State have agreed to use as their current determinant of the reasonable wholesale market value of tidelands dry gas the First of the Month price (more specifically defined below) minus five cents.

Therefore, the City and the State agree as follows:

1. Whenever Long Beach tidelands dry gas cannot be utilized economically in the City's municipal system and is not required for oil field operations in the Long Beach tidelands and cannot be sold to the Long Beach tidelands oil operations for other purposes, the City may sell the gas under short-term contracts, including that certain purchase and sale agreement between the City and MLCI referred to as the Physical Natural Gas Transaction Confirmation (Trade ID: LBPG001) dated 03/01/11, 2010, including but not limited to the pricing mechanism set forth therein, and entered into pursuant to the International Swap Dealers Association, Inc. Master Agreement dated as of September 3, 2008 (MLCI Confirmation). Long Beach tidelands dry gas sold to MLCI in connection with the MLCI Confirmation could not and cannot be utilized economically in the City's municipal system and was not and is not required for oil field operations in the Long Beach tidelands and could not and cannot be sold to the Long Beach tidelands oil operations for other purposes.

2. The reasonable wholesale market value of Long Beach tidelands dry gas to be used as the price determinant for tidelands dry gas received by the City into the system of its municipal gas department and not sold under the MLCI Confirmation or other short-term contracts shall be the First of the Month Price minus five cents. First of the Month Price is the price published under the heading "Market Center Spot Gas Prices" for "California - SoCal Gas city-gate" as

reported by Inside FERC's Gas Market Report (\$/MMBtu). If Inside FERC's Gas Market Report no longer is published, then the First of the Month Price shall be the SoCal Gas city-gate price as determined by some other generally accepted industry publication reasonably selected by the City.

3. Notwithstanding paragraph 4 of the 2003 Agreement providing for retroactive application of a newly agreed upon price, the price determinant in paragraph 2 above shall not become effective until the effective date of the Natural Gas Delivery and Purchase Agreement for Unit Gas among the City of Long Beach, a municipal corporation, the City of Long Beach, as Unit Operator of the Long Beach Unit, THUMS Long Beach Company and Oxy Long Beach, Inc.

4. If either the City or the State believes that the price determinant in paragraph 2 above no longer reflects the reasonable wholesale market value of tidelands dry gas, either the City or the State may demand a renegotiation of this 2010 Long Beach Tidelands Dry Gas Price Agreement (2010 Agreement). The demand for renegotiation shall be made in writing and shall provide a factual basis for the belief on which the demand is based. Upon the making of a valid demand for renegotiation, the City and the State shall commence within thirty days of the notice, negotiations in good faith on a new pricing mechanism for tidelands dry gas. If a new price is agreed upon, the price shall be adjusted retroactively to reflect the newly established price from thirty days after the date of the notice demanding a price renegotiation.

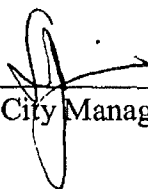
5. This 2010 Agreement shall remain in effect until a new agreement takes its place or until the City and the State mutually determine that the agreement no longer is needed for purposes of valuing tidelands dry gas.

6. This 2010 Agreement has been approved on behalf of the City by the Long Beach City Council and on behalf of the State by the California State Lands Commission.

Dated: 2/24/11

CITY OF LONG BEACH

Assistant City Manager




City Manager

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

Dated: 3/16/11

CALIFORNIA STATE LANDS COMMISSION



~~Paul D. Thayer, Executive Officer~~

Curtis L. Fossum, Executive Officer

APPROVED AS TO FORM

2-17, 20 11
ROBERT E. SHANNON, City Attorney

By 

RICHARD ANTHONY
DEPUTY CITY ATTORNEY

SCHEDULE 1
DAILY CONTRACT QUANTITIES ("DCQ")

<u>Year</u>	<u>Month</u>	<u>DCQ (MMBtu/Day)</u>
2011	January	21,179
	February	19,945
	March	17,486
	April	18,953
	May	16,279
	June	15,758
	July	13,829
	August	15,240
	September	13,988
	October	16,685
	November	14,443
	December	21,214
2012	January	21,046
	February	19,821
	March	17,376
	April	18,834
	May	16,177
	June	15,659
	July	13,742
	August	15,144
	September	13,900
	October	16,552
	November	14,328
	December	21,045
2013	January	20,879
	February	19,663
	March	17,238
	April	18,684
	May	16,049
	June	15,535
	July	13,633
	August	15,024
	September	13,789
	October	16,471



	November	14,258
	December	20,942
2014	January	20,776
	February	19,566
	March	17,153
	April	18,593
	May	15,970
	June	15,458
	July	13,566
	August	14,950
	September	13,722
	October	16,469
	November	14,255
	December	20,938
2015	January	20,773
	February	19,563
	March	17,150
	April	18,589
	May	15,967
	June	15,456
	July	13,564
	August	14,948
	September	13,719
	October	16,527
	November	14,306
	December	21,013
2016	January	20,847
	February	19,633
	March	17,212
	April	18,656
	May	16,024
	June	15,511
	July	13,612
	August	15,001
	September	13,768
	October	16,571
	November	14,344
	December	21,069
2017	January	20,903



	February	19,685
	March	17,257
	April	18,705
	May	16,067
	June	15,552
	July	13,648
	August	15,041
	September	13,805
	October	16,657
	November	14,418
	December	21,177
2018	January	21,010
	February	19,787
	March	17,346
	April	18,802
	May	16,150
	June	15,633
	July	13,719
	August	15,119
	September	13,876
	October	16,754
	November	14,502
	December	21,301
2019	January	21,133
	February	19,902
	March	17,448
	April	18,912
	May	16,244
	June	15,724
	July	13,799
	August	15,207
	September	13,957
	October	16,880
	November	14,611
	December	21,461
2020	January	21,292
	February	20,052
	March	17,579
	April	19,054
	May	16,366



	June	15,842
	July	13,902
	August	15,321
	September	14,062
	October	16,986
	November	14,703
	December	21,596
2021	January	21,426
	February	20,178
	March	17,690
	April	19,174
	May	16,469
	June	15,942
	July	13,990
	August	15,418
	September	14,151
	October	17,122
	November	14,821
	December	21,769
2022	January	21,597
	February	20,339
	March	17,831
	April	19,327
	May	16,601
	June	16,069
	July	14,102
	August	15,541
	September	14,264
	October	17,269
	November	14,948
	December	21,956
2023	January	21,783
	February	20,514
	March	17,984
	April	19,493
	May	16,744
	June	16,208
	July	14,223
	August	15,675
	September	14,387



	October	17,437
	November	15,094
	December	22,170
2024	January	21,995
	February	20,714
	March	18,159
	April	19,683
	May	16,907
	June	16,365
	July	14,362
	August	15,827
	September	14,527
	October	14,408
	November	12,471
	December	18,318
2025	January	18,173
	February	17,115
	March	15,004
	April	16,263
	May	13,969
	June	13,522
	July	11,866
	August	13,077
	September	12,003
	October	15,415
	November	13,343
	December	19,598
2026	January	19,444
	February	18,311
	March	16,053
	April	17,400
	May	14,946
	June	14,467
	July	12,696
	August	13,991
	September	12,842
	October	15,977
	November	13,829
	December	20,313
2027	January	20,152



	February	18,979
	March	16,638
	April	18,034
	May	15,490
	June	14,994
	July	13,158
	August	14,501
	September	13,310
	October	12,524
	November	10,841
	December	15,924
2028	January	15,798
	February	14,878
	March	13,043
	April	14,137
	May	12,143
	June	11,754
	July	10,315
	August	11,368
	September	10,434
	October	18,365
	November	15,897
	December	23,350
2029	January	23,165
	February	21,816
	March	19,126
	April	20,730
	May	17,806
	June	17,236
	July	15,126
	August	16,669
	September	15,300
	October	14,481
	November	12,535
	December	18,411
2030	January	18,266
	February	17,202
	March	15,081
	April	16,346
	May	14,040



	June	13,591
	July	11,927
	August	13,144
	September	12,064
	October	4,420
	November	3,826
	December	5,620
2031	January	5,576
	February	5,251
	March	4,603
	April	4,990
	May	4,286
	June	4,149
	July	3,641
	August	4,012
	September	3,683
	October	7,057
	November	6,109
	December	8,973
2032	January	8,902
	February	8,383
	March	7,349
	April	7,966
	May	6,842
	June	6,623
	July	5,812
	August	6,406
	September	5,879
	October	4,347
	November	3,763
	December	5,527
2033	January	5,484
	February	5,164
	March	4,527
	April	4,907
	May	4,215
	June	4,080
	July	3,580
	August	3,946
	September	3,622



	October	21,165
	November	18,320
	December	26,909
2034	January	26,696
	February	25,142
	March	22,041
	April	23,890
	May	20,520
	June	19,863
	July	17,431
	August	19,210
	September	17,632
	October	21,166
	November	18,321
	December	26,910
2035	January	26,698
	February	25,143
	March	22,042
	April	23,891
	May	20,521
	June	19,864
	July	17,432
	August	19,211
	September	17,632
	October	20,028
	November	17,336
	December	25,463
2036	January	25,262
	February	23,791
	March	20,857
	April	22,607
	May	19,418
	June	18,796
	July	16,495
	August	18,178
	September	16,684
	October	20,028
	November	17,336
	December	25,463
2037	January	25,262



February	23,791
March	20,857
April	22,607
May	19,418
June	18,796
July	16,495
August	18,178
September	16,684

SCHEDULE 2 CALCULATION EXAMPLES

Example 1 – Revised Nomination Quantities (Increased)

(Monthly Settlement and Cover Standard Calculation)

If:

FOM Nomination Quantities	= 10,000 MMBtus/Day
Revised Nomination Quantities (for days 21-30)	= 13,000 MMBtus/Day
Actual Deliveries by Seller	= 305,000 MMBtus
NGI FOM Price	= \$10.05/MMBtu
Gas Daily Price (days 21-25)	= \$8.05/MMBtu
Gas Daily Price (days 26-30)	= \$5.05/MMBtu
Shell Imbalance Price	= \$7.00/MMBtu

Then:

FOM Nomination Price = \$10.05/MMBtu NGI FOM – \$0.05/MMBtu = \$10.00/MMBtu

Revised Nomination Price (days 21-25) = \$8.05/MMBtu Gas Daily – \$0.05/MMBtu = \$8.00/MMBtu

Revised Nomination Price (days 26-30) = \$5.05/MMBtu Gas Daily – \$0.05/MMBtu = \$5.00/MMBtu

Increased Nomination Quantities = 13,000 MMBtus/Day – 10,000 MMBtus/Day = 3,000 MMBtus/day
For 10 days (days 21 through 30)

Total Monthly Contract Quantity = (10,000 MMBtus/Day x 30 days) + (3,000 MMBtus/Day x 10 days) = 330,000 MMBtus

Value of Nominated Quantities = (10,000 MMBtus x 30 days x \$10.00/MMBtu) + (3,000 MMBtus x 5 days x \$8.00/MMBtu) + (3,000 MMBtus x 5 days x \$5.00/MMBtu) = \$3,195,000

Operational Variance = 330,000 MMBtus – 315,000 MMBtus Actual Deliveries and Replacement Gas purchased pursuant to the Cover Standard = 15,000 MMBtus

Pursuant to Special Provision 4(a), Buyer would purchase this amount of imbalance gas from Shell and charge Seller for the cost.

Monthly Invoice = \$3,195,000 – (15,000 MMBtus x \$7.00/MMBtu) = \$3,090,000

Represents the net amount Buyer would pay Seller for the month if Buyer fully performs.

(Cover Standard pursuant to Special Provision 4(b)– Non-Performance Under Delivery Calculation)

If:

Seller fails to deliver any gas on the 15th day of the month due to Non-Performance and Buyer covers on the 15th day by purchasing 10,000 MMBtus of replacement gas at \$14.95/MMBtu,

Then:

The above Monthly Invoice calculation would be adjusted by the Cover Standard amount the Seller would owe the Buyer for its failure to deliver gas on the 15th day of the month

Cover Damages = (\$14.95/MMBtu + \$0.05/MMBtu) x 10,000 MMBtus = \$150,000

Buyer would cover for this amount of gas shortage and charge Seller for the cost

Monthly Invoice = \$3,090,000 – \$150,000 = \$2,940,000

Buyer would make a net payment to Seller of \$2,940,000



Example 2 – Revised Nomination Quantities (Decreased)
(Monthly Settlement Calculation)

If:

FOM Nomination Quantities	= 10,000 MMBtus/Day
Revised Nomination Quantities (for days 21-30)	= 6,000 MMBtus/Day
Actual Deliveries by Seller	= 280,000 MMBtus (Buyer only accepts 260,000 MMBtus)
NGI FOM Price	= \$10.05/MMBtu
Gas Daily Price (days 21-25)	= \$4.98/MMBtu
Gas Daily Price (days 26-30)	= \$11.98/MMBtu
Shell Imbalance Price	= \$7.00/MMBtu

Then:

FOM Nomination Price = \$10.05/MMBtu NGI FOM – \$0.05/MMBtu = \$10.00/MMBtu

Revised Nomination Price (days 21-25) = \$10.00/MMBtu
(per Contract Price provision b.i, equals FOM Nomination Price since Gas Daily Price < FOM Nomination Price)

Revised Nomination Price (days 26-30) = \$10.00/MMBtu
Reduction Amount (days 26-30) = (10,000 MMBtus – 6,000 MMBtus) x (\$11.98/MMBtu + \$0.02/MMBtu) x 5 days =
\$240,000
(Contract Price provision b.ii applies since Gas Daily Price > FOM Nomination Price)

Total Monthly Contract Quantity = (10,000 MMBtus/Day x 20 days) + (6,000 MMBtus/Day x 10 days) = 260,000 MMBtus

Value of Nominated Quantities = (10,000 MMBtus x 20 days x \$10.00/MMBtu) + (6,000 MMBtus x 5 days x \$10.00/MMBtu)
+ (10,000 MMBtus x 5 days x \$10.00/MMBtu) – the Reduction Amount of \$240,000 = \$2,560,000

Operational Variance = 280,000 MMBtus – 260,000 MMBtus = 20,000 MMBtus
Seller would be responsible for this amount, and Buyer would not purchase it under this contract.

Monthly Invoice = \$2,560,000
Represents the net amount Buyer would pay Seller for the month.