

30446

**NATURAL GAS DELIVERY AGREEMENT  
FOR LOCALLY PRODUCED GAS**

This Natural Gas Delivery Agreement for Locally Produced Gas (this "Agreement") is dated for reference purposes as of October 1, 2007, is made by and between the CITY OF LONG BEACH ("City"), a municipal corporation, and SIGNAL HILL PETROLEUM, INC. ("Company"), a California corporation, and is created pursuant to minute order adopted by the City Council of the City of Long Beach on September 11, 2007, for the delivery of locally produced natural gas processed by Company into City's pipeline to supply a portion of City's gas requirements.

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 October 1, 2007 and shall be in effect through and including September 30, 2012, subject to the terms and conditions set forth herein. Either party hereto may terminate this Agreement at any time by giving the other party sixty (60) 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 "BTU" shall refer to British Thermal Unit, which is the standard unit for measuring a quantity of thermal energy.

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

2.3 "Delivery Point" shall mean the connection between the outlet of the Processing Facility and the inlet of the Metering Station, designated on Exhibit "A" attached hereto as the Point of Connection.

2.4 "gas" shall mean natural gas meeting the Required Specifications.

2.5 "Local Gas Price" shall mean a price equal to the lowest documented net price paid for natural gas by City to any contracted natural gas supplier in any given month.

2.6 "Locally Produced Gas" shall mean all Gas delivered directly into City's pipeline system (as distinguished from gas transported via pipeline into Long Beach).

2.7 "MCF" shall mean one thousand (1,000) Standard Cubic Feet.

2.8 "MMCF" shall mean on million (1,000,000) Standard Cubic Feet.

2.9 "Metering Station" shall mean all pipe, gauges, gas chromatographs, flow computers, meters, valves, regulators, filters, fittings and other equipment installed, owned and operated by City downstream of the Delivery Point.

2.10 "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.

2.11 "MMBTU" shall mean one million (1,000,000) BTUs.

2.12 "Normal Business Hours" shall mean the hours between 7:30 a.m. and 4:00 p.m., excluding weekends and holidays recognized by City.

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

2.14 "Processing Facility" shall mean the area which includes all connecting pipelines, meters, regulators, filters, odorizer (if required), monitors and all other equipment necessary for Company to process Locally Produced Gas for City.

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

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

2.17 "Required Specifications" shall mean those specifications set forth in Exhibit "B" attached hereto, or such other specifications as may be required pursuant to Section 6.4.

2.18 "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.

2.19 "Unit of Measurement" shall mean one (1) MMBTU.

2.20 "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.

### **SECTION 3. QUANTITY TO BE DELIVERED**

3.1 Subject to the terms and conditions of this Agreement, City agrees to take, on a best efforts basis, all Locally Produced Gas delivered to City by Company. Company agrees to provide City with an estimate of deliveries at the start of each month and notification of any daily fluctuations from this estimate during such month.

3.2 The parties recognize and agree that City has no obligation under this Agreement to purchase and receive any specified minimum quantity of gas from Company 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 daily requirements. City's daily requirements may fluctuate substantially depending upon weather conditions or other external events.

3.3 The parties recognize and agree that Company's obligation to deliver and City's obligation to receive gas hereunder is subject to Company'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. PERMITS**

4.1 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. Company shall be responsible for all SCAQMD permits and fees associated with operation of the Odorizer. Execution of this Agreement by Company obligates Company 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.

4.2 Company shall obtain, at Company's 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 of California.

#### **SECTION 5. DELIVERY POINT**

5.1 Company shall deliver the gas purchased hereunder to City at the Delivery Point. Title to all gas delivered hereunder shall pass from Company to City at the Delivery Point.

5.2 Except as otherwise set forth herein, Company 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 receipt at the Delivery Point, 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 Company's failure to meet any of the requirements of this Agreement.

5.3 The location of the Delivery Point may be changed by mutual written agreement of the parties executed with the same formality as this Agreement.

## **SECTION 6. GAS QUALITY & DELIVERY PRESSURE**

6.1 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.

6.2 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. Company 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, Company 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.

6.3 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 Company 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.

6.4 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 Company and within seven (7) days thereof Company shall respond to City's notice. If Company accepts the quality specification change, Company, at its own cost and expense, shall meet the quality standards required by such governmental entity or agency. City and Company 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 Company elects not to change specifications as requested in the notice, Company 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.

6.5 If at the determination of City an Odorizer is required, City shall operate and provide for the maintenance of the Odorizer.

## **SECTION 7. MEASUREMENT**

7.1 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 Company upon request.

7.2 Company's deliveries of gas hereunder shall be calculated from the measurements taken at the meter installed, operated and maintained by City at the Delivery Point, and from the heating value determined by the instruments operated by City. Company shall have the right to inspect and verify the calibration and accuracy of such measuring devices at all reasonable times. In the event a significant inaccuracy is discovered, City shall, upon notice from Company, promptly make all necessary repairs or adjustments, and adjust the basis for all affected payments on a retroactive basis. Company 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. Company shall reimburse City for all such costs within thirty (30) days of receiving an invoice from City.

7.3 On or before the fifteenth (15th) day of the succeeding calendar month, City shall submit to Company a statement indicating City's measurement of Gas delivered at the Metering Station for the preceding calendar month.

## **SECTION 8. PRICING AND FEES**

8.1 City shall pay Company monthly for gas delivered by Company and accepted into City's pipeline system according to the terms and conditions set forth in this Agreement. The gas price under this Agreement shall be paid based upon MMBTU and shall be adjusted each month and paid according to Company's monthly volume delivered and accepted into City's pipeline system. The price paid for any given month shall be equal to the Local Gas Price for that month. City shall have no obligation whatsoever to pay Company for gas accepted into City's pipeline system if such gas does not meet the Required Specifications. If for any reason it becomes impossible to determine the Local Gas Price, then City shall have no obligation whatsoever to pay Company for gas accepted into City's pipeline, and Company shall have no obligation whatsoever to deliver such gas, until such time as the parties have agreed upon an alternative price and have amended this Agreement in writing.

8.2 Company shall pay to City a monthly per meter fee ("Service Fee") equal to City's costs and expenses related to delivery of gas into the Metering Station. Notwithstanding the foregoing, in no event shall such service fee be less than One Thousand Dollars (\$1,000) per month per meter. The Service Fee covers City's routine maintenance and equipment calibration at the Metering Station.

8.3 Company shall pay to City a fee of One Hundred Dollars (\$100) per hour for all site visits made by City to perform repairs and non-routine maintenance on the Metering Station, or at the request of Company, to perform equipment calibration.

8.4 Company 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.

8.5 Company shall reimburse City for all reasonable and necessary costs and fees incurred by City associated with the operations and maintenance of the Odorizer.

8.6 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 Company prior to its delivery to City at the Delivery Point. Company 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.

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

8.8 Company 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. Company 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. Company 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, Company 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 Company within thirty (30) days of completion of work.

8.9 If Company's Processing Facility is relocated, Company 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. Company shall reimburse City for any costs associated with relocation within thirty (30) days of receiving an invoice from City.

8.10 Company shall pay \$100 for each service visit made by City software support technicians at Company's request. Notwithstanding the foregoing, Company shall not be obligated to pay any fees in connection with the initial software installation and training visit.

## **SECTION 9. BILLING AND PAYMENT**

9.1 The Service Fee shall be due on the first day of each month for the month of service; provided, however, that City may credit the Service Fee against amounts owed by City to Company for any given month.

9.2 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 10. TITLE TO GAS AND EQUIPMENT**

10.1 Company represents that it has lawful written authority to deliver the gas to City and that such gas is free from adverse claims of every kind.

10.2 Company shall indemnify and hold City harmless from and against any and all adverse claims, suits or encumbrances relating to the quality of gas, title, and/or authority to deliver said gas.

10.3 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 Company. If required by City, Company 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. Company 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 Company, whether installed by Company or City at Company's request.

10.4 Upon termination of this Agreement, City shall disconnect the Company 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 Company (or cost reimbursed to City by Company pursuant to the provisions of Section 8.8) shall revert to Company in an "as is" condition. Company may remove such facilities and equipment at its cost, retain same in place, or make other mutually acceptable arrangements between the parties in writing.

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

## **SECTION 11. INGRESS AND EGRESS**

11.1 Company shall provide City access to the Processing Facilities, pipelines, Metering Station, and Odorizer at all times without prior notice. If requested by City, Company shall provide a security fence with a locked gate, erected at Company's

expense, directly around the area containing the Metering Station. City shall provide Company with a key to the gate lock.

11.2 Company 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 Company desire to move the location of the pipelines or Metering Station, it shall be relocated at Company's expense after mutual agreement of the parties to the changed location.

## **SECTION 12. SUCCESSION AND ASSIGNMENT**

12.1 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.

12.2 Company shall not deliver any gas to City for which City does not have a fully executed, written and current agreement permitting Company to deliver the gas to City.

## **SECTION 13. LIABILITY, INDEMNIFICATION AND INSURANCE**

13.1 Company 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 Company accepts full and sole responsibility for gas quality and the proper allocation of all gas volumes delivered by Company, and Company 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 Company to City.

13.2 No language in this Agreement shall create any duty or obligation on City or Company 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.

13.3 Company shall indemnify and hold harmless City from all liability and expense arising under any gas purchase agreement between City and Coral Energy Resources, L.P., a Delaware limited partnership ("Coral Energy"), provided that such liability or expense is due to City's execution of this Agreement and/or City's purchase of gas from Company hereunder. City agrees to promptly notify Company of any potential penalty situation to the extent that City receives advance notice from Coral Energy. After receipt of notice of a potential penalty situation from City, Company agrees to promptly notify City of any planned reduction or increase in gas deliveries to City under this Agreement. If Company incurs any liability to City under this Section



13.3, city shall credit such liability against amounts owed by City to Company for gas delivered under this Agreement during the month immediately subsequent to the month in which Company's liability arose hereunder. If the amount of Company's liability hereunder exceeds the amount owed by City to Company for gas deliveries in such immediately subsequent month, then Company shall promptly deliver payment of the excess amount to City.

13.3 As a condition precedent to the effectiveness of this Agreement, Company shall procure and maintain at Company's expense for the duration of this Agreement and any extensions, renewals or holding over hereof, from an insurance Company (or companies) that is (are) admitted to write insurance in the State of California or with a minimum rating of or equivalent to an A:VIII by A.M. Best Company the following insurance:

(a) Commercial general liability insurance equivalent to CG 00 01 11 85 or 10 93 in an amount not less than Five Million Dollars (\$5,000,000) per occurrence. Such insurance shall not exclude or limit coverage for broad form contractual liability, cross liability protection, independent contractors liability, gradual pollution liability, sudden and accidental pollution liability, or products and completed operations liability, and at the discretion of the City Risk Manager such insurance may be required to be endorsed to specifically include such coverages. The City of Long Beach, its officials, employees, and agents shall be added as additional insureds using ISO form CG 20 10 11 85.

(b) If automobiles may be used in the delivery of the product, automobile liability insurance equivalent to CA 00 01 06 92 covering Symbol 1 ("Any Auto") in an amount not less than Two Million Dollars (\$2,000,000) combined single limits.

Insurance required herein shall be primary and non-contributing as respects any insurance or self-insurance, primary or excess, available to City or to any official, employee or agent of City. Coverage shall state that the insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability, and all policies shall be endorsed to provide that coverage shall not be suspended, voided, changed, or terminated except after thirty (30) days (ten (10) days for nonpayment of premium) prior written notice to City.

Prior to the commencement of this Agreement, Company shall deliver to City certificates of insurance with original endorsements evidencing the insurance coverage required by this Agreement for approval as to sufficiency and form. The certificates and endorsements for each insurance policy shall contain the signature of a person authorized by that insurer to bind coverage on its behalf. City reserves the right to require complete certified copies of all policies of Company at any time, and Company agrees to provide such certified copies to City within ten business (10) days of City's request for said copies. Any actual or alleged failure of City to obtain proof of insurance required under this Agreement in no way waives any right or remedy of City under this Agreement.

Any self-insurance program, self-insured retention or deductibles greater than \$50,000 per occurrence or claim must be approved separately in writing by City's Risk Manager or designee and shall protect City, and its officials, employees, and agents in the same manner and to the same extent as they would have been protected had the policy or policies not contained retention provisions

The insurance required herein shall not be deemed to limit Company's liability relating to performance under this Agreement. The procuring of insurance shall not be construed as a limitation on liability or as full performance of the indemnification and hold harmless provisions of this Agreement.

Any modification or waiver of the insurance requirements herein shall be made only with the written approval of the City's Risk Manager or designee.

#### **SECTION 14. FORCE MAJEURE**

14.1 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". The term "force majeure" as employed in this Agreement shall include acts of God, strikes, lockouts, or industrial disputes or disturbances, civil disturbance, arrests and restraints from rulers of people, interruptions by government or court orders, present and future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrection, inability to secure or delay in securing labor or materials, including delay in securing or inability to secure materials by reason of allocations promulgated by authorized governmental agencies, epidemics, landslides, lightning, earthquakes, fire, storm, floods, washouts, explosions, breakage or freezing of pipelines, inability to obtain easements or rights-of-way or use of existing transportation, the making of repairs, maintenance or alterations to pipelines, meters, regulators, or plants, partial or total failure of gas supply, or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming "force majeure" and which prevents that party's performance hereunder.

14.2 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 15. GOVERNMENT REGULATION**

15.1 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.

15.2 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 16. NONDISCRIMINATION**

16.1 In connection with the performance of this Agreement and subject to applicable rules and regulations, Company 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 Vietnam Era veteran status. Company 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.

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

## **SECTION 17. NOTICES AND STATEMENTS**

17.1 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 Company:  
*Signal Hill Petroleum, Inc*  
*2901 Orange Ave*  
*Long Beach, CA 90806*  
*Attn: Vice President*
- PH: 562-595-6440  
FAX: 562-595-1052
- b) To City:  
Long Beach Gas & Oil Department      PH: (562) 570-2007  
2400 East Spring Street                      FAX: (562) 570-2008  
Long Beach, CA 90806-2285  
Attention: Gas Supply and Business Officer

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

17.2 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 Company:  
Same as above  
\_\_\_\_\_  
\_\_\_\_\_
  
- b) To City:  
Long Beach Gas & Oil Department  
2400 East Spring Street  
Long Beach, CA 90806-2285  
Attn: Accounting

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

17.4 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 18. MISCELLANEOUS**

18.1 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.

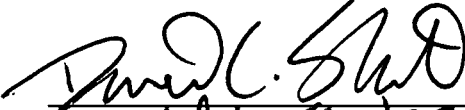
18.2 The headings throughout this Agreement are inserted for reference purposes only, and are not to be construed or taken into account in interpreting the terms and provisions of any section, nor to be deemed in any way to qualify, modify or explain the effects of any such term or provision.

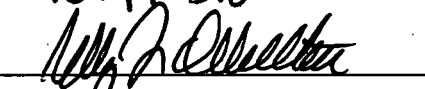
18.3 In the event that any provision of this Agreement is held by a court of competent jurisdiction or other regulatory body having jurisdiction herein, to be unenforceable or invalid, such holding shall not render unenforceable any other provision of this Agreement, each provision being expressly severable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

"COMPANY"

SIGNAL HILL PETROLEUM, INC.,  
a California corporation


BY   
NAME David L. Slater  
TITLE Vice President

BY   
NAME JEFFREY L. OCHELTRIE  
TITLE CFO

[Attach Notary Acknowledgment]

"CITY"

CITY OF LONG BEACH

BY   
City Manager

The foregoing document is approved as to form.

ROBERT E. SHANNON, City Attorney

Dated: 9/26, 2007

By:   
Deputy

RFA  
09/12/07  
04-05237

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

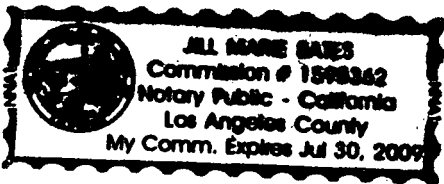
State of California

County of Los Angeles

On September 24, 2007  
Date

before me, Juliane Bates Notary Public  
Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared David L. Slater  
Name(s) of Signer(s)



personally known to me

(or proved to me on the basis of satisfactory evidence)

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Juliane Bates  
Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

- Signer's Name: \_\_\_\_\_
- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

- Signer's Name: \_\_\_\_\_
- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of Los Angeles

On September 24, 2007 before me, Julianne Bates Notary Public

personally appeared Jeffrey L. Ochletree

- personally known to me
- (or proved to me on the basis of satisfactory evidence)



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

[Signature]  
Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_

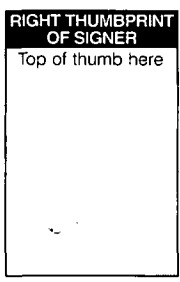
Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

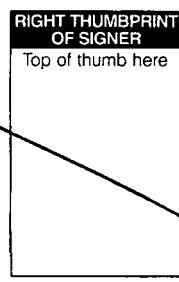
- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_



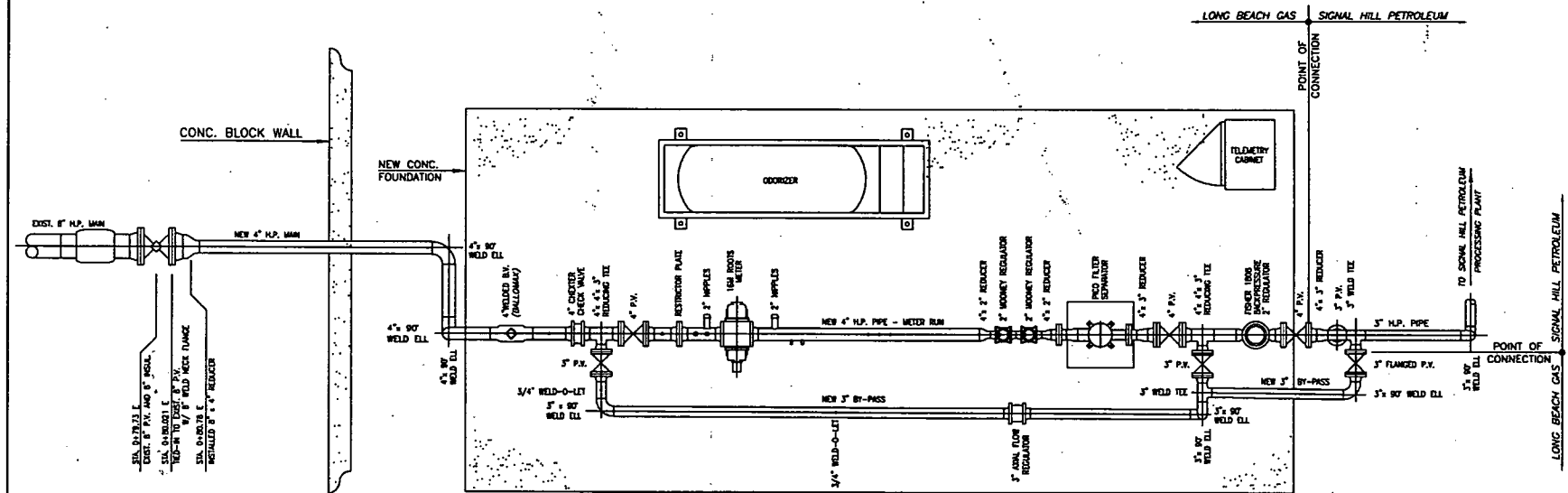
Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_



STA. 0+10.75 L  
 1/2\"/>

EXHIBIT 'A'  
PLAN VIEW

W.O. 9367	R-	MAIN	R-	SVCS
CITY OF LONG BEACH GAS & ELECTRIC DEPT. ENGINEERING BUREAU 2400 E. SPRING ST., LONG BEACH, CA. 90806 (562) 570-2000				
SIGNAL HILL PETROLEUM				
DESIGNED BY:	W. HUFELD	DATE:	SEPTEMBER 23, 1997	
DRAWN BY:	I. STATES	SEC MAP:	K - 20	
CHECKED BY:	G. SKYOR	ATLAS:	191 - J	
SUBSTRUCTURES:	9-25-97	CAD FILE NO:		
AS-BUILT:		SCALE:	NOT TO SCALE	
SHEET 2 OF 4		DRAWING NUMBER C-2143		



W.O. 9367





## 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 CS<sub>2</sub>, 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)  
 $IY \geq 0.8$