

1 **AGREEMENT FOR DELIVERY OF WATER**

2 **30389**

3 THIS AGREEMENT is made and entered into as of the 1st day of June,
4 2007, pursuant to a minute order adopted by the City Council of the City of Long Beach at
5 its meeting held on April 17, 2007, by and between:

6 **CITY OF LONG BEACH**, a municipal corporation, organized and existing
7 under the laws of the State of California, and acting in its capacity as Unit
8 Operator for Unit Segments I and II, under the Unit Agreements, Fault Block
9 Units II, III, IV and V Ranger Zone and as operator of certain Ununitized
10 formations in the Wilmington Oil Field, hereinafter collectively referred to as
11 "CITY";

12 AND

13 **SAN PEDRO BAY PIPELINE COMPANY**, a wholly-owned subsidiary of
14 Pacific Energy Resources, Ltd., a Delaware corporation, hereinafter referred
15 to as "SAN PEDRO BAY";

16 1. **RECITALS.** This Agreement is made and entered into with respect to the
17 following facts and objectives:

18 A. SAN PEDRO BAY owns and is licensed to operate the Beta pipeline,
19 a subsea pipeline that transports crude oil from the offshore Platform Elly to the Beta
20 Onshore Station located at 170 North Pico Avenue.

21 B. The Beta Onshore Station is in close proximity to oil production
22 facilities operated by CITY in the Wilmington Oil Field.

23 C. SAN PEDRO BAY will produce a quantity of produced water resulting
24 from its pipeline integrity testing operations and is desirous of transporting this water at or
25 near the Beta Onshore Station.

26 D. In its oil operations, CITY owns and operates an oil gathering system
27 and water injection facilities whereby water is re-injected into oil producing regions.

28 E. SAN PEDRO BAY is desirous of delivering and CITY is desirous of
taking and using the water produced by SAN PEDRO BAY in accordance with the
agreements contained herein.

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1 **2. AGREEMENT.** In consideration of the mutual terms, conditions and
2 covenants herein set forth, it is agreed as follows:

3 A. SAN PEDRO BAY agrees to deliver to CITY water resulting from its
4 pipeline integrity testing operations and CITY agrees to take delivery of said water. SAN
5 PEDRO BAY and CITY agree to apply best efforts to resolve any problems resulting from
6 delivery of said water; however, no guarantee is made by CITY as to the quantity of water
7 which it will take and receive at any given time.

8 B. The manner and points of delivery, metering, and specifications shall
9 be identified in Exhibit "A" attached hereto and made a part hereof.

10 C. SAN PEDRO BAY shall pay to CITY for taking and processing said
11 water, a fee of \$2.00 per barrel for the first 20,000 barrels, \$1.00 per barrel thereafter.
12 Ten days prior to the delivery of water to CITY, SAN PEDRO BAY shall submit to the
13 City's Field Contractor, Tidelands Oil Production Company ("Tidelands Oil"), at P. O. Box
14 1330, Long Beach, CA 90801, a check in the amount of \$40,000 due CITY and payable
15 to Tidelands Oil as a partial payment of the aforementioned per barrel charges. On or
16 before the tenth (10th) day of each month, SAN PEDRO BAY shall submit to Tidelands Oil,
17 a statement for all water delivered during the prior month together with a check for any
18 remaining amount due the CITY and payable to Tidelands Oil.

19 D. The flow meter to be installed and operated pursuant to Exhibit "A"
20 shall be calibrated periodically, and CITY shall be given notification by SAN PEDRO BAY
21 of the dates and times of calibration to enable CITY to witness same.

22 E. Upon execution by the City Manager, the term of this Agreement
23 shall commence on June 1, 2007 and shall remain in force thereafter, subject to sixty (60)
24 days notice of termination given in writing by either party to the other.

25 F. SAN PEDRO BAY shall defend, indemnify, keep indemnified and
26 save harmless CITY, its officers, agents and employees from and against any injury, loss,
27 damage, liability, claim and expense of any kind which CITY, its officers, agents and
28 employees may sustain, incur or pay and from any and all actions, suits, proceedings,

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1 claims and demands which may be brought against CITY, its officers, agents and
2 employees, in any way connected with any of the operations of SAN PEDRO BAY under
3 this Agreement, whether or not the operations are authorized by this Agreement and
4 regardless of who conducts them. This indemnity does not require payment as a condition
5 precedent to recovery under it. SAN PEDRO BAY shall procure at its own costs, and
6 maintain in full force during the term of this contract, comprehensive general liability
7 insurance from a company or companies with a minimum rating of or equivalent to A:VIII
8 by Best's Rating Guide, naming CITY, its officers, agents and employees as parties
9 insured. The insurance shall cover claims for injury to persons or damage to property
10 which may arise from or be connected with the operations of SAN PEDRO BAY, its agents,
11 representatives, employees, or subcontractors, in amounts of not less than \$1,000,000.00
12 combined single limit per occurrence. The policy or policies shall either provide for broad
13 form contractual liability or there shall be attached thereto an endorsement providing for
14 such coverage. The policy or policies shall further provide that they shall not be canceled
15 until a thirty (30) day notice of cancellation has been served upon CITY. The insurance
16 may provide for whatever deductibles or self-insured retention that are acceptable to the
17 City Manager or his designee. In the event the insurance provides for deductibles or self-
18 insured retention, SAN PEDRO BAY agrees that it will fully protect CITY, its officers,
19 agents and employees in the same manner as these interests would have been protected
20 had the policy or policies not contained deductibles or self-insured retention provisions.
21 Procuring the policy or policies of insurance or self-insuring the risk shall not be construed
22 to be a limitation upon Purchaser's liability or as a full performance on its part of the
23 indemnification provision of this contract.

24 G. Any notices required to be given in writing under this Agreement may
25 be given by enclosing the same in a sealed envelope, postage prepaid, and depositing the
26 same with the United States Postal Service addressed to SAN PEDRO BAY at Pacific
27 Energy Resources, 111 West Ocean Blvd., Suite 1240, Long Beach, CA 90802 or to CITY
28 in care of the City Manager, 333 West Ocean Boulevard, Long Beach, CA 90802 with a

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1 copy to the Director of the Long Beach Gas and Oil Department, 211 East Ocean
2 Boulevard, Suite 500, Long Beach, CA 90802, or to such other address as either party may
3 designate in writing.

4 H. This Agreement shall be binding upon and inure to the benefit of the
5 respective successors and assigns of the parties, including the parties' agents, contractors,
6 and subcontractors. No assignment of this Agreement, or any part thereof, by either party
7 shall be valid unless approved in writing in advance by the other party, which approval shall
8 not be unreasonably withheld, and until the obligations assigned by the assigning party
9 have been assumed in writing by the assignee.

10 I. This Agreement shall be interpreted, governed and construed under
11 the laws of the State of California.

12 **IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS**
13 Agreement to be executed with all the formalities required by law on the respective
14 dates set forth opposite their respective signatures.

CITY OF LONG BEACH, a municipal corporation, organized and existing under the laws of the State of California, and acting in its capacity as Unit Operator for Unit Segments I and II, under the Unit Agreements, Fault Block Units II, III, IV and V Ranger Zone and as operator of certain Ununitized formations in the Wilmington Oil Field

ASSISTANT

20 Dated: June 29, 2007

By: Christine J. Shippy

EXECUTED PURSUANT

CITY TO SECTION 301 OF THE CITY CHARTER.

SAN PEDRO BAY PIPELINE COMPANY, a wholly-owned subsidiary of Pacific Energy Resources, Ltd., a Delaware corporation

24 Dated: MAY 30 . 07

By: [Signature]

Its: PRESIDENT

26 Dated: MAY 30 . 07

By: [Signature]

Its: CEO

SAN PEDRO BAY

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The foregoing Agreement is hereby approved as to form this 26 day of June, 2007.

ROBERT E. SHANNON, City Attorney

By: Charles Parker
Principal Deputy City Attorney

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4/30/07

fb sd/water deals/beta line.wpd

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EXHIBIT "A"

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1. Water from the SAN PEDRO BAY pipeline will be delivered to the oil gathering line via steel piping.

2. CITY will receive the water into its oil gathering line for processing at its X-Y tank farm, and will utilize the processed water in its injection system.

3. Delivery rate will be approximately 175 g.p.m. (6,000 B/D) on an intermittent basis. Delivery rates may be higher if mutually agreeable between Tidelands Oil and SAN PEDRO BAY.

3. The tie-in location shall be near Well M-283 as per the attached Exhibit "B".

4. Tie-in pressure: Normal operating 60-90 psig. Maximum operating 100 psig
Tie in temperature: 50-120 degrees F.

5. SAN PEDRO BAY will provide all required Local, City, State and Federal Permits.

6. SAN PEDRO BAY will provide flow meter, pressure indicator, block valve, check valve, di-electric isolating flange, a strainer, and steel piping. The transfer pump will either be a centrifugal pump that cannot exceed the pressure rating of ANSI 150# class piping or, if a positive displacement pump (or centrifugal pump that will exceed ANSI class 150# piping) is utilized a relief valve shall be installed upstream of the tie-in point. A high pressure switch (PSH) will be installed at the Beta Onshore Station on the discharge side of the transfer pump. Upon tripping, the PSH will close a motor-operating valve at the Beta Onshore Station stopping flow to the Tidelands Oil system. The PSH set point will be to the mutual agreement of Tidelands Oil and SAN PEDRO BAY. As mutually agreed to by SAN PEDRO BAY and the rental pump supplier, the PSH may also trip the pump driver.

7. SAN PEDRO BAY will provide the high-pressure shut-off switch. SAN PEDRO BAY will also supply scale and corrosion inhibitors to the mutual satisfaction of SAN PEDRO BAY and Tidelands Oil. SAN PEDRO BAY will monitor and, if necessary, treat any dissolved oxygen conditions above 20 PPB.

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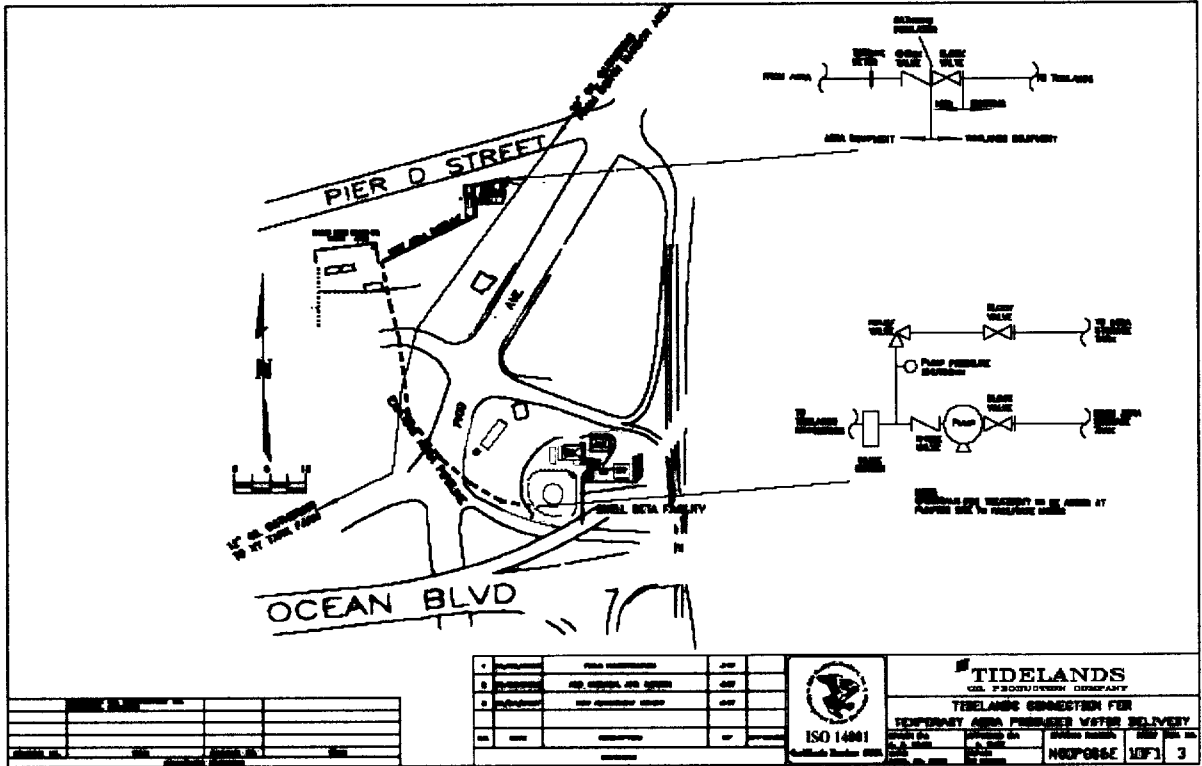
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8. SAN PEDRO BAY will provide scale inhibitor, corrosion inhibitor, and oxygen scavenger to the mutual agreement of SAN PEDRO BAY and Tidelands Oil. The chemical injection point will be located at offshore Platform Elly.


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"EXHIBIT B" TIE-IN LOCATION

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NO.	DESCRIPTION	DATE	BY
1	ISSUED FOR PERMIT	01/01/03	JM
2	REVISED PER COMMENTS	01/01/03	JM
3	REVISED PER COMMENTS	01/01/03	JM

TIDELANDS OIL PRODUCTION COMPANY	
TIDELANDS CONNECTION FOR PERMIT AND FUTURE WATER DELIVERY	
 ISO 14001 Environmental Management System	NUP0862 10/03 3