

1 AGREEMENT

2 **30817**

3 THIS AGREEMENT is made and entered, in duplicate, as of July 9, 2008,
4 for reference purposes only, pursuant to a minute order adopted by the City Council of
5 the City of Long Beach at its meeting on July 8, 2008, by and between GROBSTEIN,
6 HORWATH AND COMPANY, LLP, a California limited liability company, with a place of
7 business at 15233 Ventura Boulevard, Ninth Floor, Sherman Oaks, California 91403
8 ("Consultant"), and the CITY OF LONG BEACH, a municipal corporation ("City").

9 WHEREAS, City requires specialized services requiring unique skills to be
10 performed in connection with the review of oil revenues, expenses and procedures of
11 Tidelands Oil Company under its agreements with the City of Long Beach ("Project"); and

12 WHEREAS, City has selected Consultant in accordance with City's
13 administrative procedures and City has determined that Consultant and its employees
14 are qualified, licensed, if so required, and experienced in performing these specialized
15 services; and

16 WHEREAS, City desires to have Consultant perform these specialized
17 services, and Consultant is willing and able to do so on the terms and conditions in this
18 Agreement;

19 NOW, THEREFORE, in consideration of the mutual terms, covenants, and
20 conditions in this Agreement, the parties agree as follows:

21 1. SCOPE OF WORK OR SERVICES.

22 1.1 Consultant shall furnish specialized services more particularly
23 described in Exhibit "A" and the addendum thereto, attached to this Agreement
24 and incorporated by this reference, in accordance with the standards of the
25 profession, and City shall pay for these services in the manner described below,
26 not to exceed \$175,000.00, at the rates or charges shown in Exhibit "A".

27 1.2 Consultant may select the time and place of performance for
28 these services; provided, however, that access to City documents, records and the

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 like, if needed by Consultant, shall be available only during City's normal business
2 hours and provided that milestones for performance, if any, are met.

3 1.3 Consultant has requested to receive regular payments. City
4 shall pay Consultant in due course of payments following receipt from Consultant
5 and approval by City of invoices showing the services or task performed, the time
6 expended (if billing is hourly), and the name of the Project. Consultant shall certify
7 on the invoices that Consultant has performed the services in full conformance
8 with this Agreement and is entitled to receive payment. Each invoice shall be
9 accompanied by a progress report indicating the progress to date of services
10 performed and covered by the invoice, including a brief statement of any Project
11 problems and potential causes of delay in performance, and listing those services
12 that are projected for performance by Consultant during the next invoice cycle.
13 Where billing is done and payment is made on an hourly basis, the parties
14 acknowledge that this arrangement is either customary practice for Consultant's
15 profession, industry or business, or is necessary to satisfy audit and legal
16 requirements which may arise due to the fact that City is a municipality.

17 1.4 CAUTION: Consultant shall not begin work until this
18 Agreement has been signed by both parties and until Consultant's evidence of
19 insurance has been delivered to and approved by City.

20 2. TERM. The term of this Agreement shall commence at midnight on
21 June 20, 2008, and shall terminate at 11:59 p.m. on July 31, 2009, unless sooner
22 terminated as provided in this Agreement, or unless the services or the Project is
23 completed sooner.

24 3. COORDINATION AND ORGANIZATION.

25 3.1 Consultant shall coordinate its performance with City's
26 representative, if any, named in Exhibit "B", attached to this Agreement and
27 incorporated by this reference. Consultant shall advise and inform City's
28 representative of the work in progress on the Project in sufficient detail so as to

1 assist City's representative in making presentations and in holding meetings on
2 the Project.

3 3.2 The parties acknowledge that a substantial inducement to City
4 for entering this Agreement was and is the reputation and skill of Consultant's key
5 employee David Roberts. City shall have the right to approve any person
6 proposed by Consultant to replace that key employee.

7 4. INDEPENDENT CONTRACTOR. In performing its services,
8 Consultant is and shall act as an independent contractor and not an employee,
9 representative or agent of City. Consultant shall have control of Consultant's work and
10 the manner in which it is performed. Consultant shall be free to contract for similar
11 services to be performed for others during this Agreement; provided, however, that
12 Consultant acts in accordance with Section 9 and Section 10 of this Agreement.
13 Consultant acknowledges and agrees that (a) City will not withhold taxes of any kind from
14 Consultant's compensation; (b) City will not secure workers' compensation or pay
15 unemployment insurance to, for or on Consultant's behalf; and (c) City will not provide
16 and Consultant is not entitled to any of the usual and customary rights, benefits or
17 privileges of City employees. Consultant expressly warrants that neither Consultant nor
18 any of Consultant's employees or agents shall represent themselves to be employees or
19 agents of City.

20 5. INSURANCE.

21 5.1 As a condition precedent to the effectiveness of this
22 Agreement, Consultant shall procure and maintain, at Consultant's expense for the
23 duration of this Agreement, from insurance companies that are admitted to write
24 insurance in California and have ratings of or equivalent to A:V by A.M. Best
25 Company or from authorized non-admitted insurance companies subject to
26 Section 1763 of the California Insurance Code and that have ratings of or
27 equivalent to A:VIII by A.M. Best Company, the following insurance:
28

1 (a) Commercial general liability insurance (equivalent in scope to
2 ISO form CG 00 01 11 85 or CG 00 01 10 93) in an amount not less than
3 \$1,000,000 per each occurrence and \$2,000,000 general aggregate. This
4 coverage shall include but not be limited to broad form contractual liability,
5 cross liability, independent contractors liability, and products and
6 completed operations liability. City, its boards and commissions, and their
7 officials, employees and agents shall be named as additional insureds by
8 endorsement (on City's endorsement form or on an endorsement
9 equivalent in scope to ISO form CG 20 10 11 85 or CG 20 26 11 85), and
10 this insurance shall contain no special limitations on the scope of
11 protection given to City, its boards and commissions, and their officials,
12 employees and agents. This policy shall be endorsed to state that the
13 insurer waives its right of subrogation against City, its boards and
14 commissions, and their officials, employees and agents.

15 (b) Workers' Compensation insurance as required by the California
16 Labor Code and employer's liability insurance in an amount not less than
17 \$1,000,000. This policy shall be endorsed to state that the insurer waives
18 its right of subrogation against City, its boards and commissions, and their
19 officials, employees and agents.

20 (c) Professional liability or errors and omissions insurance in an
21 amount not less than \$1,000,000 per claim.

22 (d) Commercial automobile liability insurance (equivalent in scope
23 to ISO form CA 00 01 06 92), covering Auto Symbol 1 (Any Auto) in an
24 amount not less than \$500,000 combined single limit per accident.

25 5.2 Any self-insurance program, self-insured retention, or
26 deductible must be separately approved in writing by City's Risk Manager or
27 designee and shall protect City, its officials, employees and agents in the same
28 manner and to the same extent as they would have been protected had the policy

1 or policies not contained retention or deductible provisions.

2 5.3 Each insurance policy shall be endorsed to state that
3 coverage shall not be reduced, non-renewed or canceled except after thirty (30)
4 days prior written notice to City, shall be primary and not contributing to any other
5 insurance or self-insurance maintained by City, and shall be endorsed to state that
6 coverage maintained by City shall be excess to and shall not contribute to
7 insurance or self-insurance maintained by Consultant. Consultant shall notify City
8 in writing within five (5) days after any insurance has been voided by the insurer or
9 cancelled by the insured.

10 5.4 If this coverage is written on a "claims made" basis, it must
11 provide for an extended reporting period of not less than one hundred eighty (180)
12 days, commencing on the date this Agreement expires or is terminated, unless
13 Consultant guarantees that Consultant will provide to City evidence of
14 uninterrupted, continuing coverage for a period of not less than three (3) years,
15 commencing on the date this Agreement expires or is terminated.

16 5.5 Consultant shall require that all subconsultants or contractors
17 that Consultant uses in the performance of these services maintain insurance in
18 compliance with this Section unless otherwise agreed in writing by City's Risk
19 Manager or designee.

20 5.6 Prior to the start of performance, Consultant shall deliver to
21 City certificates of insurance and the endorsements for approval as to sufficiency
22 and form. In addition, Consultant shall, within thirty (30) days prior to expiration of
23 the insurance, furnish to City certificates of insurance and endorsements
24 evidencing renewal of the insurance. City reserves the right to require complete
25 certified copies of all policies of Consultant and Consultant's subconsultants and
26 contractors, at any time. Consultant shall make available to City's Risk Manager
27 or designee all books, records and other information relating to this insurance,
28 during normal business hours.

1 5.7 Any modification or waiver of these insurance requirements
2 shall only be made with the approval of City's Risk Manager or designee. Not
3 more frequently than once a year, City's Risk Manager or designee may require
4 that Consultant, Consultant's subconsultants and contractors change the amount,
5 scope or types of coverages required in this Section if, in his or her sole opinion,
6 the amount, scope or types of coverages are not adequate.

7 5.8 The procuring or existence of insurance shall not be
8 construed or deemed as a limitation on liability relating to Consultant's
9 performance or as full performance of or compliance with the indemnification
10 provisions of this Agreement.

11 6. ASSIGNMENT AND SUBCONTRACTING. This Agreement
12 contemplates the personal services of Consultant and Consultant's employees, and the
13 parties acknowledge that a substantial inducement to City for entering this Agreement
14 was and is the professional reputation and competence of Consultant and Consultant's
15 employees. Consultant shall not assign its rights or delegate its duties under this
16 Agreement, or any interest in this Agreement, or any portion of it, without the prior
17 approval of City, except that Consultant may with the prior approval of the City Manager
18 of City, assign any moneys due or to become due Consultant under this Agreement. Any
19 attempted assignment or delegation shall be void, and any assignee or delegate shall
20 acquire no right or interest by reason of an attempted assignment or delegation.
21 Furthermore, Consultant shall not subcontract any portion of its performance without the
22 prior approval of the City Manager or designee, or substitute an approved subconsultant
23 or contractor without approval prior to the substitution. Nothing stated in this Section
24 shall prevent Consultant from employing as many employees as Consultant deems
25 necessary for performance of this Agreement.

26 7. CONFLICT OF INTEREST. Consultant, by executing this
27 Agreement, certifies that, at the time Consultant executes this Agreement and for its
28 duration, Consultant does not and will not perform services for any other client which

1 would create a conflict, whether monetary or otherwise, as between the interests of City
2 and the interests of that other client. And, Consultant shall obtain similar certifications
3 from Consultant's employees, subconsultants and contractors.

4 8. MATERIALS. Consultant shall furnish all labor and supervision,
5 supplies, materials, tools, machinery, equipment, appliances, transportation and services
6 necessary to or used in the performance of Consultant's obligations under this
7 Agreement.

8 9. OWNERSHIP OF DATA. All materials, information and data
9 prepared, developed or assembled by Consultant or furnished to Consultant in
10 connection with this Agreement, including but not limited to documents, estimates,
11 calculations, studies, maps, graphs, charts, computer disks, computer source
12 documentation, samples, models, reports, summaries, drawings, designs, notes, plans,
13 information, material and memorandum ("Data") shall be the exclusive property of City.
14 Data shall be given to City, and City shall have the unrestricted right to use and disclose
15 the Data in any manner and for any purpose without payment of further compensation to
16 Consultant. Copies of Data may be retained by Consultant but Consultant warrants that
17 Data shall not be made available to any person or entity for use without the prior approval
18 of City. This warranty shall survive termination of this Agreement for five (5) years.

19 10. CONFIDENTIALITY. Consultant shall keep all Data confidential and
20 shall not disclose the Data or use the Data directly or indirectly, other than in the course
21 of performing its services, during the term of this Agreement and for five (5) years
22 following expiration or termination of this Agreement. In addition, Consultant shall keep
23 confidential all information, whether written, oral or visual, obtained by any means
24 whatsoever in the course of performing its services for the same period of time.
25 Consultant shall not disclose any or all of the Data to any third party, or use it for
26 Consultant's own benefit or the benefit of others except for the purpose of this
27 Agreement.

28 11. BREACH OF CONFIDENTIALITY. Consultant shall not be liable for

1 a breach of confidentiality with respect to Data that: (a) Consultant demonstrates
2 Consultant knew prior to the time City disclosed it; or (b) is or becomes publicly available
3 without breach of this Agreement by Consultant; or (c) a third party who has a right to
4 disclose does so to Consultant without restrictions on further disclosure; or (d) must be
5 disclosed pursuant to subpoena or court order.

6 12. AMENDMENT. This Agreement, including all Exhibits, shall not be
7 amended, nor any provision or breach waived, except in writing signed by the parties
8 which expressly refers to this Agreement.

9 13. LAW. This Agreement shall be governed by and construed pursuant
10 to the laws of the State of California (except those provisions of California law pertaining
11 to conflicts of laws). Consultant shall comply with all laws, ordinances, rules and
12 regulations of and obtain all permits, licenses and certificates required by all federal, state
13 and local governmental authorities.

14 14. ENTIRE AGREEMENT. This Agreement, including all Exhibits,
15 constitutes the entire understanding between the parties and supersedes all other
16 agreements, oral or written, with respect to the subject matter in this Agreement.

17 15. INDEMNITY. Consultant shall, with respect to services performed in
18 connection with this Agreement, indemnify and hold harmless City, its Boards,
19 Commissions, and their officials, employees and agents (collectively in this Section,
20 "City") from and against any and all liability, claims, allegations, demands, damage, loss,
21 causes of action, proceedings, penalties, costs and expenses (including attorney's fees,
22 court costs, and expert and witness fees) (collectively "Claims" or individually "Claim")
23 arising, directly or indirectly, in whole or in part, out of any negligent act or omission of
24 Consultant, its officers, employees, agents, sub-consultants or anyone under
25 Consultant's control (collectively "Indemnitor"), breach of this Agreement by Indemnitor,
26 misrepresentation or willful misconduct by Indemnitor, and Claims by any employee of
27 Indemnitor relating in any way to workers' compensation. Independent of the duty to
28 indemnify and as a free-standing duty on the part of Consultant, Consultant shall defend

1 City and shall continue this defense until the Claim is resolved, whether by settlement,
2 judgment or otherwise. No finding or judgment of negligence, fault, breach or the like on
3 the part of Indemnitor shall be required for the duty to defend to arise. Consultant shall
4 notify City of any Claim within ten (10) days. Likewise, City shall notify Consultant of any
5 Claim, shall tender the defense of the Claim to Consultant, and shall assist Consultant at
6 Consultant's sole expense, as may be reasonably requested, in the defense.

7 16. AMBIGUITY. In the event of any conflict or ambiguity between this
8 Agreement and any Exhibit, the provisions of this Agreement shall govern.

9 17. COSTS. If there is any legal proceeding between the parties to
10 enforce or interpret this Agreement or to protect or establish any rights or remedies under
11 it, the prevailing party shall be entitled to its costs, including reasonable attorneys' fees.

12 18. NONDISCRIMINATION.

13 18.1 In connection with performance of this Agreement and subject
14 to applicable rules and regulations, Consultant shall not discriminate against any
15 employee or applicant for employment because of race, religion, national origin,
16 color, age, sex, sexual orientation, gender identity, AIDS, HIV status, handicap or
17 disability. Consultant shall ensure that applicants are employed, and that
18 employees are treated during their employment, without regard to these bases.
19 These actions shall include, but not be limited to, the following: employment,
20 upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or
21 termination; rates of pay or other forms of compensation; and selection for training,
22 including apprenticeship.

23 18.2 It is the policy of City to encourage the participation of
24 Disadvantaged, Minority and Women-Owned Business Enterprises in City's
25 procurement process, and Consultant agrees to use its best efforts to carry out
26 this policy in its use of subconsultants and contractors to the fullest extent
27 consistent with the efficient performance of this Agreement. Consultant may rely
28 on written representations by subconsultants and contractors regarding their

1 status. City's policy is attached as Exhibit "C" to this Agreement. Consultant shall
2 report to City in May and in December or, in the case of short-term agreements,
3 prior to invoicing for final payment, the names of all subconsultants and
4 contractors hired by Consultant for this Project and information on whether or not
5 they are a Disadvantaged, Minority or Women-Owned Business Enterprise, as
6 defined in Section 8 of the Small Business Act (15 U.S.C. Sec. 637).

7 19. NOTICES. Any notice or approval required by this Agreement shall
8 be in writing and personally delivered or deposited in the U.S. Postal Service, first class,
9 postage prepaid, addressed to Consultant at the address first stated above, and to City at
10 333 West Ocean Boulevard, Long Beach, California 90802, Attn: City Manager, with a
11 copy to the City Engineer at the same address. Notice of change of address shall be
12 given in the same manner as stated for other notices. Notice shall be deemed given on
13 the date deposited in the mail or on the date personal delivery is made, whichever occurs
14 first.

15 20. COVENANT AGAINST CONTINGENT FEES. Consultant warrants
16 that Consultant has not employed or retained any entity or person to solicit or obtain this
17 Agreement and that Consultant has not paid or agreed to pay any entity or person any
18 fee, commission or other monies based on or from the award of this Agreement. If
19 Consultant breaches this warranty, City shall have the right to terminate this Agreement
20 immediately notwithstanding the provisions of Section 10 or, in its discretion, to deduct
21 from payments due under this Agreement or otherwise recover the full amount of the fee,
22 commission or other monies.

23 21. WAIVER. The acceptance of any services or the payment of any
24 money by City shall not operate as a waiver of any provision of this Agreement or of any
25 right to damages or indemnity stated in this Agreement. The waiver of any breach of this
26 Agreement shall not constitute a waiver of any other or subsequent breach of this
27 Agreement.

28 22. CONTINUATION. Expiration of this Agreement shall not affect rights

1 or liabilities of the parties which accrued pursuant to Sections 7, 10, 16, 18, 21 and 27
2 prior to termination or expiration of this Agreement.

3 23. TAX REPORTING. As required by federal and state law, City is
4 obligated to and will report the payment of compensation to Consultant on Form 1099-
5 Misc. Consultant shall be solely responsible for payment of all federal and state taxes
6 resulting from payments under this Agreement. Consultant's Employer Identification
7 Number is [REDACTED] If Consultant has a Social Security Number rather than an
8 Employer Identification Number, then Consultant shall submit that Social Security
9 Number in writing to City's Accounts Payable, Department of Financial Management.
10 Consultant acknowledges and agrees that City has no obligation to pay Consultant until
11 Consultant provides one of these numbers.

12 24. ADVERTISING. Consultant shall not use the name of City, its
13 officials or employees in any advertising or solicitation for business or as a reference,
14 without the prior approval of the City Manager or designee.

15 25. AUDIT. City shall have the right at all reasonable times during the
16 term of this Agreement and for a period of five (5) years after termination or expiration of
17 this Agreement to examine, audit, inspect, review, extract information from and copy all
18 books, records, accounts and other documents of Consultant relating to this Agreement.

19 26. THIRD PARTY BENEFICIARY. This Agreement is not intended or
20 designed to or entered for the purpose of creating any benefit or right for any person or
21 entity of any kind that is not a party to this Agreement.

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1 IN WITNESS WHEREOF, the parties have caused this document to be duly
2 executed with all formalities required by law as of the date first stated above.

3 GROBSTEIN, HORWATH AND
4 COMPANY, LLP, a California limited
liability company

5 August 21, 2008

By [Signature]

David K. Gottlieb

Partner Title or Print Name

8 August 21st, 2008

By [Signature] Title

David W. Roberts

Type or Print Name

Partner

Title

"Consultant"

13 CITY OF LONG BEACH, a municipal
14 corporation

15 Sept. 15 2008

By [Signature] Assistant City Manager

City Manager
EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

"City"

17 This Agreement is approved as to form on August 26, 2008.

19 ROBERT E. SHANNON, City Attorney

20 By [Signature]
21 Principal Deputy

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

EXHIBIT "A"

1. Request for Proposal – Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company under its Agreements with the City of Long Beach.
2. Grobstein, Horwath & Company, LLP proposal to provide.
3. Addendum to Proposal dated August 14, 2008 relating to timing of deliverables and the monthly billing.

EXHIBIT “B”

City’s Representative: James Johnson

CITY OF LONG BEACH POLICY FOR DISADVANTAGED, MINORITY-OWNED AND WOMEN-OWNED BUSINESS ENTERPRISES

It is the policy of the City of Long Beach to utilize Disadvantaged, Minority-Owned and Women-Owned Business Enterprises in all aspects of contracting, including construction, the purchase of materials and services, including professional services, leases and the granting of concessions.

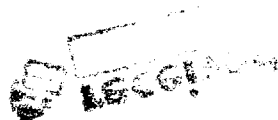
EXHIBIT "C"

Request for Proposal



Review of Oil Revenues, Expenses, and
Procedures of Tidelands Oil Company under its
Agreements with the City of Long Beach

REVISED 4/10/08



REQUEST FOR PROPOSAL

FOR REVIEW OF OIL REVENUES, EXPENSES, AND PROCEDURES OF TIDELANDS OIL COMPANY UNDER ITS AGREEMENTS WITH THE CITY OF LONG BEACH

The City of Long Beach (City), through the Office of the City Auditor (OCA) desires to engage the services of a professional external, independent firm (Audit Firm) to review and analyze the records of Tidelands Oil Production Company (TOPKO) to determine whether it is in compliance with its agreements with the City, as trustee for the State, and the State per applicable agreements.

The engagement is anticipated to begin in May 2008 with a final report due date stipulated by contract no later than April 2009. The information below identifies minimum qualifications, background information and project scope, time considerations and other requirements, audit fees, and contact information relevant to this project. In addition, attached to this Request for Proposal is a copy of a recent audit of TOPKO (Appendix A).

I. INTRODUCTION AND BACKGROUND

Ever since the 1920s, oil operations—and more importantly, oil revenues—have been an integral part of Long Beach's economy and its finances. This audit is concerned with the operations occurring in calendar years 2006, 2007, and 2008 on the property designated as the "West Wilmington Field," as shown on Appendix B. Some of these operations are on Tidelands property owned by the State and managed by the City as trustee, some are on City property, and some are on properties owned by other interests both public and private. The City is the Unit Operator for the entire area, and revenues are split between various interests such as the City, the State, private interests, and the field operator as designated under the relevant agreements. The City contracted with the Long Beach Oil Development Company to operate this oil field from the time the first well was drilled in 1939 to 1989, when TOPKO took over as the field contractor.

Currently, the City's Department of Gas and Oil manages all of the City's oil interests. This includes acting as the de facto operator on unitized properties where the City is the operator and also manages non-unit properties on behalf of owners. TOPKO, the West Wilmington Field contractor for the City, oversees the day-to-day operations of the field. TOPKO has changed ownership twice in the last five years. Most recently, in early 2006, it was purchased by Occidental Petroleum Company (Oxy) from the previous owners Paramount and Chanse. Oxy also owns THUMS which is the field contractor in the East Wilmington Field. TOPKO and Oxy operate under two separate contracts and are managed separately by Oxy, including keeping separate books and records.

The West Wilmington Field is split administratively into two segments: Segment 1, which is State tidelands property managed by the City as trustee; and Segment 2, which consists of various private interests as well as interests of the City and the Long Beach

Harbor Department. Furthermore, the units are split into six "fault blocks", one through six. These administrative areas affect various provisions in the agreements between the City and TOPKO. (See Appendix B for a map.)

II. PROPOSED TIMELINE

RFP Issued	March 28, 2008
Proposal Submission Deadline	May 2, 2008
Proposal Accepted	On or about May 16, 2008
Begin Planning of Audit	Late May 2008
Begin Fieldwork	Late June 2008
Draft Report Due	February 2009
Final Report with Management Comments Due	April 2009

III. SCOPE AND DESCRIPTION OF WORK

TOPKO operates under four primary contracts with the City and their amendments. The Main Contract (Long Beach Harbor Tidelands Parcel and Parcel "A") governs the State tidelands area. The Amended and Restated Field Contractor Agreement (Harbor) governs Fault Blocks I-III of Segment II. The Amended and Restated Field Contractor Agreement Segment II governs Fault Blocks IV-V of Segment II. Finally, there is the Nineteenth Accessory Agreement for the Long Beach Harbor Department Tidelands Parcel that governs certain projects performed on the Harbor Tidelands parcel. While there are other agreements governing the relationship between TOPKO and the City, these four contracts will be the primary focus of this audit.

The Audit Firm is requested to assess TOPKO's compliance with all areas of these agreements by reviewing and analyzing the appropriate records. Areas to examine include, but are not limited to, the following areas:

- ✓ • Procurement processes;
- ✓ • Reimbursable and non-reimbursable expenditures, including major contracts, vendors, the division of personnel costs between entities (such as THUMS and Occidental Petroleum), payroll and benefits, employee reimbursements and perquisites, equipment and vehicle purchase or leasing, and inter-company charges from other Occidental Petroleum subsidiaries and entities;
- ✓ • Overhead and supervision;
- ✓ • Expense allocation to Fault Block and Segment;
- ✓ • Revenue allocation to Fault Block and Segment;
- ✓ • Production allocation to working interest owner;
- ✓ • Oil pricing;
- ✓ • Sale of assets and related party transactions;
- ✓ • Costs of closure of the "Bug Farm" (a bio-remediation site that used bacteria to remediate oil waste);
- ✓ • Pier A West oil facilities relocation and abandonment;
- ✓ • Timeliness and appropriateness of cash calls by TOPKO; and

- Accuracy of monthly joint interest statements.

Prior to reviewing these areas, the Audit Firm shall have its approach and audit procedures approved by the OCA prior to the commencement of fieldwork. Any scope limitations or limitations on procedures performed shall be discussed with the OCA and clearly identified in the audit report.

Supporting documents are to be obtained by the Audit Firm to support its findings, recommendations, and conclusions. The Audit Firm is to consult with the OCA regarding status updates and intermediate findings. The Audit Firm shall also prepare a final report outlining and explaining its conclusions.

IV. PROPOSAL SUBMISSION

Three (3) sets of the Proposal, including one set containing an original signature, must be submitted no later than 4:30 p.m. on Friday, May 2, 2008. Proposals received after this time will not be accepted and will be returned unopened. All Proposals shall be submitted to:

Mr. James A. Johnson
Assistant City Auditor
Office of the City Auditor
333 W. Ocean Blvd., 8th Floor
Long Beach, CA 90802

Additional information, clarification, or questions regarding this Request For Proposal may be directed to Janet Day, Deputy City Auditor, at janet_day@longbeach.gov or (562) 570-5895.

V. STATEMENT OF QUALIFICATIONS

The Audit Firm selected must demonstrate the following qualifications:

1. Independence: The Audit Firm must provide an affirmative statement that it is independent of the City of Long Beach, in accordance with auditing standards generally accepted in the United States of America and the standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.
2. Experience: Experience with similar audit efforts in the oil industry or related industries is desirable.
3. Firm Resources: The Audit Firm must demonstrate its ability to devote the necessary personnel and technical resources to complete the work in accordance with the scheduled timeline. Its personnel must demonstrate knowledge of relevant federal, state, and local laws, rules and regulations, in addition to

applicable accounting principles and auditing standards.

VI. TERMS AND CONDITIONS

A. GENERAL TERMS AND CONDITIONS

The Proposal shall be subject to the following terms:

1. The submission of a proposal shall be evidence that the proposer has full knowledge of the scope, nature, complexity, industry, specific knowledge, quantity, and the quality of work to be performed as well as the detailed requirements of the specifications and the conditions under which the work is to be performed;
2. Compensation for the conduct of the audit service will be paid upon submission of progress billings, which shall be no more frequent than bimonthly, and upon a final billing along with the required reports;
3. The Audit Firm shall provide a certificate of insurance including Worker's Compensation, commercial general liability and commercial automobile liability as specified in the attached sample Pro Forma Contract;
4. No subcontracting of auditing services will be allowed without the expressed prior written consent of the City Auditor or Assistant City Auditor. The Audit Firm shall be staffed adequately to provide all services requested;
5. The Audit Firm shall comply with the applicable federal, state and local laws, rules and regulations; and
6. The OCA shall have the right to terminate the services of the Audit Firm at any time for any or no reason by giving thirty (30) days prior notice of such termination to the Audit Firm.

Furthermore, Appendix C contains a copy of the anticipated pro forma contract (Agreement). Each prospective audit firm is expected to review the general terms and conditions and acknowledge their acceptance of Appendix C in the Proposal Cover letter (or their objections to specific parts of Appendix C) as a mechanism to expedite the contract negotiation process. The City reserves the right to further clarify the terms and conditions. The intent of the City is to enter an agreement with the selected audit firm as soon as possible. In the event of a delay in reaching a contract, the RFP shall be valid for 120 days after submittal of the Proposal.

B. PROPOSAL CONDITIONS

1. Contingencies

This RFP does not commit the City to award a contract. The City reserves the right to accept or reject any or all proposals if the City determines it is in the best interests of

the City to do so. The City will notify all vendors in writing if the City rejects all proposals.

2. Modifications

The City reserves the right to issue addenda or amendments to this RFP.

3. Proposal Submission

To be considered, all proposals must be submitted in the manner set forth in this RFP. It is the Vendor's responsibility to ensure that its proposal arrives on or before the specified time.

4. Cost of RFP Preparation

The City shall not be liable for any pre-contractual expenses incurred by a proposer or by any selected consultant. Each proposer shall protect, defend, indemnify, and hold harmless the City from any and all liability, claims, or expenses incurred by, or on behalf of, the person(s) and entities participating in the preparation of its response to this RFP. Pre-contractual expenses are defined as expenses incurred by proposers in:

- Preparing Proposals and Statement of Qualifications and related information in response to this RFP;
- Negotiations with the City on any matter related to this RFP;
- Costs associated with interviews, meetings, travel or presentations; and
- All other expenses incurred by a proposer prior to the date of award.

5. Negotiations

The City may require the potential Vendor selected to participate in negotiations, and to submit a price, technical, or other revisions of their proposals as may result from negotiations.

6. Acceptance or Rejection of Proposals

Proposals shall remain open, valid, and subject to acceptance any time within sixty (60) days after the proposal opening.

The City realizes that factors other than price are important and will award contract(s) based on the proposal(s) that best meets the needs of the City. While cost may not be the primary factor in the valuation process, it is an important factor.

7. Alternate Proposals

The City will consider any and all proposals. A list of suggestions or procedures that could be followed or methods of enhanced communication can be attached to the response. The City does, however, reserve the right to reject any or all proposals.

8. Formal Contract

The Vendor will be required to enter into a formal contract with the City. This RFP sets forth some of the general provisions, which will be included in the final contract. In submitting a response to this RFP, the Vendor will be deemed to have agreed to each clause in this RFP unless the proposal identifies an objection and the City

agrees to a change of language in writing.

Failure to raise any objections to the contract requirements at the time of submittal of a response to this RFP will result in a waiver of objection to any of the contract language.

9. Final Authority

The final authority to award a contract rests solely with the Long Beach City Council.

C. KEY PERSONNEL

The OCA and the Director or his designee reserve the right to approve all key personnel, as defined by the OCA individually for work on this contract. The Proposal must identify the Audit Manager and all proposed key personnel. The Proposal shall include a table of the key personnel (those who report directly to the Audit Manager) including their percentage availability throughout the Agreement's duration.

All key staff shall be named in the proposal. After the contract is signed, the proposer may not replace key staff without written approval by the OCA and the Director or his designee. The OCA and the Director or his designee must approve replacement staff before a substitute person is assigned to the team. The OCA and the Director or his designee reserve the right to request that the proposer replace a staff person assigned to the contract should the OCA and the Director or his designee consider such a replacement to be for the good of the project. Replacement staff will be subject to the OCA and the Director or his designee's approval prior to assignment to the team.

D. OFFICE LOCATION

It is not the City's intention to house the audit firm's personnel in City facilities; however, workspace necessary for acquiring information will be made available. The OCA does not intend to reimburse the audit firm for personnel relocation under this contract.

E. WITHDRAWAL OF PROPOSAL

Proposals may be withdrawn by written notice received by the City at any time prior to the submittal deadline.

VII. CONTRACT TYPE, OVERHEAD RATE, AND FEE

The proposed fee for this contract will be based on a "not to exceed" basis including out-of-pocket expenses agreed upon by the parties.

Any change in the cost of audit services due to a change in the scope or other consideration will be subject to negotiation and agreement of OCA and the Audit Firm.

The Proposal shall list the fees charged by all personnel who will work on this audit. The Proposal shall also list the charge that the Audit Firm is not exceed, including all expenses, to complete the entire audit.

Payment will be made according to a schedule of deliverables agreed upon by the OCA and the Director or his designee. Invoices will be sent to the OCA to the attention of Janet Day, Deputy City Auditor. Invoices shall state services performed and corresponding dates.

VIII. PREPARATION AND FORMAT OF PROPOSAL

A. COVER LETTER

The cover letter shall include a summary of the Proposal, including a brief description of the proposer and key staff. It shall make a commitment to accept the terms and conditions in the RFP and Pro Forma contract, including acknowledgement of receipt of all amendments and/or addenda to the RFP. Any requests for exceptions should be noted in the cover letter and include alternatives where applicable. Exceptions will be submitted to the City Attorney for review. Should the City Attorney determine that the exception is unacceptable, the selection committee will not consider the Proposal.

B. PROJECT APPROACH

This section must demonstrate an understanding of the scope of services. It should describe your general approach, organization, and staffing. Additionally, if applicable, all subconsultants and their roles should be identified. The Audit Firm shall describe their intended methodology and provide a detailed work plan for successfully completing the audits identified in the Scope of Work above.

C. PROJECTED TIMELINE AND COST

The Audit Firm shall perform the work based on the schedule provided under the "Proposed Timeline" section of this document. Please show estimated completion date of audit milestones within this timeline. Additionally, the Audit Firm shall provide a "not to exceed" cost for services to be performed. Please provide a breakdown of the cost by audit to include labor (hours and billing rates by position).

D. EXPERIENCE OF AUDIT FIRM

Relevant experience of the Audit Firm shall be identified. Include project descriptions, year completed and client companies. Provide current client references for projects of similar size. Include the corporate history, years in business, size of corporation, and other documentation as deemed relevant. Provide resume summaries of all proposed key staff as well as the named Audit Manager.

IX. EVALUATION AND SELECTION PROCESS

A. EVALUATION CRITERIA

A selection panel will be comprised of City staff from relevant departments and/or bureaus. Each member of the selection panel will evaluate each Proposal using the evaluation criteria listed below and rank the proposals:

- a) Completeness and appropriateness of written Proposal;
- b) Qualifications and experience of the audit firm and Audit Manager in providing the required auditing services as described in the Scope of Work;
- c) Team organization, qualifications and experience of key personnel to provide the required services;
- d) Project management methodology and schedule controls;
- e) References and performance record on similar projects;
- f) Knowledge and understanding of project needs, issues, and approach; and
- g) Knowledge and understanding of project needs, issues, and approach.

B. NEGOTIATIONS AND AWARD

The selection panel will determine the highest qualified audit firm based on the criteria above. Upon selection of the Audit Firm and prior to the start of the contract negotiations, the Audit Firm shall submit to the City the required insurance certificates.

A selection panel comprised of City staff from relevant departments and/or bureaus will evaluate proposals. The OCA will negotiate with the person or entity whose Proposal best meet the needs of the City. These negotiations will address a fair and reasonable price for services to be provided and the terms of any contract to be awarded as a result of this RFP. If the OCA is unable to obtain a fair and reasonable price or cannot reach agreement regarding the terms of a contract, then the OCA will begin negotiations with the next entity that best meets the needs of the City.

C. NOTIFICATION OF UNSUCCESSFUL PROPOSALS

All proposers will be notified of the status of the selection, after the audit firm has been selected.

APPENDIX A

2004 TOPKO AUDIT REPORT

May 11, 2004

Christopher Garner, Director
Department of Oil Properties
City of Long Beach

We have applied certain review procedures to operation and accounting records of Tidelands Oil Production Company (Tidelands). The purpose of the review was to determine whether Tidelands is in compliance with its agreements with the City of Long Beach (City), follows accepted industry practices, and takes appropriate measures to safeguard the assets under its management. The areas we reviewed included: field measurement; production accounting; division of interest; expense allocation; permits/taxes; well abandonment; subsidence; vendor expenditures; fixed assets; inventory; revenue & pricing; insurance & bonds; and payroll. The scope of our review was 2002 and 2003 through May. The review was a joint effort between the City Auditor's Office and the State Lands Commission.

The review procedures we performed included:

- Reviewing unit agreements, unit operating agreements, agreements between City and Tidelands, and agreements between Long Beach Harbor and Tidelands.
- Assessing the design of specific processes Tidelands uses to administer the areas included in our review.
- Testing samples of transactions completed by Tidelands during the audit scope period to determine whether these were properly conducted.
- Recalculating certain production, revenue and expense allocations and tracing them to accounting entries.
- Verifying compliance with City ordinances as they relate to permits and taxation.
- Observing specific operations to determine whether Tidelands' practices were in accordance with industry norms.
- Touring tank farms, field operations, inventory warehouse, and injection facilities.
- Reviewing Tidelands' administration of City mandated subsidence abatement program and State of California Division of Oil, Gas and Geothermal well plugging and abandonment program.

We did not have access to Tidelands 100% accounts which include transactions not allocated to working interest owners (WIOs). Therefore, this area was not included in the scope of the review.

Based on the results of the review procedures performed, except for the effect of the scope limitation described in the preceding paragraph, if any, we found no evidence that Tidelands is not in compliance with its agreements with the City. However, we noted specific issues that we discussed with Tidelands management along with our recommendations. These are highlighted below and discussed in more detail in the attachment along with other issues and recommendations. We observe that WIOs were not materially impacted by these issues.

- Tidelands does not calibrate on a regular basis the oil measurement meters (LACT units) at the two tank farms. These meters are used to allocate sales, measured by the sales meter, back to the two tank farms. In addition, the LACT units at the two tank farms are not read simultaneously with the sales meter. Both of these factors increase allocation inaccuracy. We recommend calibrating tank farm LACT units periodically and reading them at the same time the sales meter is read at month end.
- Tidelands used oil from production in its drilling operation without allocating revenue and expense to the WIOs. We recommended making a journal entry to recognize revenue and expense incurred to the WIO. Tidelands made the entry.
- Tidelands did not account for the transfer of cable and electric submersible pumps to Centrilift, an alliance vendor, in 1995. Adjusting entries to reflect the transfer were made during the audit.
- Errors were found in Tidelands' inventory computer system. These included negative quantities, negative balances, and zero quantities with positive balances. Tidelands has corrected these errors and has implemented procedures to prevent future occurrence.

We appreciate the excellent cooperation we received from Tidelands as well as the DOP during the course of the audit.

Sincerely,

Gary L. Burroughs, CPA
City Auditor

By

Sam A. Joubliat, CIA
Deputy City Auditor

cc: David Mercier, Finance and Economics Chief, State Lands Commission
Geraldine Knatz, Development Managing Director, Harbor Dept.
Curtis Henderson, Operations Manager, DOP
Michael Domanski, President, Tidelands

Background

West Wilmington Field is a mature oil field. It was discovered in 1936. In 1939, Long Beach Oil Development Company (LBOD) was selected as the first oil operations contractor. The first oil well was drilled in 1939. The peak production of the West Wilmington Field occurred in 1951 at a rate of 53,000 barrels per day (b/d) at which time it had 700 producing wells. Production had tapered to 22,000 b/d before peaking again at 45,000 b/d in 1966 as a result of the large scale water flooding that started in the late 1950's to address subsidence.

In 1989, Tidelands Oil Production Company (Tidelands) took over as field contractor from LBOD. At that time, Tidelands was a partnership owned by Neste Oil and Gas, the Finnish national oil company, and by Chanse, an independent producer. Additional oil properties were added in 1994 when the Harbor Department purchased Union Pacific Resources Company's holding in the Wilmington Field.

In 2003, Neste sold its share of ownership in the Tidelands partnership. As a result, Paramount Petroleum Corporation now holds 75% ownership and Chanse holds 25%.

Tidelands is now responsible for 701 wells of which 302 are production wells, 160 are injection wells, 2 are water source wells (subsidence), 18 are observation wells, and 219 are idle wells. Production in 2003 was 6,773 b/d of oil and 1320 mcf/d (thousand cubic feet per day) of gas.

The City of Long Beach remains the West Wilmington Field operator. Below is a summary of working interest ownership (WIO) by fault block (FB).

Summary Schedule of West Wilmington Field Ownership Percentage

Area	State	City	Harbor	LBUSD	Individuals	Total
FB I			100			100
FB II Unit	10		89.5		0.5	100
FB II Unit Steam	10		90			100
FB III Unit	18		82			100
FB IV Unit	55	18	26		1	100
FB V Ranger Zone Unit	72.8	15	3	0.2	9	100
FB V, FB VI Non Unit	100					100

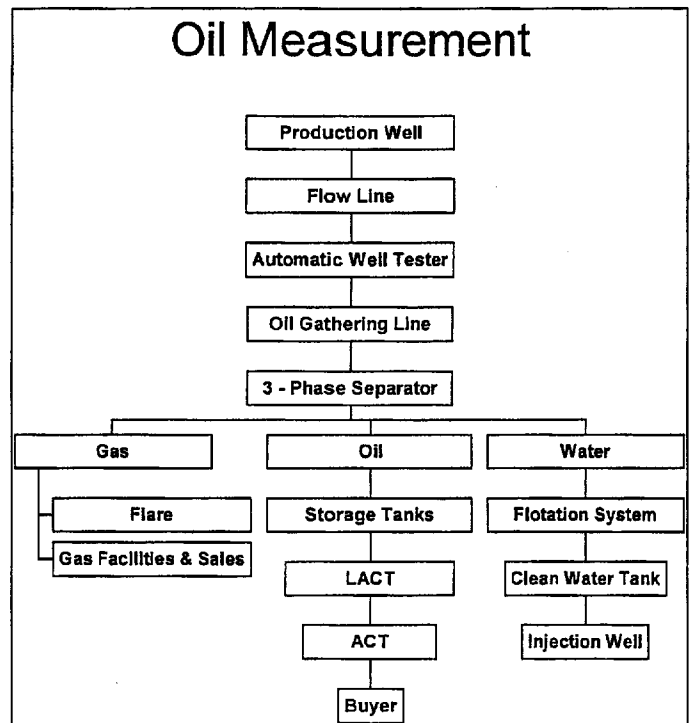
Field Measurement

Production Wells

Our review included a comparison of the 302 oil producing wells appearing on Tidelands accounting reports and the individual production wells appearing on engineering maps. No discrepancies were noted.

The number of production wells can change based on the price of oil, maintenance problems, and new well installation. Low oil prices cause some wells to become idle as the price of oil falls below the cost of production. Well components, such as pipe casing, tubing, pumps and electrical components can fail leading to downtime during repair. Of the 302 oil producing wells, 144 use rod pumps, 125 use Electrical Submersible Pumps (ESPs), and 33 use hydraulic pumps.

Oil is measured at the time it is sold to buyers. Measurement meters, known as ACT units (Automatic Custody Transfer) are used to measure oil pumped from Tidelands' tank farms to the buyer's pipeline. During March 2003, 203,609 barrels of oil were sold to buyers. (See Production Accounting).



There are two ACT units located near the intersection of Broadway and Pico Avenues (aka Broadway-Mitchell site) that alternatively measure the amount of oil shipped. These ACT units are connected to five separate buyer's pipelines, including, ARCO (two lines), Mobil, Conoco/Phillips, and Equilon. Run tickets are used to document the transfer of ownership of oil.

Automatic Well Testers

There is no continuous measurement of fluid pumped from individual wells. Tidelands maintains reports on production by well; these reports are based on allocation formulas, and meter readings from ACT units, LACT units (Lease Automatic Custody Transfer) and AWTs (Automatic Well Testers).

Periodic measurement of fluid from individual wells is performed using AWTs. There are 28 permanent AWTs, and 3 portable AWTs. The portable AWTs are used for 25 oil wells that are not connected to a permanent AWT.

The AWTs indicate production rate and percentages of water and oil content from a specific well for a limited period of time. This type of testing requires isolation from other wells by using shut-off valves.

3-Phase Separation

Oil is pumped from the wells into gathering lines where it is routed to horizontal gas/oil/water separators. Some vessels use heat to assist in the separation of oil from water. The produced fluid contains 97% water. Following the separation process, gas is sold or burned, depending on its quality, water is cleaned and injected back into the field (see Subsidence), and the oil is stored in tanks, until sold.

Tank Farms

The two tank farms, known as Z1-2 and XY, typically hold only 10% of daily production capacity, or approximately 600 bbls of oil. The pipelines carry another 435 bbls of oil. The excess capacity in these tanks is for use in emergencies. For example, if the ACTs fail, or other shipping equipment malfunctions, well production and processing can continue, with the tank farms then filling up to maximum capacity.

Issue:

Our review of the tank farms indicated that physical security, especially in light of tightened security nationwide, needs a comprehensive review. Fences and gates enclose the Z1-2 tank farm, however the gates are not closed or locked. The XY tank farm has no gate. This leaves both installations open to acts of vandalism, sabotage or terrorism.

Recommendation:

Evaluate the security at each of the two tank farms. Keep these gates locked at all times. Consider the feasibility of installing surveillance equipment at both facilities.

We were informed that Tidelands has recently completed a Security Vulnerability Assessment (SVA) of its facilities as part of a comprehensive audit conducted by the State Lands Commission. As a result of this SVA, additional fencing and other barriers will be installed over the next few months.

Proving

To ensure the ACTs are accurately measuring the amount of oil sold to buyers, meter proving is performed on a regular basis. Proving of the ACTs is performed each month, and whenever there is a change in buyers. Tidelands uses an outside contractor, Century Calibrating Company, to provide the proving service.

Proving is witnessed by gaugers (employees) of the buyer, Tidelands, and the DOP. As part of the proving process, the sample pot is pulled and tested for Basic Sediment and Water (BS&W) and API gravity.

The sample pot contains a representative sample of oil being shipped by extracting small amounts over the time period of oil shipment. The gauger takes samples to a lab to obtain the API gravity and BS&W. The resulting API gravity is reflected on the run ticket (the document evidencing transfer of ownership).

Century Calibrating uses a portable proving unit. The calibrator carries a Certificate of Prover Volume and a Certificate of Calibration. A proving report is printed by Century, and distributed to those in attendance. Using a laptop computer, the calibrator enters the names of the attendees into the proving report.

Issue:

The buyer's gauger, Tidelands, and the DOP do not sign proving reports. During our observation of the proving activity, we noted that the reports are printed with names of those in attendance, however the report should still be signed to evidence witnessing of the proving.

Recommendation:

Require signatures of those in attendance on the proving reports.

Net Meter Factor

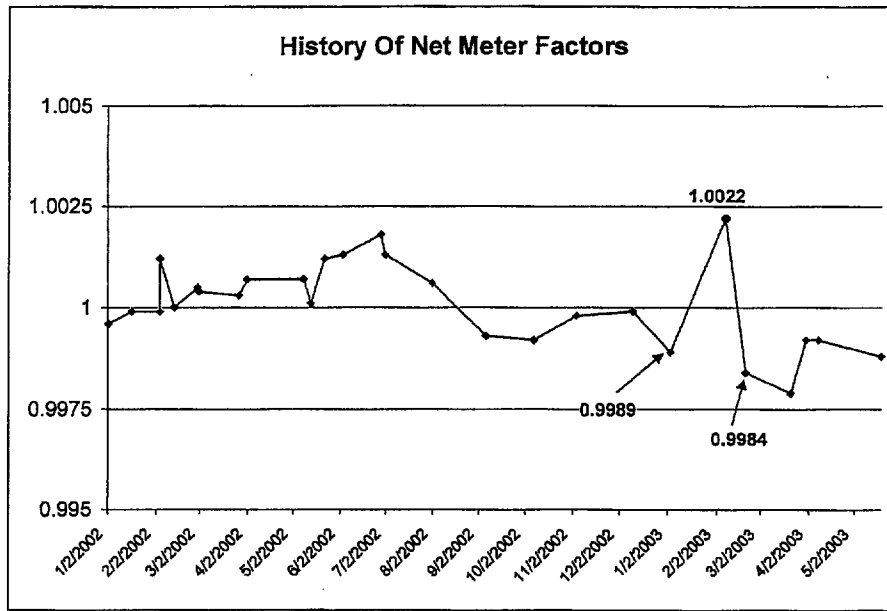
The proving report identifies a net meter factor, which is used to adjust the fluid volume. According to API standards, comparisons should be made between the current and prior (proving) report's net meter factors to identify excessive meter factor deviation. If deviation exceeds 0.0025 since the last proving, an average of the present and prior net meter factor should be used.

Issue:

During our review of the past 12 months of proving reports, excessive meter factor deviations were noted on consecutive reports at ACT unit #1 on February 7th and February 20th 2003. The proving reports show a net meter factor drift of 0.0033 and 0.0038.

The deviations were not documented on the proving reports, and adjustments were not made. The net meter factors should have been adjusted to 1.0005 $((0.9989+1.0022)/2)$ and 1.0003 $((1.0022+0.9984)/2)$ respectively to compensate for the deviation.

Date	Net	Deviation (Current vs. Prior)
February 20, 2003	0.9984	-0.0038
February 7, 2003	1.0022	0.0033
January 3, 2003	0.9989	



Recommendation:

Consider comparing the current net meter factor with the prior net meter factor appearing on the proving reports and using a corrected net meter factor when the absolute value of the net meter factor drift exceeds 0.0025.

Run Ticket

At the time of ownership transfer, the volume of oil sold is measured and recorded on a run ticket (physical evidence of purchase). Run tickets are 'pulled' on the 1st of each month to facilitate oil inventory counts for the prior month. Run tickets are also pulled at each change in buyer.

The buyer's gauger removes the run ticket from the ACT unit, where it is time and date stamped. After completing a sample analysis in the lab, the cut percentage and API gravity are confirmed by Tidelands, the DOP and the buyer's gauger. Completed run tickets are used by Tidelands in the final billing to the buyer.

Production Accounting

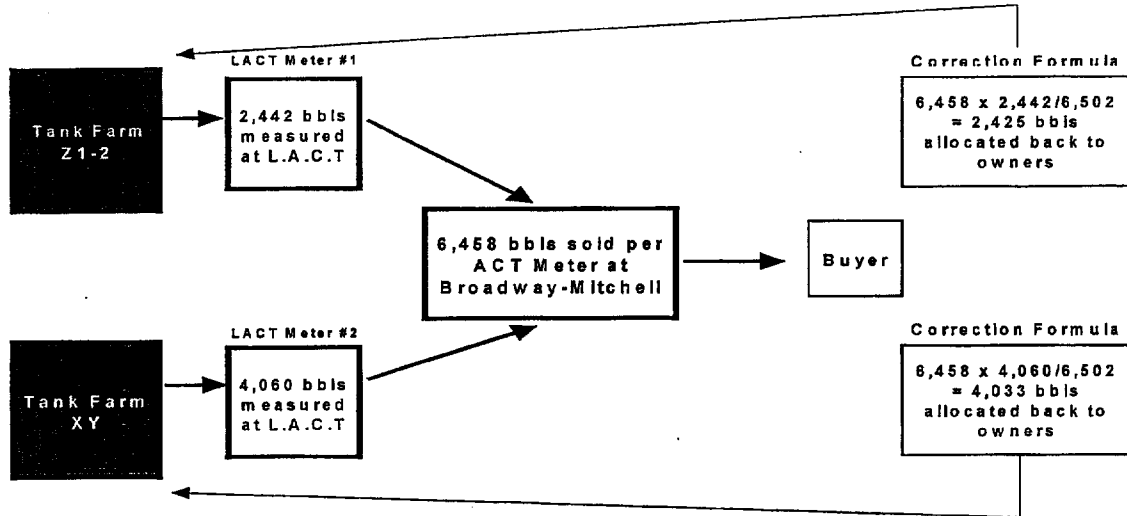
Oil and gas production is allocated to each well based on AWT results. The AWT data are logged in a Daily Well and Production Field Report. Tidelands' accounting staff reviews results of the well tests for reasonableness based on comparison to past production levels. Well test results that appear abnormal, generally any test result that varies by more than 10% from the previous reading, are reported to Tidelands' engineering department for further investigation. At the end of each month, an Individual Well Production Ledger (IWPL) is generated for each active and idle well. The IWPL indicates the segment, tank farm, fault block unit and gravity for each particular well and reflects the estimated daily production. In addition, this estimated production data are summarized by segment and tank farm in the Summary Production Ledger (SPL), also generated at the end of each month.

Oil production flows into one of Tidelands' two tank farms, depending upon well location. Wells located within Segment I flow into both the XY and the ZI-2 tank farms, while those located within Segment II are routed to the XY tank farm. Each tank farm is equipped with two LACT meters that gauge volume of production shipped. As in the case with individual wells, a Daily Tank Farm Production Report is utilized to log the daily volume shipped to Broadway-Mitchell, the point-of-sales delivery. Broadway-Mitchell also has two ACT meters that measure actual volume of production sold. Total sales per month as recorded by the Broadway-Mitchell ACT meters are used to generate the monthly Coordinator's Allocation Report of Oil Production and Deliveries, which is used to allocate production for the month among the WIOs.

Information from the daily LACT and ACT readings is input on a spreadsheet by Tidelands' accounting staff and compared for variance in daily production. As the run ticket does not reflect separate production from each of the two tank farms, the calculation of a tank farm correction factor (TF Factor) is necessary to allocate actual production to each respective tank farm. AWT data are then used to allocate actual production per tank farm to the individual wells. The following illustration demonstrates how the TF Factor was calculated to allocate actual production of 6,458 bbls shipped as measured at Broadway-Mitchell (per ACT meters) to the two tank farms.

The tank farms (per LACT meters) reflected a combined production volume of 6,502 bbls that was sold from Broadway-Mitchell on that day:

TIDELANDS PROCEDURE TO CALCULATE TANK FARM CORRECTION FACTOR



To verify that the documented production accounting procedures were in place and functioning properly, we selected a random sample of wells and confirmed the accuracy of production allocated to those wells.

Issue:

As stated above, the run ticket generated at Broadway-Mitchell does not reflect separate production from the XY and Z1-2 tank farms. Therefore, the ratio of tank farm production per LACT readings at XY and Z1-2 is used to allocate total oil sales registered per the ACT reading observed at Broadway-Mitchell. We noted that Tidelands does not calibrate the LACT meters on a regular basis and therefore, readings observed from those meters may not be precise. The two LACT units in Z1-2 tank farm were calibrated last in March 1998 and August 1999 and the two LACT units in XY tank farm were calibrated last in May 2001 and June 2003. Not having properly calibrated LACT units may cause inaccuracy in the allocation of production between the two tank farms.

Recommendation:

Tidelands should calibrate the LACT meters at the tank farms on a periodic basis to ensure accurate allocation of production.

Issue:

Tidelands measures the volume of production from the ACT unit and LACT units. However, we noted that there is a timing difference in when these meters are read. The ACT meter at Broadway-Mitchell is read by 7:00 a.m., while readings from the LACT units at the tank farms are taken at various times of the day. At month-end, when sales are allocated back to the respective tank farms, this results in a difference between the ACT and LACTs that is attributable to the difference in timing of the readings and thereby results in imprecise allocation. We note, however, that this difference is due to timing of readings, and will not result in a significant impact over a prolonged period of time.

Recommendation:

To eliminate this artificial difference between production as measured at the ACT and LACTs, month-end readings of meters in all three locations should be taken simultaneously. This will remove the variance in measurement caused by timing differences and enhance the accuracy of production allocation to the tank farms.

Division of Interest

Allocation of revenue and expense among the WIOs, on the basis of tract participation, is maintained and updated by Tidelands as part of its responsibilities as the field contractor of the West Wilmington Field. Changes in percentage of ownership are reported to Tidelands by DOP on a monthly basis. These changes are then applied to the WIO percentages by Tidelands and a revised distribution of interest table is then generated. The two most common types of changes reported are (1) transfer of interest and (2) surrender of interest. Transfer of interest is simply a transfer in ownership of a specified working interest and does not affect the ownership percentage of other WIOs. Conversely, a surrender of interest, as stipulated in Article 17.3 of the Unit Agreement, involves the allocation of surrendered working interest among the remaining WIOs.

We reviewed the process for distributing surrendered working interest among the remaining WIOs and judgmentally tested a sample of surrenders to ensure the equitable allocation thereof. Based on the procedures performed, no exceptions were found. Please refer to the Background section of this report for a summary of West Wilmington field ownership interest.

Issue:

During our review of field operations, we noted that 460 barrels were used in the drilling of seven new wells in 2003. We found that Tidelands had not accounted for the disposition of this oil in the allocation of revenue and expense to the WIOs.

Recommendation:

We recommended that an adjustment in allocation of interest be made to recognize this effective transfer of ownership and that any such activity in the future be recorded in the Joint Interest Billing (JIB).

Tidelands concurred with our recommendation, recorded an adjusting journal entry of \$12,282.05 to charge the WIOs for the oil used and established procedures to account for the oil used in drilling operations.

Expense Allocation

Expenses incurred by Tidelands are allocated to the various fault blocks, unitized and non-unitized. Fault blocks are further divided between Segments I and II. Segment I includes any part of fault blocks that lie south of Ocean Boulevard in the City. Segment II includes that portion of fault blocks that lie north of Ocean Boulevard. The City is paid an administration fee of 6% of expenses incurred as stipulated by Article 5.5 of the Unit Operating Agreement.

The City pays Tidelands 4% of the Segment II expenses as compensation for services performed as field contractor of that segment. Segment I is operated in the capacity of trustee for the State of California and Segment II is operated in a proprietary capacity.

	City	Tidelands	Total
Segment I	6%	-	6%
Segment II	2%	4%	6%

Chargeable Costs

Chargeable costs include all matters of unit expense incurred in connection with unit operations and general facilities. Costs are direct charges to unit wells or facilities or result from services provided.

We reviewed Tidelands' general ledger of expenses incurred from January 2002 through March 2003 and randomly selected 60 transactions to verify appropriateness of expense and accuracy of allocation. Based on our review of the selected transactions, we found no exceptions in the allocation of expense among the WIOs. In addition, we judgmentally selected one month from the same period of time to test the validity of Tidelands' electrical expense allocation, as this represents the largest recurring expense, over \$1,000,000 per month. Electricity costs incurred to pump fluid from wells, is allocated to those wells based on the percentage of gross fluid produced. We selected March 2003 and used production reports to validate the basis for allocation. We found no discrepancies in the allocation of electricity expense to the various fault block units.

Permits/Taxes

Section 3.80.221 of the Long Beach Municipal Code requires payment of fifteen cents (\$0.15) per barrel production tax on oil produced from any well located in the City. Payment of oil production tax is due on a quarterly basis and reported to the City on the Quarterly Report of Oil Production Tax (Form F535). To verify that Tidelands paid production tax on all barrels produced, we judgmentally selected two quarters (1st Quarter 2003 & 3rd Quarter 2002) and compared total production reported to the City for those quarters to the number of barrels reported to the California Division of Oil, Gas and Geothermal Resources (DOGGR) during the same period. The DOGGR has oversight responsibility of oil and gas production in the State and monitors the reporting of field production. Based on our review of production as reported to the DOGGR, we found no exceptions in Tidelands' field production as reported to the City for tax purposes.

Section 12.12.200 of the Long Beach Municipal Code requires payment of an annual well permit fee for the operation of any well used in petroleum operations located in the City. We reviewed the number of active and idle Tidelands wells listed by the DOGGR and compared that to the number of wells for which Tidelands paid the requisite permit fee. Based on this comparison, we found no exceptions.

Well Abandonment

The abandonment of wells usually occurs when the well is no longer needed for operations. Typically, abandonment consists of placing cement plugs at various levels in the well casing to prevent leakage.

During 2003, Tidelands identified 232 wells as idle. The decision to abandon takes into consideration the future use of the well in reducing subsidence, the overall integrity of the well, and its physical proximity to other City projects, and the likelihood of use in future oil production. Individual well abandonment costs were estimated by the DOP at approximately \$57 thousand dollars. The DOP reviews abandonment prospects every quarter in the DOP Management Report. This report contains an abandonment strategy for the fault block units.

Tidelands is responsible for abandonment in the fault block units. The program reviews idle wells and wells that are located in construction project areas, such as the Long Beach Harbor. In the 2001 Report, an assessment of 262 wells was made and 25 were determined to have no future use and are recommended for abandonment over the next two years. DOP recommends abandonment of wells that are no longer productive and cannot be used in the subsidence program. Significant discussion takes place between DOP engineers in making the decision to abandon. Recommendations for well abandonment may come from either Tidelands or the DOP.

Recent Activity

During the calendar year 2001, Tidelands completed abandonment on 31 wells. In 2002, ten wells were abandoned. Tidelands has abandoned wells as required by the DOP. Our review of abandoned well files indicates that proper documentation is maintained that identifies the original abandonment request, DOP engineers' approval and the State's approval of the abandonment procedures.

Subsidence

Subsidence is the sinking or gradual settling of the earth's surface. Long-term oil production has been blamed as the major cause of subsidence in Long Beach. In the 1950's, the DOP began a water injection program to halt subsidence, which resulted in increased oil recovery.

Change in Methodology

On July 22, 2002, the DOP changed its subsidence control from the I/P (Injection/Production Ratio) method to the net injection method. The primary reason for the change was due to the loss rebound (increase in surface elevation) and continued subsidence in Long Beach over preceding years.

Under the old I/P method, water was injected at a rate of 105% of the volume of fluids produced (extracted). For example, if 1,000 barrels (bbls) were produced, 1,050 bbls were injected. During periods of constant oil production, this appeared to be adequate replenishment. However, in periods of reduced production, injection dropped correspondingly, resulting in inadequate injection.

After several years of monitoring the results of the I/P method, the DOP determined that injection of 105% of production did not stabilize the area. Adjacent pools or fields sharing a common aquifer, and the insufficient injection by offset operations caused subsidence, and in many cases, the 5% additional injection was insufficient to cover water migration. DOP engineers reviewed these conditions and determined that minimum amounts of water over and above production must be injected to maintain surface elevations, regardless of the amount of fluids that were removed. This means that even in times of no production, specific amounts of water must be injected to maintain sufficient elevations. These minimum amounts are referred to as net injection..

Field Practices

Each day, Tidelands' operators measure and record the amount of water that has passed through the injection plants and individual injection pumps. If adjustments to volume or pressure must be made, it is done at this time. This information is collected by visual inspection of the pump meter display and input into the computer at the field office. The field office generates a report showing the activity at the injection plant and individual pumps. These reports are delivered to the Tidelands accounting department where they are used to generate reports for the DOP. These data are accumulated to develop the Net Injection Production/Balance Report.

Malfunctioning injection wells appear on a daily report (Rig Work List) received by Tidelands senior management. The report contains both injection and production wells. The most common problem for an injection well is a tubing or packer failure. In some cases, accumulated scale deposits block the outlets. Acid is then used to

TIDELANDS OIL PRODUCTION COMPANY Review
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dissolve the scale deposits and the well may become operational again. Based on our review, no exceptions were found in this area.

Vendor Expenditures

Article 4.2.3 of the Unit Operating Agreement requires Authorization for Expenditure (AFE) on projects that exceed twenty thousand dollars (\$20,000) in cost. We selected a random sample of vendor expenditures incurred during the period January 2002 through March 2003 to determine whether:

1. AFE was issued by Tidelands and approved by DOP.
2. Charges were allocated to correct unit.
3. Expenditures were supported by sufficient documentary evidence.

We noted that there were no exceptions in the expenditures reviewed. Additionally, we agreed each payment to the supporting documentation to verify the appropriateness of the expense.

Although we found no exceptions in the expenditures reviewed, we did note discrepancies in the services provided by one vendor, Centrilift-Hughes, Inc. (Centrilift), under the terms of an alliance agreement.

Alliance - Centrilift

In 1995, Tidelands entered into an alliance agreement with Centrilift to provide materials and service for all submersible well pumps. The agreement includes a requirement that Centrilift install four skid-mounted, variable speed drives (VSDs) and transformers at no cost to Tidelands. Additionally, Centrilift is to provide maintenance on these items at no charge. Tidelands did not begin tracking the four items until February 2003.

The monthly fee paid to Centrilift (exclusive of other maintenance and installations) is based on oil production, specifically, the revenue stream from each well in the alliance. There are 125 wells under the alliance agreement. For the period September 2002 through August 2003, Tidelands paid \$817,379 in alliance revenue fees (an average of \$544 per well per month).

The pricing table in the agreement allows Centrilift to collect a fee ranging from 3.30% of gross revenues when the market price of oil is \$9.00 or less to 3.03% if the market price of oil is \$24 or more. Each month, Tidelands provides Centrilift with a report listing individual submersible well production information, oil price, the alliance fee percentage and the total amount due (to Centrilift). Centrilift uses the report to generate an invoice to Tidelands.

Issue:

Tidelands' alliance agreement with Centrilift does not specify an upper limit for oil prices on which the respective alliance fee percentage of oil revenue will

apply. When reviewing Centrilift invoices, we noted that in practice, the alliance fee appears to be capped at \$24 per barrel.

Recommendation:

Amend the contract language or obtain a letter from Centrilift that documents their interpretation of the contract to coincide with current practice.

Subsequently, Tidelands obtained a letter from Centrilift documenting that the maximum alliance fee charged is based on \$24 per barrel of oil.

Fixed Assets

Tidelands does not track all fixed assets in the accounting system. Tidelands does track production assets for maintenance purposes only. Discussion with Tidelands indicates that there was a conscious decision to stop tracking fixed assets for accounting purposes. Article 4 of the Tidelands Parcel and Parcel "A" Oil Contract states that the contractor shall establish fixed asset accounts by charging values to asset accounts and crediting a City "control account". Additionally, there is no reconciliation of fixed asset purchases to assets on hand, or assets sold at salvage.

Issue:

Tidelands has a computer system that includes a listing of facilities and production assets. Tidelands, however, does not have a control list to ensure that all fixed assets are tracked and can be reconciled to physical assets on hand. Having a complete list of fixed assets will help safeguard assets and track their disposition.

Recommendation:

Track all fixed asset purchases above a set dollar amount, and their subsequent retirements (e.g. Computers, office equipment, etc.). This could be done through the accounting system or outside it. Conduct periodic physical verification of fixed asset existence.

Purchases Greater Than \$1,000

All vehicles, computers and other office equipment purchases greater than \$1,000 are pre-approved for purchase by the DOP. These items are initially purchased by Tidelands and subsequently sold to the State. The items are then rented to the WIOs.

Each year, Tidelands provides the DOP with a list of equipment used in the oil field and administrative operations. The DOP uses these data to calculate an equipment rental rate, which is used to allocate usage to the various fault blocks. The WIOs approve the new rate, and Tidelands updates the allocation of the charges.

The last time the DOP adjusted the rental rate was 1998. Since that time, Tidelands has provided the new annual rental data, however the DOP has not updated the rental rate for approval by the WIOs.

Issue:

Tidelands has been using the same equipment rental allocation rate since 1998.

Recommendation:

Although control over this area rests with the DOP, Tidelands should work with the DOP to ensure that proper rental rates are used in allocating charges to the

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different fault blocks. Prepare adjusting entries to allocate proper rental costs to the WIOs since 1998.

Inventory

Materials held in inventory include casing, tubing, piping, pumps, motors, control valves, and other supplies and equipment. New material purchases are delivered to either the Tidelands warehouse or directly to the well site. Warehouse deliveries are immediately recorded as purchases by the State. Deliveries directed to a well site are recorded as an expense, and not included as part of inventory.

In addition to new inventory owned by the State, other inventory accounts include used and repaired materials and equipment. These accounts are tracked for the State and individual fault block units. During repairs and upgrades, old material removed from the well site is inspected and if certified becomes available for reuse as used material. All used material is available for reuse by the material owner, or may be resold for use in another well. Used material is sold at 75% of the original purchase price. Material sent for repair is recorded as repair inventory and tracked under the owner's repair inventory account.

Inventory is tracked by Tidelands, using the Material Control System in the Oracle Database.

Annual Inventory

Each year, Tidelands performs a physical inventory count of all material, new, used and repaired. Physical counts are documented by Tidelands staff on seven different types of inventory sheets, known as 'run sheets'.

1. Warehouse Rod Inventory - New
2. Warehouse Rod Inventory - Used
3. Repair Accounts
4. Tubing Inventory - New
5. Tubing Inventory - Used
6. Tubing Inventory - Repair
7. All Other Inventory

Run sheets are distributed to the staff on the day of the count. As the run sheets are completed, the supervisor reviews them for discrepancies. The supervisor confirms all discrepancies before the end of the day. Confirmed shortages are listed on an Inventory Adjustments Report. These shortages are adjusted against the unit and non-unit accounts.

Issue:

A review of the Tidelands new, used, and repair inventory as of October 2, 2003, identifies the following errors:

1. Negative quantity counts for some items.
2. Zero quantity counts with negative dollar balances.

3. Zero quantity counts with positive dollar balances.

Recommendation:

Review the discrepancies identified during the audit. The full list of these discrepancies was forwarded to Tidelands under a separate cover. Subsequently, Tidelands made the appropriate computer system updates and manual corrections to the perpetual inventory system.

Inventory Warehouse Procedures

Warehouse staff acquires equipment and materials based on requests generated by field operators. Each day, field operators place work orders via computer to the supervisor at the warehouse. Supervisors print the work orders each morning and arrange them by priority. Each morning, supervisors meet with warehouse staff and distribute work orders.

Warehouse employees locate the parts and prepare 'tickets' identifying the parts pulled. The procedure requires tickets to be signed by the supervisor prior to release for delivery to the well site. At the end of the shift, after parts have been issued to the field, all tickets are collected by the warehouse supervisor and entered into the perpetual inventory system. The perpetual inventory system is updated for items used in the field.

Issue:

Employees that pull the parts sign the name of their supervisor to expedite the delivery of materials and equipment.

Recommendation:

Given the fact that the supervisor enters the information into the system at the end of the shift, we acknowledge there is oversight. However, the ticket requires a supervisor's approval before issuance. This control is not functioning as designed. Therefore, we recommend that supervisory approval be obtained prior to releasing material from inventory.

We were informed that Tidelands would implement a procedure whereby all material requests that have not been approved by the supervisor will be approved after the material has been issued. This practice will not disrupt operations when supervisors are not present at the time.

The alliance agreement with Centrilift allowed for the transfer of certain existing inventory, such as ESPs and electrical cable. These items and their valuations were to appear in Attachment A of the agreement. When the material and equipment were obtained by Centrilift, Tidelands did not post the transaction to transfer the materials from the WIOs.

Issue:

Attachment A of the alliance agreement was not available for review from Tidelands or Centrilift. Discussion with Tidelands indicates that Attachment A may have never been prepared. Therefore, there was no valuation of the inventory released to Centrilift.

Recommendation:

Ensure contractual documentation is complete before executing agreements.

Issue:

Tidelands did not account for the cable and ESPs released to Centrilift in 1995. The electrical cable released to Centrilift is carried on the perpetual inventory system at \$563,280. The ESPs were not on the inventory system and a valuation could not be determined. Most of this inventory had been expensed, however, it was not allocated to the proper WIO.

Recommendation:

Accounting entries should be made timely. Tidelands has made an adjustment to reflect the use of electric cable for the full amount of discrepancy, \$563,280.

Revenue & Pricing

Section 18.3, as amended, of the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract (No. 20596) states:

"All oil shall be valued, accounted for and paid for at the arithmetic average of the prices posted in the Field (Wilmington) and in the Huntington Beach, Long Beach, Inglewood and Midway Sunset oil fields by Union 76, ChevronTexaco, ExxonMobil Corporation, Shell Trading US and any other person, firm or corporation operating a refinery in California with a throughput capacity of at least thirty thousand (30,000) barrels per day, for oil of the like gravity on the day the oil is run into the Contractor's tanks and/or pipelines. The value shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel."

To ensure Tidelands calculates oil prices in accordance with this requirement, the DOP receives pricing bulletins from 'posters' in the Wilmington, Huntington Beach, Long Beach, Inglewood and Midway Sunset oil fields to determine the 5-field average price of crude oil of like gravity for that day. We judgmentally selected one month to review calculation of the 5-field average by Tidelands and the DOP.

We found no exceptions in the calculation of oil value for the month reviewed. The risk of errors in oil pricing by the contractor is mitigated by DOP's and the buyer's continual monitoring of oil prices.

Insurance & Bonds

We reviewed insurance policies held by Tidelands to verify adequacy of coverage based on provisions stipulated in the City's contract and the requirements of the Unit Operating Agreement. We found the insurance coverage to be in compliance with contract requirements.

We also reviewed the allocation methodology used, which is based on an estimated percentage of unit ownership, actual barrel counts, and property replacement value. We found no exceptions in the allocation of insurance costs as required by terms of the City contract and Unit Operating Agreement.

Payroll

Tidelands has 76 hourly and 50 salaried employees. Total head count and all salary ranges are approved by the DOP. Hourly wages are set by union agreement (Paper, Allied Industrial & Energy Workers International Union, AFL-CIO). Payroll deductions include state and federal withholdings, medical insurance, union dues, 401K, various charities, garnishments and credit union allotments. Hourly employees are paid every two weeks, while salaried employees are paid twice a month.

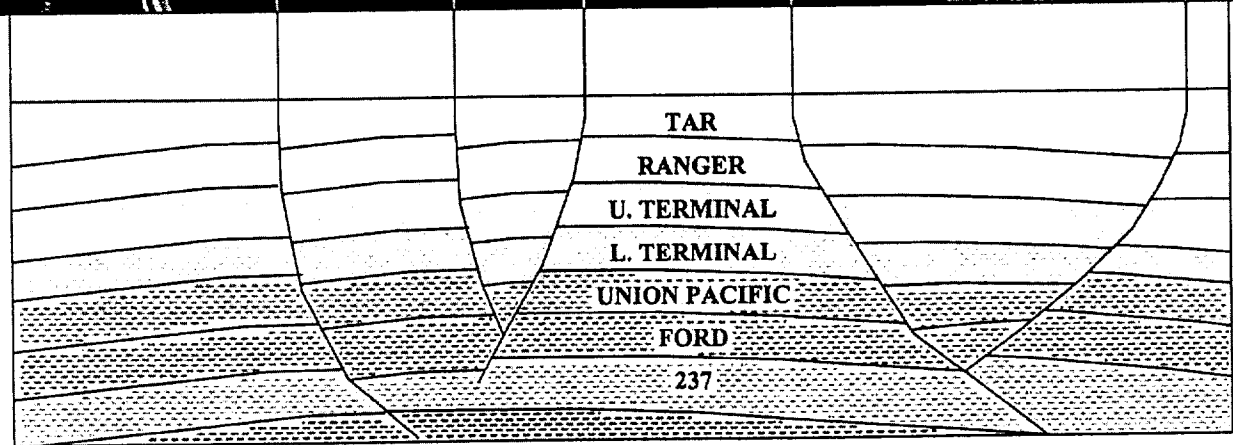
Tidelands supervisors approve hourly employee time sheets and submit the information to the Payroll Administrator. The administrator reviews the time sheets supplied by the supervisors. These sheets are uploaded to an ADP program, which is transmitted every two weeks. Salaried employees turn in a time sheet to the administrator and this information is also transmitted to ADP. The Director of Human resources reviews the ADP uploads. ADP distributes the payroll through checks or direct deposit. Time clocks are not used.

We reviewed a sample of 10 hourly employees records for the period March 2, 2003 through March 15, 2003. The time sheets submitted were reviewed for proper supervisory approval. The ADP payroll run was compared to the supervisor approved time sheet for accuracy. The hourly pay was compared to the Union's hourly Agreement. No discrepancies were noted.

APPENDIX B

MAP OF WEST WILMINGTON FIELD

WASHINGTON FIELD DRAWING BY FLOYD BROWN & ASSOCIATES



TAR
RANGER
U. TERMINAL
L. TERMINAL
UNION PACIFIC
FORD
237

Tidelands
THE AIRPORTS GROUP

APPENDIX C

SAMPLE PRO FORMA CONTRACT

AGREEMENT

THIS AGREEMENT is made and entered, in duplicate, as of _____, 2008 for reference purposes only, pursuant to a minute order adopted by the City Council of the City of Long Beach at its meeting held on _____, 2008, by and between _____, a _____ [insert state] _____ [corporation, partnership, limited liability company, dba], whose business address is _____ ("Consultant"), and the CITY OF LONG BEACH, a municipal corporation ("City").

WHEREAS, the City requires specialized services requiring unique skills to be performed in connection with _____ ("Project"); and

WHEREAS, City has selected Consultant in accordance with City's administrative procedures and City has ascertained that Consultant and its employees are qualified, licensed, if so required, and experienced in performing such specialized services; and

WHEREAS, City desires to have Consultant perform these specialized services, and Consultant is willing and able to do so on the terms and conditions stated in this Agreement;

NOW, THEREFORE, in consideration of the mutual terms, covenants, and conditions in this Agreement, the parties agree as follows:

1. SCOPE OF WORK OR SERVICES.

A. Consultant shall furnish specialized services described in the Scope of attached to this Agreement and incorporated by this reference, in accordance with the standards of the profession, and City shall pay for these services in the manner described below, not to exceed \$_____.

B. Consultant may select the time and place of its performance provided; however, that access to City documents, records, and the like, if needed by Consultant, shall be available only during City's normal business hours and provided that milestones for performance, if any, are met.

C. Consultant has requested to receive regular payments. City shall pay Consultant in due course of payments following receipt from Consultant and approval by City of invoices showing the services or task performed, the time expended (if billing is hourly), and the name of the Project. Consultant shall certify on the invoices that Consultant has performed the services in full conformance with this Agreement and is entitled to receive payment. Each invoice shall be accompanied by a progress report indicating the progress to date of services performed and covered by the invoice, including a brief statement of any Project problems and potential causes of delay in performance, and listing those services that are projected for performance by Consultant during the next invoice cycle. Where billing is done and payment is made on an hourly basis, the parties acknowledge that this arrangement is either customary practice for Consultant's profession, industry, or business, or is necessary to satisfy audit and legal requirements which may arise due to the fact that City is a municipality.

D. Consultant represents that Consultant has obtained all necessary information on conditions and circumstances that may affect its performance and has

conducted site visits, if necessary.

E. **CAUTION:** Consultant shall not begin work until this Agreement has been signed by both parties and until Consultant's evidence of insurance has been delivered to and approved by the City.

2. **TERM.** The term of this Agreement shall commence at midnight on _____, 200__, and shall terminate at 11:59 p.m. on _____, 20__, unless sooner terminated as provided in this Agreement, or unless the services or the Project is completed sooner.

3. **COORDINATION AND ORGANIZATION.**

A. Consultant shall coordinate its performance with City's representative. Consultant shall advise and inform City's representative of the work in progress on the Project in sufficient detail so as to assist City's representative in making presentations and in holding meetings on the Project.

B. The parties acknowledge that a substantial inducement to City for entering this Agreement was and is the reputation and skill of Consultant's key employee _____. City shall have the right to approve any person proposed by Consultant to replace that key employee.

4. **INDEPENDENT CONTRACTOR.** In performing its services, Consultant is and shall act as an independent contractor and not an employee, representative, or agent of City. Consultant shall have control of Consultant's work and the manner in which it is performed. Consultant shall be free to contract for similar services to be performed for others during this Agreement provided; however, that Consultant acts in accordance with Section 9 and Section 11 of this Agreement. Consultant acknowledges and agrees that a) City will not withhold taxes of any kind from Consultant's compensation, b) City will not secure workers' compensation or pay unemployment insurance to, for, or on Consultant's behalf, and c) City will not provide and Consultant is not entitled to any of the usual and customary rights, benefits or privileges of City employees. Consultant expressly warrants that neither Consultant nor any of Consultant's employees or agents shall represent themselves to be employees or agents of City.

5. **INSURANCE.** As a condition precedent to the effectiveness of this Agreement, Consultant shall procure and maintain at Consultant's expense for the duration of this Agreement from insurance companies that are admitted to write insurance in California or from authorized non-admitted insurance companies that have ratings of or equivalent to A:VIII by A.M. Best Company the following insurance:

(a) Commercial general liability insurance (equivalent in scope to ISO form CG 00 01 11 85 or CG 00 01 11 88) in an amount not less than \$1,000,000 per each occurrence and \$2,000,000 general aggregate. This coverage shall include but not be limited to broad form contractual liability, cross liability, independent contractors liability, and products and completed operations liability. The City, its officials, employees and agents shall be named as additional insureds by endorsement (on City's endorsement form or on an endorsement equivalent in scope to ISO form CG 20 10 11 85 or to both CG 20 10 10 01 and CG 20 37 10 01), and this insurance shall contain no special limitations on the scope of protection given to the City, its officials, employees and agents.

(b) Workers' Compensation insurance as required by the California Labor Code and employer's liability insurance in an amount not less than \$1,000,000.

(c) Professional liability or errors and omissions insurance in an amount not less than \$1,000,000 per claim.

(d) Commercial automobile liability insurance (equivalent in scope to ISO form CA 00 01 06 92), covering Auto Symbol 1 (Any Auto) in an amount not less than \$500,000 combined single limit per accident.

Any self-insurance program, self-insured retention, or deductible must be separately approved in writing by City's Risk Manager or designee and shall protect the City, 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 or deductible provisions. Each insurance policy shall be endorsed to state that coverage shall not be reduced, non-renewed, or canceled except after thirty (30) days prior written notice to City, and shall be primary and not contributing to any other insurance or self-insurance maintained by City. Consultant shall notify the City in writing within five (5) days after any insurance has been voided by the insurer or cancelled by the insured. If this coverage is written on a "claims made" basis, it must provide for an extended reporting period of not less than one year, commencing on the date this Agreement expires or is terminated, unless Consultant guarantees that Consultant will provide to the City evidence of uninterrupted, continuing coverage for a period of not less than three (3) years, commencing on the date this Agreement expires or is terminated.

Consultant shall require that all subconsultants and contractors which Consultant uses in the performance of services maintain insurance in compliance with this Section unless otherwise agreed in writing by City's Risk Manager or designee.

Prior to the start of performance, Consultant shall deliver to City certificates of insurance and endorsements for approval as to sufficiency and form. In addition, Consultant shall, within thirty (30) days prior to expiration of the insurance, furnish to the City certificates of insurance and endorsements evidencing renewal of the insurance. At any time the City reserves the right to require complete certified copies of all policies of Consultant and Consultant's subconsultants and contractors. Consultant shall make available to City's Risk Manager or designee all books, records and other information relating to the insurance, during normal business hours.

Any modification or waiver of these insurance requirements shall only be made with the approval of City's Risk Manager or designee. Not more frequently than once a year, the City's Risk Manager or designee may require that Consultant, Consultant's subconsultants and contractors change the amount, scope or types of coverages if, in his or her sole opinion, the amount, scope, or types of coverages are not adequate.

The procuring or existence of insurance shall not be construed or deemed as a limitation on liability relating to Consultant's performance or as full performance of or compliance with the indemnification provisions of this Agreement.

6. ASSIGNMENT AND SUBCONTRACTING. This Agreement contemplates the personal services of Consultant and Consultant's employees, and the parties acknowledge that a substantial inducement to City for entering this Agreement was and is the professional reputation and competence of Consultant and Consultant's employees. Consultant shall not assign its rights or delegate its duties under this Agreement, or any interest in this Agreement, or any portion hereof, without the prior approval of City, except that Consultant may with the prior approval of the City Manager

of City, assign any moneys due or to become due the Consultant under this Agreement. Any attempted assignment or delegation shall be void, and any assignee or delegate shall acquire no right or interest by reason of an attempted assignment or delegation. Furthermore, Consultant shall not subcontract any portion of its performance without the prior approval of the City Manager or designee or substitute a subconsultant or contractor without the prior approval to the substitution. Nothing stated in this Section shall prevent Consultant from employing as many employees as Consultant deems necessary for performance of this Agreement.

7. CONFLICT OF INTEREST. Consultant, by executing this Agreement, certifies that, at the time Consultant executes this Agreement and for its duration, Consultant does not and will not perform services for any other client which would create a conflict, whether monetary or otherwise, as between the interests of City under this Agreement and the interests of that other client. And, Consultant shall obtain similar certifications from Consultant's employees, subconsultants and contractors.

8. MATERIALS. Consultant shall furnish all labor and supervision, supplies, material, tools, machinery, equipment, appliances, transportation, and services necessary to or used in the performance of Consultant's obligations hereunder, except as stated in Exhibit "C", if any.

9. OWNERSHIP OF DATA. All materials, information and data prepared, developed, or assembled by Consultant or furnished to Consultant in connection with this Agreement, including but not limited to documents, estimates, calculations, studies, maps, graphs, charts, computer disks, computer source documentation, samples, models, reports, summaries, drawings, designs, notes, plans, information, material, and memorandum ("Data") shall be the exclusive property of City. Data shall be given to City, and City shall have the unrestricted right to use and disclose the Data in any manner and for any purpose without payment of further compensation to Consultant. Copies of Data may be retained by Consultant but Consultant warrants that Data shall not be made available to any person or entity for use without the prior approval of City. This warranty shall survive termination of this Agreement for five (5) years.

10. TERMINATION. Either party shall have the right to terminate this Agreement for any reason or no reason at any time by giving thirty (30) calendar days prior notice to the other party. In the event of termination under this Section, City shall pay Consultant for services satisfactorily performed and costs incurred up to the effective date of termination for which Consultant has not been previously paid. The procedures for payment in Section 1.B. with regard to invoices shall apply. On the effective date of termination, Consultant shall deliver to City all Data developed or accumulated in the performance of this Agreement, whether in draft or final form, or in process.

11. CONFIDENTIALITY. Consultant shall keep the Data confidential and shall not disclose the Data or use the Data directly or indirectly other than in the course of performing its services during the term of this Agreement and for five (5) years following expiration or termination of this Agreement. In addition, Consultant shall keep confidential all information, whether written, oral, or visual, obtained by any means whatsoever in the course of performing its services for the same period of time. Consultant shall not disclose any or all of the Data to any third party or use it for Consultant's own benefit or the benefit of others except for the purpose of this Agreement.

12. BREACH OF CONFIDENTIALITY. Consultant shall not be liable for a breach of confidentiality with respect to Data that: (a) Consultant demonstrates

Consultant knew prior to the time City disclosed it; or (b) Is or becomes publicly available without breach of this Agreement by Consultant; or (c) A third party who has a right to disclose does so to Consultant without restrictions on further disclosure; or (d) Must be disclosed pursuant to subpoena or court order.

13. ADDITIONAL COSTS AND REDESIGN. A. Any costs incurred by the City due to Consultant's failure to meet the standards required by the Scope of Work or Consultant's failure to perform fully the tasks described in the Scope of Work which, in either case, causes the City to request that Consultant perform again all or a part of the Scope of Work shall be at the sole cost of Consultant and City shall not pay any additional compensation to Consultant for its re-performance.

B. If the Project involves construction and the scope of work requires Consultant to prepare plans and specifications with an estimate of the cost of construction, then Consultant may be required to modify the plans and specifications, any construction documents relating to the plans and specifications, and Consultant's estimate, at no cost to City, when the lowest bid for construction received by City exceeds by more than ten percent (10%) Consultant's estimate. This modification shall be submitted in a timely fashion to allow City to receive new bids within four (4) months of the date on which the original plans and specifications were submitted by Consultant.

14. AMENDMENT. This Agreement, including all Exhibits, shall not be amended, nor any provision or breach waived, except in writing signed by the parties which expressly refers to this Agreement.

15. LAW. This Agreement shall be governed by and construed pursuant to the laws of the State of California (except those provisions of California law pertaining to conflicts of laws). Consultant shall comply with all laws, ordinances, rules and regulations of and obtain all permits, licenses, and certificates required by all federal, state and local governmental authorities.

16. ENTIRE AGREEMENT. This Agreement, including all Exhibits, constitutes the entire understanding between the parties and supersedes all other agreements, oral or written, with respect to the subject matter in this Agreement.

17. INDEMNITY. Consultant shall indemnify and hold harmless the City, its Boards, Commissions, and their officials, employees and agents (collectively in this Section "City") from and against any and all liability, claims, demands, damage, causes of action, proceedings, penalties, loss, costs, and expenses (including attorney's fees, court costs, and expert and witness fees) (collectively "Claims" or individually "Claim"). Claims include allegations and include by way of example but are not limited to: Claims for property damage, personal injury or death arising in whole or in part from any negligent act or omission of Consultant, its officers, employees, agents, sub-consultants, or anyone under Consultant's control (collectively "Indemnitor"); Consultant's breach of this Agreement; misrepresentation; willful misconduct; and Claims by any employee of Indemnitor relating in any way to worker's compensation. Independent of the duty to indemnify and as a free-standing duty on the part of Consultant, Consultant shall defend City and shall continue such defense until the Claim is resolved, whether by settlement, judgment or otherwise. Consultant shall notify the City of any claim within ten (10) days. Likewise, City shall notify Consultant of any claim, shall tender the defense of such claim to Consultant, and shall assist Consultant, as may be reasonably requested, in such defense.

18. AMBIGUITY. In the event of any conflict or ambiguity between this

Agreement and any Exhibit, the provisions of this Agreement shall govern.

19. COSTS. If there is any legal proceeding between the parties to enforce or interpret this Agreement or to protect or establish any rights or remedies under this Agreement, the prevailing party shall be entitled to its costs and expenses, including reasonable attorneys' fees and court costs (including appeals).

20. NONDISCRIMINATION. In connection with performance of this Agreement and subject to applicable rules and regulations, Consultant shall not discriminate against any employee or applicant for employment because of race, religion, national origin, color, age, sex, sexual orientation, AIDS, HIV status, handicap, or disability. Consultant shall ensure that applicants are employed, and that employees are treated during their employment, without regard to these bases. These 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.

It is the policy of City to encourage the participation of Disadvantaged, Minority and Women-owned Business Enterprises in City's procurement process, and Consultant agrees to use its best efforts to carry out this policy in the hiring of subconsultants and contractors to the fullest extent consistent with the efficient performance of this Agreement. Consultant may rely on written representations by subconsultants and contractors regarding their status. Consultant shall report to City in May and in December or, in the case of short-term agreements, prior to invoicing for final payment, the names of all subconsultants and contractors hired by Consultant for this Project and information on whether or not they are a Disadvantaged, Minority or Women-owned Business Enterprise, as defined in Section 8 of the Small Business Act (15 U.S.C. Sec. 637).

21. NOTICES. Any notice or approval required under this Agreement shall be in writing and personally delivered or deposited in the U.S. Postal Service, first class, postage prepaid, addressed to Consultant at the address first stated above, and to the City at 333 West Ocean Boulevard, Long Beach, California 90802 Attn: City Manager. Notice of change of address shall be given in the same manner as stated for other notices. Notice shall be deemed given on the date deposited in the mail or on the date personal delivery is made, whichever first occurs.

22. COPYRIGHTS AND PATENT RIGHTS.

A. Consultant shall place the following copyright protection on all Data: © City of Long Beach, California ____, inserting the appropriate year.

B. City reserves the exclusive right to seek and obtain a patent or copyright registration on any Data or other result arising from Consultant's performance of this Agreement. By executing this Agreement, Consultant assigns any ownership interest Consultant may have in the Data to City.

C. Consultant warrants that the Data does not violate or infringe upon any patent, copyright, trade secret or other proprietary right of any other party. Consultant agrees to and shall protect, defend, indemnify and hold City, its officials and employees harmless from any and all claims, demands, damages, loss, liability, causes of action, costs or expenses (including reasonable attorneys' fees) whether or not reduced to judgment, arising from any breach or alleged breach of this warranty.

23. COVENANT AGAINST CONTINGENT FEES. Consultant warrants that Consultant has not employed or retained any entity or person to solicit or obtain this

Agreement and that Consultant has not paid or agreed to pay any entity or person any fee, commission, or other monies based on or from the award of this Agreement. If Consultant breaches this warranty, City shall have the right to terminate this Agreement immediately notwithstanding the provisions of Section 10 hereof or, in its discretion, to deduct from payments due under this Agreement or otherwise recover the full amount of the fee, commission, or other monies.

24. WAIVER. The acceptance of any services or the payment of any money by City shall not operate as a waiver of any provision of this Agreement, or of any right to damages or indemnity stated in this Agreement. The waiver of any breach of this Agreement shall not constitute a waiver of any other or subsequent breach of this Agreement.

25. CONTINUATION. Termination or expiration of this Agreement shall not affect rights or liabilities of the parties which accrued pursuant to Sections 7, 10, 11, 16, 18, 21, and 27 prior to termination or expiration of this Agreement.

26. TAX REPORTING. As required by federal and state law, City is obligated to and will report the payment of compensation to Consultant on Form 1099-Misc. Consultant shall be solely responsible for payment of all federal and state taxes resulting from payments under this Agreement. Consultant's Employer Identification Number is _____. If Consultant has a Social Security Number rather than an Employer Identification Number, then Consultant shall submit that Social Security Number in writing to City's Accounts Payable, Department of Financial Management. Consultant acknowledges and agrees that City has no obligation to pay Consultant until Consultant provides one of these numbers.

27. ADVERTISING. Consultant shall not use the name of City, its officials or employees in any advertising or solicitation for business, nor as a reference, without the prior approval of the City Manager or designee.

28. AUDIT. City shall have the right at all reasonable times during the term of this Agreement and for a period of five (5) years after termination or expiration of this Agreement to examine, audit, inspect, review, extract information from, and copy all books, records, accounts, and other documents of Consultant relating to this Agreement.

29. THIRD PARTY BENEFICIARY. This Agreement is intended by the parties to benefit themselves only and is not in any way intended or designed to or entered for the purpose of creating any benefit or right for any person or entity of any kind that is not a party to this Agreement.

IN WITNESS WHEREOF, the parties have caused this document to be duly executed with all formalities required by law as of the date first stated herein.

(Name of Consultant), _____

_____, 2008

By _____
President

(Type or Print Name)

_____, 2008

By _____
Secretary

(Type or Print Name)
"Consultant"

_____, 2008

CITY OF LONG BEACH

By _____
City Manager

"City"

This Agreement is approved as to form on _____,
2008.

ROBERT E. SHANNON, City Attorney

By _____
Senior Deputy

Proposal to Provide

[Faint, illegible text, likely bleed-through from the reverse side of the page]

Submitted to:
Mr. James A. Johnson
Assistant City Auditor
Office of the City Auditor
333 W. Ocean Blvd., 8th Floor
Long Beach, CA 90802

Grobstein,
Horwath &
Company LLP



May 2, 2008

Mr. James A. Johnson
Assistant City Auditor
Office of the City Auditor
333 W. Ocean Blvd., 8th Floor
Long Beach, CA 90802

Dear Mr. Johnson:

We appreciate the opportunity to submit our qualifications to the Long Beach City Auditor's Office for audit services. On the following pages, we have provided a proposal that meets all of the requirements as stated in the Request for Proposal. We believe that we have assembled a diverse and highly-qualified team of experts to appropriately review the Oil Revenues, Expenses, and Procedures of Tidelands Oil Company under its Agreements with the City of Long Beach.

Grobstein, Horwath & Company LLP ("GHC") is an experienced and respected certified public accounting firm serving clients since 1966. Our excellent reputation was earned by providing high quality service and creative solutions to complex business matters. We foster an environment that elicits independent thinking and problem solving by a staff of over 110 experienced, dedicated professionals.

Grobstein is positioned to take the local, lead role on this engagement, while partnering with two firms that possess the necessary government audit and oil industry expertise, respectively.

As a Horwath International firm, we belong to one of the largest global professional service organizations in the world. Our international network of business advisors can serve our clients from 430 offices in 90 countries. Furthermore, we have chosen to partner with Crowe Chizek and Company LLC (Crowe Chizek). Crowe Chizek is an independent certified public accounting firm with 23 offices throughout the United States, and also the leading member of Horwath International. Crowe Chizek provides innovative business solutions in the areas of assurance, consulting, risk management, tax and technology. Crowe Chizek has specific and extensive experience in the areas of municipal audit and consulting. The firm has a high degree of industry specialization in the government sector and possesses the depth of resources required to satisfy the quality and time-sensitivity requirements of their clients.

To complete our team, we have also partnered with Willis, Graves & Associates, Inc., a consulting firm serving the oil, natural gas and utility industries for 30 years. Their professionals have extensive industry experience in the design and completion of revenue audits in the oil and gas industry.



Grobstein, Horwath & Company LLP
Certified Public Accountants
Member Horwath International

15233 Ventura Boulevard, Ninth Floor
Sherman Oaks, California 91403-2201
818.501.5200 Main
818.907.9632 Fax
www.horwathcal.com

We make a commitment to accept the terms and conditions in the RFP and Pro Forma contract, including acknowledgement of receipt of all amendments and/or addenda to the RFP. Thank you again for this opportunity to submit our qualifications. Our firm is a professional partnership and this proposal is being offered by David Roberts, Partner. I can be reached at (818) 501-5200 or by email at droberts@horwathcal.com. We welcome any questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "David W. Roberts".

David W. Roberts
Partner

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Name of the Proposer

1. Firm name, address, and telephone number

Grobstein, Horwath & Company LLP
15233 Ventura Boulevard, Ninth Floor
Sherman Oaks, California 91403
818.501.5200
Fax 818.907.9632
www.horwathcal.com

2. Brief History

Grobstein, Horwath & Company LLP

For more than 40 years, clients have relied on us for a full range of Financial Consulting Services. We pride ourselves on cultivating long-term relationships with our clients, many of who have been with us since our inception. Today, we serve a wide range of privately held clients and SEC reporting clients, many with international operations.

Grobstein, Horwath & Company LLP is a member of the American Institute of Certified Public Accountants' SEC and Private Companies Practice Sections. As a Horwath International firm, we belong to one of the largest global professional service organizations in the world. Our international network of business advisors can serve our clients from 430 offices in 90 countries.

We are recognized leaders in serving the business community in Southern California, and render accounting and consulting services to clients in many industry sectors. The selection and scope of services are comparable to much larger firms, but we remain totally committed to our founding concept of personalized service. A Grobstein, Horwath & Company LLP partner is always directly involved in all client engagements.

Grobstein, Horwath & Company LLP Representative

David W. Roberts, Partner (818) 501-5200

Qualifications

1. Independence:

Grobstein, Horwath & Company LLP (“GHC”) is providing an affirmative statement that we are independent of the City of Long Beach, in accordance with auditing standards generally accepted in the United States of America and the standards contained in the Government Auditing Standards, issued by the Comptroller General of the United States.

2. License to practice in the State of California:

GHC is providing an affirmative statement that our firm and all assigned key professional staff are properly registered and licensed to practice in the State of California.

3. Experience:

GHC has pulled together the right combination of skill sets for this engagement:

The Forensic Services Practice offers clients an integrated set of solutions both to reduce their fraud exposure through proven risk management strategies and, should fraud be suspected, comprehensive investigative services to effectively uncover fraud schemes, assess their impact, enable prosecution efforts, and ultimately develop strengthened safeguards.

Our Forensic professionals comprise a multi-disciplinary fraud investigation team – which includes certified fraud examiners (CFEs), certified public accountants (CPAs), certified information security professionals (CISSPs), certified information systems auditors (CISAs), certified risk professionals (CRPs), and certified anti-money laundering specialists (CAMS). Our team has significant experience conducting internal and external investigations involving fraudulent financial reporting, asset misappropriation and corruption.

We are uniquely positioned to help you investigate fraudulent activity. With years of experience, our professionals apply their knowledge of emerging trends and human behavior to deliver fraud-related services. Our professionals can move quickly to help you uncover and analyze suspected fraud, assess damages, and provide effective support should your organization pursue litigation.

Crowe Chizek will serve as the government services and Government Auditing Standards subject matter experts on this engagement. Crowe Chizek has specific and extensive experience in the areas of municipal audit and consulting. The firm has a high degree of industry specialization in the government sector and possesses the depth of resources required to satisfy the quality and time-sensitivity requirements of their clients. Crowe Chizek is experienced in conducting high quality annual financial statement audits for a long list of government agencies, as well as federally mandated Single Audits. The firm possesses valuable experience with the Single Audit Act and OMB Circular-A133 requirements, having audited over \$10 billion in Federal Funds in over 80 annual state and local governmental and not-for profit audit engagements. Crowe Chizek has conducted courses on the revised Single Audit Act (A-133) for major government agencies.

Willis, Graves & Associates, Inc. ("WGA") has been serving the Oil, Natural Gas and Utility Industries for 30 years. WGA specializes in crude oil and value assessment, and utility rates and regulation. WGA provides consulting expert services in all segments of the industry including wellhead, mid-stream and end-user. Clients include producers, processors, marketers, pipelines, LDCs, consumers, water utilities and mineral royalty owners. WGA assists producer and mid-stream clients in marketing crude oil, natural gas, and natural gas liquids. WGA has practical experience with most of the transaction forms used in the oil and gas industry including: Joint Operating Agreements, Processing Agreements, Gathering Agreements, Transportation Agreements, Royalty Agreements, and all forms of Sales Agreements. WGA maintains historical pricing data for most regions developed from records researched and industry publications. WGA uses database management to compile voluminous source records and produce accurate analytical results. WGA supports its work product with expert testimony before state and federal courts, arbitration and mediation panels, and public utility commissions.

4. Firm Resources:

GHC, Crowe Chizek and WGA are committed to devoting the necessary personnel and technical resources to complete the work in accordance with the scheduled timeline. Our collective personnel have the knowledge of relevant federal, state, and local laws, rules and regulations, in addition to applicable accounting principles and auditing standards.

Scope of services

We will perform the work in accordance with applicable American Institute of Certified Public Accountants (AICPA) consulting standards. We believe that the AICPA Consulting Standards will provide the City with the best approach to meet the objectives of the engagement. As further described in the Standards section below, we will consult other relevant industry standards as applicable. In accordance with these standards we will work closely with the City Auditor's Office to define the procedures to be performed, the criteria to be used to evaluate the information and the deliverables prepared as a result of our procedures. We will communicate regularly throughout the engagement regarding the status of our procedures, issues noted with the documentation obtained or not obtained and the results of our work. Upon completion of our procedures we will prepare a report that will be discussed in a draft form with the City. If the City requests, We will communicate any draft results to Tidelands Oil Production Company ("TOPKO"). When the City has accepted the results of our work and our report we will provide final copies of the reports as directed by the City.

Prior to acceptance of the engagement we will affirm our independence from the City in accordance with applicable standards of the AICPA and in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. As we propose on this engagement, we are not currently aware of any independence impairments with the City of Long Beach related to this proposed engagement

The scope of this consulting engagement is the review and analysis of the records of TOPKO to determine whether it is in compliance with its agreements with the City, as trustee for the State, and the State per applicable agreements.

Standards

In addition to the AICPA consulting standards we will reference applicable industry standards that may apply including Council of Petroleum Accountant Societies ("COPAS") and other relevant standards pertaining to the industry practices of TOPKO. For example, the Request for Proposal invites two distinctly different analytical tasks that require the application of different industry standards. Review items related to accounting for joint interest expenses under the terms of the Contractor and Unit Agreements, including allocation of production volumes, expenses and revenues, should be guided by COPAS procedures for Audits and Joint Operations, modified as necessary to meet the unique requirements of the Wilmington Field area. Items calling for a review of oil pricing and related party transactions should be evaluated using a Reasonable Prudent Operator standard, to the extent that another standard is not contractually provided for in the Agreements.

Methodology

Our methodology and work plan have been categorized in the following three sections: Planning, Field work, and Reporting.

Planning. Planning includes the design of specific work plan tasks, the review relevant agreements including mineral leases, division orders, operating agreements, unit agreements, contractor agreements, sales agreements, transportation agreements, exchange agreements and other contracts.

- Obtain the four contracts that are included in the scope of the procedures. Document specific contractual compliance provisions.
- Obtain directives, procedures and other documents prepared by the City Auditor's office, or authorized representative, which provided requirements that supplemented TOPKO's contract.
- Canvas available accounting records and compilations including joint interest billing statements, production statements, plant statements, transportation statements, revenue statements, royalty payments, purchase statements, run tickets and similar transactional documents.
- Design specific review based on evaluation of established controls, existing data and specific review elements.
- Develop procedures necessary to test TOPKO's contractual compliance. Preliminary attributes include the following:
 - Maintenance of adequate documents and records.
 - Policies and procedures that TOPKO has established to account for financial activities, including the Unit Accounting Procedures.
 - Timeliness of reporting in accordance with the contractual requirements. Documentation of and timeliness of submission of the statements of production and shipping.
 - Documentation of and timeliness of submission of the statements of costs and expenditures.
 - Special reports and other requests of the Long Beach City Auditor's Office or authorized representatives.
 - Records and documentation of the maintenance and controls of inventories. Processing of appropriate credits received by TOPKO.
 - Documentation of expense reimbursements in accordance with appropriate provisions.
 - Procurement processes in accordance with appropriate policies and procedures. Allocation methodologies for cost reporting.

-
- Confirm procedures developed with the City Auditor's Office to determine that the procedures meet the City's objectives.

Field Work and Analytics. Based on the planning of specific procedures, confirmed with the Office of the City Auditor, we will perform procedures to determine compliance with contractual provisions. Our field work and analytics will address the areas identified by the City including but not limited to:

- Procurement processes;
- Reimbursable and non-reimbursable expenditures, including major contracts, vendors, the division of personnel costs between entities (such as THUMS and Occidental Petroleum), payroll and benefits, employee reimbursements and perquisites, equipment and vehicle purchase or leasing, and inter-company charges from other Occidental Petroleum subsidiaries and entities;
- Overhead and supervision;
- Expense allocation to Fault Block and Segment;
- Revenue allocation to Fault Block and Segment;
- Production allocation to working interest owner;
- Oil pricing;
- Sale of assets and related party transactions;
- Costs of closure of the "Bug Farm" (a bio-remediation site that used bacteria to remediate oil waste);
- Pier A West oil facilities relocation and abandonment;
- Timeliness and appropriateness of cash calls by TOPKO; and
- Accuracy of monthly joint interest statements.
- Document net revenue interests in each accounting unit for the subject owner(s).
- Compare actual experience with expected results based on the application of contractual provisions and confirm exceptions.
- Compile, document and validate volumes and values for sample months and items.
- Consult with the Office of the City Auditor regarding status updates and intermediate findings

Reporting.

At the conclusion of field work, we will review and summarize our procedures and findings as follows:

- Prepare a draft report
- Review the draft report with the Office of the City Auditor; and, if directed by the City, then review draft results with TOPKO
- Address additional issues per the review with the City and/or additional parties
- Issue final report outlining and explaining our conclusions

Project Approach

-
- Conduct exit conference with the Office of the City Auditor; and if so directed, with TOPKO representatives.

Projected Timeline and Cost

Begin Planning of Audit	Late May 2008
Begin Fieldwork	Late June 2008
Draft Report Due	February 2009
Final Report with Management Comments Due	April 2009

FEES

Based on the information available, we have given the Long Beach City Auditor's office our best estimate. The proposed fees reflect a 10% discount from standard rates. The proposed fees do not include any work not described herein.

PROPOSED FEES: \$168,050
PROPOSED EXPENSES: \$ 6,950
\$175,000

GHC commit to a "not to exceed" amount of \$175,000 including out-of-pocket expenses as agreed upon by the parties.

Expected Reimbursable Expenses

The only additional costs that would be incurred and passed on to the Client include direct out-of-pocket costs associated with the above mentioned engagements such as fee-for-use online data retrieval services, long-distance telephone and telecommunications charges, photocopying, document delivery costs, as well as any expenses for necessary travel, out-of-town meals and accommodations. We expect to limit any travel-related costs through use of our Los Angeles office.

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
Under its Agreements with the City of Long Beach*

Proposed Hours and Fees by Professional

Ref	Name	Standard Rate	Discounted Rate	Total		Note
				Hours	Fees	
1	David Gottlieb	\$495	\$445	35	\$15,575	
2	Michael Claytor	366	330	0	0	1
3	David Roberts	360	325	55	17,875	
4	Bert Nuehring	327	295	80	23,600	
5	Josh Teeple	275	245	70	17,150	
6	Emlyn Neuman-Javornik	265	235	60	14,100	
7	Jonathan Ellis	225	205	170	34,850	
8	Tom Graves	225	205	0	0	1
9	Michael Ciminero	205	185	0	0	1
10	Mark Maraccini	163	145	35	5,075	
11	Sean Skuro	140	125	130	16,250	
12	Sue Nielsen	125	115	205	23,575	
13	Belsa Powe	85	75	0	0	1
Total Hours and Fees				840	\$168,050	
Expenses					\$6,950	
Total Hours, Fees and Expenses				840	\$175,000	

Notes: 1. Included in Key Personnel list. Listed here to provide bill rates.

Financial Audit Experience

Crowe Chizek will serve as the government services and Government Auditing Standards subject matter experts on this engagement. Crowe Chizek will primarily be involved in the planning, review and reporting phases of this project. As part of the planning function Crowe Chizek will work closely with GHC and the City Auditor's Office to adequately understand the appropriate standards to be followed and the respective reports to be issued for this engagement. Crowe Chizek will then review the results of the work of the engagement to determine that it meets the appropriate agreed upon standards as applicable to governmental engagements. Crowe Chizek will then work closely with the GHC team to develop and review the reports issued as a result of the work of this engagement.

Crowe Chizek has more than 50 individuals specializing in providing audit and assurance services to the Public Sector. This group provides professional auditing services to more than 75 local governments and state agencies.

Key to the following lists:

- * Clients for whom we have performed Single Audits as required by Circular A-133.
- ** Current or past recipient of GFOA or ASBO Certificate of Excellence.

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
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Government Type	Activities
<p>Special Districts (Florida)</p>	<ul style="list-style-type: none"> ◆ Bayshore Fire Protection and Rescue - Special District *** ◆ Beacon Meadows Special Dependent Tax District *** ◆ Boca Grande Fire Control - Special District *** ◆ Brandon Groves North Special Dependent *** ◆ Buckhorn Estates Special Dependent District *** ◆ Buckhorn Oaks Special Dependent District *** ◆ Carrollwood South Special Dependent Tax District *** ◆ Children's Board of Hillsborough County * *** ◆ Country Lakes Special Dependent Tax District *** ◆ Country Place Maintenance District *** ◆ Country Run Maintenance District *** ◆ East Lake Park Special Dependent Tax District *** ◆ Hillsborough County Hospital Authority ◆ Indian Hills-Hickory Ridge II Special *** ◆ Lake Brant Special Dependent District *** ◆ Lakeland Area Mass Transit District * *** ◆ South Pointe Special Dependent Tax District *** ◆ The Cove at Bayport Colony Special *** ◆ Valrico Manor Special Dependent Tax District *** ◆ Village Estates West Special Dependent *** ◆ Lake Heather Special Dependent Tax District *** ◆ Lake Magdalene Estates West Special ***
<p>Special Districts (Illinois)</p>	<ul style="list-style-type: none"> ◆ Brookfield North Riverside Water Commission ◆ Chicago Heights Park District ◆ Chicago Transit Authority * ◆ Cicero Township Trustees of Schools ◆ Joliet Arsenal Development Authority ◆ Justice Willow Springs Water Commission ◆ Leyden Township ◆ Metra * ◆ Norwood Park Fire Protection District

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
 Under its Agreements with the City of Long Beach*

Experience

Government Experience	
	<ul style="list-style-type: none"> ◆ Orland Township ◆ Pace, Suburban Bus Division of the RTA * ◆ Township of Addison
Special Districts (Indiana)	<ul style="list-style-type: none"> ◆ IndyGo ◆ South Bend Public Transportation Corporation ◆ Northern Indiana Commuter Transportation District ◆ Indiana East-West Toll Road
Municipalities (Illinois and Florida)	<ul style="list-style-type: none"> ◆ City of Lakeland, FL * ** **** ◆ Lakeland Electric *** ◆ Village of Bellwood ◆ Village of Bridgeview ◆ City of Burbank ◆ Village of Burnham ◆ City of Calumet City * ● Village of Elmwood Park ● Village of Forest Park * ◆ Village of Glendale Heights * ** ◆ Village of Glenwood ◆ Village of Gurnee** ◆ Village of Hillside * ** ◆ Village of Homewood ** ◆ Village of Merrionette Park ◆ City of Oak Forest
Municipalities (Illinois and Florida)	<ul style="list-style-type: none"> ● Village of Orland Hills ◆ City of Plano ◆ Village of Posen

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
 Under its Agreements with the City of Long Beach*

Experience

Government Type	Client
	<ul style="list-style-type: none"> ◆ Village of River Grove ◆ Village of Rantoul * ** ◆ Village of Stickney
School Districts (Illinois)	<ul style="list-style-type: none"> ◆ Arlington Heights School District #25 * ** ◆ Berwyn North School District #98* ◆ Community Consolidated High School District #155 * ◆ Crystal Lake Elementary School District #47 * ** ◆ Community Consolidated School District #59* ** ◆ Maywood, Melrose Park, Broadview School District #89 * ◆ Palos Community Consolidated School District #118 * ** ◆ Plainfield Community Consolidated School District #202 * ** ◆ Proviso Township High School District #209* ** ◆ Springfield School District #186* ◆ West Aurora School District #129*
State Agencies (Illinois and Florida)	<ul style="list-style-type: none"> ◆ Illinois Office of the Auditor General <ul style="list-style-type: none"> ◆ Illinois Environmental Protection Agency ● Illinois Department of Corrections ◆ Illinois State Treasurer ◆ Southern Illinois University ◆ Illinois Department of State Police, MEG Audits ◆ Agency for Workforce Innovation (Florida)
Counties (Illinois)	<ul style="list-style-type: none"> ◆ Forest Preserve District of Cook County* ** ◆ St. Clair County Circuit Clerk
Community Colleges and Public Universities (Illinois)	<ul style="list-style-type: none"> ◆ Lincoln Land Community College* ** ◆ Moraine Valley Community College * ** ◆ Morton College* ◆ Northern Illinois University (NCAA) ◆ South Suburban College * ** ◆ Triton College* ** ◆ University of Illinois at Chicago (NCAA)

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
 Under its Agreements with the City of Long Beach*

Experience

Single Audit Experience

As demonstrated above, Crowe Chizek possesses valuable experience with the Single Audit Act and OMB Circular-A133 requirements, having audited over \$10 billion in Federal Funds in over 80 annual state and local governmental and not-for profit audit engagements. Crowe Chizek has conducted courses on the revised Single Audit Act (A-133) for major government agencies. Federal Programs they have experience auditing include:

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
Under its Agreements with the City of Long Beach*

Area	Program Title
Education	<ul style="list-style-type: none"> ◆ Adult Education (Federal Basic, EL Civics) ◆ Carl D. Perkins Vocational Education ◆ Disadvantaged Student ◆ Federal Family Educational Loans (Stafford, Unsubsidized Stafford Loans, Parent Plus Loans) ◆ Federal Work Study ◆ Health Profession Student Loan ◆ IDEA ◆ Improving Teacher Quality State Grants ◆ Magnet School Assistance Program ◆ Pell Grant ◆ Safe and Drug Free Schools and Communities ◆ Student Support Services ◆ Smaller Learning Communities ◆ Special Education, Grants to States ◆ Special Education, Preschool Grants ◆ State Grants for Innovative Programs ◆ Supplemental Educational Opportunity Grant ◆ Talent Search ◆ Title I Low Income ◆ Title I Grants to Local Educational Entities ◆ Title IV 21st Century ● Title V ◆ Trio
Agriculture	<ul style="list-style-type: none"> ◆ National School Lunch Program ◆ School Breakfast Program ● Special Milk Program for Children ◆ Special Supplemental Nutrition Program for Women, Infants & Children ◆ Summer Food Service Program for Children

Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company Under its Agreements with the City of Long Beach

Experience

Agency	Programs
Housing and Urban Development	<ul style="list-style-type: none"> ◆ Community Development Block Grants/Entitlement Grants ◆ Community Development Block Grants/Small Cities Program ◆ Home Investment Partnership Program
Justice	<ul style="list-style-type: none"> ◆ Byrne Formula Grant Program ◆ Local Law Enforcement Block Grant
Labor	<ul style="list-style-type: none"> ◆ WIA Adult Program ◆ WIA Youth Activities ◆ WIA Dislocated Workers
Transportation	<ul style="list-style-type: none"> ◆ Airport Improvement Program ◆ Appalachian Development Highway System ◆ Highway Planning and Construction ◆ Federal Transit – Capital Investment Grants ◆ Federal Transit – Formula Grants
Environmental Protection Agency	<ul style="list-style-type: none"> ◆ Capitalization Grants for Drinking Water State Revolving Funds ◆ State Revolving Fund Loan Program
Human Services	<ul style="list-style-type: none"> ◆ Consolidated Health Centers ◆ Foster Care Title IV E ◆ Medical Assistance Program ◆ Medicaid Matching ◆ State Survey and Certification of Health Care Providers and Suppliers ◆ Temporary Assistance for Needy Families ◆ Title X, XX
Homeland Security	<ul style="list-style-type: none"> ◆ State Domestic Preparedness Equipment Support Program ◆ Learn and Serve America, School and Community Based Programs
FEMA	<ul style="list-style-type: none"> ◆ Emergency Snow Removal

Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company Under its Agreements with the City of Long Beach

Agency	Program Title
Federal Transit Administration	<ul style="list-style-type: none"> ◆ Federal Transit Urbanized Area Formula Grants

Crowe Chizek Project Descriptions

West Aurora School District No. 129

West Aurora School District engaged Crowe Chizek to review the cash management procedures in place at various schools within the District. The objective of this agreed-upon-procedure (AUP) engagement was to provide the District with recommendations on ways to streamline the cash management process, including improving procedures for handling disbursements, receipts, and cash reconciliations. The report presented findings encountered during our procedures, as well as detailed recommendations that the District will implement through the school system.

Metropolitan Pier and Exposition Authority (“MPEA”)

Crowe Chizek is engaged by the Metropolitan Pier and Exposition Authority to perform a series of billing agreed-upon-procedures to ensure that cost savings resulting from work rule changes have been properly passed on to Exhibitors at McCormick Place and Navy Pier. Along with these reviews, Crowe Chizek will provide recommendations to the Authority on improvements in procedures to further cost savings, which will be passed along to show exhibitors.

Northwestern University

Crowe Chizek is currently assisting the University’s Internal Audit Department in completing numerous agreed upon procedure engagements throughout Northwestern’s campus. For the past two years, Crowe Chizek has been the sole provider of outsourced internal audit services related to NCAA compliance reviews, the University’s Traffic Safety School, and Northwestern’s Student Organization Finance Office. These reviews have provided numerous findings and recommendations on ways in which these operations can improve effectiveness and efficiency, as well remain in compliance with University and NCAA rules and regulations.

Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company Under its Agreements with the City of Long Beach

Archdiocese of Chicago

Crowe Chizek is the preferred provider of internal audit and agreed upon procedure services for the Archdiocese of Chicago, which includes audits of parishes and schools. Along with the financial staff of the Archdiocese Crowe Chizek has developed audit programs for these services. These reviews consist of verifying the effectiveness of the internal controls implemented by each parish and providing recommendations in order to improve procedures and internal controls over Parish assets. Additionally, Crowe Chizek reviews supporting documentation and processes relating to Sunday and Holy Day Collections, Tuition billings, disbursements, and payroll, to name a few. Further, Crowe Chizek provides assistance to the Archdiocese in preparing special reviews for related entities such as Ministries and Seminaries.

Chicago Public Schools

Crowe Chizek was engaged by the Chicago Board of Education to provide internal audit services and agreed-upon-procedures for the School Based Program. Crowe Chizek is responsible for developing, managing and executing an annual audit plan for individual school units of the CPS. These audits consist of an analysis of each school's payroll, cash receipts, school based checking account, and expenses paid by the Central Office on behalf of the school and fixed assets.

Illinois Student Assistance Commission ("ISAC") and the YMCA of the USA

Crowe Chizek was recently awarded contracts with both ISAC and YMCA of the USA to perform their risk assessment and internal audit work. This work began during the last quarter of 2006. Along with the risk assessment, Crowe Chizek has provided reports on specific areas of their organizations, based on our audit plan preparation. Crowe Chizek's reports will provide both organizations with findings and recommendations on areas for improvement in process and procedures and various other areas.

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
Under its Agreements with the City of Long Beach*

University of Illinois at Chicago

Crowe Chizek was engaged by the University of Illinois at Chicago to provide agreed-upon-procedures services to assist the University in evaluation of construction contracts, agreements, and related costs. Crowe Chizek was responsible for developing, managing and executing specific procedures in order to provide assurance to the University that certain contractual stipulations were met. These procedures consisted of various analyses, interviews, and testing of transactions in order to determine if certain contract provisions were met by contractors.

Crowe Chizek References

Client:	Illinois Department of Commerce and Economic Opportunity (DCEO)
Contact:	Mr. Ray Parrack Manager of the Fiscal and Budget Management Unit 620 E. Adams Street Springfield, Illinois 62701-1615 217.782.7500
Project Name:	Grant Monitoring Services
Project Description:	In July 2006, Crowe Chizek was engaged by the Illinois Department of Commerce and Economic Opportunity to perform a complete redesign of the grantee monitoring process, involving an estimated 2,000 federal and state grants each year in approximately 85 programs. This engagement is an on-going project. The purpose of this engagement is to standardize monitoring and reporting to the extent possible, while meeting the unique requirements of some programs. Policies and procedures are being written in the form of a comprehensive electronic manual, including related forms, drill-downs, links, and help features. Our responsibilities include

*Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company
Under its Agreements with the City of Long Beach*

Experience

Client: Illinois Department of Transportation, Chicago Department of Public Works	
	documenting the current processes in place; understanding the current requirements in accordance with federal and state laws, rules and regulations; preparing procedural manuals and protocol documentation; and training of staff related to the new monitoring procedures and processes. We also assisted the Department in their efforts to automate their monitoring system electronically. The Department is currently implementing a new system to track grantee monitoring requirements, track grantee funding, and follow up on monitoring visits and audit findings in accordance with federal and state requirements. The Department is also establishing a centralized monitoring office to oversee and direct a comprehensive monitoring process based on the documentation that has been provided as a result of this project.

Client: Chicago Housing Authority (CHA)	
Contact:	Ms. Wanda Evison 60 E Van Buren Street Chicago, Illinois 60602 312.742.8500
Project Name:	Private Property Managers Agreed-Upon Procedures
Project Description:	The Chicago Housing Authority ("CHA") contracted with Crowe Chizek during 2006 for a two year period to provide agreed upon procedure services related to their Private Property Managers ("PPM"). Crowe Chizek is providing agreed upon procedure services related to monitoring the effectiveness of the PPM management of the properties and the PPM's compliance with the terms and conditions of their respective contracts with the CHA. Our procedures include analysis of bank accounts, operating account deposits, security deposits, expenditures and disbursements,

Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company Under its Agreements with the City of Long Beach

Experience

Client:	Chicago Housing Authority (CPH)
	procurement procedures, collection of rents, payroll, maintenance costs, and financial reporting. This engagement includes a review of the effectiveness of the financial and rent tracking systems that are used by the PPM's and their property managers.

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Assigned Personnel

Below, we have provided information for several individuals who would be available to work on this engagement with the Long Beach City Auditor's Office. This list is not exhaustive, but serves as a representative display of our talented and dedicated staff. We have provided detailed resumes for these individuals in the resumes section of this proposal.

David Gottlieb, Partner

15233 Ventura Boulevard, Ninth Floor

Sherman Oaks, California 91403

(818) 501-5200

David Roberts, Partner

15233 Ventura Boulevard, Ninth Floor

Sherman Oaks, California 91403

(818) 501-5200

Joshua Teeple, Partner

15233 Ventura Boulevard, Ninth Floor

Sherman Oaks, California 91403

(818) 501-5200

Sean Skuro, Senior Accountant

15233 Ventura Boulevard, Ninth Floor

Sherman Oaks, California 91403

(818) 501-5200

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Subcontractors

Bert Nuehring, Partner

Crowe Chizek

Mr. Nuehring has over twenty-one years experience in public accounting. Mr. Nuehring has experience providing services to the government, not-for-profit and private industries. He has participated in numerous municipal, State and local governmental audit and consulting engagements.

Crowe Chizek and Company LLC

70 West Madison Street, Suite 700

Chicago, Illinois 60602

312.899.8346

Fax 312.899.5300

www.crowechizek.com

Crowe Chizek is the leading member firm of Horwath International with a dominating presence in the Public Sector Services industry. As a result of combining our Forensic Accounting services expertise locally, with the government industry experience that Crowe Chizek possesses nationally, our clients benefit exponentially from this dynamic synergy. This teaming approach combines and leverages the best of both worlds. Both GHC and Crowe Chizek are members of Horwath International Association, a Swiss association (Horwath). Each member firm of Horwath is a separate and independent legal entity.

Size and composition of firm

Crowe Chizek and Company LLC (www.crowechizek.com) is an independent certified public accounting firm with 23 offices throughout the United States. Crowe Chizek provides innovative business solutions in the areas of assurance, consulting, risk management, tax and technology. With more than 2,400 professionals, Crowe Chizek is ranked as the #9 accounting and consulting firm in the United States, according to the *Public Accounting Report*, and the 8th largest Securities and Exchange Commission (SEC) accounting and consulting firm, according to the

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Assigned Personnel

Public Accounting Report. We serve clients worldwide as a leading member of the Horwath International network of public accounting and consulting firms.

History

Crowe Chizek is a domestic limited liability company (LLC) established in 1942 in South Bend, Indiana. Crowe Chizek employs over 2,000 professionals across many areas of expertise, ultimately a benefit to their clients. Qualified staff from the Public Sector Services Group, which is comprised of more than 200 individuals, would be assigned to this project, including staff experienced in working with municipal clients and other public sector clients. This experience and knowledge of such entities enables Crowe Chizek, along with Grobstein, Horwath & Company LLP, and Willis Graves & Associates, Inc. to offer an engagement team that understands all of the issues.

Public Sector Experience

Crowe Chizek is unique in that we have dedicated teams focused on key industry issues, including State and Local Government. Crowe Chizek understands the challenges public sector entities face and have helped many organizations successfully address them, including state universities, community colleges, cities, towns, counties, school districts, park districts, library districts, special service districts, state agencies and quasi-governmental building corporations, commissions, and joint action committees.

The Public Sector Services Group is comprised of over 125 individuals, of which approximately 95 specialize in providing audit and assurance services. This group serves over 200 governmental organizations nationwide.

Key Personnel

We have included a list of key personnel from Crowe Chizek who would be available to provide assistance to GHC and the Long Beach City Auditor's Office. This list should be viewed as representative, not exhaustive.

- Bert Nuehring, Executive, Public Sector Services
- Michael Claytor, Executive, Public Sector Services
- Emlyn Neuman-Javornik, Senior Manager, Public Sector Services
- Michael Ciminero, Manager, Public Sector Services
- Mark Maraccini, Manager, Public Sector Services

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Subcontractors

Jonathan Ellis, President
Willis, Graves & Associates, Inc.
8140 North Mopac Expressway
Building 2, Suite 250
Austin, TX 78759
512.346.8240
www.wga-austin.com

Jonathan Ellis has extensive industry experience in the design and completion of revenue audits in the oil and gas industry. His work with unitized production has included the historic Hawkins Oil Field in East Texas, the Madden Deep Unit in Wyoming, the Big Escambia Creek Unit in Alabama, the Jay Field in Florida and the Morganza Field in Southern Louisiana. Mr. Ellis has personal experience with all aspects of crude oil and natural gas marketing, including the sale of heavy and sour crude oils in domestic markets. Mr. Ellis' royalty audit and royalty clients have included the King Ranch, the Sealy & Smith Foundation, Southern Methodist University and the State of Texas.

Willis, Graves & Associates maintains a comprehensive library of posted oil and natural gas prices. The firm is experienced in the research and application of detailed information on oil pipeline tariffs using public industry sources. The firm has extensive experience with the use of production and accounting records in oil and gas audits. The firm has current first hand experience with upstream and midstream revenue accounting systems commonly used in the industry.

Assigned Personnel

We have included a list of key personnel from WGA who would be available to provide assistance to GHC and the Long Beach City Auditor's Office. This list should be viewed as representative, not exhaustive.

Thomas A. Graves, Vice President

8140 North Mopac Expressway

Building 2, Suite 250

Austin, TX 78759

512.346.8240

Belsa Powe, Research Associate

8140 North Mopac Expressway

Building 2, Suite 250

Austin, TX 78759

512.346.8240

Susan M. Nielsen, Research Associate

8140 North Mopac Expressway

Building 2, Suite 250

Austin, TX 78759

512.346.8240

Resumes

Detailed professional resumes on all individuals who will be assigned to handle the requirements of this proposal have been included as “Resumes”.

RESUMES

DAVID K. GOTTLIEB, CPA

RESUME

PROFESSIONAL

Grobstein, Horwath & Company LLP - September 1989 to Present

- Partner with auditing and litigation support departments

BDO Seidman, San Francisco - April 1986 to August 1989

- Specialist in apparel and insolvency areas

Laventhol & Horwath, San Francisco - October 1984 to April 1986

Cohen, Graff & Company, San Francisco - December 1982 to October 1984

Joseph S. Herbert & Company, New York - June 1980 to July 1982

EDUCATION

- Graduated 1980 with a Bachelor of Science degree in Accounting from New York University.

SPECIALTY AREAS

General

- Mr. Gottlieb and his firm provide accounting, auditing, litigation consulting, and business and tax consulting to a wide variety of clients engaged in professional services, manufacturing, import/export, wholesale and retail sales and various other industries.

Business Experience

- Mr. Gottlieb has over 20 years of experience providing services to clients in a variety of industries which include:
 - Manufacturers
 - Wholesalers
 - Importers / Exporters
 - Licensors
 - Licensees
 - Retailers
 - Contractors
 - Service Organizations

- Mr. Gottlieb has assisted his clients with the following:
 - Financing
 - Credit Acquisition
 - Cash Management
 - Restructuring
 - Shareholder Separation Agreements
 - Workouts
 - Liquidations
 - Presentations To Informal Meetings of Creditors

Bankruptcy and Litigation Support and Operational Experience

- Mr. Gottlieb specializes in litigation support, with emphasis on insolvency cases. He currently serves as a Chapter 7 Panel Trustee for the Central District of California and as a Chapter 11 Trustee, both positions of which are appointed by the United States Trustee.
- Samples of insolvency and litigation consulting and operational services provided under Mr. Gottlieb's direction include:

Type of Client

Services Rendered

California Power Exchange

Appointed to Board of Directors and selected as the **Interim Chief Executive Officer** to operate and eventually liquidate the reorganized debtor which was the primary energy trading exchange created by deregulation. Responsible for devising and implementing a plan to staff and operate the reorganized debtor upon the effective date of the Bankruptcy Plan (April 1, 2003). Recommended and implemented the staffing and compensation plans to efficiently and effectively operate the reorganized debtor. Other responsibilities include reviewing and disbursing all monies, implementation of cash management system, negotiation and structuring investment relationship with money center bank, semi-annual rate case filings with the Federal Energy Regulatory Commission ("FERC"), daily supervision of staff and IT consultants, responsible for oversight and coordination of all legal matters affecting the reorganized debtor, accounting, negotiation of insurance as well as all other business operations.

Fulfillment Company

Appointed by the United States Trustee to serve as Chapter 11 Trustee of a fulfillment company. Successful evaluation of operations, wind-down of business and sale of assets.

Bankruptcy and Litigation Support and Operational Experience (Continued)

<u>Type of Client</u>	<u>Services Rendered</u>
Hospital	<p>Appointed by the United States Trustee to serve as a Chapter 11 Trustee of a 155 bed community hospital. Successful evaluation of operations and wind-down of hospital. Sold real property and equipment for approximately \$23 million.</p> <p>Employed as Accountant and Financial Advisor to the Chapter 11 Trustee of USA Star Healthcare Group East Los Angeles, Inc. Case No. SA 03-17156-JR. Evaluation of operations and finances to assist in wind-down and sale of real property and equipment. Performed analysis of all tax issues, use of cash collateral issues, solvency analysis and avoidance actions.</p>
Hotel	<p>Appointed by the United States Trustee to serve as Chapter 11 Trustee which was operated and sold for \$14.875 million.</p>
Apparel manufacturer	<p>Appointed by the United States Trustee upon election by creditors to serve as Chapter 7 Trustee in connection with negotiating \$1.5 million settlement with secured lender and debtor's stockholders.</p>
Nightclub	<p>Appointed by the United States Trustee to serve as Chapter 11 Trustee in connection with operating nightclub. Negotiated settlement between landlord, debtor and other interested parties.</p>
Real estate developer	<p>Appointed by the United States Trustee to serve as an Examiner in connection with an ongoing Chapter 11 Debtor-in-Possession matter. Issued a detailed report summarizing the conduct of the debtor and the need for appointment of a trustee.</p>

Bankruptcy and Litigation Support and Operational Experience (Continued)

<u>Type of Client</u>	<u>Services Rendered</u>
Importer	Appointed by the United States Trustee to serve as Examiner in connection with an ongoing individual debtor-in-possession matter. Issued detailed report leading to parties agreeing to settle and confirm plan of reorganization.
Entertainment Executive	Appointed by the United States Trustee to serve as Chapter 11 Trustee in connection with individual Debtor involved as a co-debtor in an appeal of a multimillion dollar judgment. Trustee safeguarded assets and performed forensic investigation until case was dismissed and settlement reached with all parties.
Media Buying Broker	Appointed by the United States Trustee to serve as Chapter 11 Trustee which was subsequently converted. Appointed as Chapter 7 Trustee ; negotiating compromise of controversy with secured creditor and purchaser.
Real estate holding company and related family partnership	Assist Trustee and his counsel with plans of reorganization and disclosure statements, including cash flow statements and liquidation analyses. Assist with insider preference analyses.
Multi-affiliate financial services company	Assist counsel for creditor's committee with fraudulent conveyance and insider preference analysis, asset search, preparation of combined financial statements, expert witness testimony.
Publicly held national campground company	Assist counsel for creditor's committee with analysis of plan of reorganization, financial statement preparation and insider activity analysis.
Multi-affiliate thoroughbred finance corporation	Assisted certain petitioning creditors in involuntary proceeding with reconstruction of claims, solvency analysis. Expert witness testimony.

Bankruptcy and Litigation Support and Operational Experience (Continued)

Type of Client

Services Rendered

Credit union service organization (mortgage banker)

Assist company in reconstruction of records and liquidation of assets. Expert and owned by credit unions) transactional witness in major litigation against national accounting firm.

Publicly held manufacturer of water sporting goods

Assist public company and its counsel with investigation regarding potential fraudulent misrepresentation by sellers of a commercial enterprise. Investigation resulted in settlement in excess of \$1 million for the benefit of the acquiror.

Charter and discount air

Assist Trustee with preference analysis, transportation company insider preference analysis and reconstruction of records.

Automobile dealership

Assist unsecured creditor (former shareholder) regarding investigation of insider transactions. Expert testimony resulted in amended plan of reorganization and ratification.

Apparel retailer

Assist counsel for creditor's committee with attaining accurate financial condition as of date of filing and preparation of ordinary course study to assist counsel with preference litigation.

Retail franchisor

Assist counsel for creditor's committee with and franchisee business valuation and successful sale of business assets substantially in excess of debtor-in-possession's initial offer.

Apparel manufacturer

Assist counsel for creditor's committee with attaining accurate financial condition as of the date of filing, plan of reorganization and disclosure statement and analysis of potential litigation against regional accounting firm. Accountant for liquidating agent after confirmation of plan. Subsequently appointed successor liquidating agent.

Fish cannery

Assist liquidating trustee and his counsel with reconstruction and analysis of claims, fraudulent conveyance analysis and mediation.

SPEAKING EXPERIENCE

- Commercial Finance Conference - Accounts receivable, fraud and inventory valuation
- BDO Seidman - National instructor, third year staff accountants
- Heller Financial - Seminar on use of financial statements
- Nations Bank - Seminar on prospective financial statements
- Manufacturers Bank - Seminar on inventory valuation and deferred taxes
- Heller Financial - Seminar on inventory
- Internal Revenue Service - Seminar on investigating illicit transactions
- National Association of Bankruptcy Trustees - Seminar on exemptions

PROFESSIONAL AFFILIATIONS

- Member of Association of Certified Fraud Examiners
- Charter Member of California Receivers Forum
- Board Member of Los Angeles Bankruptcy Forum
- Member of the National Association of Bankruptcy Trustees
- Member of the American Bankruptcy Institute
- Member of the American Institute of Certified Public Accountants
- Member of the California Society of CPA's
- Member of the Textile Professional Club
- Member of Nevada Society of CPA's
- Member of the American College of Forensic Examiners

CIVIC AND COMMUNITY ACTIVITIES

- Member of Apparel Industries Group for the City of Hope
- Member of Los Angeles Masonic Lodge #42

DAVID W. ROBERTS
RESUME

SUMMARY

With 22 years experience, David is a Partner in the insolvency and litigation departments. David has a broad range of forensic accounting and consulting experience in complex litigation, fraud and bankruptcy matters.

LICENSES AND CERTIFICATIONS

Certified Public Accountant (CPA)

Certified Insolvency and Restructuring Advisor (CIRA)

Certified Fraud Examiner (CFE)

EMPLOYMENT

Grobstein, Horwath & Co. LLP - (03/2002 - Present)

Forensic accounting services including bankruptcy, investigative accounting, litigation consulting and fraud investigations.

Arthur Andersen LLP - (01/2001 - 02/2002)

Litigation consulting, fraud and investigative accounting, bankruptcy consulting and related services.

Buckley & Associates - (03/2000 - 12/2000)

Litigation consulting, fraud and investigative accounting, bankruptcy consulting and related services.

Neilson, Elggren, Durkin & Co. - (09/1988 - 02/2000)

Forensic accounting services including bankruptcy, investigative accounting, litigation consulting and fraud investigations. Arthur Andersen acquired the firm in March 1998.

Coopers & Lybrand - (01/1983 - 08/1988)

Tax, audit and litigation consulting services.

EDUCATION

Masters of Accountancy, Brigham Young University

Bachelor of Science - Accounting, Brigham Young University

OTHER PROFESSIONAL ACTIVITIES

Association of Certified Fraud Examiners

Association of Insolvency and Restructuring Advisors

Los Angeles Bankruptcy Forum

American Institute, California Society and Utah Association of CPA's

REPRESENTATIVE ENGAGEMENTS

Expert Witness Testimony

- Deposition Testimony for Defendant - state superior court action regarding a partner dispute over the distribution of proceeds from the sale of related businesses. Provided forensic accounting services including analysis of partnership accounting and source documents to determine capital account balances and to investigate allegations of fraud, mismanagement and other claims. Mediation attempts failed. After deposition testimony, the parties settled.
- Deposition Testimony for Defendant - bankruptcy court action alleging significant fraudulent conveyance to lender of used aircraft parts trader. Reviewed, analyzed, and provided evidence re: reasonably equivalent value and solvency, disputing plaintiff's allegations. After deposition testimony, defendant obtained a favorable settlement in mediation.
- Deposition and Trial Testimony for Defendant - state superior court action alleging significant damages due to improper credit reporting. Presented findings of a forensic accounting that uncovered a fraud by the plaintiffs against defendant. The jury agreed with the fraud conclusions and returned a defense verdict.
- Deposition and Trial Testimony for Plaintiff - state superior court action regarding a partner dispute with allegations of fraud, mismanagement and other claims. Performed forensic accounting of partnership accounting and source documents to determine indicia of fraud. The judge issued a ruling favorable to the plaintiff.
- Deposition Testimony for Defendant - state superior court action in which plaintiff sought damages related to the sale of a business. Reviewed, analyzed, and provided evidence disputing plaintiff's allegations and claims for damages. After deposition testimony, defendant obtained a favorable settlement.
- Deposition Testimony for Plaintiff Trustee - bankruptcy court action that alleged professional negligence by auditors. Presented findings from an extensive fraud investigation involving more than \$70 million. Based on deposition testimony, the trustee obtained a \$10 million settlement.
- Deposition Testimony for Plaintiff - two separate adversary actions regarding avoidance actions. The avoidance issues included preferences, fraudulent conveyances, and insolvency. In both matters, plaintiff obtained favorable settlements.
- Grand Jury Testimony - regarding the forensic accounting investigation of a \$3 million kite scheme. The perpetrator was convicted.

The above listing does not include numerous written expert declarations or reports involving financial analysis of underlying business records and/or accounting matters or administrative and/or bankruptcy court appearances. The listing also does not include matters that settled immediately after designation as an expert witness.

REPRESENTATIVE ENGAGEMENTS

Litigation Consulting

- Partnership Dispute - calculated damages for plaintiff based on review and analysis of historic accounting records and partnership agreement language as amended. Key issues included historic profit allocation and capital account balances. Arbitrator awarded plaintiff damages as requested.
- Law Firm Breakup – engaged by defendant accused of fraud and mismanagement. Performed forensic accounting including analysis of partner capital accounts, allocation of profits and specific transactions. Provided defendant with analyses disproving plaintiff claims of fraud and damages and demonstrating that plaintiff owed defendant.
- Compensation from IPO Proceeds – engaged by plaintiff, drafted opinion regarding the definition and recognition of goodwill pursuant to governing agreements that related to the allocation of the proceeds of an IPO. Calculated resulting damages. Opinion was used to support plaintiff's multi-million dollar damage claim.
- Lease Termination Damages – for defendant lessor, reviewed accounting records to disprove alleged claims by subtenant for damages related to a lease terminated for non-payment. Determined that the documents produced by plaintiff failed to support plaintiff's claims.
- Personal Injury – for defendant insurer in a matter alleging bad faith and denial of coverage, conducted a forensic accounting analysis. Based on review of plaintiff's prior earnings, substantially reduced the lost profits claim. Defendant successfully compelled plaintiff's agreement with the reduced amount.
- Environmental Contamination – for plaintiff municipality, directed the analysis of divisional accounting systems to determine historic damages. Costs were incurred to mitigate the effects of chemicals that migrated from agricultural fields to the municipality's well water system. The calculated historic damages of \$20 million were accepted as one element of a historic settlement in excess of \$150 million.
- Coverage Denial and Startup Lost Profits – for defendant, analyzed denial of coverage and lost profits allegations of a startup brokerage. Provided alternative estimate of damages. Defendant extracted a favorable settlement.
- Diminution of Value and Bankruptcy – for defendant insurance agency, analyzed and critiqued the economic damage claims of plaintiff. Plaintiff claimed that denial of coverage caused loss profits, diminution of value and bankruptcy. Based on forensic accounting, formed alternative theories regarding the underlying cause of plaintiff's business bankruptcy and provided alternative lost profits. Defendant obtained a favorable settlement.

REPRESENTATIVE ENGAGEMENTS

Litigation Consulting (continued)

- Loss of Warehousing Contract – assisted defendant with analysis of plaintiff's alleged loss of a warehousing contract after warehoused goods were stolen and insurance coverage was denied. Analyzed financial records and identified plaintiff's faulty damage assumptions and erroneous mathematical computations. Computed damages significantly less than plaintiff's claim. Identified alternative causes for the loss of the warehousing contract. Defendant negotiated a fair settlement.
- Personal Injury from Commercial Flight - assisted defense counsel in assessing alleged damage claims of a business owner that allegedly was unable to work for a period of time due to injuries caused by air turbulence during a commercial flight. Performed analysis of historic financials and business records used the volume of supplies consumed and appointment books to demonstrate that Plaintiff's damages were overstated. Defendant settled the matter favorably.
- Construction Claims - managed the plaintiff's data capture by cost code for a number of complex construction claims with damages totaling \$350 million. Assisted with the analysis of issues, including acceleration, delay, design defects and interference. Supervised 20 temporary personnel and 6 professional staff in capturing and verifying the integrity of more than a million rows of data. Favorable settlements were obtained.
- Partnership Dispute – for plaintiff, reviewed financial records and performed limited reconstruction of the records. Assisted counsel with settlement strategy and estimates of economic damage. Plaintiff extracted a favorable settlement.

Fraud Investigations and Forensic Accounting

- Kite Scheme - for a major bank, investigated a \$20 million kite loss. Directed the forensic accounting analyses including the compilation of a database to trace and analyze \$7.3 billion of cash receipts and corresponding disbursements. Assisted with the oversight of the business that perpetrated the kite scheme until a receiver was appointed. Directed other elements of the case including computer data imaging and recovery and a search for assets. The analyses were used by the U.S. Attorney's office and the FBI and supported the bank's recovery efforts that included a substantial fidelity bond claim and actions against third parties.
- Skimming - for a secured creditor, investigated the operations of four retail gas stations in bankruptcy. Discovered evidence of owner mismanagement and cash skimming. The creditor obtained a stipulated agreement removing the owner from operations and allowing recovery through operations and/or liquidation of the properties.

REPRESENTATIVE ENGAGEMENTS

Fraud Investigations and Forensic Accounting (continued)

- Mismanagement of Furniture Retailer – for a secured creditor, investigated a bankrupt furniture retailer and prepared declarations regarding lack of accounting records, improper or deficient bankruptcy reporting, mismanagement and operational improprieties. The Debtor stipulated to the appointment of a Trustee and a substantial settlement to pay the secured creditor in full.
- Shareholder Dispute – for a minority/silent owner, conducted forensic investigation to determine if the majority shareholder that actively managed the family business had made payments for personal benefit. The investigation allowed the owners to settle their differences.
- Renewal of Dealership Agreement - Assisted a luxury automobile manufacturer with a dispute that involved the renewal of a dealership agreement. Reviewed dealership financials, bank statements and underlying financial documents concluding, in part, that the dealership had misrepresented working capital to the manufacturer in violation of their dealership agreement. Using the analysis, the manufacturer settled litigation with the dealer and negotiated a renewal in keeping with the manufacture's objectives.
- Diverted Cash and Assets - for a major automobile manufacturer, investigated a dealership in which it was a partner. Discovered and documented dealer diversion of substantial dealership funds and assets for personal use. Based on the forensic accounting, the dealer was terminated and the dealership sold to a new operator to recover the manufacturer's losses.
- Kite Scheme - on behalf of a client who was a guarantor of over-drafted bank accounts of a business in which client was an investor, investigated a \$3 million overdraft. The investigation uncovered a kite scheme by the managing partner of the business and further revealed participation by bank employees and acquiescence by an outside accounting firm. Based on the discoveries, the client did not have to perform on his guarantee and the accounting firm tendered the full value of their malpractice policy in settlement.
- Improper payroll tax reporting - provided turnaround strategy to avoid potential adverse civil and criminal consequences. Directed forensic accounting of related entities to analyze transactions with the principal. Directed the preparation of proper income tax and payroll returns, resulting in \$200,000 of additional liability. Assisted with strategy that allowed client to successfully negotiate and establish payment plan with the IRS.
- Improper Premium Reduction - Provided strategy and database design to a provider of workman's compensation insurance in their investigation of a customer's scheme of fraudulent reporting to reduce insurance premiums. The matter involved a temporary employment agency and misclassification of workers.

REPRESENTATIVE ENGAGEMENTS

Fraud Investigations and Forensic Accounting (continued)

- Auditor Negligence - Ponzi Scheme - Based on the findings of a forensic accounting investigation of failed automobile dealerships and related entities, was subpoenaed as witness to testify in investors' state court action against the former auditor. At trial, the defendant declared bankruptcy, staying further action. In a related matter, assisted counsel for the State Board of Accountancy with their disciplinary actions against the former auditor. After a period of probation, the CPA was allowed to continue a limited tax and bookkeeping practice. The CPA's license was revoked for purposes of conducting audits.
- Fraud and Embezzlement – for an Examiner, reconstructed 18 months of detailed financial statements of a former mistress of Ferdinand Marcos from cancelled checks and other source documents. The reconstructed financials exposed the mistress's fraud by comparing her original fraudulent financial statements. The mistress was convicted on 39 counts of bank fraud and embezzlement for filing false and misleading financial statements with federally insured banks.

Bankruptcy

- Carpet Retailer - assisted counsel for the Liquidation Agent with analysis of insider avoidance actions including issues of unreasonably small capital, inability to pay debts, and solvency. Discovered potential self-dealing allowing counsel to negotiate a major reduction in insider claims, significantly increasing the payout to unsecured creditors.
- After-Market Automobile Parts Retailer - for the Creditor's Committee, directed the investigation of an after-market automobile parts retailer. The engagement team reviewed the accounting transactions of the Debtor and related entities and individuals. The investigation discovered potential self-dealing transactions with the principal and sole shareholder of the business. Several reports were drafted to advise and assist the committee in negotiating a substantial settlement with the shareholder.
- Dairy - for the Creditors' Committee, assessed the viability of the Debtor's complex plan of reorganization and its effect on the unsecured creditors, and discovered potential avoidance actions involving principals and insiders of the Debtor. Directed the review and calculation of substantial tax consequences to Debtor and partners resulting from the sale of real estate. Also created and analyzed alternative plan provisions to assist counsel for the Committee in negotiating provisions favorable to the creditor body. A plan that provided a substantial payout to the unsecured creditor body was confirmed.
- Law Firm – for the Trustee, assisted with analysis of the books and records of a failed law firm and identified potential avoidance and other causes of action. Directed the completion of necessary tax returns.

REPRESENTATIVE ENGAGEMENTS

Bankruptcy (continued)

- Discount Grocery and Warehouse – jointly employed by the Creditors’ Committee and the Debtor, investigated an alleged theft of inventory that caused the bankruptcy. Advised the committee regarding the cause of and operations during bankruptcy. Critiqued Debtor’s proposed plan of reorganization, highlighting numerous deficiencies, discrepancies, and errors in the Debtor’s projections. Provided significant input to a revised plan of reorganization. The Debtor confirmed a plan favorable to the unsecured creditor body.
- Golf Club Retailer - for the Creditors’ Committee, assessed operations and controls over inventory and cash, concluding that controls were inadequate. Conducted interviews of employees and discovered that the principal of the Debtor, a convicted felon, had diverted inventory to another company. Based upon the findings, a trustee was appointed and charged with filing a criminal referral. The case was converted and the business sold as a going concern.
- Real Estate and Partnership Interests -assisted the Successor Trustee in determining whether to recommend the approval of settlements entered into by the Former Trustee. The settlements involved the sale of real estate and partnership interests and related tax consequences. By demand of the Court, investigated the administration of the former trustee, and discovered deficiencies in required reporting and significant potential forgiveness of debt tax liabilities from properties that had not been formally abandoned prior to foreclosure. Worked with special tax counsel to determine strategy to reduce the estate’s potential tax exposure.
- Retail Gas Stations – worked for the Trustee in a complex case that involved 9 corporate and two individual debtors operating 120 retail gasoline stations. Criminal charges had been brought against the Debtors for tax and environmental violations. Directed the analyses of the Debtors’ financial records resulting in the conversion of the case over the objections of the Debtor’s professionals and other parties. Extensive analyses in this politically charged matter included: substantive consolidation, insolvency, preferences, fraudulent conveyances, post-petition transfers on prepetition debt, licensing, and analyses related to the real estate and environmental issues. Unraveled a scheme in which \$10 million was skimmed from the businesses and used to “purchase” estate properties. The Trustee obtained substantial recoveries for the estate including the return of the properties. The Debtors’ principals were convicted on various criminal charges.
- Auto Dealer Ponzi Scheme – for the Trustee, directed the investigation of the fraudulent activities of 5 corporate debtors and 50 related entities. This included review of \$180 million of automobile contracts, extensive tracing and reconstruction of cash disbursements, and the unraveling of several Ponzi schemes involving \$70 million. As a result of the analyses, the

REPRESENTATIVE ENGAGEMENTS

Bankruptcy (continued)

cases were substantively consolidated and 350 avoidance actions seeking tens of millions of dollars and a complaint seeking damages of \$50 million from former auditors were filed. The Trustee accepted a \$10 million settlement from the former auditors. Assisted in litigation with the State Board of Equalization to reduce a \$6.5 million claim to \$1.5 million.

- Fugitive Co-Conspirator – assisted the Trustee in the individual bankruptcy of the auto dealer who fled the country as his companies (see case above) filed bankruptcy. The fugitive was a co-conspirator in the massive frauds discovered at the dealerships. Reconstructed records, traced cash, discovered estate assets and assisted with avoidance action analyses, tax compliance, and case strategy. The Trustee obtained substantial recoveries.
- Missile Defense Contractor - assisted the Trustee with the accounting investigation of this defense contractor that manufactured military parts including sidewinder missiles. Identified, located and interviewed former employees. Reviewed financial records, identified and inventoried assets, assisted in the collection of receivables and directed the completion of partially completed items to make them acceptable per contract terms, maximizing the value of the assets for creditors. Assisted in challenging a contractual anti-assignment clause. The government declined to test the ability of a bankrupt entity to defeat an anti-assignment clause and paid the estate for the nearly complete items on contractual terms.
- Specialty Bearing Manufacturer - Assisted the Trustee in stabilizing and operating the manufacturer of mono-ball bearings. Analyzed historic financials, cash flows and operations. Negotiated the use of cash collateral with the secured lender and environmental remediation of the contaminated plant site with contractors. Analyzed claims and recovered funds upon termination of the pension plan. Directed the sale of non-essential assets (including houses, cars, polo-ponies, a farm, farming implements and miniature trains). Compiled due diligence packages and assisted in the negotiation of the sale of the business as a going-concern over the objections of the former principal and sole shareholder, a second-generation owner.
- Mortgage Company - directed investigation into the financial affairs of the Debtor that provided secondary financing in the real estate market. Enabled the Trustee's evaluation of potential litigation and maximization of the return to creditors by administering the orderly liquidation of a \$30 million loan servicing portfolio and approximately \$2 million of real estate holdings. The distribution to general unsecured creditors increased from nothing to 10.5%.
- Mortgage Company Ponzi Scheme – assisted the Resolution Agent in implementing a complex plan of reorganization, which returned \$53 million to investors and creditors. Directed the detailed financial analysis and tracing of bank transactions to demonstrate a second trust deed Ponzi scheme in which more than 1,200 investors lost in excess of \$100 million. Drafted an exhaustive "Ponzi" report used to support civil litigation seeking \$100 million and a criminal referral. Substantial recoveries and several convictions occurred.

JOSHUA R. TEEPLE, CPA, CFE, CISA, CITP

RESUME

PROFESSIONAL

Grobstein, Horwath & Company LLP – 1997 to Present

- Partner

EDUCATION

- Bachelor of Science in Business Administration, University of Colorado, 1997

CERTIFICATIONS AND CREDENTIALS

- Certified Public Accountant
- Certified Fraud Examiner
- Certified Information Systems Auditor
- Certified Information Technology Professional

SPECIALTY AREAS

- Joshua provides high-tech solutions to complex financial issues by utilizing information technology and data management skills. His professional expertise is based on experience in forensic accounting, fraud investigation, litigation consulting, attestation, computer forensics, and information systems auditing. In addition to such experience, Joshua has experience in the audit of publicly listed companies including systems documentation, identification and testing of controls and substantive audit procedures.

OTHER EXPERIENCE

- Advanced professional education and applied experience in database administration, data mining, data analysis and database application development
- Advanced professional education and applied experience in computer forensics
- Advanced professional education and applied experience in fraud investigations
- Advanced professional education and applied experience in computer aided auditing

SAMPLES OF SERVICES PERFORMED BY MR. TEEPLE

<u>Type of Engagement</u>	<u>Services Rendered</u>
Auditor for Various Private Business Enterprises	Planned and performed attest engagements (audits and reviews) for various going concern clients; planned and supervised various statistical sampling audit procedures for same; specialized in applying computer technology to aid with reaching audit objectives.
Due Diligence Consultant for Restaurant Acquisition	Performed due diligence services on behalf of the acquirer of a large fast-food restaurant chain.
Forensic Accountant for Receiver	Provided forensic accounting services (accounting record reconstruction and fraud investigation) for Receiver in a criminal bank fraud and check-kiting scheme perpetrated by the owner of numerous car dealerships.
Internal Controls Consultant	Provided internal control consulting services for clients in several industries including banking, food service, and automotive sales, and manufacturing. Assessed current controls and advised on implementation of new controls.
Litigation Consultant for Chapter 7 Trustee	Employed by Trustee for Emissions Credits Brokerage Debtor to administer significant banking transaction and fuel credit databases that were integral for analysis and reporting of various complex transactions.
Litigation Consultant for Large Public Company	Engaged to perform agreed-upon procedures to determine whether certain parties violated sales contract terms. Used data extraction techniques to determine movement of inventory from manufacturer, to wholesaler to customer based on product serial numbers. Analyzed total costs of products and income streams from same.
Fraud Investigator for Major Agricultural Producer and Processor	Conducted fraud investigation (alleged inventory defalcation) through the mining and analysis of the Company's electronic financial records.
Fraud Investigator for Hand and Beach Towel Wholesaler	Conducted fraud investigation (alleged false billing scheme) through the mining and analysis of the Company's electronic financial records.
Agent and Forensic Accountant for Chapter 11 Trustee	Assisted Trustee with the takeover of a large hotel operation; provided forensic accounting services to reconstruct financial records and implement internal control systems.
Litigation Consultant for Chapter 7 Trustee	Provided litigation support services and various financial analyses for \$250 million Ponzi scheme.

Agent and Forensic Accountant
for Chapter 7 Trustee

Assisted with the closure of a disreputable hospice care facility and provided forensic accounting services to the Trustee.

Litigation Consultant for Receiver

Performed illicit funds payment tracing for Receiver in multi-million dollar real estate and bank fraud scheme. Administered large financial analysis and reporting database for performance of same. Worked closely with the Criminal Division of the Internal Revenue Service to assist with the government's criminal investigation.

Forensic Accountant for
Distressed Paper Buyer

Used fraud investigation and forensic accounting techniques to perform a due-diligence investigation of distressed paper related to an \$80 million dollar Conservatorship, which was the result of a complex Ponzi scheme.

SPEAKING ENGAGEMENTS

- *Synergy through a Paperless Office*, CCH Incorporated Annual Sales Meeting
- *Life as a Staff Accountant*, California State University, Northridge
- *Networking Tips*, California State University, Northridge
- *Interviewing Tips and Techniques*, California State University, Northridge
- *Computer Forensics & Fraud Investigations*, California Receivers Forum
- *Using IDEA to Improve Audit Effectiveness*, Boomer Technology Circle

PUBLICATIONS

- *The Unexpected By-Products of Going Paperless*, Accounting Today, August 8-21, 2005, with L. Gary Boomer
- *Fraud Casebook: Lessons from the Bad Side of Business*, July 2007, contributed case study with Howard B. Grobstein

PROFESSIONAL AFFILIATIONS

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- Association of Certified Fraud Examiners
- ISACA (Information Systems Audit and Control Association)
- American Bankruptcy Institute
- SANS (SysAdmin, Audit, Network, Security) Institute

CIVIC AND COMMUNITY ACTIVITIES

- Heart of Los Angeles Youth (HOLA), pro-bono design of a database application to track charitable donations

SEAN J. SKURO

RESUME

PROFESSIONAL

Grobstein, Horwath & Company LLP – November 2005 - Present

- Senior Accountant
- Participated in audit of private clients and inventory counts for the audit department. Preparation of trial balances and various schedules for bankruptcy.

Weil & Company – August 2005 – November 2005

- Staff Accountant
- Prepared Corporate and individual tax returns, payroll, and bookkeeping. Participated in an audit and preparation of financial statements.

Altman & Ray LLP – November 2004 – August 2005

- Legal Assistant
- Composed various business documents, maintained legal database, managed general administrative duties, and acted as a liaison with various law firms, doctor offices and clients.

EDUCATION

- University of California, Los Angeles, 2006
 - Award in Accounting
- University of Colorado, Boulder, May 2004
 - BSBA Accounting

CIVIC AND COMMUNITY ACTIVITIES

- Member of Surfrider Foundation
- Junior Blind Foundation

SAMPLES OF SERVICES PERFORMED BY Mr. Skuro

<u>Type of Client</u>	<u>Services Rendered</u>
Pipe Distributor	Audited and reviewed various financial statements. Performed year-end inventory counts.
Sock Manufacturer	Audited and reviewed various financial statements. Performed year-end inventory counts.
Real Estate/Escrow Fraud	Assisted in reconstruction of fraud. Prepared various trial balances and supporting schedules. Performed various analytical procedures.
Individual	Prepared tax returns, and various bookkeeping services.

RÉSUMÉ OF JONATHAN E. ELLIS

**President
Willis, Graves & Associates, Inc.
8140 North Mopac Expressway
Building 2, Suite 250
Austin, Texas 78759
(512) 346-8240**

1988 to 2008

Mr. Ellis has developed his consulting practice over the past twenty years with an emphasis on oil and natural gas issues confronting producers, pipelines and royalty owners. He joined the oil and natural gas practice of Willis, Graves & Associates, Inc. in 1988 and became President of the firm in 1999. Primary engagements of the firm deal with the sale and valuation of minerals and with utility rate issues. The firm serves royalty, producer, pipeline and commercial clients. The firm specializes in applied techniques for establishing product and service values and for measuring compliance with contractual and regulatory provisions.

1987-1988

Prior to his employment with Willis, Graves & Associates, Inc., Mr. Ellis served as the director of natural gas consulting for the Enerpro division of Planmetrics Inc. of Chicago Illinois. As director of consulting services Mr. Ellis was responsible for the oil and gas practice of the firm and was active in consulting engagements involving royalty owners, producers, pipelines and local distribution companies. During this period, the majority of Mr. Ellis' assignments involved directing revenue audits for producer clients and conducting price research.

1982-1987

Prior to the acquisition of Enerpro by Planmetrics in August 1987, Mr. Ellis was a principal and Vice President of Enerpro Inc. From the formation of the firm in 1982 until its acquisition, Mr. Ellis was responsible for developing and performing consulting services for royalty owners, producers and purchasers of natural gas and oil. In that time Mr. Ellis worked with numerous oil and gas companies to solve marketing, contract administration and revenue accounting problems.

1980-1982

Prior to joining in the formation of Enerpro, Mr. Ellis was employed as an associate by the Resource Analysis and Management Group of Oklahoma City. As an associate of the RAM Group, Mr. Ellis was responsible for auditing payments received by producers under purchase contracts with pipelines, conducting redetermination of contract price under favored nations price provisions and assisting clients in compliance with NGPA regulations and FERC Orders relating to gas pricing.

1979-1980

Mr. Ellis was engaged by the United States Department of State, Agency for International Development, Mission to Honduras to conduct field research and prepare a strategic analysis relating to the energy needs of the rural population and its relationship to forest resource utilization. The report developed an econometric model for evaluating resource utilization and a complete treatment of the literature on forest management problems in developing nations and was published as a Masters Thesis.

Education and Professional Affiliations

Mr. Ellis earned a BA from the University of Texas at Austin in 1978 with a major in government and economics and a strong concentration in statistical analysis. Mr. Ellis earned his MPA from the Lyndon B. Johnson School of Public Affairs, also at the University of Texas, where he concentrated on economics and applied research methods. Mr. Ellis is a member of the Independent Producers Association of America (IPAA) and of the Texas Independent Producers and Royalty Owners Association (TIPRO). Mr. Ellis has been a member of the TIPRO Task Force on Revenue Auditing Issues.

Mr. Ellis' knowledge of custom and practice in the industry and his regulatory experience has led to his engagement in the following matters during the past eight years.

- Amarillo National Bank v. Pioneer Natural Resources, USA - litigation involving revenue accounting and the market value of natural gas at the lease.
- BB&T, et al. v. Cabot Oil and Gas Corp., et al. - litigation involving revenue accounting and the market value of natural gas at the lease. (Deposition)
- City of Ft. Worth v. TXU Energy Services - mediation involving the purchase of landfill gas for a non conventional energy project.
- Coates, et al. v. Coastal - litigation involving royalty accounting and the market value of natural gas as defined in a mineral lease.
- Crawford County Oil v. Plains Marketing - litigation involving crude oil pricing and terms under a crude oil sales contract. (Deposition)
- Davidson Ranch, et al. v. UPRC, et al. - litigation involving royalty payments and market value under the terms of the mineral lease. (Deposition)
- Deas, et al. v. Exxon, et al. - class certification litigation involving royalty payments and market value under the terms of the mineral lease. (Deposition)
- 89 Ranch Partners. v. Oryx - litigation involving royalty value of oil.
- Exxon v. United States - multiple litigations involving the determination of market prices for Federal income tax depletion allowance calculations. (Deposition and Trial)
- Frost National Bank v. Oryx, et al. - litigation involving crude oil and condensate values.
- Garza Energy Trust v. Coastal Oil & Gas, et al. - litigation involving gas and oil values under the terms of the mineral lease. (Deposition and Trial)
- Haley, et al. v. Exxon - litigation involving gas prices and reasonably prudent marketing. (Deposition and Trial)
- Heritage Resources, Inc. v. Gibson, Dunn & Crutcher, LLP. - litigation involving damage calculations related to natural gas production and sales values. (Deposition)

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- HRF Exploration v. CESI, et al. - litigation involving market prices and performance under a marketing agreement for natural gas production.
 - Johnson, et al. v. Shell - litigation involving oil prices, oil contracts and the market value of oil at the lease.
 - Johnson, et al. v. Anadarko Petroleum Corp. et al. - litigation involving proceeds received and reasonable prudent operator standards for marketing natural gas.
 - Kinder Morgan. v. City of El Paso - litigation involving the application of franchise taxes to the special marketing affiliate of an intrastate pipeline.
 - Lakota Resources v. Pathex Petroleum - litigation involving natural gas marketing and values under the terms of a joint operating agreement. (Deposition and Trial)
 - Lopez v. Mobil Producing Texas & New Mexico, et al. - litigation involving the marketing of natural gas under the mineral lease. (Deposition)
 - McCall, et al v. Exxon - litigation involving gas prices and reasonably prudent marketing.
 - McClymond, Ltd. v. Cantera, et al. - litigation involving natural gas and natural gas liquids values under the terms of a gas processing agreement.
 - Moye, et al. v. Exxon - class certification litigation involving royalty payments for natural gas, liquids and other minerals under the terms of the mineral lease. (Deposition and Trial)
 - Pine Mountain Oil and Gas, Inc. v. Equitable Production Company - litigation involving gas gathering rates in an Appalachian production area.
 - Ruiz, et al. v. ExxonMobil Corp. - litigation involving royalty payments for natural gas under market value and reasonable prudent operator valuations under the terms of a State of Texas mineral lease.
 - Russell v. Panhandle Producing, et al. - litigation involving the interpretation of economic provisions in a first sale contract.
 - Stack v. Transco, et al. - litigation involving the resolution of gas balances between working interest owners under a joint operating agreement.
 - Texas Osage Royalty Pool, Inc. v. Anadarko Petroleum Corporation, et al. - litigation involving the market value of oil and the treatment of natural gas under the mineral lease. (Deposition)
 - Turner. v. Esperanza - litigation involving the value of oil under a joint operating agreement. (Deposition)
 - Walsh and Watts, Inc. v. Atlantic Ricfield Company - litigation involving the market value of crude oil under a sales agreement. (Deposition)
 - Williams v. Texas Gas Transmission - litigation involving the value of a mineral interest in a natural gas storage operation.

Publications and Seminar Presentations

- Forest Resource Management in Developing Nations; The University of Texas, 1980.
- Toward a Solar America: An Institutional Assessment of On-site Solar Technologies; The University of Texas, 1980.
- Implementation of FERC Order 399; seminar presentation at various conferences sponsored by the Texas Independent Producers and Royalty Owners Association, 1984.
- Natural Gas Producer Prices; monthly periodical reporting natural gas prices and contract activity, Federal Programs Advisory Service, 1984-1987.
- Natural Gas Marketwire; daily wire service reporting natural gas spot market prices and contract activity, Belvoir Publications, 1987-1988.
- Competition in the Natural Gas Industry: The Producers View; seminar paper presented at the 15th Annual National Utilities Conference, 1987.
- Systems Design and Operation; seminar presentation for the "Natural Gas Accounting in an Open Access and Spot Market Environment" conferences sponsored by Executive Enterprises, 1988.
- Revenue Analysis for Decision Support: Projections and Sensitivity Analysis; seminar presentation for the "Natural Gas Audit Briefing" conferences sponsored by Executive Enterprises, 1988.
- Severance Tax Marketing Cost Deductions and Refunds; Texas Independent Producers and Royalty Owners Association Monograph Series, 1989.
- Market Value Research Techniques; seminar presentation for the "Natural Gas Royalty and Working Interest Owners Conference" sponsored by Executive Enterprises, 1989.
- Information Systems to Track Gas Imbalances; seminar presentation for the "Natural Gas Imbalances Conference" sponsored by Executive Enterprises, 1990.
- Gas Balancing Agreements: Addressing Gas Balancing Issues Beyond the Model Operating Agreement; seminar presentation for the "Natural Gas Contracting in the 1990s Conference" sponsored by Executive Enterprises, 1990.
- Valuing Stored Gas for Royalty and Severance Tax Purposes; seminar presentation for the "Natural Gas Storage Conference" sponsored by Executive Enterprises, 1991.
- Natural Gas Accounting Handbook; D. Larry Crumbley, CPA & Virginia A. Nichols, CPA, Editors, Executive Enterprises, Inc. 1991.
- Market Value Research Techniques; seminar presentation for the "Natural Gas Royalty and Working Interest Owners Conference" sponsored by Executive Enterprises, 1991.
- Market Value and the Mineral Lease; seminar presentation for the National Association of Royalty Owners Texas Statewide Convention, 1992.

- Gurus, Wizards and Gadgets in the Gas Patch: Evaluating Gas Balancing Systems; seminar presentation for the "Natural Gas Imbalances Conference" sponsored by Executive Enterprises, 1993.
- Evaluating Gas Balance Management Systems in the Restructured Natural Gas Industry; seminar presentation for the "Natural Gas Imbalances Conference" sponsored by Executive Enterprises, 1995.
- Contracting in Natural Gas - Commodity Price Provisions for the Third Spot Decade; seminar presentation for Gas Mart '96 " sponsored by Natural Gas Intelligence Press, 1996.
- Royalty Valuation: 20th Century Paradigms and 21st Century Markets; seminar presentation for the 46th annual meeting of the American Association of Professional Landmen, 2000.
- Using the Web to Determine the Reasonableness of Payments to Royalty Owners and Non-Operators; seminar presentation for the "6th Annual National Oil and Gas Royalty Conference" sponsored by Professional Development Institute, University of North Texas, 2002.
- Navigating the Web for Royalty Information; seminar presentation for the "8th Annual National Oil and Gas Royalty Conference" sponsored by Professional Development Institute, University of North Texas, 2005.
- Navigating the Web for Royalty Information; seminar presentation for the "9th Annual National Oil and Gas Royalty Conference" sponsored by Professional Development Institute, University of North Texas, 2006.
- Midstream Marketing Resources: Using Public Records and the Internet as Tools in Midstream Marketing; presentation for the 61st Annual Convention of the Texas Independent Producers and Royalty Owners Association, 2007.

Other Associations

Mr. Ellis works as a volunteer on the Boards of Section 501(c)(3) non-profit organizations providing financial support for youth sports in Austin neighborhoods. Mr. Ellis is active as an Austin Independent School District Partner in Education. Mr. Ellis is a Past President of the North Austin Soccer Alliance and former Chairman of the Board of the Austin Soccer Development Group, Inc. Mr. Ellis is a youth soccer coach and holds licenses from the United States Soccer Federation and the National Soccer Coaches Association of America.

RÉSUMÉ OF THOMAS A. GRAVES

VICE PRESIDENT
WILLIS, GRAVES & ASSOCIATES, INC.
8140 NORTH MOPAC EXPRESSWAY
BLDG. 2, SUITE 250
AUSTIN, TEXAS 78759
(512) 346-8240
tgraves@wga-austin.com

1977 to Date:

Mr. Graves has served as Vice President of Willis, Graves & Associates, Inc., since its formation in 1977. During that time he has applied his expertise to financial, rate, regulatory, accounting, data processing and related matters for large and small corporations and businesses, investor-owned utilities and municipal utilities.

Mr. Graves has provided expert testimony on a variety of issues in numerous venues, including municipal, regional and state regulatory authorities; county, state and federal courts; arbitration panels; and state legislative committees. In addition, he has served as a consulting expert to clients ranging from small local utilities to major multinational corporations. Details of the consulting engagements in which Mr. Graves has participated and/or testified are shown in Exhibit A.

1971-1976:

Prior to co-founding Willis, Graves & Associates, Inc., Mr. Graves served in various capacities in the management of Browning-Ferris Industries, Inc., and affiliates, an international solid waste management company. Concentrating in the area of financial and economic analysis, he completed projects for management and for the Board of Directors, including evaluation of acquisition prospects, analysis of potential capital investments, analysis of market potential in existing service areas, and coordination of facilities modernization, expansion and integration.

1968-1971

Prior to his employment at Browning-Ferris, Mr. Graves was employed as a Rate Engineer in the Rate Department of Tennessee Gas Transmission Company. In that capacity he participated extensively in the preparation of rate increase filings to the Federal Power Commission (now FERC), including all aspects of cost of service, cost allocation, rate design and tariff provisions. He also supervised the preparation of related studies for management or for filing with the FPC regarding facilities certificate applications, economic feasibility studies, cost allocations, incremental cost analysis and federal income taxation.

Education and Professional Affiliations

Mr. Graves holds a B.B.A. degree from The University of Texas at Austin (1967) in the Engineering Route to Business Administration program. He has both participated in and conducted numerous accounting and rate seminars and courses. He is a past member of the Texas Independent Producers and Royalty Owners, the Texas Gas Association, the American Water Works Association and a founding member and advisory director of the Independent Water and Sewer Companies of Texas.

CONSULTING ENGAGEMENTS

During his employment with Willis, Graves & Associates, Inc., Mr. Graves' consulting work has encompassed a wide variety of clients and subjects. The following is a listing of representative engagements:

Water/Sewer Utility Rate and Regulatory Matters:

- Preparation of rate filing package and/or expert testimony before the Public Utility Commission of Texas and Texas Natural Resource Conservation Commission (formerly Texas Water Commission) in more than fifty rate proceedings of investor-owned water and sewer utilities (see attached partial listing of expert testimony).
- Expert testimony on cost of service and rate design before Texas Water Commission on behalf of Cities of Georgetown and Round Rock in complaint by Dow Chemical Company v. Brazos River Authority - Docket No. 8169-M, 1990-91.
- Expert testimony on cost of service and rate design before Texas Water Commission on behalf of Bayview Irrigation District No. 11 in complaint of Bayview Irrigation District No. 11 v. Cameron County Irrigation Dist. No. 6 - Docket No. 9832-M, 1993
- Consulting expert on behalf of Bayview Irrigation District No. 11 in mediation of rate dispute with Cameron County Irrigation Dist. No. 6, 1999
- Expert testimony on cost of capital before the Texas Water Commission in *City of Kilgore v. City of Longview* - Docket Nos. 7796-M and 7831-M, 1989
- Municipal water, sewer and/or solid waste sewer utility rate studies for the Texas cities of Burleson, Cleburne, DeSoto, Sherman, Huntsville, Marble Falls, and Gainesville.

Gas Utility Rate and Regulatory Matters:

- Consulting expert services for Davis Gas Processing, Inc. in Gas Utilities Docket Nos. 9531 and 9553 (abandonment proceeding re Southtex 66 Pipeline Co., Ltd.), 2005 – Case Settled.
- Cost of service testimony before Railroad Commission of Texas on behalf of Texas A&M University in Gas Utilities Docket No. 9435 (Request of Texas A&M Univ. for Establishment of Transportation Rate on TXU Gas Company), 2004 – Case Settled.
- Cost of service testimony before State Office of Administrative Hearings (SOAH Docket No. 455-02-3446) on behalf of Texas General Land Office in Gas Utilities Docket No. 9291 (Complaint v. Panther Pipeline, LTD)
- Consulting expert on behalf of El Paso Corp. in dispute with Lone Star Gas Company regarding Purchased Gas Adjustment provision
- Cost of service testimony before Railroad Commission of Texas on behalf of Cities of Brenham, et al. in GUD Docket No. 8749 (Complaint v. Texas Southeastern Gas Company)
- Consulting expert on behalf of Cities of Brenham, et al. in Application of Texas Southeastern Gas Company to Change Sales and Transportation Rates, GUD 8958.
- Expert testimony before Railroad Commission of Texas in complaint of Warren NGL against Lone Star Pipeline
- Review and analysis of gas distribution utility rate filing of Lone Star Gas Company on behalf of the City of Cleburne, Texas.
- Cost of service analysis and prepared testimony for Southwestern Gas Pipeline Company city gate rate filing to the Railroad Commission of Texas.
- Determination of cost-based system-wide natural gas transportation rate of Westar Transmission Company on behalf of complainant Palo Duro Pipeline Company, including submission of prepared testimony to Railroad Commission of Texas. (Case settled prior to hearing.)
- Preparation of cost of service, cost allocation, rate design, rate of return and related testimony (as required) before state regulatory authority on behalf of the following gas utilities:
 - Railroad Commission of Texas
Palo Duro Pipeline vs. Westar Transmission Co.

- Markham Gas Corporation, Markham, Texas
 - Eagle Pass Natural Gas Corporation, Eagle Pass, Texas
 - Aransas Natural Gas Company, Rockport, Texas
 - Mitchell County Utility Company, Mitchell County, Texas
 - Oklahoma Corporation Commission
 - Felt Water Development Corporation, Felt, Oklahoma
- Expert testimony before the Railroad Commission of Texas on behalf of intervenors in rate proceedings of the following gas distribution utilities:
 - Peoples Natural Gas Company, Texline, Texas
 - Flame Gas, Inc., Cross Plains, Texas
 - Cross Plains Gas Company, Cross Plains, Texas
- Determination of cost-based gas transportation rate for service under §311 of the Natural Gas Policy Act, including submission of prepared testimony to the Railroad Commission of Texas, for the following gas utilities:

American Pipeline Company	DeSoto Pipeline Company, Inc.	Texas Gas Gathering Company
Amoco Gas Company	KN Energy	Webb/Duval Gatherers
Brooks Hidalgo Joint Venture	Panola/Rusk Gatherers	The Williams Companies
- Review and analysis of gas utility rate filing of Southern Union Gas Company on behalf of the City of Austin, Texas, 1981.
- Revenue requirements and rate design testimony before the Railroad Commission of Texas on behalf of Weeks Exploration, Inc. in crude oil pipeline rate complaint against Chevron Pipe Line Company.
- Expert testimony on cost allocation and rate design on behalf of Austin Independent School District in Southern Union Gas Co., Gas Utilities Docket No. 6968, Consolidated (Case settled)
- Analysis and redetermination of BTU refund methodology of Houston Pipeline Company et al., and expert testimony before Railroad Commission of Texas on behalf of complainants ARCO, Celanese, Central Power & Light, DuPont, Exxon, Houston Lighting & Power, Monsanto, Occidental Chemical, Shell, Texaco, and Union Carbide.

Oil and Gas Matters:

- Consulting expert services for Thornberry Oil Field Services, Inc., in *Thornberry v. Gulf Coast Pipeline Partners, Houston Pipeline Company and Danex Energy Company*, 2004 – Case Settled.
- Consulting expert for Chief Oil & Gas LLC in dispute with Eagle Mountain Pipeline Company, LP, 2004 – Matter Settled.
- Consulting expert for Oxy/Wiser in dispute with Mapco, Inc. over processing/transportation of natural gas liquids, 1999
- Expert report on behalf of Australian Gasfields, Ltd. (Brisbane, Australia) in arbitration of royalty dispute with Phillips Oil Company Australia and Sun Oil Export Company, 1998
- Consulting expert for ML Resources, Inc. in gas purchase contract dispute with Aquila Pipeline, 1998-99
- Expert testimony regarding damages for incremental capital and operating costs on behalf of plaintiff Western Counties Gas Company (Monahans, Texas) in breach of contract lawsuit vs. Cabot Corporation, 1986
- Expert testimony regarding value of assets and gas purchase contract in *Sesqui-Tex Gas Corporation, Ed Davenport and James R. Griffin v. City of Brady*, Texas, District Court of Brown County, Texas, 35th Judicial District, Cause No. 89-09-489, 1991.
- Technical support in *Cleavinger, et al v. Cabot Corporation*, class action lawsuit filed by irrigation farmers against Cabot Corp. (Westar Transmission) regarding restructuring of gas supplies, contracts, etc. following Cabot acquisition of Westar, 1984
- Expert testimony on behalf of EP Operating Company in *EP Operating Co. v. Sonora Exploration Corporation*, 1992.
- Negotiations with Peoples Natural Gas Company regarding disputed natural gas billing/measurement on behalf of Felt Water Development Corporation (Felt, OK), 1983

- Analysis of irrigation gas measurement/billing practices and procedures on behalf of defendant, Peoples Natural Gas Company (InterNorth) in lawsuit filed by irrigation gas customers. (Case settled), 1984.
- Technical support on behalf of Exxon Corporation in *Exxon v. United States* - litigation involving the determination of market prices for Federal income tax depletion allowance calculations, 1997.
- Consulting expert on behalf of Ergon Exploration, Inc. in *Ergon Exploration v. Texas Gas Transmission* - litigation involving contract price and redetermination, 1998.
- Technical support on behalf of Exxon Corporation in *Toon, et al. v. Exxon* - litigation involving prudent marketing standards and the determination of natural gas market value under mineral leases, 1995.
- Analysis of royalty agreements, regulations, calculations and payments on behalf of Texaco Inc. in *BHP Petroleum v. Texaco* - litigation involving payment of royalties on production from the Madden Deep Unit (Wyoming), 1998.
- Audit of natural gas royalty calculations and payments of Amoco Production Company for Morganza Field (Louisiana) in *Frey, et. al. v. Amoco*, 1988.
- Compilation and analysis of computerized historical oil production data for East Texas Field for Don Rhodes & Associates, Inc., consultants to independent producers in Railroad Commission proceeding regarding oil production allowables in East Texas Field, 1990.

Other Consulting Engagements:

- Procurement of computer hardware and software and development of analytical procedures and programs for utilization of natural gas severance tax data obtained from the Comptroller of the State of Texas, 1988 and after.
- Review and analysis of electric utility rate filing of Pedernales Electric Cooperative on behalf of Lakeway Corporation, intervenor in rate proceeding at the Public Utility Commission of Texas, 1983.
- Review and analysis of electric utility rate filing of McCullough Electric Cooperative (Brady, Texas) on behalf of Texas Mining Company, intervenor in rate proceeding at the Public Utility Commission of Texas, 1984.
- Preparation of tariffs and financial projections and expert testimony before the Texas PUC in various radiotelephone certification proceedings, 1979.
- Comprehensive analysis of utility rate structures, tariff provisions and billing practices related to the provision of electric, gas, water and sewer service to The Methodist Hospital, Houston, Texas, 1982.
- Annual calculation of utilities budgets for The Methodist Hospital (electric, gas, water/sewer) for fiscal years 1983 - 1993.
- Valuation of sanitary landfill property in *T. C. Buck Steiner, et ux. v. City of Austin*, 1988.
- Preparation of Industrial Cost Recovery System for the City of Huntsville, Texas, 1978.
- Development and implementation of mini-computer software systems for the City of Houston Wastewater Division, 1977-78.
- Review and analysis of telephone utility rate filing of San Marcos Telephone Company on behalf of the City of San Marcos, Texas, in appeal of utility to the Public Utility Commission of Texas, 1982.
- Development and implementation of various computer programs and reports for the City of Huntsville Utility Billing section, 1979.
- Development and implementation of computerized utility billing system for Apache Shores Utility Corp., Austin, 1982.
- Development and implementation of computerized client billing system and job cost system for Holford Group consulting engineers and development consultants, Austin, 1984.
- Implementation of computerized accounting systems for numerous utility and non-utility clients.

EXPERT TESTIMONY

Mr. Graves has presented expert testimony before the following regulatory authorities, legislative bodies and courts:

RAILROAD COMMISSION OF TEXAS:

1. Markham Gas Co. - Docket No. ____, 1979
2. Eagle Pass Natural Gas Co. - Docket No. 3263, 1982
3. Peoples Natural Gas Co., Texline - Docket No. ____, 1982
4. Flame Gas Inc. - Docket No. ____, 1983
5. Cross Plains Gas Co. - Docket No. ____, 1983
6. Palo Duro Pipeline v. Westar Transmission - Docket No. 4529, 1984
7. American Pipeline Company - Docket No. 6039, 1986
8. Celanese, et. al. v. Houston Pipe Line Co. - Docket No. 5848 et al., 1986
9. Southern Union Gas Company - Docket No. ____, 1988
10. Webb-Duval Gatherers - (various Gas Utilities dockets), 1988, 1991, 1994, 1997
11. Panola-Rusk Gatherers - Docket No. ____, 1991
12. Texas Gas Gathering Corp. - (various dockets), 1991, 1994, 1997, 2000
13. Brooks Hidalgo Joint Venture - Docket No. ____, 1991
14. Southwestern Gas Pipeline Company - Docket No. 8040, 1991
15. Amoco Gas Company - (various dockets), 1993, 1996
16. Complaint of Weeks Exploration Company against Chevron Pipe Line Company - Gas Utilities Docket No. 8434, 1994-95
17. Complaint of Warren NGL, Inc. against Lone Star Pipeline - Gas Utilities Docket No. ____, 1996
18. Complaint of Cities of Brenham, et al. v. Texas Southeastern Gas Company - GUD Docket No. 8749, 1998

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION (FORMERLY TEXAS WATER COMMISSION):

1. Hill Country Utility Co. (Kerrville) - Docket No. 6679, 1986
2. Windy's Water Works - Docket No. 6505, 1986
3. Hill Country Water Works Co. (San Antonio) - Docket No. 7043-R, 1986
4. Hill Country Utilities, Inc. (Austin) - Docket No. 7142-R, 1987
5. Southern Water Corporation - Docket No. 7087-M, 1987
6. Southern Sanitary Corporation - Docket No. 7088-M, 1987
7. Glenlake Water System - Docket No. 7259-R, 1987
8. Spicewood Development Corp. - Docket No. 7655-R, 1988
9. Southern Utilities, Inc. - Docket No. 7371-R, 1988
10. Hill Country Utilities, Inc. - Docket No. 7830-R, 1989
11. City of Kilgore v. City of Longview - Docket Nos. 7796-M and 7831-M, 1989
12. Spicewood Development Corp. - Docket No. 8332-R, 1990
13. Dow Chemical Company v. Brazos River Authority - Docket No. 8169-M, 1990-91
14. Complaint of Greystone Country Estates v. Hill Country Waterworks Co. - Application No. 9954-X, 1993
15. Complaint of Bayview Irrigation District No. 11 v. Cameron County Irrigation Dist. No. 6 - Docket No. 9832-M, 1993

STATE OFFICE OF ADMINISTRATIVE HEARINGS (TEXAS)

1. Request of The Texas General Land Office for stay of abandonment and for establishment of transportation rate on Panther Pipeline, Ltd. - SOAH Docket No. 455-02-3446; RRC Gas Utilities Docket No. 9291 (2002)
2. Application of Tecon Water Companies, Inc. for a rate/tariff change - TNRCC Docket Nos. 1999-0747UCR et al. (2000)

PUBLIC UTILITY COMMISSION OF TEXAS:

1. Sunbelt Utilities - Docket No. 804, 1977
2. Tarrant Utility Company - Docket No. ____, 1978
3. Tel Paging, Inc., Docket No. ____, 1979
4. Resort Utilities (Galveston) - Docket No. ____, 1980
5. Tarrant Utility Company - Docket No. ____, 1980
6. Lackland City Water Company - Docket No. ____, 1981

7. Southwest Water Services, Inc. - Docket No. 3684, 1981
8. Resort Water Services, Inc. - Docket No. 4317, 1982
9. Hill Country Utilities (Austin) - Docket No. 4347, 1982
10. Bulverde Utility - Docket No. 4805, 1982
11. Pedernales Electric Co-op - Docket No. 5109, 1982
12. Sunbelt Utilities - Docket No. 5647, 1984
13. McCullough Electric Co-op - Docket No. 3843, 1984
14. Lackland City Water Company - Docket No. 5305, 1984
15. Chacko Thomas & Associates - Docket No. 5804, 1984
16. Resort Water Services, Inc. - Docket No. 6605, 1985
16. Lake Vista Utility Co. - Docket No. 6679, 1985
17. Gateway Water Corp. - Docket No. 6039, 1985

OKLAHOMA CORPORATION COMMISSION:

1. Felt Water Development Co. - Cause No. ____ (PGA Inquiry), 1982
2. Felt Water Development Co. - Cause No. ____ (Rate Proceeding), 1983

HARRIS-GALVESTON COASTAL SUBSIDENCE DISTRICT:

1. Well permit renewal of Industrial Utilities Service, Inc., 1989

COUNTY COURT AT LAW NO. 1, TRAVIS COUNTY, TEXAS:

1. T. C. Buck Steiner, et ux. v. City of Austin - Cause No. 1313, 1988

261st JUDICIAL DISTRICT COURT OF TRAVIS COUNTY, TEXAS:

1. Sunbelt Utilities v. PUC - No. B-8252, 1978

353rd JUDICIAL DISTRICT COURT OF TRAVIS COUNTY, TEXAS:

1. Panther Pipeline, Ltd. v. Railroad Commission of Texas - Cause No. GN-304630, 2004

215th JUDICIAL DISTRICT COURT, HARRIS COUNTY, TEXAS

1. EP Operating Co. v. Sonora Exploration Corp. - Cause No. 89-12002, 1992

35th JUDICIAL DISTRICT COURT, BROWN COUNTY, TEXAS

1. Sesqui-Tex Gas Corporation, Ed Davenport & James R. Griffin v. City of Brady - Cause No. 89-09-489, 1991

UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF TEXAS, PECOS DIVISION:

1. Western Counties Gas Co. v. Cabot Corp. - No. P 86 CA-01, 1986

RÉSUMÉ OF BELSA O. POWE

**Research Associate
Willis, Graves & Associates, Inc.
8140 North Mopac Expressway
Bldg 2, Suite 250
Austin, Texas 78759
(512) 346-8240**

1997 to 2008:

Research Associate

Ms. Powe has developed expertise in research methods and techniques over the past eleven years through the completion of complex research assignments in the natural gas industry. Ms. Powe is experienced with the research and compilation of data from the Federal Energy Regulatory Commission, Railroad Commission of Texas, Texas General Land Office, Texas Comptroller of Public Accounts, and jurisdictional agencies in Alabama, Louisiana, Oklahoma and other states. Ms. Powe is skilled in the use of database and other software in support of research and general business assignments. Ms. Powe's numerous research projects have included:

- ❖ Natural Gas/Oil Well Completion and Production research related to the production and sales histories of wells located in various producing states;
- ❖ Contract Evaluation focusing on information from contract documents including parties, pricing provisions, deductions and other contract terms;
- ❖ Database Compilation and Management of pertinent information from settlement statements and contract documents. Exhibit preparation for expert reports/trial exhibits;
- ❖ Prepared area maps by reviewing and evaluating county maps, recreating the areas of interest and plotting locations of various properties.

1996 to 1997:

Office Manager

Ms. Powe has been employed with Willis, Graves & Associates since 1996. As an office manager, her responsibilities included answering multiple phone lines and managing business operations. Ms. Powe's other duties included preparing payroll, reconciliation of bank statements, preparing deposits, maintaining business records, responsible for accounts payables/receivables and preparing statements to clients.

1989-1996:

Prior to her employment with Willis, Graves & Associates, Inc., Ms. Powe was employed by the law offices of Oxford, Oxford & Gonzalez. From 1989 through 1993, she was employed as a legal secretary. From 1994 through 1996, she was employed as a business manager/bookkeeper. As a legal secretary, her duties included interviewing clients, preparing legal documents, scheduling trial dates and depositions, typing dictation and preparing files for trial. As a business manager/bookkeeper, her duties included managing business affairs which consisted of accounts payables/receivables, preparing payroll, reconciling bank statements, preparing deposits, maintaining checking and trust accounts and preparing monthly statements to clients.

1988-1989:

Prior to her employment with Oxford, Oxford & Gonzalez, Ms. Powe was employed with B.I.C. Realty. Her principal duties involved obtaining legal descriptions and identification numbers for various properties. Her duties also included preparing real estate documents, correspondence and answering multiple phone lines.

Education

Ms. Powe earned a B.B.A. from the University of Texas-Pan American at Edinburg in 1995 with a major in management. Ms. Powe is proficient in the use of POWER POINT, EXCEL, WORD, FOXPRO and WORDPERFECT applications and is experienced with HTML programming languages and applications.

During the last eleven years, Ms. Powe has assisted with the compilation of data and maintenance of records in the following particular matters:

- Amarillo National Bank v. Pioneer Natural Resources, USA - litigation involving the market value of natural gas at the lease.
- Coates, et al. v. Coastal - litigation involving the market value of natural gas as defined in a mineral lease.
- Davidson Ranch, et al. v. UPRC, et al. - litigation involving royalty payments and market value under the terms of the mineral lease.
- Exxon v. United States - multiple litigations involving the determination of market prices for Federal income tax depletion allowance calculations.
- Garza Energy Trust v. Coastal Oil & Gas, et al. - litigation involving gas and oil values under the terms of the mineral lease.
- Howell, et al. v. Texaco, Inc. et al. - royalty payment issues for processed gas.
- Lopez v. Mobil Producing Texas & New Mexico, et al. - litigation involving the marketing of natural gas under the mineral lease.
- Oklahoma Tax Commission v. Texaco Exploration and Production, Inc. - prevailing price study for statewide gas processing plants.
- Texas Osage Royalty Pool, Inc. v. Anadarko Petroleum Corporation, et al. - litigation involving the market value of oil and the treatment of natural gas under the mineral lease.
- Whitten, et al v. ChevronTexaco Corporation, et al. - litigation involving royalty payments under percentage of proceeds agreements.

RÉSUMÉ OF SUSAN M. NIELSEN

Research Associate
Willis, Graves & Assoc., Inc.
6101 West Courtyard Dr.
Suite 221
Austin, Texas 78730
(512) 346-8240

1990 to 2008

Senior Research Associate

Mrs. Nielsen has developed expertise in research methods and techniques over the past fourteen years through the completion of complex research assignments in the natural gas industry. Mrs. Nielsen has conducted research involving the collection and analysis of data maintained by Federal, State and County jurisdictional authorities relating to the production, transportation and consumption of natural gas. Mrs. Nielsen has gained comprehensive experience in survey research and interview techniques for the acquisition of data not available from public sources. Mrs. Nielsen's numerous research assignments have included:

- ❖ Natural Gas Price Analysis related to the collection of data relevant to a determination of natural gas market values in specific production or consumption areas;
- ❖ Contract Price Redetermination research related to the identification and verification of prices paid for natural gas under contracts which satisfy specific criteria;
- ❖ Natural Gas Pipeline Rate and Financial Analysis based on the collection of data from filings made by pipelines with the Federal Energy Regulatory Commission, various State Public Utility Commissions and in administrative hearings;
- ❖ Natural Gas Proration Analysis related to the administrative procedures and historical results of the establishment of natural gas production allowables by the jurisdictional agencies in various states;
- ❖ Natural Gas and Oil Well Completion and Production research related to the production and sales histories of wells located in various producing states and federal lease areas;
- ❖ Administrative Filings required by Federal and State agencies relating to the production and sale of natural gas;
- ❖ Survey Research related to the evaluation of custom and practice within the natural gas industry with respect to the use of different terms of art, accounting practices and methods of compensation.

1989 to 1990

Research Associate

Mrs. Nielsen has been employed as an Associate with Willis, Graves & Associates since 1989. Mrs. Nielsen is assigned to a variety of consulting engagements which include research support in litigation and arbitration relating to natural gas first sales contract disputes, the evaluation of pricing and take or pay issues, the evaluation of natural gas markets and market pricing trends and the completion of revenue audits to confirm the accuracy of payments for the sale of natural gas. Mrs. Nielsen is responsible for the management of an extensive natural gas price data base created and maintained by Willis, Graves & Associates. These responsibilities include the acquisition of data in a variety of file structures from public agencies in different states, the translation of the data into a uniform relational data base system, the design and implementation of analytical programs for use with the data and the completion of data analysis projects.

1987 to 1989

Prior to joining Willis, Graves & Associates Mrs. Nielsen was employed by the firm of Planmetrics, Inc. as a Research Associate. While with Planmetrics, Mrs. Nielsen performed research services in a number of assignments related to the production and sale of natural gas. These assignments included research involving records from the following agencies:

Federal Energy Regulatory Commission	Energy Information Agency
Minerals Management Service	Louisiana Office of Conservation
New Mexico Oil Conservation Commission	Oklahoma Corporation Commission
Texas Railroad Commission	Texas Comptroller of Public Accounts
Texas General Land Office	County ad valorem tax collectors
County and Parish courthouses	
Minerals Board of the Louisiana Department of Natural Resources	

1985 to 1987

Prior to joining Planmetrics, Mrs. Nielsen was employed by the firm of Enerpro, Inc. as a consultant. During her tenure with Enerpro, Mrs. Nielsen was responsible for the completion of regulatory research and administrative filings for independent producers of natural gas including Applications for Category Determinations under the Natural Gas Policy Act of 1978 and applications for New Field Designations with the Texas Railroad Commission. Mrs. Nielsen was also involved in consulting assignments related to FERC Orders 399, 456, 451 and 500. Additional assignments involved the review and organization of natural gas contracts for producer clients and the completion of monthly market surveys for the publication Natural Gas Producer Prices.

1983 to 1985

Prior to joining Enerpro, Mrs. Nielsen was employed as a Mental Health Worker by the San Marcos Treatment Center of The Brown Schools where she worked as a counselor with mentally handicapped and emotionally disturbed children.

Education

Mrs. Nielsen received her BS in Business Education in 1985 from Southwest Texas State University with a concentration in English and Business Administration. Mrs. Nielsen is proficient in the use of POWER POINT, EXCEL, DBASE, FOXPRO, LOTUS, ALLWAYS, FREELANCE, PARADOX, WORDPERFECT and WORD applications and is experienced with BASIC, COBOL and HTML programming languages as well as COREL DRAW, ILLUSTRATOR, FRONT PAGE, and PHOTOSHOP.

Publications

- ❖ Natural Gas Producer Prices; monthly periodical reporting natural gas prices, contract terms and gas sales activity, Federal Programs Advisory Service, 1985-1987
- ❖ Natural Gas Marketwire; daily wire service reporting natural gas spot market prices and contract activity, Belvoir Publications, 1987-1988



Qualifications

Mr. Bert Nuehring has over twenty-two years experience in public accounting. Mr. Nuehring has experience providing services to the government, not-for-profit and private industries. He has participated in numerous municipal, State and local governmental audit and consulting engagements.

Consulting Projects

- Financial Advisory
 - Cash Flow Forecasting
 - CDBG and HUD Compliance Training Manual
 - Enterprise Fund Rate and Cost Analysis
 - Federal Cognizant Determination Letter Special Procedures
 - Federal Compliance Eligibility, Analysis and Report Preparation
 - Illinois Department of Agriculture Technical Assistance on GAAP and Financial Statements and related Procedure Manual Development
- Illinois Office of the Comptroller (Statewide) GASB 34 Readiness
- Illinois Office of the Comptroller (Statewide) GASB 34 Implementation
- Operational Audit of the Implementation of Enforcement Programs
- Requirements Analysis and Restructuring of Long-Term Debt
- Business Process Reengineering
 - Operational Audit of the Implementation of Enforcement Programs

Representative Clients

Municipalities

- City of Berwyn*
- City of Decatur* **
- City of Springfield* **
- Village of Bensenville* **
- Village of Homewood* **
- Village of Rantoul* **
- Township of Addison
- City of Chicago
- City of East St. Louis

Special Districts

- Chicago Housing Authority
- Chicago Park District
- Chicago Transit Authority*
- Metropolitan Water Reclamation District of Greater Chicago* **
- Metra*
- Pace-Suburban Bus Division of the RTA*

School Districts

- Community High School District #155*
- School District U-46*
- Crystal Lake Community Consolidated School District No. 47* **
- Evanston/Skokie School District #65*
- Macomb Community Unit School District #185* **
- Plainfield Community Consolidated School District #202* **
- Reed-Custer Community Unit School District #255U* **
- Valley View Public Schools* **
- Woodridge School District #68* **

Higher Education

- Chicago State University*
- Governors State University*
- Moraine Valley Community College* **
- South Suburban College* **
- University of Illinois*

Counties

- Hamilton County, Ohio
- Cook County, Illinois*
- Kane County, Illinois* **
- Sangamon County, Illinois*
- Will County, Illinois* **
- St. Clair County, Illinois

State Agencies

- Department of Agriculture
- Department of Corrections
- Department of Commerce and Economic Opportunity
- Department of Human Services
- Department of Natural Resources
- Department of Public Aid
- Department of Public Health
- Department of Rehabilitation Services*
- Department of Revenue
- Department of Transportation*
- Department Workforce Development
- Illinois Finance Authority
- Educational Facilities Authority
- Emergency Management Agency*
- Environmental Protection Agency
- State Board of Education
- Department of State Police
- Student Assistance Commission*

* Federal Compliance audit performed in accordance with OMB circular A-133

** Current Recipient of GFOA or ASBO Certificate of Achievement for Excellence in Financial Reporting

Certifications

Certified Public Accountant, Illinois, Missouri, Arkansas, Ohio, Florida

Education

Wartburg College, Iowa
Bachelor of Arts in Accounting



Mr. Bert Nuehring, CPA
Executive, Public Sector Services

Professional Affiliations

American Institute of Certified Public Accountants
Association of School Business Officials – Accounting, Auditing and Budgeting Committee
Certificate of Educational Achievement – Governmental Accounting and Auditing
Government Finance Officers Association – Special Review Executive Committee
Illinois CPA Society – Governmental Executive Committee



Qualifications

Mr. Claytor joined Crowe in 1989 after fifteen years of experience with the Indiana State Board of Accounts, serving eight years as Deputy State Examiner. In that capacity, he served on the Indiana Local Government Tax Control Board and numerous state and national committees. He was responsible for audit quality of the State Board of Accounts.

Mr. Claytor is a Certified Public Accountant and an Attorney. His practice is concentrated in the area of accounting, auditing and consulting services for governmental entities and not-for-profit organizations as well as utility rate setting and financial advisory services for debt issuance for state and local units of government. He has served as financial advisor for over two billion dollars of tax-exempt and taxable securities as well as providing consulting services for refunding escrow verification and arbitrage rebate issues.

Mr. Claytor has recently joined our Chicago office and is working with various municipalities in the area performing financial advisory services.

Experience

City of South Bend, Indiana, Various FA Projects

- Acts as the primary financial advisor to the City of South Bend for various types of projects including financing for brownfield redevelopment, tax increment financing, income tax based financing and general obligation bonds. Also assists the City in water and sewer financing and planning and has assisted the City in its Long Term Control Plan for Combined Sewer Overflows with the Indiana Department of Environmental Management.

City of Indianapolis, Indiana, Department of Waterworks

- Assisted the City with the acquisition of the Indianapolis Water Company, formerly owned by a publicly traded company intending to auction off the Indianapolis water operations. The City began a process to acquire the water company under threat of condemnation. Mr. Claytor supervised the financial and information technology due diligence process, assisted with negotiations with the seller, and provided financial advisory services in connection with the bonds issued for the project. He also assisted in the selection of the private manager for the newly created City Department of Waterworks formed to operate the Water Utility. With the transaction valued at over \$700 million, this was one of the largest municipalizations ever accomplished, followed by a large privatizations done as part of the same transaction.

City of Indianapolis, Indiana, Sanitary District

- Assisted the City in negotiations with the Indiana Department of Environmental Management and the US Environmental Protection Agency in the development of the financial sections of the City's Long Term Control Plan for Combined Sewer Overflows. This effort entailed analysis of demographic and financial information to measure the rate impact to individuals in targeted portions of the service area based on various scenarios of long-term capital spending required to abate storm water event sanitary overflows.

State of Wisconsin, Division of Enterprise Technology

- Assisting the State in the design of a cost accounting, pricing and billing system for a consolidated server environment among Wisconsin state agencies. This includes defining the processes and systems necessary for budgeting, accounting, allocating costs and pricing services to be delivered and developing the policy and procedure documents to support the design and implementation. The design must support the consolidated server operations and comply with all state and Federal reimbursement rules.

Indiana Department of Local Government Finance, Indianapolis, Indiana

- Served as the project manager for a two-year project engagement to provide quality assurance services in the reassessment of real property in Lake County, Indiana. Assisted the state in the design of a property tax "circuit breaker" to mitigate the impact of reassessment on residential taxpayers. Currently assisting the DLGF with the design of a state-wide computer assisted mass appraisal system integrated with a tax and billing system.

Certifications

CPA, Indiana, Illinois, Wisconsin, Florida
Attorney at Law, Indiana

Professional Affiliations



Michael A. Claytor, CPA, JD
Public Sector Services

American Institute of Certified Public Accountants
Indiana CPA Society
American Bar Association
Indiana Bar Association (utility and governmental law sections)
Indianapolis Bar Association
Indiana Municipal Lawyers Association
National Association of Bond Lawyers
Association of Indiana Counties
Indiana Association of Cities and Towns
Government Finance Officers Association (GFOA) of the United States, Canada and the Indiana GFOA

Education

Indiana University, Indianapolis School of Law, Indianapolis, Indiana
Juris Doctorate, Cum Laude

Ball State University, Muncie, Indiana
Bachelor of Science, Accounting



Emlyn Neuman-Javornik, CPA, CFE
Senior Manager

Office Phone: 630.990.4479

E-mail: eneuman-javornik@crowechizek.com

Business Experience

2004 – Present	Crowe Chizek and Company LLC
1992 – 2004	Legislative Auditor's Office, State of Montana

Emlyn Neuman-Javornik is a senior manager in the Forensic Services Group of the Chicago office of Crowe Chizek and Company LLC. Ms. Neuman-Javornik is responsible for directing and conducting investigations predicated on allegations of misappropriation of client assets including conflicts of interest and related parties transactions. She has directed investigations for major religious organizations, state and local governments, school districts, and financial institutions. Prior to joining Crowe Chizek, Ms. Neuman-Javornik spent twelve years with the State of Montana auditing and investigating suspected fraud in state agencies including the Montana Board of Investments, Montana Department of Corrections (Medicaid), and the Department of Administration. She has extensive training and experience in investigations, white collar crime detection and prevention, and financial, compliance and internal audits. She has audited and investigated activities in all areas government and as well, manufacturing and Not-For-Profit organizations.

Ms. Neuman-Javornik has worked closely with law enforcement officials and prosecutors to gather evidence, document suspected criminal activity, including documenting related party activities, and prepare reports for prosecutorial support for governments, large non-profit organizations, and private industry. She has provided testimony in criminal proceedings in support of findings. Ms. Neuman-Javornik provides consultations and training to state and local governments, financial and compliance audit management on ethics and conflicts of interests programs and the prevention and detection of fraud.

Ms. Neuman-Javornik most recently been involved in assisting a governmental organization in determining if board members used influence to obtain positions for family members in organizations funded by the board and to determine if the board members received any personal benefit from the financial activities of a recipient organization. Others projects she has been involved with include the investigation of a 50 million USD investment in rare coins by a government agency with a political insider and providing forensic accounting services to a large local government with questioned costs and findings for recovery of approximately 1.9 billion USD.

Education

Eastern Montana College, Bachelor of Science in Accounting

Certifications

Certified Public Accountant
Certified Fraud Examiner

Professional Memberships

American Institute of Certified Public Accountants (AICPA)
Illinois Society of Certified Public Accountants
Association of Certified Fraud Examiners



**Mr. Michael J. Ciminero, CGAP
Manager, Public Sector Services**

Qualifications

Mr. Ciminero is a Manager with Crowe Chizek's Public Sector Services Group with over twelve years of government and non-profit audit, finance, and consulting experience. He brings in-depth experience in the field of accounting, assurance, and internal audit procedures and techniques.

Experience

Mr. Ciminero's client base primarily includes educational, community development, governmental membership and other nonprofit organizations. Significant responsibilities and experience include:

- Current Project Manager for internal audit, agreed-upon-procedure engagements, and other consulting projects with the Archdiocese of Chicago, Diocese of Grand Rapids, Chicago Housing Authority, University of Illinois at Chicago, Metropolitan Pier and Exposition Authority, Property Casualty Insurers Association of American, Northwestern University, Chicago Transit Authority, and Chicago Public Schools.
- Financial audits and internal control review engagements for various governmental entities, including: Archdiocese of Chicago, Northwestern University, the City of Chicago, Chicago Metropolitan Pier and Exposition Authority (MPEA), Illinois Gaming Board, Chicago Housing Authority, Chicago Public Schools, Illinois Auditor General, Chicago Park District, and Metropolitan Water Reclamation District of Chicago.
- Documentation and assessment of internal controls over all financial cycles as well as EDP specific controls for audit and other consulting engagements.
- Conducting agreed-upon procedures and other attestation engagements, consulting and financial services for governmental and nonprofit entities.
- Preparation of GAAP conversions for cash basis governmental entities who must report financial statements on a GAAP basis. Performance of final reviews of Comprehensive Annual Financial Statements (CAFR).
- Supervision of staff and engagements in delivery of services, including attestation, financial statement preparation, and financial audits and reviews.
- Assisting clients in the development of internal controls to improve efficiency and execution of business processes.

Representative Clients

Not-for-Profit

- The YMCA of the USA
- Archdiocese of Chicago
- America's Second Harvest
- Diocese of Grand Rapids, Michigan
- Property Casualty Insurers Association of America
- Metropolitan Pier and Exposition Authority
- The Resurrection Project
- Mission Investment Fund of the ELCA
- Chicago Christian Industrial League

Government and Universities

- Illinois Student Assistance Commission
- Illinois Department of Transportation
- Illinois Office of the Secretary of State
- Chicago Board of Education
- Chicago Housing Authority
- Chicago Transit Authority
- Northwestern University
- University of Illinois – Chicago
- West Aurora School District
- Illinois Gaming Board
- Illinois Department of Corrections
- Illinois Department of Commerce and Economic Opportunity
- Chicago Park District
- Roosevelt University
- City of Chicago
- Regional Transportation Authority
- Pace Suburban Bus
- Metropolitan Water Reclamation District of Chicago
- Numerous Cities, Counties, and School Districts in the State of Ohio



Mr. Michael J. Ciminero, CGAP
Manager, Public Sector Services

Professional Affiliations and Designations

Certified Government Auditing Professional (CGAP)
Institute of Internal Auditors (IIA)
Association of Certified Fraud Examiners (ACFE)
Certified Internal Auditor (CIA) Candidate
Government Finance Officers Association (GFOA)
Member of GFOA's Special Review Committee
Treasurer of the Board of Directors, Child's Play Touring Theatre (CPTT), Chicago, IL

Education

Youngstown State University, Youngstown, Ohio
Bachelor of Science, Accounting (Cum Laude)

Qualifications

Mr. Maraccini has been with the firm since he graduated in 2000. During this time, he managed several municipal and local government engagements and has prepared comprehensive annual financial reports. His consulting engagements have included preparing budgets, evaluating procedures and financial advisory services.

Consulting Engagements**Financial Advisory**

- Illinois Office of the State Comptroller
- Illinois Department of Transportation

Accounting Outsourcing

- Chicago Housing Authority
- Workforce Board of Northern Cook County

Business Process Reengineering

- Chicago Public Schools
- City of East St. Louis

Internal Control Examination

- South Suburban College

Internal Control Risk Assessment

- Action for Children

Sub recipient Monitoring

- Illinois Department of Commerce and Economic Opportunity

Representative Clients**Municipalities**

- Village of Elmwood Park
- Village of Melrose Park
- Village of Bolingbrook
- Village of Sleepy Hollow
- Village of Burnham
- Village of Bridgeview
- Village of Glendale Heights
- Village of River Grove
- City of East St. Louis
- Calumet City
- City of Litchfield
- City of Anderson, Indiana

Not-for-Profit

- Casa Central
- Community Workers of America
- Oak Park Developmental Corp.
- Special Leisure Services
- Action for Children

Counties

- Kane County

State of Illinois

- Illinois State Toll Highway Authority
- Illinois Office of the State Comptroller
- Illinois Department of Commerce and Economic Opportunity

Education

- South Suburban College* **
- Moraine Valley Community College*
- Triton College* **
- Morton College* **
- Northeastern Illinois University
- Pennoyer School District
- Evanston Skokie School District
- Southern Illinois University at Edwardsville

Special Districts

- Metra*
- Chicago Housing Authority
- Township of Orland
- Township of Addison
- Northwest Special Recreation Association
- Madison County Mass Transit District
- Metropolitan Pier and Exposition Authority
- District of Columbia parks and Recreation dept., DC

* Federal Compliance audit performed in accordance with OMB circular A-133

** Current Recipient of GFOA or ASBO Certificate of Achievement for Excellence in Financial Reporting

Certifications



**Mark Maraccini
Manager**

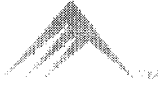
Certified Public Accountant, Illinois

Professional Affiliations

Illinois CPA Society
American Institute of Certified Public Accountants (AICPA)
Beta Alpha Psi, Accounting Club

Education

DePaul University, Chicago, Illinois
Bachelor of Arts in Accounting



Grobstein, Horwath & Company LLP
Certified Public Accountants
Member Horwath International

15233 Ventura Boulevard, Ninth Floor
Sherman Oaks, California 91403-2201
818.501.5200 Main
818.501.7040 Fax

Via email to James A. Johnson and J. Charles Parkin

August 14, 2008

James A. Johnson, Assistant City Auditor
J. Charles Parkin, Principal Deputy City Attorney
City of Long Beach
333 W. Ocean Boulevard
Long Beach, CA 90802

Re: TOPKO – Addendum re: Timeline and Billing

Dear Mr. Johnson and Mr. Parkin:

This letter amends our Proposal to Provide Review of Oil Revenues, Expenses, and Procedures of Tidelands Oil Company under its Agreements with the City of Long Beach (the “Proposal”) issued May 2, 2008 pursuant to our subsequent discussions as follows:

- **Timeline.** The original projected timeline as presented on page ten of the Proposal is modified as follows:

EVENT	PROJECTED TIMELINE
Execute Contract	August 2008 (by mid month)
Receipt of Relevant Documents	August 2008 (mid to end of month)
Planning	August – September 2008
Initial Meeting	September 2008 (mid month)
Field Work	September – December 2008
Draft Report Due	February 2009
Final Report Due	April 2009

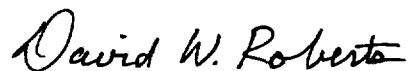
If necessary and with approval by the City, the projected timeline can be adjusted. However, the intent of the parties is to issue the final report on or before April 30, 2009.

James A. Johnson and J. Charles Parkin
City of Long Beach
Re: TOPKO – Addendum re: Timeline and Billing
August 14, 2008
Page 2 of 2

- **Monthly Billing.** Grobstein Horwath & Co. LLP (“GHC”) will provide a monthly summary invoice with progress report information in accordance with Section 1.3 of the Agreement dated July 9, 2008. Monthly summary invoices by GHC will incorporate invoices from our proposal partners, Crowe Chizek and Willis Graves & Associates. Based on the projected timeline, the first month to be billed will be August 2008. Given the City’s fiscal year end and payment cutoff of September 30th, September billings may include estimated time that will be adjusted to actual in October billings. The City will pay GHC as the contracting party in a manner that corresponds with the monthly billings. However, it is understood that \$30,000 of the total maximum fee of \$175,000 can be withheld until the final report is issued. GHC will be responsible to pay its subcontracting proposal partners, Crowe Chizek and Willis Graves & Associates.

Let me know if you have any questions.

Sincerely,



David W. Roberts, CPA, CIRA, CFE
Partner

Dwr/#380431

cc: David K. Gottlieb (via email)