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FIFTH AGREEMENT AMENDING
RECREATION PARK OIL AND GAS LEASE

7702

THIS FIFTH AGREEMENT AMENDING LEASE is made and entered into this 6th day of April, 1982, by and between the CITY OF LONG BEACH, a municipal corporation, and ALAMITOS LAND COMPANY, a California corporation, hereinafter referred to collectively as "LESSORS," and HERBELL OIL EXPLORATION COMPANY, a limited partnership, hereinafter referred to as "LESSEE."

WHEREAS, under date of September 6, 1962, City of Long Beach and Alamitos Land Company, as Lessors, and J. A. Campbell, H. H. Herder and Herbell Oil Exploration Company, a general partnership, as Lessee, entered into that certain Recreation Park Oil and Gas Lease, hereinafter referred to as the "Lease."

By assignment, dated September 6, 1962, all right, title and interest to J. A. Campbell, H. H. Herder and Herbell Oil Exploration Company, a general partnership, the Lessee in the Lease was assigned, transferred and conveyed to Herbell Oil Exploration Company, a limited partnership formed under the laws of the State of California, by a limited partnership agreement made and entered into as of the 6th day of September, 1962, and William P. Herder and H. H. Herder are now the general partners in said limited partnership.

The First Agreement Amending Recreation Park Oil and Gas Lease, dated September 15, 1969, settled certain differences among the parties.

The Second Agreement Amending Recreation Park Oil and Gas Lease, dated March 5, 1970, corrected certain inadvertent errors contained in said First Agreement Amending Recreation Park Oil and Gas Lease.

The Third Agreement Amending Recreation Park Oil and Gas Lease, dated June 10, 1971, settled certain misunderstandings in accounting for dry gas.

The Fourth Agreement Amending Recreation Park Oil and Gas Lease, dated April 27, 1979, resolved certain matters relative to a substitute for a faithful performance bond and relative to prices to be paid to LESSORS, and further provided for new development work and an allocation of costs and an apportionment of working interest with regard to such new development work; and

WHEREAS, there is a need to further amend the Lease with reference to new development work and certain other matters because of changed circumstances; and

WHEREAS, it is the desire of the parties to further amend the Lease, as amended, to provide for new development work and to provide for the allocation of costs and an apportionment of the working interest with regard to such new development work; and

WHEREAS, LESSEE wishes to assign all of its right, title and interest in and to the Lease, as further amended, to McFarland Energy, Inc. as to a certain described portion of the subject lands, and drill site lands, and all of its right, title and interest in and to the Lease, as further amended, as to the balance of the subject lands to Elliott & Ten Eyck, Ltd., and LESSORS desire to consent to and approve the making of such assignments; and

WHEREAS, this Fifth Agreement Amending Recreation Park Oil and Gas Lease has been approved by the Long Beach City Council at its meeting held on April 20, 1982, which approval is reflected in the Minute Order adopted by the Long Beach City Council on that date;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree that the Lease, as previously amended, be, and the same is hereby further amended in the following respects:

1. It is hereby agreed that as of the date of execution of this Fifth Agreement Amending Recreation Park Oil and Gas Lease by LESSORS, the Lease shall be deemed to be in full force and effect as to all of the subject lands, and as to all depths and producing horizons underlying the subject lands, and that there are no outstanding notices to cure which have been given by LESSORS to LESSEE pursuant to Paragraph 47 of the Lease and which LESSEE has failed to adequately cure.

2. Notwithstanding anything to the contrary elsewhere contained in the Lease, as amended, the Lease shall continue in full force and effect for a period of twenty-five (25) years from and after the date of execution hereof by the City of Long Beach, and for so long thereafter as oil, gas or other hydrocarbon substances are produced in paying quantities; provided, however, that in no event shall this extension of the term of the Lease be deemed to continue the Lease in effect for a period of time beyond when LESSEE is not producing oil, gas or other hydrocarbon substances in paying quantities. Nothing herein shall be deemed to prevent or preclude a subsequent extension of the term hereof if requested by LESSEE. Except as otherwise expressly provided for in this Fifth Agreement Amending Recreation Park Oil and Gas Lease, this provision shall not be deemed to modify the other provisions in the Lease, as amended, relative to early termination or partial termination in the event of default or the failure to maintain minimum production rates.

3. With respect to the provisions for abandonment and quitclaim on a well-by-well basis set forth in Paragraphs 27 and 28 of the Lease, a five (5) barrels per day of net oil limitation shall be substituted for the fifteen (15) barrels per day of net oil which is presently specified as the minimum daily production rate; provided, however, that said minimum daily production rate shall not be deemed to allow LESSEE to continue to operate any producing well which is not

then otherwise producing oil, gas or other hydrocarbon substances in paying quantities.

4. Notwithstanding anything to the contrary in the Lease, as amended, the provisions for sharing production and/or the revenues from production between LESSEE and LESSORS after deduction of royalty shall be the provisions of Paragraph 10 of the original Recreation Park Oil and Gas Lease dated September 6, 1962, without reference to any amendments thereof, subject to the specific changes set forth immediately below.

4.1 The second paragraph of Paragraph 10 commencing on line 7 of page 7 and ending on line 27 of page 7 shall be deleted in its entirety, and the following shall be substituted therefore:

"For purposes of accounting convenience in determining the working interest share attributable to each of the parties from operations on the subject lands, four separate joint accounts shall be established, which accounts shall relate to operations conducted on four different portions of the subject lands. The area of the subject lands lying generally in a northerly direction from the north border or edge of Seventh Street at its present location as reflected in maps

on file with the City of Long Beach shall constitute a North Operations Area (hereinafter "NOA"), and that portion of the subject lands lying generally in a southerly direction from the said north edge of Seventh Street shall constitute a South Operations Area (hereinafter "SOA"). All operations on and in the SOA operating area shall be subject to a 75/25 joint account. The NOA shall be further divided into three separate operating areas. The north fault block within the NOA as shown on Exhibit "A" hereto, including all zones at all depths within said area, shall constitute the NOA-North Block operating area and shall be subject to a 75/25 joint account. With respect to that portion of the NOA lying south of the NOA-North Block operating area as reflected on Exhibit "A" hereto, there shall be a NOA-South Block (Shallow) operating area which shall be subject to a 50/50 joint account, and a NOA-South Block (Deep) operating area which shall be

subject to a 75/25 joint account. The NOA-South Block (Shallow) operating area shall be deemed to be that area lying above the base of the McGrath Zone, or its stratigraphic equivalent, and the NOA-South Block (Deep) operating area shall be deemed to be that area lying below the NOA-South Block (Shallow) operating area described immediately above.

"The royalty share of all production from the subject lands shall be computed separately for each of the four operating areas as provided in Paragraphs 1, 7 and 9 hereof, after deduction of production properly consumed in operations or unavoidably lost, and shall belong and be paid or delivered to LESSORS as royalty as hereinabove provided. The remainder of all such production (hereinafter referred to as "Working Interest") shall belong to LESSEE and LESSORS jointly in proportions as follows:

- "(1) 50% to LESSEE (LESSEE's interest in each joint account is hereinafter referred to as "LESSEE's share of working interest") as to the 50/50 joint account production;
- "(2) 50% to LESSORS (LESSORS' interest in each joint account is hereinafter referred to as the "LESSORS' share of working interest") as to 50/50 joint account production;
- "(3) 75% to LESSEE as to all 75/25 joint account production;
- "(4) 25% to LESSORS as to all 75/25 joint account production.

"The gross crude oil receipts attributable to each of the four separate joint accounts shall be determined by the value and volume of crude oil produced from each of the four operating areas based upon the sum of the individual well gauges factored to each joint account, and shipped gravity shall be deemed to be wellhead gravity and shall be deemed to be

common to the three joint accounts applicable to the NOA. Likewise, shipped gravity shall be deemed to be wellhead gravity for production from the SOA. In the event any well on the subject lands is completed in a manner so as to produce hydrocarbons from more than one operating area, said well shall not be produced until LESSEE and LESSORS have agreed upon a formula allocating production from said well between the the operating areas.

"Similarly, the gross receipts from the sales of gas and gasoline shall be allocated to each of the four separate joint accounts based upon the sum of the individual well gas meter readings factored to each joint account. Well head gas content shall be deemed to be lease gas content.

"Except as provided in subparagraph (g) hereinbelow, no part of LESSORS' share of working interest in the joint account production attributable to each of the four separate joint accounts shall be paid

or delivered to LESSORS until LESSEE shall have been reimbursed in full out of such account for all funds LESSEE shall theretofore have advanced to pay for lease expenditures in the operating area relating to such account from the beginning of operations to and including the date of computation of the amount due LESSORS as their share of the working interest in joint account production for such account. Except as herein below specifically provided to the contrary, LESSEE shall not be reimbursed for expenses incurred for or in connection with one joint account from any of the other joint accounts, but shall be reimbursed exclusively from joint account production attributable to that account.

"In the event LESSEE deeper drills an existing well hereunder in a manner which is designed to test any potential producing horizons located within the NOA-South Block (Deep) operating area, and if said well is not completed as a producing well within the NOA-South

Block (Deep) operating area, but is plugged back and re-drilled and completed as a producing well within the NOA-South Block (Shallow) operating area, LESSEE shall be entitled to recoup an amount equal to the amount for re-drilling and completing the well to the productive horizon(s) within the NOA-South Block (Shallow) operating area from the NOA-South Block (Shallow) joint account, but LESSEE shall not be entitled to recoup from that account the amounts expended by LESSEE for or relating to deeper drilling to test potential producing horizons in the NOA-South Block (Deep) operating area. In the event LESSEE drills a new well to test any potential producing horizons located within the NOA-South Block (Deep) operating area, and if such well is not completed as a producing well within the NOA-South Block (Deep) operating area, but is plugged back and completed as a producing well within the NOA-South Block (Shallow) operating area, LESSEE

shall be entitled to recoup an amount equal to the amount for completing the well to productive horizon(s) within the NOA-South Block (Shallow) operating area from the NOA-South Block (Shallow) joint account, but LESSEE shall not be entitled to recoup any of the drilling costs associated with such well from that account; all drilling costs for such well shall be charged to and recouped from the NOA-South Block (Deep) joint account. LESSEE's right to charge such costs to the NOA-South Block (Shallow) joint account as provided for above shall be subject to the further limitation that such costs be recouped from only one-half of the amounts attributable to that account so that the cash flow to LESSORS from the account will not be reduced below one-half of the amount which would otherwise be attributable to LESSORS if such redrilling and/or completion costs had not been charged to that account. If such a well is completed as a producing well (initially) only in

producing horizons lying within the NOA-South Block (Deep) operating area so that shallower producing horizons within the NOA-South Block (Shallow) operating area will remain behind pipe to potentially be completed at a later time, all amounts attributable to such initial drilling or deeper drilling and completion shall be recouped from the NOA-South Block (Deep) joint account."

4.2 The Lease, as amended, provides for a joint account which is designated as the "50/50 joint account." Said account shall be merged into and consolidated with the joint account applicable to the NOA-South Block (shallow) operating area as established in this Fifth Agreement Amending Recreation Park Oil And Gas Lease. Similarly, the Lease, as amended, provides for a joint account which is designated as the "75/25 joint account." Said account shall be merged into and consolidated with the joint account applicable to the NOA-North Block operating area as established in this Fifth Agreement Amending Recreation Park Oil and Gas Lease.

4.3 With respect to Item 10 of subparagraph (c) of paragraph 10 appearing on page 9 of the Lease between lines 29 and 31, that provision shall be deleted in its entirety and the following substituted therefore:

"Any expenditures relative to obtaining any drill site not located on the subject lands; provided, however, that expenditures relating to the drilling and completion of wells drilled from a surface location on other lands and bottomed in the subject lands or any portion thereof, including any overriding royalty up to a maximum of two and one-half percent of one hundred percent of the gross production from such well or wells which LESSEE is obligated to and does pay for the right to use such drill site for the drilling and operation of wells bottomed in the subject lands, shall be expenditures which shall be charged to the appropriate joint account."

5. The Accounting Procedure attached to the Lease as Exhibit "C," as amended, provides for an allocation of certain expenses between joint accounts on the basis of the volume of production attributable to each such joint account. That same method of allocation with respect to those certain expenses shall be applicable to the four separate joint accounts provided for herein, and said Accounting Procedure, as amended, shall be deemed further amended to provide for an allocation of

expenses on that identical basis between the four separate joint accounts provided for in this Fifth Agreement Amending Recreation Park Oil And Gas Lease in lieu of the joint accounts presently referred to in said Accounting Procedure, as amended.

6. With respect to each new producing zone which is proved to be capable of producing oil, gas or other hydrocarbon substances in paying quantities at any time after the execution hereof by LESSORS, LESSEE shall be required, as a minimum development obligation, to drill one well for each ten acres or major part thereof then subject to the Lease for each such new producing zone above 8,500 feet beneath the earth's surface, and one well for each twenty acres or major part thereof for each such new producing zone below 8,500 feet beneath the earth's surface. The time for commencing said development obligation shall commence upon the discovery of each new producing zone within any operating area on the subject lands by completion of a well capable of producing oil, gas or other hydrocarbon substances in paying quantities from such producing zone. Thereafter, LESSEE shall diligently commence to develop each separate newly-discovered producing zone by continuing to drill with at least one string of tools, working with reasonable diligence, and allowing not more than six months between the completion or abandonment of one and the commencement of operations for the next, until the subject lands have been developed as described above. A well which is completed in more than one producing zone shall constitute a

development well for each such producing zone. It is agreed that these development requirements are minimum development requirements only, and that LESSEE shall, in any event, drill and complete whatever additional wells which may be necessary from time to time to conform to the generally-accepted well spacing in the field and to otherwise provide for the most effective development of the subject lands for the production of hydrocarbons from all newly-discovered producing zones remaining subject to the Lease; provided, however, that LESSEE shall not have the right, nor shall LESSEE have any obligation whatsoever, under any circumstances, to drill any well in any part of the subject lands at any time from and after September 6, 2002. Nothing herein contained shall prevent LESSEE from quitclaiming to LESSORS all or a part or portion of the subject lands or any producing zone or horizon therein as otherwise provided in the Lease, as amended.

7. Any other provision of the lease, as amended, notwithstanding, the parties hereby agree that with respect to each existing producing horizon and each newly discovered producing horizon, in the event LESSEE fails to develop the property by drilling as provided for herein, LESSEE shall not be obligated to quitclaim any part of such producing horizon(s) to LESSORS unless and until LESSEE receives a written demand from LESSORS for the same. Within one hundred and twenty (120) days after receipt of a written demand for the quitclaim of the undrilled portion of any producing horizon, LESSEE shall, at

LESSEE'S sole election, either quitclaim such undrilled portion of the producing horizon to LESSORS, or shall commence and thereafter diligently prosecute the drilling of wells to such producing horizon in the manner provided for herein until such producing horizon is fully developed, or until LESSEE elects to cease further drilling and quitclaim the then remaining undrilled portion of such producing horizon to LESSORS.

8. Those provisions of Paragraph 30 of the LEASE requiring prior written approval of LESSORS for the drilling of wells bottomed on the subject lands from a drill site not located on the subject lands shall be deemed eliminated. LESSEE shall be entitled to use such an off-site drill site for the drilling of portions of the subject lands, without obtaining the prior approval of LESSORS, and all costs associated with such drilling shall be charged to the appropriate joint account in the manner hereinabove provided.

9. The phrase in Paragraph 48 of the LEASE that "after the expiration of twenty (20) years from the after the date hereof" which appears on Lines 16 and 17 of Page 38 shall be deleted in its entirety and replaced with the phrase "from and after September 6, 2002."

10. Any other provision of the Lease, as amended, notwithstanding, the parties hereby agree that LESSEE shall not be liable for so-called "windfall profits" taxes or any other similar excise tax or tax measured against income which is attributable to the LESSORS' royalty share and/or carried

working interest share of production (or monetary equivalent) under the Lease, as amended.

11. LESSORS' right to use and occupy and to grant leases or licenses to others to use and occupy drill site lands and requisite portions of the subsurface of the subject lands for the purpose of drilling and developing for oil and gas purposes other adjacent or nearby lands shall be subject to the further limitations that such right not unreasonably interfere with LESSEE's existing or proposed operations, and that such right shall not be granted without obtaining the prior written consent of LESSEE, which consent shall not be unreasonably withheld.

12. The provisions hereof are intended to be severable, and if any provision or a part of any provision hereof is held to be invalid for any reason, the remainder shall not be affected by such invalidity.

13. LESSORS, and each of them, hereby approve and consent to an assignment of all of Herbell Oil Exploration Company's right, title and interest in and to the Lease, as amended, with respect to the drill site lands and that portion of the subject lands lying north of the north boundary of Seventh Street and referred to herein as the NOA to McFarland Energy, Inc., in the form attached hereto as Exhibit "B", provided that such assignment is made effective and placed of record on or before December 31, 1982. Likewise, LESSORS, and each of them, hereby approve and consent to an assignment of

all of Herbell Oil Exploration Company's right, title and interest in and to the Lease, as amended, with respect to that portion of the subject lands lying south of the north boundary of Seventh Street and referred to herein as the SOA to Elliott & Ten Eyck, Ltd., in the form attached hereto as Exhibit "C", provided that such assignment is made effective on or before December 31, 1982. If said assignments, or either of them, are made effective prior to December 31, 1982, Herbell Oil Exploration Company shall be relieved of all further obligation, responsibility and liability under the Lease, as amended, with respect to that portion of the subject lands covered by the assignment(s) arising from and after the effective date of such assignment(s), but shall remain fully responsible for any liability accruing prior to the effective date thereof. Such assignments, if made, shall not be deemed to increase, modify or otherwise alter the drilling obligations of LESSEE under the Lease, as amended, in any respect whatsoever. The default or other failure to comply with any of the covenants, terms and conditions of the Lease, as amended, by the assignee of a portion of the subject lands shall affect the Lease, as amended, only insofar as it covers that portion of the subject lands assigned and transferred to such assignee, and not otherwise. This approval and consent by LESSORS shall not be deemed a waiver, modification, amendment or other alteration of the terms and provisions of Paragraph 53 of the Lease, and shall constitute nothing other than a consent of

LESSORS to the two assignments specifically provided for herein.

14. Except as expressly provided herein, the Lease, as previously amended, shall remain in full force and effect.

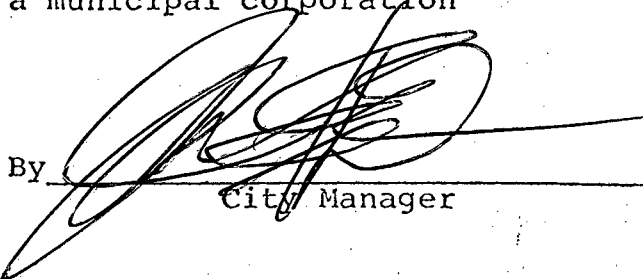
IN WITNESS WHEREOF the parties hereto have executed this Fifth Agreement Amending Recreation Park Oil and Gas Lease as of the day and year first herein written.

LESSORS

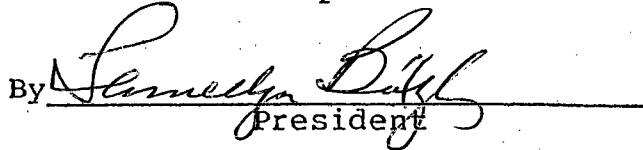
Approved as to form this
26th day of April, 1982
by Robert W. Parkin,
City Attorney

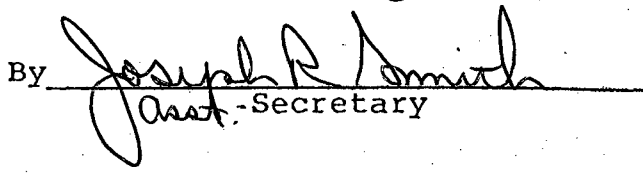
By 
Deputy

CITY OF LONG BEACH,
a municipal corporation

By 
City Manager

ALAMITOS LAND COMPANY,
a California corporation

By 
President

By 
Asst. Secretary

LESSEE

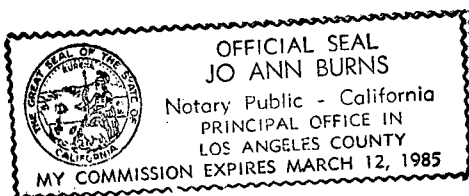
HERBELL OIL EXPLORATION COMPANY,
a limited partnership

By 
General Partner

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On APR 26 1982, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared JOHN E. DEVER known to me to be the City Manager of the CITY OF LONG BEACH, the municipal corporation that executed the within instrument, known to me to be the person who executed the within instrument on behalf of the CITY OF LONG BEACH and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal.



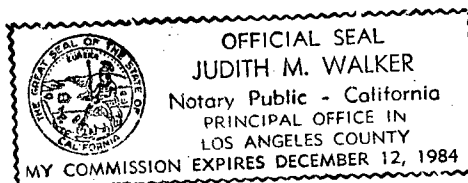
Jo Ann Burns
Notary Public of the State
of California

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On April 22, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared Lowellyn Bishop known to me to be the President, and JOSEPH R. SMITH known to me to be the ~~asst.~~ Secretary of ALAMITOS LAND COMPANY, known to me to be the persons who executed the within instrument on behalf of ALAMITOS LAND COMPANY, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Judith M. Walker
Notary Public of the State
of California

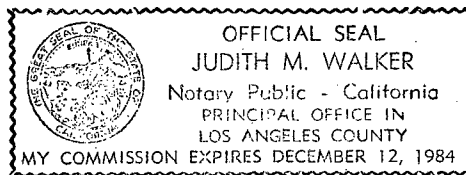


STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On April 22, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared William P. Herder known to me to be the general partner of HERBELL OIL EXPLORATION COMPANY, a limited partnership, and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

Judith M. Walker
Notary Public of the State
of California



GERALD DESMOND
CITY ATTORNEY OF LONG BEACH
600 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE HE 6-9041

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PARCEL NO. 2:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

The West five (5) acres of Farm Lot #193 of said Alamitos Tract; acreage estimated to street centers;

PARCEL NO. 3:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

The West ten (10) acres of Farm Lot #194 of said Tract, but excepting therefrom any portion thereof, conveyed to Pacific Electric Railway, a corporation, by deed recorded in Book 1929, page 47, of Deeds, Records of said County; acreage estimated to street centers;

PARCEL NO. 4:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

That portion of Farm Lot #215, of said Tract lying North of the right of way of the Pacific Electric Railway;

PARCEL NO. 5:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

The South 275' of the North 305' of the West 300' of Farm Lot #216, of said Tract.

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EXHIBIT "2"

DRILL SITE LANDS

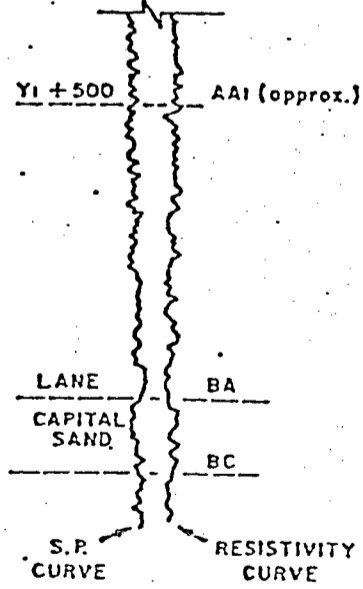
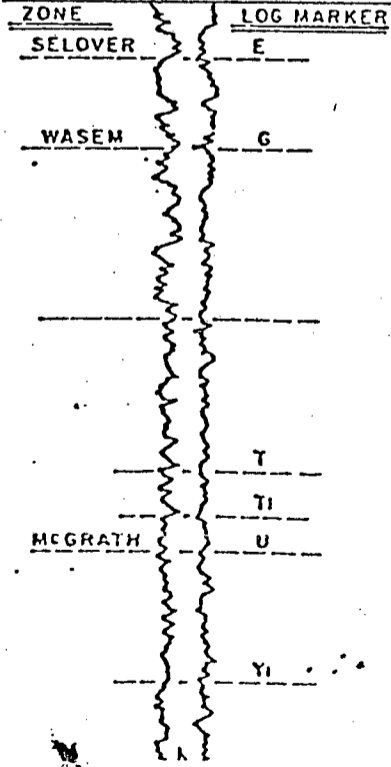
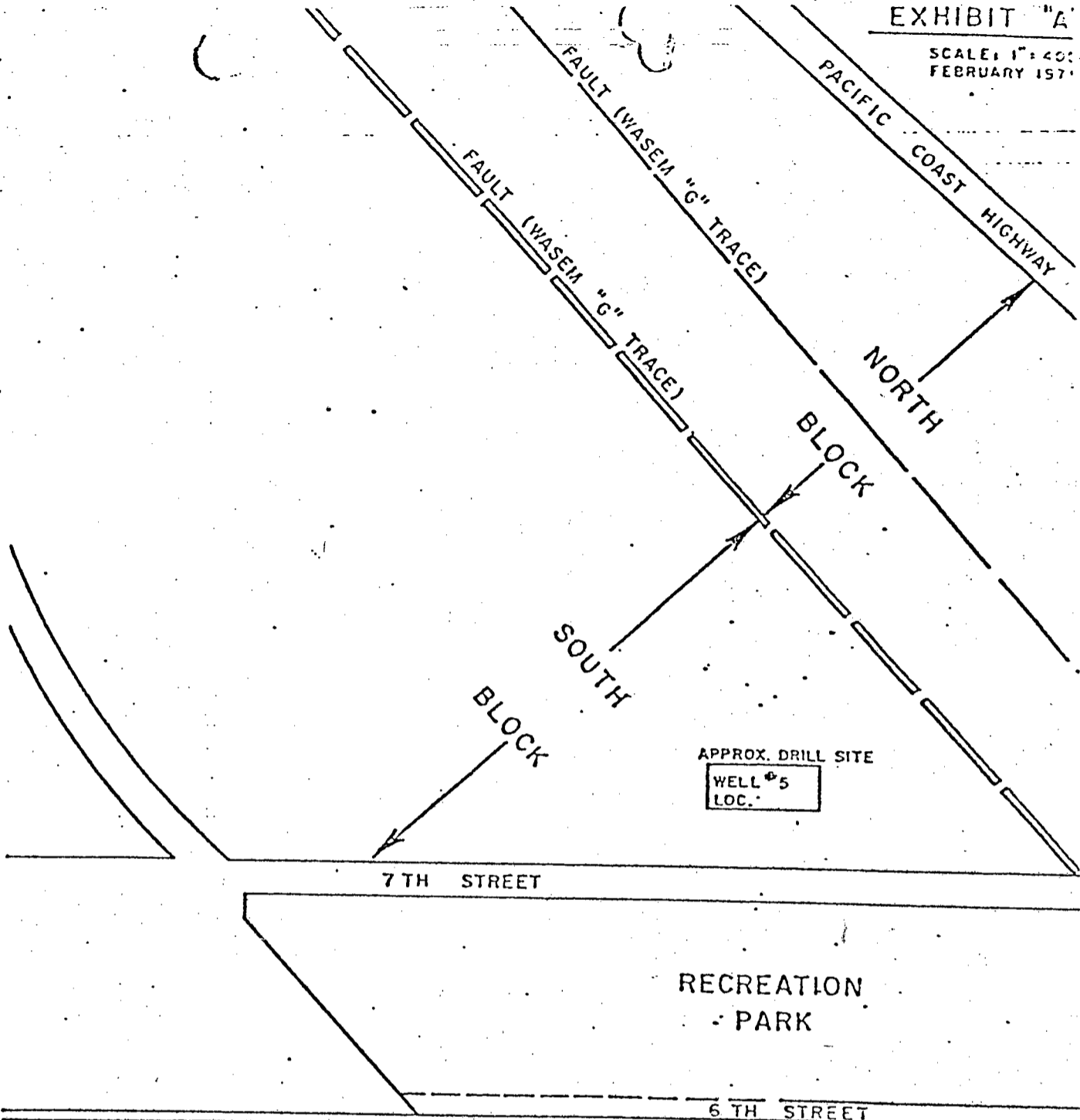
That portion of Lot A, Tract No. 5884, in the City of Long Beach, County of Los Angeles, State of California, as per map recorded in Book 62, page 38 of Maps in the office of the County Recorder of said County, more particularly described as follows:

Beginning at the southeast corner of Block 131 of the Alamitos Tract as shown on said map; thence South 43° 53' 45" East, 41.63 feet, along the westerly line of said Tract No. 5884, to the centerline of Seventh Street; thence North 89° 59' 29" East, 1506.08 feet, along the centerline of the public thoroughfare known as Seventh Street; thence North 0° 00' 31" West, 190 feet, at right angles to last said centerline, to the true point of beginning of this description; thence continuing North 0° 00' 31" West, 150.00 feet; thence North 89° 59' 29" East, 290.40 feet; thence South 0° 00' 31" East, 150.00 feet; thence South 89° 59' 29" West, 290.40 feet to the true point of beginning.

GERALD DEKORING
CITY ATTORNEY OF LONG BEACH
600 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE HE 6-9041

EXHIBIT "A"

SCALE: 1" = 400'
FEBRUARY 1979



SEAL BEACH FIELD - TYPE LOG
SCALE 1" = 500'
FEBRUARY 1979

EXHIBIT A

ASSIGNMENT AND CONSENT

RE RECREATION PARK OIL AND GAS LEASE--McFARLAND ENERGY, INC.

THIS ASSIGNMENT AND CONSENT RE RECREATION PARK OIL AND GAS LEASE is entered into by and between HERBELL OIL EXPLORATION COMPANY (hereinafter "ASSIGNOR"), McFARLAND ENERGY, INC.

(hereinafter "ASSIGNEE") and the CITY OF LONG BEACH, a municipal corporation, and ALAMITOS LAND COMPANY, a California corporation (hereinafter collectively referred to as "LESSORS").

WHEREAS, ASSIGNOR'S predecessor in interest, as party Lessee, and LESSORS entered into an oil and gas lease dated September 6, 1962 granting (i) subsurface mineral rights on and under those lands described on Exhibit "1" attached hereto and made a part hereof (said lands are hereinafter referred to as the "subject lands"), (ii) surface rights for the purpose of conducting drilling and producing operations on a parcel located within the subject lands and described on Exhibit "2" attached hereto and made a part hereof (hereinafter the "drill site lands"), and (iii) all necessary surface and subsurface easements and rights-of-way across the subject lands; and

WHEREAS, ASSIGNOR and LESSORS have previously entered into five separate agreements, each one amending certain terms

and provisions of said oil and gas lease dated September 6, 1962 (which lease, as amended, is hereinafter referred to the "LEASE"); and

WHEREAS, ASSIGNOR wishes to assign to ASSIGNEE all of ASSIGNOR'S right, title and interest in and to the LEASE with respect to (i) the drill site lands, (ii) all of that portion of the subject lands lying in a northerly direction from the north border or edge of Seventh Street at its present location as reflected in maps on file with the City of Long Beach, and (iii) all necessary surface and subsurface easements and rights-of-way across the subject lands (said lands which ASSIGNOR desires to assign to ASSIGNEE are hereinafter collectively referred to as the "NORTH OPERATIONS AREA"), subject to the terms and conditions below; and

WHEREAS, ASSIGNEE wishes to accept such assignment, subject to the terms and conditions below; and

WHEREAS, LESSORS wish to consent to and approve such assignment, subject to the terms and conditions below; and

WHEREAS, ASSIGNOR has obtained all necessary approvals and is duly authorized to assign the NORTH OPERATIONS AREA to ASSIGNEE;

NOW, THEREFORE, for and in consideration of one dollar (\$1) and other good and valuable consideration, the receipt and

sufficiency of which are hereby acknowledged, ASSIGNOR does hereby bargain, sell, transfer, assign and convey to ASSIGNEE the following:

A. All of ASSIGNOR'S right, title and interest in and to the LEASE, as to all depths and producing horizons underlying the same, with respect to the NORTH OPERATIONS AREA as identified above.

B. All of ASSIGNOR'S right, title and interest in and to the easements, permits, contracts and rights-of-way situated upon or used or useful or held for future use in connection with the exploration, development or operation of the NORTH OPERATIONS AREA; together with all of ASSIGNOR'S right, title and interest in and to all the wells, casing, tubing, well heads, gauges, pipes, pumps, valves, tanks and other equipment, facilities and improvements located on the drill site lands.

For purposes of accounting for production and costs of production, the assignment of interests set forth above shall be deemed to be effective retroactively as of 7:00 a.m., Pacific Standard Time, on April 1, 1982 (hereinafter the "Accounting Date"). Accurate books and records shall be maintained and tanks shall be gauged and meter readings taken at the Accounting Date to the full and complete extent necessary for purposes of accounting for all production and related costs as between ASSIGNOR and ASSIGNEE. All production and all related costs and obligations incurred (as determined on an accrual basis) prior to

the Accounting Date shall belong to and be the responsibility of ASSIGNOR, and all production and all related costs and obligations incurred (as determined on an accrual basis) after the Accounting Date shall belong to and be the responsibility of ASSIGNEE. For purposes of assumption of liability, other than the liability for those certain costs expressly provided for above, the assignment of interests set forth above shall be deemed to be effective as of 7:00 a.m., Pacific Standard Time, on the day immediately following the date of delivery by ASSIGNOR to ASSIGNEE of this ASSIGNMENT AND CONSENT executed by all of the other parties and the acceptance hereof by ASSIGNEE, which delivery and acceptance is reflected on the signature page hereto (hereinafter the "Effective Date").

This assignment shall be subject to the following terms and conditions:

1. ASSIGNEE agrees, as of the Effective Date, to fully comply with and be bound by all the terms and provisions of the LEASE; provided, however, that, except as otherwise expressly set forth herein, ASSIGNEE shall have no responsibility whatsoever for any liability accruing under or with respect to the LEASE prior to the Effective Date.

2. ASSIGNOR makes no warranty of title with respect to the land hereby assigned to ASSIGNEE, but ASSIGNOR does warrant and represent to ASSIGNEE that: (a) the rights and interests conveyed to ASSIGNEE by this instrument are free and clear of all liens, charges and encumbrances created by ASSIGNOR; (b) ASSIGNOR

has the right to make the transfer and conveyance effectuated by this instrument; (c) no default or defaults now exist or have been declared under or with respect to the LEASE; and, (d) the LEASE is now in good standing and is in full force and effect.

3. LESSORS make no warranty of title to the land and interests hereby assigned to ASSIGNEE, but LESSORS, and each of them, do represent and warrant that: (a) they have no knowledge of any claims or potential claims adverse to LESSORS' rights and interests in and to the NORTH OPERATIONS AREA, or any part thereof, which would or may have any adverse effect on the rights and interests of the lessee under and pursuant to the LEASE; (b) they have no knowledge of any claims or potential claims adverse to ASSIGNOR'S interest in the land, equipment, improvements and facilities hereby assigned to ASSIGNEE; (c) they have not previously consented to or approved any assignment or partial assignment or sublease of or to the LEASE; and (d) they have no knowledge of any existing defaults under or pursuant to the LEASE.

4. Within two and one-half (2-1/2) years from and after the Effective Date, ASSIGNEE shall commence and thereafter diligently prosecute the drilling of a well or the deeper drilling of an existing well to a depth sufficient to test the Lane-Capital Zone, or a total well bore depth of 9,000 feet, whichever is the lesser (hereinafter "Target Depth"), within the NORTH OPERATIONS AREA on the subject lands. ASSIGNEE'S

obligation to conduct such drilling shall be subject to the provisions of Paragraph 23 of the LEASE, and subject to the further provisions set forth below.

4.1 The parties hereto recognize that it may be necessary for ASSIGNEE to obtain various permits and other governmental approvals relative to such drilling or redrilling, and ASSIGNEE shall be obligated to make timely application for all permits and other governmental approvals so that in the normal course of events, each such permit and other governmental approval would be obtained in sufficient time to enable ASSIGNEE to commence such drilling or redrilling to Target Depth within the 2-1/2 year period hereinabove provided. However, if ASSIGNEE makes timely application for all necessary permits and other governmental approvals but is unable to obtain one or more permits or other governmental approvals in time to allow for the commencement of drilling or redrilling to Target Depth within said 2-1/2 year period, then such 2-1/2 year period will be extended for so long, and only for so long as ASSIGNEE diligently makes every reasonable effort to obtain all necessary permits and other governmental approvals and upon receipt of the same, promptly commences and thereafter diligently prosecutes such drilling or redrilling to Target Depth as hereinabove provided. If ASSIGNEE, despite the exercise of best efforts, is ultimately unable to obtain all

necessary permits and other governmental approvals, then ASSIGNEE shall be under no obligation to drill to Target Depth as hereinabove provided.

4.2 In the event ASSIGNEE encounters mechanical difficulties, impenetrable substances or other circumstances which in ASSIGNEE'S opinion indicate that further attempts to continue with such drilling or redrilling would be fruitless and not in accordance with good oil field practice, ASSIGNEE may plug and abandon such well, or plug back and complete or re-complete such well within a shallower producing zone or zones, and ASSIGNEE shall be under no further obligation to conduct additional drilling to satisfy the drilling obligations provided for in this Paragraph 4.

5. The parties recognize that in the event of ASSIGNEE'S failure to drill within the time, and in the manner provided in Paragraph 4 herein, that LESSORS' damages are incapable of being reasonably calculated or determined, and in the event ASSIGNEE fails to drill within the time, and in the manner provided for in Paragraph 4 herein, and is not otherwise excused therefrom, then ASSIGNEE shall pay the sum of One Hundred Thousand Dollars (\$100,000) to LESSORS as liquidated damages for the failure to conduct such drilling. The monetary damages provided for in this Paragraph 5 shall be the sole and exclusive liability of ASSIGNEE for any failure to conduct such drilling.

6. ASSIGNEE shall assume responsibility for the bond or "in lieu" security device provided for in Paragraph 59 of the LEASE.

7. Except as set forth in Paragraph 4 above, this assignment to ASSIGNEE as to a part only of the subject lands will not be deemed to alter or increase any drilling or development obligations with respect to the lands hereby assigned; provided, however, that the provisions of the LEASE which require that each newly discovered producing horizon be expeditiously developed using one string of tools and allowing no more than six months to elapse between the completion or abandonment of one well and the commencement of drilling of the next shall apply separately to the NORTH OPERATIONS AREA without regard to any drilling which may take place within those portions of the subject lands not assigned to ASSIGNEE.

8. LESSORS, and each of them, hereby ratify the LEASE and consent to and approve the assignment provided for herein.

IN WITNESS WHEREOF, this ASSIGNMENT AND CONSENT RE RECREATION PARK OIL AND GAS LEASE has been executed by each of

the parties on the date set forth opposite their respective signatures below.

ASSIGNOR

HERBELL OIL EXPLORATION COMPANY,
a limited partnership

DATED: _____

By _____
General Partner

ASSIGNEE

McFARLAND ENERGY, INC.

This ASSIGNMENT AND CONSENT,
executed by all of the other
parties, is delivered to
and accepted by McFARLAND
ENERGY, INC. this ____ day of
_____, 1982

By _____
President

By _____
Secretary

LESSORS

CITY OF LONG BEACH,
a municipal corporation

Approved as to form this
____ day of April, 1982
by Robert W. Parkin,
City Attorney

By _____
City Manager

By _____
Deputy

ALAMITOS LAND COMPANY,
a California corporation

By _____
President

By _____
Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ known to me to be the general partner of HERBELL OIL EXPLORATION COMPANY, a limited partnership, and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

Notary Public of the State
of California

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ known to me to be the President, and _____ known to me to be the Secretary of McFARLAND ENERGY, INC., known to me to be the persons who executed the within instrument on behalf of McFARLAND ENERGY, INC., and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public of the State
of California

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ known to me to be the City Manager of the CITY OF LONG BEACH, the municipal corporation that executed the within instrument, known to me to be the person who executed the within instrument on behalf of the CITY OF LONG BEACH and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal.

Notary Public of the State
of California

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ known to me to be the President, and _____ known to me to be the Secretary of ALAMITOS LAND COMPANY, known to me to be the persons who executed the within instrument on behalf of ALAMITOS LAND COMPANY, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public of the State
of California

EXHIBIT "1"

SUBJECT LANDS

PARCEL NO. 1:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as follows:

Beginning at the Northeast corner of Farm Lot No. 81, of said Alamitos Tract; thence East along the Southerly side of Anaheim Road 2670.92' more or less, to its intersection with the Northeasterly line of said Alamitos Tract; thence South $48^{\circ} 33' 30''$ East along said Northeasterly line 1564.97' more or less to its intersection with the West line of Santiago Avenue; thence South along said west line of Santiago Avenue 2195.27' more or less to the North line of Sixth Street; thence West along said North line of Sixth Street 990.66' to a point; thence South $30'$ to the Northerly line of Farm Lot #193 of said Alamitos Tract; thence West along the Northerly line of Farm Lots #193 and #194 of said Alamitos Tract 1096.31' more or less to its intersection with the Westerly line of the right of way formerly owned by the Pacific Electric Railway; thence North $43^{\circ} 53' 45''$ West along the Westerly line of said right of way 713.60' more or less to its intersection with the East line of Santa Fe Avenue; thence North along said East line 68.51' to the Northwest corner of Farm Lot #187 of said Alamitos Tract; thence North $43^{\circ} 53' 45''$ West 149.13' more or less, to the Southeast corner of Farm Lot #131 of said Alamitos Tract; thence West 65.92' more or less to the Westerly line of the said right of way; thence North $43^{\circ} 53' 45''$ West 293.54' along the Westerly line of said right of way to a point; thence continuing along said right of way along a curve concave to the right with a radius of 1480.19' and the bearing of whose tangent at the point of beginning is North $43^{\circ} 53' 45''$ West 508' more or less, to its intersection with the Northerly line of said Farm Lot #131; thence West 34.45' to the Southeast corner of Farm Lot #127 of said Alamitos Tract; thence North along the Easterly line of said Farm Lot #127 83.23' more or less to its intersection with the continuation of said curve heretofore described; thence continuing along said curve along the Westerly line of said right of way 58.52'; thence North $18^{\circ} 28' 45''$ West along the Westerly line of said right of way 518.73' to its intersection with the South line of Tenth Street; thence East 50.08' to the Northeast corner of Farm Lot #127 of said Alamitos Tract; thence North $18^{\circ} 28' 45''$ West along the Easterly line of Farm Lots #82 and #81 of said Alamitos Tract 1381.43' more or less to the point of beginning;

GERALD DESMOND
CITY ATTORNEY OF LONG BEACH
600 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE HE 8-9041

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EXHIBIT "2"

DRILL SITE LANDS

That portion of Lot A, Tract No. 5884, in the City of Long Beach, County of Los Angeles, State of California, as per map recorded in Book 62, page 38 of Maps in the office of the County Recorder of said County, more particularly described as follows:

Beginning at the southeast corner of Block 131 of the Alamitos Tract as shown on said map; thence South $43^{\circ} 53' 45''$ East, 41.63 feet, along the westerly line of said Tract No. 5884, to the centerline of Seventh Street; thence North $89^{\circ} 59' 29''$ East, 1506.08 feet, along the centerline of the public thoroughfare known as Seventh Street; thence North $0^{\circ} 00' 31''$ West, 190 feet, at right angles to last said centerline, to the true point of beginning of this description; thence continuing North $0^{\circ} 00' 31''$ West, 150.00 feet; thence North $89^{\circ} 59' 29''$ East, 290.40 feet; thence South $0^{\circ} 00' 31''$ East, 150.00 feet; thence South $89^{\circ} 59' 29''$ West, 290.40 feet to the true point of beginning.

CITY ATTORNEY
CITY ATTORNEY OF LONG BEACH
500 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE ME 6-9041

GERALD DESMOND
CITY ATTORNEY OF LONG BEACH
800 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE HE 6-9041

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PARCEL NO. 2:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

The West five (5) acres of Farm Lot #193 of said Alamitos Tract; acreage estimated to street centers;

PARCEL NO. 3:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

The West ten (10) acres of Farm Lot #194 of said Tract, but excepting therefrom any portion thereof, conveyed to Pacific Electric Railway, a corporation, by deed recorded in Book 1929, page 47, of Deeds, Records of said County; acreage estimated to street centers;

PARCEL NO. 4:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

That portion of Farm Lot #215, of said Tract lying North of the right of way of the Pacific Electric Railway;

PARCEL NO. 5:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as:

The South 275' of the North 305' of the West 300' of Farm Lot #216, of said Tract.

EXHIBIT "2"

DRILL SITE LANDS

That portion of Lot A, Tract No. 5884, in the City of Long Beach, County of Los Angeles, State of California, as per map recorded in Book 62, page 38 of Maps in the office of the County Recorder of said County, more particularly described as follows:

Beginning at the southeast corner of Block 131 of the Alamitos Tract as shown on said map; thence South $43^{\circ} 53' 45''$ East, 41.63 feet, along the westerly line of said Tract No. 5884, to the centerline of Seventh Street; thence North $89^{\circ} 59' 29''$ East, 1506.08 feet, along the centerline of the public thoroughfare known as Seventh Street; thence North $0^{\circ} 00' 31''$ West, 190 feet, at right angles to last said centerline, to the true point of beginning of this description; thence continuing North $0^{\circ} 00' 31''$ West, 150.00 feet; thence North $89^{\circ} 59' 29''$ East, 290.40 feet; thence South $0^{\circ} 00' 31''$ East, 150.00 feet; thence South $89^{\circ} 59' 29''$ West, 290.40 feet to the true point of beginning.

GERALD DESCHAMPS
CITY ATTORNEY OF LONG BEACH
600 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE ME 8-9041

EXHIBIT "1"

SUBJECT LANDS

PARCEL NO. 1:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as follows:

Beginning at the Northeast corner of Farm Lot No. 81, of said Alamitos Tract; thence East along the Southerly side of Anaheim Road 2670.92' more or less, to its intersection with the Northeasterly line of said Alamitos Tract; thence South $48^{\circ} 33' 30''$ East along said Northeasterly line 1564.97' more or less to its intersection with the West line of Santiago Avenue; thence South along said west line of Santiago Avenue 2195.27' more or less to the North line of Sixth Street; thence West along said North line of Sixth Street 990.66' to a point; thence South 30' to the Northerly line of Farm Lot #193 of said Alamitos Tract; thence West along the Northerly line of Farm Lots #193 and #194 of said Alamitos Tract 1096.31' more or less to its intersection with the Westerly line of the right of way formerly owned by the Pacific Electric Railway; thence North $43^{\circ} 53' 45''$ West along the Westerly line of said right of way 713.60' more or less to its intersection with the East line of Santa Fe Avenue; thence North along said East line 68.51' to the Northwest corner of Farm Lot #187 of said Alamitos Tract; thence North $43^{\circ} 53' 45''$ West 149.13' more or less, to the Southeast corner of Farm Lot #131 of said Alamitos Tract; thence West 65.92' more or less to the Westerly line of the said right of way; thence North $43^{\circ} 53' 45''$ West 293.54' along the Westerly line of said right of way to a point; thence continuing along said right of way along a curve concave to the right with a radius of 1480.19' and the bearing of whose tangent at the point of beginning is North $43^{\circ} 53' 45''$ West 508' more or less, to its intersection with the Northerly line of said Farm Lot #131; thence West 34.45' to the Southeast corner of Farm Lot #127 of said Alamitos Tract; thence North along the Easterly line of said Farm Lot #127 83.23' more or less to its intersection with the continuation of said curve heretofore described; thence continuing along said curve along the Westerly line of said right of way 58.52'; thence North $18^{\circ} 28' 45''$ West along the Westerly line of said right of way 518.73' to its intersection with the South line of Tenth Street; thence East 50.08' to the Northeast corner of Farm Lot #127 of said Alamitos Tract; thence North $18^{\circ} 28' 45''$ West along the Easterly line of Farm Lots #82 and #81 of said Alamitos Tract 1381.43' more or less to the point of beginning;

GERALD DESMOND
CITY ATTORNEY OF LONG BEACH
600 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE HE 6-9041

EXHIBIT "1"

SUBJECT LANDS

PARCEL NO. 1:

That portion of the Alamitos Tract, as per map recorded in Book 36, pages 37 et seq., Miscellaneous Records of Los Angeles County, more particularly described as follows:

Beginning at the Northeast corner of Farm Lot No. 81, of said Alamitos Tract; thence East along the Southerly side of Anaheim Road 2670.92' more or less, to its intersection with the Northeasterly line of said Alamitos Tract; thence South $48^{\circ} 33' 30''$ East along said Northeasterly line 1564.97' more or less to its intersection with the West line of Santiago Avenue; thence South along said west line of Santiago Avenue 2195.27' more or less to the North line of Sixth Street; thence West along said North line of Sixth Street 990.66' to a point; thence South 30' to the Northerly line of Farm Lot #193 of said Alamitos Tract; thence West along the Northerly line of Farm Lots #193 and #194 of said Alamitos Tract 1096.31' more or less to its intersection with the Westerly line of the right of way formerly owned by the Pacific Electric Railway; thence North $43^{\circ} 53' 45''$ West along the Westerly line of said right of way 713.60' more or less to its intersection with the East line of Santa Fe Avenue; thence North along said East line 68.51' to the Northwest corner of Farm Lot #187 of said Alamitos Tract; thence North $43^{\circ} 53' 45''$ West 149.13' more or less, to the Southeast corner of Farm Lot #131 of said Alamitos Tract; thence West 65.92' more or less to the Westerly line of the said right of way; thence North $43^{\circ} 53' 45''$ West 293.54' along the Westerly line of said right of way to a point; thence continuing along said right of way along a curve concave to the right with a radius of 1480.19' and the bearing of whose tangent at the point of beginning is North $43^{\circ} 53' 45''$ West 508' more or less, to its intersection with the Northerly line of said Farm Lot #131; thence West 34.45' to the Southeast corner of Farm Lot #127 of said Alamitos Tract; thence North along the Easterly line of said Farm Lot #127 83.23' more or less to its intersection with the continuation of said curve heretofore described; thence continuing along said curve along the Westerly line of said right of way 58.52'; thence North $18^{\circ} 28' 45''$ West along the Westerly line of said right of way 518.73' to its intersection with the South line of Tenth Street; thence East 50.08' to the Northeast corner of Farm Lot #127 of said Alamitos Tract; thence North $18^{\circ} 28' 45''$ West along the Easterly line of Farm Lots #82 and #81 of said Alamitos Tract 1381.43' more or less to the point of beginning;

GERALD DESMOND
CITY ATTORNEY OF LONG BEACH
300 CITY HALL
LONG BEACH 2, CALIFORNIA
TELEPHONE HE 6-9041

1 PARCEL NO. 2:

2 That portion of the Alamitos Tract, as per map
3 recorded in Book 36, pages 37 et seq., Miscellaneous
4 Records of Los Angeles County, more particularly de-
5 scribed as:

6 The West five (5) acres of Farm Lot #193 of said
7 Alamitos Tract; acreage estimated to street centers;

8 PARCEL NO. 3:

9 That portion of the Alamitos Tract, as per map
10 recorded in Book 36, pages 37 et seq., Miscellaneous
11 Records of Los Angeles County, more particularly de-
12 scribed as:

13 The West ten (10) acres of Farm Lot #194 of said
14 Tract, but excepting therefrom any portion thereof,
15 conveyed to Pacific Electric Railway, a corporation,
16 by deed recorded in Book 1929, page 47, of Deeds,
17 Records of said County; acreage estimated to street
18 centers;

19 PARCEL NO. 4:

20 That portion of the Alamitos Tract, as per map
21 recorded in Book 36, pages 37 et seq., Miscellaneous
22 Records of Los Angeles County, more particularly de-
23 scribed as:

24 That portion of Farm Lot #215, of said Tract
25 lying North of the right of way of the Pacific Elec-
26 tric Railway;

27 PARCEL NO. 5:

28 That portion of the Alamitos Tract, as per map
29 recorded in Book 36, pages 37 et seq., Miscellaneous
30 Records of Los Angeles County, more particularly de-
31 scribed as:

32 The South 275' of the North 305' of the West
300' of Farm Lot #216, of said Tract.

1 respect to (i) all of that portion of the subject lands lying
2 in a southerly direction from the north border or edge of Seventh
3 Street at its present location as reflected in maps on file with
4 the City of Long Beach, and (ii) all necessary surface and sub-
5 surface easements and rights-of-way across the subject lands
6 (said lands which ASSIGNOR desires to assign to ASSIGNEE are
7 hereinafter collectively referred to as the "SOUTH OPERATIONS
8 AREA"), subject to the terms and conditions below; and

9 WHEREAS, ASSIGNEE wishes to accept such assignment,
10 subject to the terms and conditions below; and

11 WHEREAS, LESSORS wish to consent to and approve such
12 assignment, subject to the terms and conditions below; and

13 WHEREAS, ASSIGNOR has obtained all necessary approvals
14 and is duly authorized to assign the SOUTH OPERATIONS AREA to
15 ASSIGNEE:

16 NOW, THEREFORE, for and in consideration of one dollar
17 (\$1) and other good and valuable consideration, the receipt and
18 sufficiency of which are hereby acknowledged, ASSIGNOR does
19 hereby bargain, sell, transfer, assign and convey to ASSIGNEE
20 the following:

21 A. All of ASSIGNOR'S right, title and interest in and
22 to the LEASE, as to all depths and producing horizons underlying
23 the same, with respect to the SOUTH OPERATIONS AREA as identified
24 above.

25 B. All of ASSIGNOR'S right, title and interest in and
26 to the easements, permits, contracts and rights-of-way situated
27 upon or used or useful or held for future use in connection with
28 the exploration, development or operation of the SOUTH OPERATIONS

1 AREA.

2 The assignment of interests set forth above shall be
3 deemed to be effective as of 7:00 a.m., Pacific Standard Time, on
4 the day immediately following the execution and delivery hereof
5 by ASSIGNOR to ASSIGNEE (hereinafter the "Effective Date").

6 This assignment shall be subject to the following terms
7 and conditions:

8 1. ASSIGNEE agrees, as of the Effective Date, to
9 fully comply with and be bound by all the terms and provisions of
10 the LEASE, as amended; provided, however, that ASSIGNEE shall
11 have no responsibility whatsoever for any liability accruing
12 under or with respect to the LEASE prior to the Effective Date.

13 2. ASSIGNOR makes no warranty of title with respect
14 to the land hereby assigned to ASSIGNEE, but ASSIGNOR does warrant
15 and represent to ASSIGNEE that: (a) the rights and interests
16 conveyed to ASSIGNEE by this instrument are free and clear of all
17 rights, liens, charges and encumbrances created by ASSIGNOR (b)
18 ASSIGNOR has the right to make the transfer and conveyance
19 effectuated by this instrument; (c) no default or defaults now
20 exist or have been declared under or with respect to the LEASE;
21 and (d) the LEASE is now in good standing and is in full force
22 and effect.

23 3. LESSORS make no warranty of title to the land and
24 interests hereby assigned to ASSIGNEE, but LESSORS, and each of
25 them, do represent and warrant that: (a) they have no knowledge
26 of any claims or potential claims adverse to LESSORS' rights and
27 interests in and to the SOUTH OPERATIONS AREA, or any part there-
28 of, which would or may have any adverse effect on the rights and

1 interests of the lessee under and pursuant to the LEASE; (b) they
2 have no knowledge of any claims or potential claims adverse to
3 ASSIGNOR'S interest in the land, equipment, improvements and
4 facilities hereby assigned to ASSIGNEE: (c) they have not pre-
5 viously consented to or approved any assignment or partial assign-
6 ment or sublease of or to the LEASE; and (d) they have no know-
7 ledge of any existing defaults under or pursuant to the LEASE.

8 4. Within two and one-half (2-1/2) years from and
9 after the Effective Date, ASSIGNEE shall commence and thereafter
10 diligently prosecute the drilling of a well to a depth sufficient
11 to test the Lane Capital Zone, or a total well bore depth of
12 9,000 feet, whichever is the lesser (hereinafter "Target Depth"),
13 within the SOUTH OPERATIONS AREA on the subject lands. ASSIGNEE'S
14 obligation to conduct such drilling shall be subject to the
15 provisions of Paragraph 23 of the LEASE, and subject to the
16 further provisions set forth below.

17 4.1 The parties hereto recognize that it may be
18 necessary for ASSIGNEE to obtain various permits and other govern-
19 mental approvals relative to such drilling or redrilling, and
20 ASSIGNEE shall be obligated to make timely application for all
21 permits and other governmental approvals so that in the normal
22 course of events, each such permit and other governmental appro-
23 val would be obtained in sufficient time to enable ASSIGNEE to
24 commence such drilling or redrilling to Target Depth within the
25 2-1/2 year period hereinabove provided. However, if ASSIGNEE
26 makes timely application for all necessary permits and other
27 governmental approvals but is unable to obtain one or more per-
28 mits or other governmental approvals in time to allow for the

1 commencement of drilling or re-drilling to Target Depth within
2 said 2-1/2 year period, then such 2-1/2 year period will be ex-
3 tended for so long, and only for so long as ASSIGNEE diligently
4 makes every reasonable effort to obtain all necessary permits
5 and other governmental approvals and upon receipt of the same,
6 promptly commences and thereafter diligently prosecutes such
7 drilling or re-drilling to Target Depth as hereinabove provided.
8 If ASSIGNEE, despite the exercise of best efforts, is ultimately
9 unable to obtain all necessary permits and other governmental
10 approvals, then ASSIGNEE shall be under no obligation to drill
11 to Target Depth as hereinabove provided.

12 4.2 In the event ASSIGNEE encounters mechanical
13 difficulties, impenetrable substances or other circumstances
14 which in ASSIGNEE'S opinion indicate that further attempts to
15 continue with such drilling or re-drilling would be fruitless
16 and not in accordance with good oil field practice, ASSIGNEE may
17 plug and abandon such well, or plug back and complete or re-com-
18 plete such well within a shallower producing zone or zones, and
19 ASSIGNEE shall be under no further obligation to conduct addi-
20 tional drilling to satisfy the drilling obligations provided
21 for in this Paragraph 4.

22 5. As expenditures allowed to be charged to the ap-
23 propriate joint account pursuant to Paragraph 4.3 of the Fifth
24 Agreement Amending the Lease being executed substantially contem-
25 poraneously with this Assignment, Assignee shall be entitled to
26 charge a portion of the Site Preparation Costs for Assignee's
27 drill site located off of the subject lands (called the "Remote
28 Drill Site"). Site Preparation Costs for the Remote Drill Site

1 shall be deemed to be those expenditures heretofore or
2 hereafter made which are of a nature to benefit generally
3 all wells drilled from the Remote Drill Site as opposed to
4 those expenditures made to benefit individual wells. As
5 examples of such costs, and not by way of limitation, Site
6 Preparation Costs include, but are not limited to, grading
7 the Remote Drill Site, packing gravel on the Remote Drill
8 Site, installation of electrical services to the Remote
9 Drill Site, installation of systems for transporting oil,
10 gas and other hydrocarbons from the Remote Drill Site,
11 installation of walls and gates around the Remote Drill Site
12 and similar expenditures of general benefit to the Remote
13 Drill Site. The portion of such expenditures for Site
14 Preparation Costs to be charged to each well commenced to be
15 drilled to an objective in the SOUTH OPERATIONS AREA from
16 the Remote Drill Site shall be the sum of \$30,000 for each
17 well (not in excess of a total of 6 wells) regardless of
18 whether or not a completion should be attempted as a producing
19 well.

20 6. All production of oil, gas and other hydrocarbons
21 obtained from the SOUTH OPERATIONS AREA shall be segregated
22 from production from other wells located on the Remote Drill
23 Site by a gathering and storage system so that production from
24 the SOUTH OPERATIONS AREA may be gauged and metered separately
25 from such other production. All of the cost of such separate
26 gathering and storage system shall be a charge to the
27 appropriate joint account pursuant to Paragraph 4.3 of said Fifth

28 ///

1 Agreement Amending the Lease. For a period of 90 days following
2 completion of a well bottomed under the SOUTH OPERATIONS AREA,
3 Assignee shall have the right to mingle production from such well,
4 with other production from wells drilled from the Remote Drill
5 Site while Assignee determines whether the attempted completion
6 shall have been commercially successful. During such period,
7 Assignee shall take such steps as shall be reasonably requested
8 by Lessors, and in any event in accordance with good oil field
9 practices, to measure adequately the production from the SOUTH
10 OPERATIONS AREA.

11 7. Except as set forth in Paragraph 4 above, this
12 assignment to ASSIGNEE as to a part only of the subject lands
13 will not be deemed to alter or increase any drilling or develop-
14 ment obligations with respect to the lands hereby assigned; pro-
15 vided, however, that the provisions of the LEASE which require
16 that each newly discovered producing horizon be expeditiously
17 developed using one string of tools and allowing no more than six
18 months to elapse between the completion or abandonment of one
19 well and the commencement of drilling of the next shall apply
20 separately to the SOUTH OPERATIONS AREA without regard to any
21 drilling which may take place within those portions of the subject
22 lands not assigned to ASSIGNEE.

23 8. LESSORS, and each of them, hereby ratify the LEASE
24 and consent to and approve the assignment provided for herein.

25 IN WITNESS WHEREOF, this ASSIGNMENT AND CONSENT RE
26 RECREATION PARK OIL AND GAS LEASE has been executed by each of
27 the parties on the date set forth opposite their respective
28 signatures below.

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ASSIGNOR

HERBELL OIL EXPLORATION COMPANY,
a limited partnership

DATED: _____

BY: _____
General Partner

ASSIGNEE

ELLIOTT & TEN EYCK, LTD.

DATED: _____

BY: _____
Daniel W. Elliott, Jr.

By: _____
Warren E. Ten Eyck

LESSORS

CITY OF LONG BEACH,
a municipal corporation

DATED: _____

BY: _____
City Manager

ALAMITOS LAND COMPANY,
a California corporation

DATED: _____

BY: _____
President

BY: _____
Secretary