

FIRST AMENDMENT TO AGREEMENT FOR USE OF LONG BEACH UNIT  
FACILITIES FOR PRC 186 PRODUCTION

29103

This First Amendment to the Agreement for Use of Long Beach Unit Facilities for PRC 186 Production entered into by and between Oxy Long Beach, Inc., a Delaware Corporation ("OLBI") and the City of Long Beach, a municipal corporation ("City"), in its capacity as Unit Operator for the Long Beach Unit ("Unit") and executed on April 14, 2005 (the "Agreement") is made and entered into this 30<sup>TH</sup> day of JANUARY 2008 (the "First Amendment"). These entities will be collectively referred to as the "Parties."

RECITALS

The purpose of this First Amendment is to clarify and set forth the revised obligations of the Parties hereto pursuant to the Agreement. Except for those provisions of the Agreement that are expressly modified herein, the Agreement shall remain in full force and effect.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

1. The Agreement and this First Amendment allow for the development, including drilling, production and injection, of all zones of PRC 186 (the "Lease"). The development program for the Lease shall include a maximum of twenty five (25) wells. Notwithstanding the foregoing, OLBI has no obligation to drill any wells. Additionally, if OLBI requests, the development program may be expanded to allow for the drilling of additional wells but only upon written approval of the City.

2. Lease Line Injection: Drilling costs, completion costs, operating costs and all other costs associated with Unit Lease Line Injection Wells which were drilled since the execution of the Agreement shall be evenly divided between the Unit and the Lease. The allocation of drilling costs, completion costs, operating costs and all other costs associated with Unit Lease Line Injection Wells, which are drilled after the execution of this Amendment, shall be determined by mutual agreement between the two parties

A Unit Lease Line Injection Well is:

- i) any Unit injection well(s) that, when drilled, does not have an existing Unit producer located between it and the lease line or

- ii) any Unit peripheral injection well(s) that will benefit both the Lease and the Unit

At the time of the signing of this agreement, one lease line injection well has been identified.

The City shall have an annual right to perform a "true-up" to ensure that the allocation was appropriate. This "true-up" will be performed concurrently with the "true-up" of the Monthly Fee, set forth in paragraph 1 of the Agreement.

3. This paragraph shall replace Paragraph 8 of the Agreement in its entirety:

Priority: In the event of limitations on facility capacity, the Unit shall have priority of use including but not limited to rigs, injection and water handling capacity, personnel, and any Unit facilities required for Unit Operations. Any Unit well bay or Unit well will be released by Long Beach Unit Voting Parties, in writing, prior to use by OLB for the Lease.

Notwithstanding the foregoing, the City can determine to shut in a Unit well rather than a Lease well during periods where there are facility capacity limitations. In the event that a Unit well is shut in, OLB shall pay the Unit a monthly keep-whole payment for the deferred production. The monthly keep-whole payment shall be determined using the methodology attached hereto in Exhibit "E." A monthly keep-whole payment will not be required for any given month if either of the following criteria are met:

1. Less than three shut in well-days have been incurred for the month, or
2. The cumulative number of shut in well-days from 6/1/2005 to the end of the given month is less than 180 days

A shut in well-day is defined as any day or fraction thereof that one or more economically productive Unit wells have been shut in for the purpose of accommodating Belmont production when capacity limitations exist.

4. This paragraph shall replace Paragraph 18 of the Agreement in its entirety:

Modifications: This Agreement shall not be modified unless in writing and signed by the Parties.

5. At the time of the signing of this agreement, the Long Beach Unit ("LBU") Voting Parties has released 16 well slots to the Lease. This paragraph will replace paragraph 2 of the Agreement in its entirety:


Well Fee:

- a. (all cellars excluding cellars 200-400) OLBI shall pay the Unit thirty thousand dollars (\$30,000) for each well slot that is released by determination and approved by the LBU Voting Parties.
- b. (200-400 cellars) OLBI shall pay the Unit one hundred thousand dollars (\$100,000) for each well slot that is released by determination and approved by the LBU Voting Parties. The number of released well slots for the 200-400 cellars will be limited to a total of twenty (20).
- c. If the determination and approval by the LBU Voting Parties releases an existing idle well, OLBI shall be obligated for the abandonment liability associated with the well and that assumption of liability shall constitute full payment to the Unit for use of that well.

IN WITNESS WHEREOF, the Parties have caused this First Amendment be duly executed and delivered as of the date first above written.

Dated: 9.9, 2008

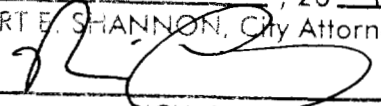
OXY LONG BEACH, INC.

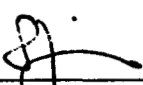
By   
\_\_\_\_\_  
Frank E. Komin  
President and General Manager

Dated: Jan 30, 2008/9

CITY OF LONG BEACH,  
a municipal corporation,  
acting in its capacity as Unit Operator  
of the Long Beach Unit

APPROVED AS TO FORM

1-21, 2009  
ROBERT E. SHANNON, City Attorney  
By   
\_\_\_\_\_  
RICHARD ANTHONY  
DEPUTY CITY ATTORNEY

Assistant City Manager  
By   
\_\_\_\_\_  
Patrick H. West  
City Manager

EXECUTED PURSUANT  
TO SECTION 301 OF  
THE CITY CHARTER.