

30308

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: November 1, 2007. The parties to this Base Contract are the following:

Coral Energy Resources, L.P. a Delaware Limited Partnership, a subsidiary of Shell Energy North America (US), L.P.
Duns Number: 01-501-4421
Contract Number: 010-NG-BS-13317
U.S. Federal Tax ID Number:

City of Long Beach, California
Duns Number: 15-685-6254
Contract Number:
U.S. Federal Tax ID Number:

Notices:
4445 Eastgate Mall, Suite 100, San Diego, CA 92121
Attn: Contract Administration
Phone: (858) 320-1500 Fax: (858) 320-1550

2400 East Spring Street, Long Beach, CA 90806
Attn: Director, Gas & Oil Department
Phone: 562.570.2001 Fax: 562.570.2008

Confirmations:
909 Fannin, Plaza Level 1, Houston, TX 77010
Attn: Contract Administration
Phone: (713) 230-7505 Fax: (713) 265-2171

2400 East Spring Street, Long Beach, CA 90806
Attn: Director, Gas & Oil Department
Phone: 562.570.2001 Fax: 562.570.2008

Invoices and Payments:
4445 Eastgate Mall, Suite 100, San Diego, CA 92121
Attn: Gas Accounting
Phone: (858) 320-1500 Fax: (858) 320-2617

2400 East Spring Street, Long Beach, CA 90806
Attn: Director, Gas & Oil Department
Phone: 562.570.2001 Fax: 562.570.2008

Wire Transfer or ACH Numbers (if applicable):
BANK: Citibank, 111 Wall Street, New York, NY 10043
ABA:
ACCT:
Other Details:

BANK: Union Bank
ABA:
ACCT:
Other Details: Long Beach Cash Concentration

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select only one box from each section:

Table with 2 columns and multiple rows containing contract sections (Section 1.2, 2.5, 2.6, 3.2, 2.26, 6, 7.2, 7.2, 7.7, 10.3.1, 10.3.2, 14.5, 14.10) and their respective options.

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

CORAL ENERGY RESOURCES, L.P.
Party Name

CITY OF LONG BEACH, CALIFORNIA
Party Name

By Edward F. Brown
Name: Edward F. Brown
Title: Vice President

By Christine J. Stuppig
Name: Patrick H. West
Title: City Manager
ASSISTANT
EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

General Terms and Conditions

Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.7. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.
- 2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.
- 2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.26. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average

of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the

date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A



Date: _____, ____
Transaction Confirmation #: _____

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:

Attn: _____
Phone: _____
Fax: _____
Base Contract No. _____
Transporter: _____
Transporter Contract Number: _____

BUYER:

Attn: _____
Phone: _____
Fax: _____
Base Contract No. _____
Transporter: _____
Transporter Contract Number: _____

Contract Price: \$ ____/MMBtu or _____

Delivery Period: Begin: _____, ____ End: _____, ____

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):

_____ MMBtus/day
 EFP

Firm (Variable Quantity):

_____ MMBtus/day Minimum
_____ MMBtus/day Maximum
subject to Section 4.2. at election of
 Buyer or Seller

Interruptible:

Up to _____ MMBtus/day

Delivery Point(s): _____

(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: _____
By: _____
Title: _____
Date: _____

Buyer: _____
By: _____
Title: _____
Date: _____

**SPECIAL PROVISIONS TO BASE CONTRACT FOR
SALE AND PURCHASE OF NATURAL GAS (FORM NAESB Standard 6.3.1)
BY AND BETWEEN CORAL ENERGY RESOURCES, L. P., AND
CITY OF LONG BEACH, CALIFORNIA
DATED NOVEMBER 1, 2007**

- 1.2** Oral Transaction Procedure:
Delete the fifth sentence, and replace with the following: “Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by the Section 1.2 (Oral Transaction Procedure); provided, however, the parties agree that with respect to any transaction having a Delivery Period of less than one Month that such transactions shall be documented by a recording of the telephone transaction and that neither party shall submit a written Transaction Confirmation. If any transaction having a Delivery Period of less than one Month is not recorded by the Confirming Party, then the Confirming Party shall, and the other party may, confirm such transaction by sending a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means. The failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties.”
- 1.4** At the end of Section 1.4, insert the following text: “For those transactions documented by telephone recordings, no such transaction shall be vitiated should a malfunction occur in equipment regularly utilized for recording transactions or retaining any recorded transactions or the operation thereof, and in such event the transaction shall be evidenced by the written and computer records of the parties concerning the transaction made contemporaneously with the telephone conversation.”
- 2.27** At the end of the sentence add the phrase: “except for those transactions having a Delivery Period of less than one Month which are documented by telephone recordings pursuant to Section 1.2.”
- 5** Add the following sentences at the end of the paragraph: “EXCEPT FOR THE OTHER PROVISIONS IN THIS SECTION 5, SELLER HEREBY NEGATES ALL EXPRESS, IMPLIED, OR STATUTORY REPRESENTATIONS AND WARRANTIES OF ANY KIND, INCLUDING THOSE RELATING TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ARISING FROM COURSE OF DEALING OR USAGE OF TRADE.”
- 7.2** Add the following as the last sentence to Section 7.2:
“As set forth in Section 14.12, payment shall be due and made only from funds available in Buyer’s Gas Revenue Fund, which operates and maintains Long Beach’s natural gas utility, and not Long Beach’s General Fund account.”
- 10.1** Delete in its entirety and replace with the following paragraph under Section 10.1: “During the term of this Contract, the parties shall be required to meet and maintain the requirements contained in the Credit Support Addendum attached hereto as Exhibit B and incorporated herein.”
- 10.2** Delete the following text from Section 10.2: “(vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii)”, and add “or (vii)”
- 10.3.1** Add the following sentence to the end of the 1st paragraph of Section 10.3.1: “If the determination pursuant to clauses (x) and (y) above of the difference between the Market Value(s) and Contract Value(s) of all the Terminated Transactions does not result in an amount being owed to the Non-Defaulting Party, it shall be deemed that such difference is zero.”
- 12** Delete the second sentence of Section 12 and replace it with the following: “The rights of either party pursuant to: (i) Section 7.6, (ii) Section 10, (iii) Section 13, (iv) Section 14.10, (v) Waiver of Jury Trial provisions (if applicable), (vi) Arbitration provisions (if applicable), (vii) the obligation to make payment hereunder, and (viii) the obligation of either party to indemnify the other pursuant hereto, shall survive the termination of the Base Contract or any transaction.”
- 14.12** Add the following as a new Section 14.12:
“Buyer’s Debt Limitations. Article XVI, Section 18 of the California Constitution provides that a city may not incur any indebtedness for any purpose in any one (1) year in excess of its income and revenue provided for that year

without the assent of two-thirds of its qualified voters, with the exception of special fund accounts. The Gas & Oil Department of Buyer is created pursuant to Article XV, Section 1500-1502 of the Long Beach City Charter, Section 1501 of that Charter provides that all revenues received from the operations of Buyer's Gas utility shall be kept in a separate "Gas Revenue Fund," which is a "special fund account" and exempt from Section 18 debt limitations. Payment for Buyer's obligations under this Agreement and any Transactions hereunder shall be made solely from Buyer's Gas Revenue Fund."

14.13

Add the following as a new Section 14.13:

"Additional Representations and Warranties. As a material inducement to entering into this Agreement, each Party, with respect to itself, hereby represents and warrants to the other Party as follows: (i) it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct its business in those jurisdictions necessary for the performance of this Agreement and any Transactions hereunder; (ii) the execution and delivery of this Agreement and any Transactions hereunder are within its power, have been duly authorized by all necessary action, and do not violate any of the terms or conditions in the governing documents or charter of such Party, any contract to which it is a party, or any applicable law, rule, or regulation of any governmental authority; (iii) as of the effective date, the performance of this Agreement and any Transactions hereunder shall be duly authorized by all necessary action of such Party; and shall not violate any of the terms or conditions in the governing documents or charter of such Party, any applicable law, rule, or regulation of any governmental authority, or any contract to which it is a party; (iv) as of the effective date, such Party shall have, and such Party shall maintain throughout the term of this Agreement and any Transactions hereunder, all regulatory authorizations necessary for it legally to perform its obligations hereunder; (v) this Agreement and any Transactions hereunder constitutes the legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, and other laws affecting creditor's rights generally, and with regard to equitable remedies, subject to the discretion of the court before which proceedings to obtain same may be pending; and (vi) there are no suits, proceedings, judgments, rulings or orders by or before any court or any governmental authority that could materially adversely affect such Party's ability to perform this Agreement and any Transactions hereunder.

In addition, Long Beach represents and warrants to Coral that it does not need to comply with the competitive bidding requirements of the Charter in connection with the execution of this Agreement and any Transactions hereunder."

INITIAL/APPROVAL

LONG BEACH	<i>cfj</i>
CORAL	<i>ETS</i>

APPROVED AS TO FORM

10/11/2007
ROBERT E. SHANNON, City Attorney

By *[Signature]*
DEPUTY CITY ATTORNEY

EXHIBIT B
TO BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS
BETWEEN
CORAL ENERGY RESOURCES, L.P. and CITY OF LONG BEACH

CREDIT SUPPORT ADDENDUM

1. Credit Terms. Defined terms used in this Credit Support Addendum ("Addendum") and not defined in the Base Contract shall have the meaning set forth in Section 6 herein.

(a) Security Threshold. As used in this Addendum, "Security Threshold" means, on any date of determination, the lowest of (i) the amount set forth in the following table based on the highest applicable Credit Rating for such Party or its Credit Support Provider, as applicable; (ii) the amount of any dollar limit contained in a guaranty provided by a Party's Credit Support Provider pursuant to this Addendum; or (iii) zero if a Material Adverse Change or an Event of Default has occurred and is continuing with respect to that Party or its Credit Support Provider, as applicable.

Party's or Credit Support Provider's Credit Rating		
Moody's	S&P	Security Threshold
A3	A-	\$30,000,000
Baa1	BBB+	\$20,000,000
Baa2	BBB	\$15,000,000
Baa3	BBB-	\$7,000,000
Ba1	BB+	\$2,500,000
Below Ba1	Below BB+	\$0

(b) Material Adverse Change. As used herein, "Material Adverse Change" means (i) the Credit Rating of a Party or its Credit Support Provider, as applicable, falls below BB+ by S&P or Ba1 by Moody's, or a Party or its Credit Support Provider, as applicable, is no longer rated by at least one of the foregoing rating agencies; or (ii) a default has occurred with respect to indebtedness for borrowed money of a Party or its Credit Support Provider, as applicable, that has resulted in an acceleration of such indebtedness in an aggregate amount in excess of its Cross Default Threshold. As used herein, "Cross-Default Threshold" means, with respect to Coral's Credit Support Provider, fifty million dollars (\$50,000,000), and with respect to Counterparty or its Credit Support Provider, as applicable, (\$50,000,000).

(c) Guaranties.

(i) Coral Guaranty. If necessary to secure the payment obligations of Coral and support its Security Threshold hereunder, Coral shall cause its Credit Support Provider, Shell Energy North America (US), L.P., to execute and deliver to Counterparty a guaranty agreement in the amount of \$10,000,000, such guaranty can be increased up to the amount of the Security Threshold. The guaranty agreement, if required, shall be in form and substance reasonably satisfactory to Counterparty and shall be executed and delivered upon the execution and delivery of the Contract.

2. Credit Requirements. If at any time, and from time to time, during the term of the Contract, the Contract Exposure for a Party (the "Providing Party") exceeds such Party's Security Threshold, then the other Party (the "Requesting Party") may request that the Providing Party provide Performance Assurance in an amount equal to the amount by which its Contract Exposure exceeds its Security Threshold. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), the Providing Party, at its sole cost, may request that the amount of Performance Assurance be reduced based upon a decrease in the Contract Exposure as calculated on such Business Day. Any Performance Assurance being provided or returned shall be delivered within one (1) Business Day of the date of such request. The amount of Performance Assurance being provided by the Providing Party shall be rounded upwards to the next multiple of two hundred and fifty thousand dollars (\$250,000), and the amount of Performance Assurance being returned by the Requesting Party shall be rounded down to the next multiple of two hundred and fifty thousand dollars (\$250,000).

3. Grant of Security Interest; Remedies. To secure its obligations under the Contract, and to the extent it delivers Performance Assurance hereunder as the Providing Party, each Party hereby grants to the Requesting Party, as secured party, a present and continuing security interest in, lien on, and right of setoff against, all Performance Assurance in the form of cash, and any and all proceeds resulting therefrom, held by or on behalf of the Requesting Party. The Providing Party agrees to take such further action as the Requesting Party may reasonably require in order to perfect, maintain, and protect the Requesting Party's security interest in such collateral. Upon the occurrence and continuance of an Event of Default with respect to the Providing Party, then, unless the Providing Party has satisfied in full all of its payment and performance obligations under the Contract that are then due, the Requesting Party may (i) exercise any of the rights and remedies of a secured party under applicable law with respect to all Performance Assurance; (ii) exercise its right of setoff against any and all Performance Assurance; (iii) draw on any Letter of Credit issued for its benefit, and (iv) liquidate all Performance Assurance then held by the Requesting Party free from any claim or right of any nature whatsoever of the Providing Party. The Requesting Party shall either apply the proceeds of the Performance Assurance realized upon exercise of such rights or remedies to reduce the Providing Party's obligations under the Contract, in such order as it elects, and the Providing Party shall remain liable for any amounts owing to the Requesting Party after such application, subject to the Requesting Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full, or hold such proceeds as collateral security for the Providing Party's obligations under the Contract.

4. Credit Events Of Default. The following events ("Credit Events") shall be additional Events of Default under Section 10.2 of the Contract and the Non-Defaulting Party shall have the right to exercise any of the remedies provided for under Section 10 of the Contract upon the occurrence of a Credit Event as provided herein:

- (i) the failure of the Defaulting Party to establish, maintain, extend or increase Performance Assurance when required pursuant to this Addendum; or
- (ii) the failure of the Defaulting Party's Credit Support Provider, if any, to perform any covenant set forth in any guaranty agreement delivered pursuant to this Addendum; or
- (iii) the failure of the Defaulting Party or its Credit Support Provider, if any, to timely provide financial information as required in this Addendum, and such failure is not remedied within thirty (30) Days after written notice of such failure is given to the Defaulting Party.

5. Financial Information. Upon request, a Party or its Credit Support Provider, as applicable, shall deliver to the other Party (i) within one hundred twenty (120) Days following the end of its fiscal year, a copy of the audited consolidated financial statements for such fiscal year certified by independent certified public accountants and (ii) within ninety (90) Days after the end of each of the first three fiscal quarters of its fiscal year, a copy of the quarterly unaudited consolidated financial statements for such fiscal quarter. In all cases, the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles or such other principles then in effect.

6. Definitions. With respect to this Addendum, the following definitions shall apply:

“Contract Exposure” means the net amount (i) determined pursuant to Section 10.3.1 of the Contract that would be payable from the Providing Party to the Requesting Party, as if an Early Termination Date had been declared pursuant to Section 10.3 of the Contract (notwithstanding whether or not an Event of Default has occurred) and all transactions had been terminated; (ii) plus the net amount of all other payments owed but not yet paid between the Parties, whether or not such amounts are then due, for performance already provided pursuant to any and all transactions conducted under the Contract; (iii) less the amount of any Performance Assurance then held by the Requesting Party.

“Coral” means Coral Energy Resources, L.P.

“Counterparty” means City of Long Beach.

“Credit Rating” means (i) with respect to a Party or its Credit Support Provider, as applicable, the lower of its long-term senior unsecured debt rating (not supported by third party credit enhancement), its underlying revenue bond rating, or its issuer credit rating by the specified rating agency, and (ii) with respect to a financial institution, the lower of its long-term senior unsecured debt rating (not supported by third party credit enhancement) or its deposit rating by the specified rating agency.

“Credit Support Provider” means a third party providing a guaranty for a Party pursuant to this Addendum. With respect to Coral, its Credit Support Provider shall be Shell Energy North America (US), L.P.

“Defaulting Party” has the meaning set forth in Section 10.2 of the Contract.

“Interest” means the interest rate to be paid by the Requesting Party should be calculated at the Federal Funds Effective Rate - the rate for that day opposite the caption "Federal Funds (Effective)" as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System. Such interest shall be calculated on the basis of the actual number of days elapsed and on the basis of a year of 360 days. Upon request, the transfer of the interest amount for each calendar month will be made on the second business day of the next calendar month.

“Letter of Credit” means one or more irrevocable, standby letters of credit from a Qualified Institution.

“Moody's” means Moody's Investors Service, Inc., or its successor.

“Non-Defaulting Party” has the meaning set forth in Section 10.2 of the Contract.

“Party” means a party to the Contract, and collectively referred to as the “Parties”.

“Performance Assurance” means collateral in the form of cash, Letters of Credit, or other security acceptable to the Requesting Party. If the collateral is in the form of cash, such cash shall be placed by the Requesting Party in a segregated, interest bearing account on deposit with a Qualified Institution and interest shall accrue to the Providing Party. The requirement to maintain a segregated escrow account shall not apply if the Requesting Party or its Credit Support Provider, as applicable, has a Credit Rating of at least A- by S&P or A3 by Moody's.

“Qualified Institution” means the domestic office of a commercial bank or trust company (which is not an affiliate of either Party) (i) organized under the laws of United States (or any state or a

political subdivision thereof), (ii) having assets of at least ten billion dollars (\$10,000,000,000), and (iii) having a Credit Rating of at least A- by S&P and at least A3 by Moody's.

"S&P" means Standard & Poor's Ratings Services (a division of McGraw-Hill, Inc.) or its successor.

7. Successors. In the event of an assignment of the Contract by Counterparty as provided therein, the provisions of this Addendum shall not be applicable to any such assignee. In such event, an assignee will be required to meet the reasonable credit requirements of Coral for the extension of unsecured credit before further deliveries of Gas are made.

COUNTERPARTY	<i>CPS</i>
CORAL	<i>ES</i>

APPROVED AS TO FORM

10/11, 2007

ROBERT E. SHANNON, City Attorney
By *[Signature]*
DEPUTY CITY ATTORNEY



CORAL ENERGY RESOURCES, L.P., a subsidiary of SHELL ENERGY NORTH AMERICA (US), L.P.

Contract ID: 010-NG-BS-13317
Contract Date: November 1, 2007
Deal Maker: Mike Davis

Endur Deal #: tbd
Nucleus Deal #: tbd
Region: West

CONFIRMATION

City of Long Beach
Attn: Director, Gas & Oil Department
2400 East Spring Street
Long Beach, CA 90806

Date: November 1, 2007
Fax: 562.570.2008
Phone: 562.570.2001

This Confirmation ("Confirmation") shall confirm and effectuate the agreement between CORAL ENERGY RESOURCES, L.P., a subsidiary of SHELL ENERGY NORTH AMERICA (US), L.P. and City of Long Beach ("Customer") regarding the purchase and sale of natural gas under the following terms.

Buyer: City of Long Beach

Seller: Coral Energy Resources, L.P.

Period of Delivery <u>Start Date - End Date</u>	Transporter/ <u>Delivery Point(s)</u>	Level of <u>Service</u>	Designated Quantity <u>(MMBtu per month)</u>	Contract Price <u>(USD Per MMBtu)</u>	Tier Level <u>Type</u>
See Below	SoCal Border	Firm	Up to the Maximum Designated Quantity	See Below	N/A

"Maximum Designated Quantity" is the estimated gas quantities required by the utility to meet its load obligations.

Designated Quantity and Contract Price:

"Month-Ahead Contract Quantity (MACQ)" means such quantity of Gas per Day each Month as Long Beach may nominate to receive from, or deliver to, Coral (which shall be a daily quantity in equal quantities each Day during the Month) for the upcoming Month no later than five Business Days prior to the last Day of the current Month. The parties may, but are not obligated to, nominate and deliver any quantity of MACQ. If Long Beach does not nominate an MACQ within the time frame set forth above, the MACQ shall be deemed to be zero for the upcoming Month.

MACQ Price: The price for the MACQ shall be a fixed price mutually agreed upon by the parties. In the absence of a mutually agreed upon fixed price, (i) if Long Beach is purchasing from Coral, the price shall be the price as reported by Natural Gas Intelligence "NGI's Bidweek Survey," "California" "SoCal Border" under the column "avg." plus \$0.025 per MMBtu for the applicable Month of delivery, and (ii) if Long Beach is selling to Coral, the price shall be the price as reported by Natural Gas Intelligence "NGI's Bidweek Survey," "California" "SoCal Border" under the column "avg." minus \$0.025 per MMBtu for the applicable Month of delivery.

"Day-Ahead Contract Quantity (DACQ)" means such quantity of Gas per Day as Long Beach may nominate to receive from, or deliver to, Coral for a particular Day, no later than 6:00 a.m. prevailing Pacific time ("PPT") on the Trading Day immediately prior to the applicable Gas flow Day(s). In the event Long Beach does not nominate the DACQ by 5:45 a.m. on the Trading Day immediately prior to the applicable Gas flow Day(s), the DACQ will be deemed to be zero. "Trading Day" and applicable Gas flow Days shall be day(s) designated in the Next Day Trading Calendar for Physical Gas published by the Intercontinental Exchange ("ICE") for the applicable calendar year.

DACQ Price: The price for the DACQ shall be a fixed price mutually agreed upon by the parties. In the absence of a mutually agreed upon fixed price, (i) if Long Beach is purchasing from Coral, the price shall be that price reported in Platt's Gas Daily "Daily price survey" under the heading "Others" "SoCal Gas", under the column "Midpoint" plus \$.025 per MMBtu for the applicable Trading Day of delivery, and (ii) if Long Beach is selling to Coral, the price shall be that price reported in Platt's Gas Daily "Daily price survey" under the heading "Others" "SoCal Gas", under the column "Midpoint" minus \$.025 per MMBtu for the applicable Trading Day of delivery.

"Intra-Day Contract Quantity (IDCQ)" means such quantity of Gas per Day as Long Beach may nominate to Coral after 5:45 a.m. PPT on the Trading Day immediately prior to the applicable Gas flow Day(s), up to 2:00 p.m. PPT during such Gas flow Day if such Day is also a Trading Day.

IDCQ Price: The price for the IDCQ shall be a fixed price mutually agreed upon by the parties.

All volumes nominated by Long Beach shall be in ratable quantities within industry standard gas scheduling and trading guidelines.

Imbalances:

Long Beach's incremental volumes used which are in excess of the Designated Quantity above or are necessary to correct an imbalance with the Transporter shall be priced at a mutually agreed upon price between the parties. In the absence of a mutually agreed upon price, such incremental volumes shall be priced at the average of the last five published Days of the applicable Month's Gas Daily, "Daily Price Survey", under the heading "Others" "SoCal Gas", "Common High" per MMBtu, excluding Days in which balancing is not allowed by the Transporter.

Long Beach's per day surplus volumes resulting from usage that is less than the Designated Quantity above or are necessary to correct an imbalance with the Transporter shall be priced and disposed of at a price that is mutually agreed upon between the parties. In the absence of a mutually agreed upon price, such surplus volumes shall be priced at the average of the last five published Days of the applicable Month's Gas Daily, "Daily Price Survey", under the heading "Others" "SoCal Gas", "Common Low" per MMBtu, excluding Days in which balancing is not allowed by the Transporter.

Period of Delivery:

As long as the Gas Services Agreement between Coral Energy Resources, L.P. and the City of Long Beach dated November 1, 2007 remains in full force and effect, the Period of Delivery shall be the first day on which said Gas Services Agreement is effective through March 31, 2009, and shall continue month to month thereafter until such Gas Services Agreement is terminated.

Transaction Procedure:

Unless otherwise specifically agreed to by the parties for a transaction, this Transaction Confirmation shall govern all transactions entered into between the parties.

CORAL ENERGY RESOURCES, L.P.

BY: Edward Brown
NAME: _____
TITLE: _____
DATE: _____

CITY OF LONG BEACH, CALIFORNIA

ASSISTANT

BY: Christine J. Shipley
NAME: Patrick H. West
TITLE: City Manager
DATE: 10/11/07

APPROVED PURSUANT
TO SECTION 901 OF
THE CITY CHARTER.

APPROVED AS TO FORM

10/11, 2007
ROBERT E. SHANNON, City Attorney
By [Signature]
DEPUTY CITY ATTORNEY