

# 30302

## GAS SERVICES AGREEMENT

Coral Energy Resources, L.P., a Delaware limited partnership ("Coral"), and the City of Long Beach, a California municipal corporation ("Long Beach"), referred to individually as a "Party" and collectively as the "Parties", enter into this Gas Services Agreement (this "Services Agreement") effective as of the 1<sup>st</sup> day of November, 2007 (the "Effective Date").

**WHEREAS**, Coral and Long Beach are currently parties to that certain Master Gas Purchase/Sale and Services Agreement dated March 12, 2006, and an effective date of April 1, 2006 (the "Master Agreement"), whereby Coral is the exclusive provider to Long Beach of a variety of natural gas-related services;

**WHEREAS**, Long Beach desires to procure natural gas from a third party, in addition to Coral, but continue to obtain a variety of natural gas-related services from Coral;

**WHEREAS**, Coral and Long Beach agreed to terminate the Master Agreement, and concurrently enter into this Services Agreement and that certain Base Contract for Sale and Purchase of Natural Gas (the "Gas Sales Agreement") pursuant to which Coral may sell and Long Beach may buy Gas (as defined in the Gas Sales Agreement).

**WHEREAS**, Long Beach desires for Coral to provide the Services (as hereinafter defined) with respect to Long Beach's purchase of Gas from both Coral and third parties and Coral is willing to provide the Services pursuant to the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the promises and of the mutual covenants hereinafter set forth, the Parties hereto covenant and agree to be legally bound as follows:

### **ARTICLE 1** **DEFINITIONS**

"Business Day" shall have the meaning set forth in the Gas Sales Agreement.

"Claims" means all claims or actions, threatened or filed, that directly or indirectly, relate to the subject matters of this Agreement, and the resulting losses, damages, expenses, attorneys' fees, experts' fees, and court costs, whether incurred by judgment, settlement, or otherwise, and whether such claims or actions are threatened or filed prior to, during, or after the termination of this Agreement.

"Day" means a period of twenty-four (24) consecutive hours beginning at 12:00 a.m., P.T., on any calendar Day.

"First of Month Price" means the price per MMBtu, in U.S. dollars, set forth in NGI's Bidweek Survey published each month under the caption "Southern Cal. Bdr. Avg.".

“Gas” means methane and other gaseous hydrocarbons meeting the quality standards and specifications of the SoCal System.

“Gas Delivery Point” means the point at which Long Beach desires to take delivery of Gas.

“Injection Quantity” means the quantity of Gas scheduled by Coral for injection into storage pursuant to Section 2, whether injected for the account of Coral or Long Beach.

“Master Services Contract” means the Master Services Contract dated February 17, 2000, between City of Long Beach and Southern California Gas Company, including Schedule A thereto (Intrastate Transmission Service) which became effective as of March 1, 2000, or as hereafter amended.

“Procure” or “Procurement” means all acts necessary or reasonable to locate, purchase, and/or contract for supply and/or Transportation, including bidding, soliciting, and reviewing bids by others, and negotiating and executing agreements.

“Service Fee” shall have the meaning set forth in Section 3.1 hereof.

“Services” shall have the meaning set forth in Section 2.1 hereof.

“SoCal” means Southern California Gas Company.

“SoCal System” means the intrastate and local distribution company Gas pipeline system owned and operated in the State of California by SoCal.

“Storage Agreement” means the most recently executed Transaction Based Storage Service Agreement between City of Long Beach and Southern California Gas Company, as hereafter amended.

“Storage Capacity” means the Gas storage capacity in storage facilities owned and operated by SoCal made available to Long Beach subject to and in accordance with the terms of the Storage Agreement, or as amended.

“Storage Schedule” means the quantities of Gas planned for monthly injection or withdrawal as set forth and identified as such on Exhibit A.

“Transporter” means the pipeline receiving Gas at the Gas Delivery Point.

“Transportation” means Gas gathering or transportation (or Gas storage related thereto) under a Transportation Agreement via an interstate or intrastate gas pipeline or local distribution company by which Gas is moved or is deemed to move.

“Transportation Agreement” means that certain Intrastate Transmission Service Agreement executed by and between Long Beach and Southern California Gas Company (“SoCal”), dated August 18, 2005, effective as of November 1, 2007, for the Transportation of Gas, as hereafter amended.

“Transportation Capacity” means the Gas transportation capacity on the SoCal System made available to Long Beach subject to and in accordance with the Master Services Contract.

“Withdrawal Quantity” means the quantity of Gas scheduled by Coral for withdrawal from storage pursuant to Section 2, whether for the account of Coral or Long Beach.

## **ARTICLE 2**

### **SERVICES AND OBLIGATIONS**

2.1 Services. Long Beach hereby retains Coral as its sole contractor, and Coral hereby agrees to so act as sole contractor to provide the following services (collectively, the “Services”):

(a) Coral’s Obligations. Coral shall administer the Transportation Agreement, together with any other Gas transportation or Gas supply agreements either Procured by Coral on behalf of Long Beach pursuant to subsection (b) below or entered into directly by Long Beach (all such agreements and the Transportation Agreement are collectively referred to herein as the “Long Beach Gas Agreements”). The administrative functions provided by Coral shall consist of:

- (1) Nomination and scheduling of Gas for transportation (and amendment of any such nomination) based on Long Beach’s instructions;
- (2) Verification and resolution of imbalances;
- (3) Receipt, verification, reconciliation, and forwarding to Long Beach of Transporter’s and any third party supplier invoices and other billings relevant to the Long Beach Gas Agreements;
- (4) Receipt and sending of notices and other correspondence relevant to the Long Beach Gas Agreements;
- (5) Compliance with notices relevant to the Long Beach Gas Agreements; provided, however, that emergency notices shall, to the extent practical, be sent directly to Long Beach and/or if received by Coral, promptly forwarded to Long Beach;
- (6) Forecasting the daily load requirements of Long Beach and balancing incremental requirements being delivered to Long Beach pursuant to the Long Beach Gas Agreements; and

Management of the Transportation Capacity, subject to and in accordance with the terms of the Master Services Contract, and the Storage Capacity, subject to and in accordance with the terms of the Storage Agreement; provided that Coral's management of the Transportation and Storage Capacity shall include, without limitation: (i) nomination and confirmation of Injection and Withdrawal Quantities (as defined in the Storage Agreement) in each case for the account of Long Beach in accordance with the terms herein; (ii) nomination and confirmation of the Daily Gas Supply Requirements (as defined in the Storage Agreement), including Withdrawal Quantities for the account of Long Beach, if any, and the Injection Quantities (if any) for the account of Long Beach to be transported each Day under the Master Services Contract; (iii) nomination and confirmation of the daily Gas transportation load of Long Beach's transportation customers on the SoCal System; (iv) nomination and confirmation of all third party sale quantities (if any) on the SoCal System; and (v) management of transportation and storage imbalances and transportation and storage imbalance trading consistent with the terms of the Master Services Contract, the Storage Agreement, and the applicable CPUC Gas tariff for the SoCal System. Subject to Coral's compliance with the terms of the Storage Agreement, the quantities of Gas injected into, and the quantities of Gas withdrawn from, storage on any Day under this Agreement shall be in the sole discretion of the Coral, provided that in no event shall the aggregate amount of Gas injected into or withdrawn from storage during a Month differ from the amounts shown on Exhibit A.

(b) Procurement of Gas Supply. Based on expected monthly and daily deliveries by third parties or when requested by Long Beach, Coral shall purchase from Long Beach or sell to Long Beach, firm gas supply. These incremental daily transactions will be executed under the Gas Sales Agreement.

2.2 Long Beach's Obligations with Respect to the Services. In order to enable Coral to perform the Services, Long Beach shall:

- (a) Provide Coral all information necessary to enable Coral to provide the Services, including but not limited to, all information necessary for (i) complying with the nominating, scheduling, balancing, load forecasting and other requirements of any Transporter and supplier of Gas to Long Beach, and (ii) minimizing scheduling, balancing, overrun, and similar penalties and charges. Such information shall include copies of all Long Beach Gas Agreements, all amendments thereto and any notices provided by or to Long Beach thereunder.
- (b) Furnish all relevant employees and/or contractors of Long Beach as needed, for consultations with Coral.
- (c) Notify all Transporters and suppliers and other relevant parties of Long Beach's retention of Coral to perform the Services.

- (d) If Long Beach needs to give an emergency notice, it will promptly notify Coral and applicable Transporter directly of the emergency so that Coral can inform upstream Transporters, if necessary.
- (e) If Long Beach receives an emergency notice from any Transporter, it will promptly notify Coral of the emergency so that Coral can inform any Transporters if necessary.

2.3 Storage for Coral's Account. Notwithstanding the preceding provisions of this Section 2, each month during the term hereof, Coral shall be entitled to utilize for its own account any portion of the Storage Capacity not then utilized for Gas in storage for the account of Long Beach. Coral shall establish procedures for accounting and reporting to Long Beach Coral's injections of Gas into, and withdrawals of Gas from, storage for the respective accounts of Coral and Long Beach during each month. Injection Quantities for the account of Coral during a month shall be deemed to have been sold by Coral to Long Beach at the First of Month Price applicable to the month of delivery. Withdrawal Quantities for the account of Coral during a month shall be deemed to have been sold by Long Beach to Coral at the same First of Month Price at which the corresponding Injection Quantity was sold by Coral to Long Beach. Except as provided hereinafter in this Section 2.3, neither Coral nor Long Beach shall be required to make any payment to the other Party in connection with any such deemed purchases or sales of Gas. In this regard, Coral shall establish and maintain a ledger that matches and offsets, on a first-in, first-out basis, all charges to Long Beach for such deemed purchases of injected Gas by Long Beach against credits for the benefit of Long Beach for such deemed sales of withdrawn Gas by Long Beach. Coral shall reimburse Long Beach for all variable storage and transportation charges invoiced by SoCal to Long Beach and allocable to injections and/or withdrawals of Gas for Coral's account. Such reimbursement shall be accomplished by netting the amount of any such reimbursement owed by Coral to Long Beach with respect to a month against the amounts owed by Long Beach to Coral hereunder for such month. Upon the expiration or termination of this Services Agreement, to the extent that Gas injected into storage for the account of Coral has not previously been withdrawn, Long Beach shall cause such Gas to be delivered to Coral.

2.4 Imbalances. Coral shall manage all transportation and storage imbalances for Long Beach. In the event that Coral breaches any obligation to provide Services hereunder, and such breach results in Long Beach incurring costs, expenses, losses or penalties ("Imbalance Charges"), then such Imbalance Charges shall be borne by and paid for by Coral; provided, however, that Long Beach shall bear and pay, or reimburse Coral if Coral has paid, all Imbalance Charges incurred by Coral with respect to imbalances relating to the transportation load of Long Beach's transportation customers or any third party sales quantities, including any quantities purchased by Long Beach from third parties. All economic gain or loss realized or suffered by Coral from any imbalance market transactions undertaken by Coral during the term of this Agreement in connection with the transportation and/or storage imbalances managed hereunder shall be for Coral's

account; provided, however, that all economic benefits (including, without limitation, refunds and credits of any kind) and burdens associated with the Transportation Capacity, the Storage Capacity, and otherwise relating to Long Beach's purchases of Gas and attributable to the periods prior to and subsequent to the term of this Agreement shall belong to, or be borne by, Long Beach.

**ARTICLE 3**  
**REIMBURSEMENT AND COMPENSATION**

- 3.1 Service Fee. Coral shall receive, as consideration for its performance of the Services, a service fee (the "Service Fee") in the amount set forth in Exhibit B, commencing immediately upon the termination of the existing Master Agreement between the parties through March 31, 2009. Commencing April 1, 2009, the Service Fee shall be in the amount of \$8,500 per month for the next 12 months. Thereafter, the Service Fee shall increase by 3 % each year beginning on April 1, 2010. As set forth in Section 10.8, payment shall be due and made only from funds available in Long Beach's Gas Revenue Fund, which operates and maintains Long Beach's natural gas utility, and not Long Beach's General Fund account.
- 3.2 Expense Reimbursement. In addition to the Service Fee, and other than the Transportation of Gas in connection with a transaction pursuant to the Gas Sales Agreement, Long Beach shall reimburse Coral for any costs and charges paid by Coral to third parties in accordance with this Services Agreement in connection with the Transportation of Gas undertaken for Long Beach's benefit hereunder. Unless Coral elects to make such payments, such costs and charges shall typically be paid directly to the Transporter by Long Beach. Such costs and charges shall include all rates, fees, cash-outs, penalties (including imbalance penalties), forfeitures, taxes (including any taxes imposed on the services hereunder and/or any sales or transactional taxes, but excluding any income taxes, franchise taxes, and taxes based on net income (including alternative minimum taxable income or net worth)), and fuel retainage charges, attributable to Transportation transactions administered and/or undertaken in accordance with this Services Agreement for Long Beach's benefit.

**ARTICLE 4**  
**TERM**

- 4.1 Term. This Services Agreement shall commence as of the Effective Date and shall remain in full force and effect through March 31, 2009, and shall continue month to month thereafter, unless terminated by either Party upon thirty (30) day's written notice to the other Party.
- 4.2 Effect of Termination. Termination of this Services Agreement shall not release or affect the Parties' respective obligations or rights hereunder with respect to the period prior to termination, including any obligation or right of indemnity with respect thereto.

**ARTICLE 5**  
**AUTHORIZED REPRESENTATIVES**

- 5.1 Notices. All communications between the Parties with respect to this Services Agreement shall be as set forth in Section 9 of the Gas Sales Agreement.

**ARTICLE 6**  
**BILLING AND PAYMENT**

- 6.1 On or about the tenth (10<sup>th</sup>) day of each month following the month in which the relevant Services were rendered, Coral shall render to Long Beach a statement, which may be based on reasonable estimates, setting forth in total all amounts due Long Beach or Coral pursuant to the provisions herein. All amounts owed by one Party to the other Party hereunder shall be offset against the amount each Party then owes, if any, to the other pursuant to the Gas Sales Agreement, so that only the Party owing the greater amount shall pay the difference to the other Party. All amounts identified in such statements as being due shall be paid to the other Party via wire transfer by the later of (i) the seventh (7<sup>th</sup>) Business Day following receipt of Coral's invoice therefor or (ii) the twenty-fifth (25<sup>th</sup>) day of the month. All amounts due hereunder shall be paid by wire transfer in accordance with the wire transfer information set forth in the Gas Sales Agreement.
- 6.2 All late payments and disputes regarding invoices shall be subject to the provisions of Article 7 of the Gas Sales Agreement.

**ARTICLE 7**  
**FORCE MAJEURE**

- 7.1 Except with regard to the Parties' obligation to make payments due under this Services Agreement, in the event either Party hereto is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Services Agreement, it is agreed that, upon such Party's giving to the other Party notice and full particulars of such force majeure as soon as practical after the discovery of the cause relied on, such notice to be promptly confirmed in writing by facsimile, then the obligations of the Party giving such notice, insofar as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period. To the extent that the power to do so is conferred under this Services Agreement, Coral shall adjust Transportation arrangements to the extent reasonably possible to accommodate any event of force majeure.
- 7.2 The term "force majeure" shall mean acts of God, strikes, lockouts, or industrial disputes or disturbances, civil disturbances, interruptions by government or court orders, necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction, acts of the public enemy, the unwillingness

of any Transporter to accept Gas for delivery or redelivery, interruption or recall of primary firm Transportation, or any other cause, whether foreseeable or not, not reasonably within the control of the Party claiming force majeure and which, by the exercise of due diligence, such Party could not have prevented or is unable to overcome by commercially reasonable actions. The Party claiming force majeure shall diligently pursue all commercially reasonable steps to limit the period of force majeure to the shortest possible time and restore normal operating conditions. It is understood that the settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty and any requirement concerning the use of due diligence in restoring normal operating conditions shall not require the settlement of strikes or lockouts.

## **ARTICLE 8**

### **DEFAULTS, REMEDIES AND TERMINATION**

8.1 Termination. This Agreement may be terminated upon the occurrence of a default by a Party in:

(a) the payment of any undisputed payment obligation under this Services Agreement and such default remains unremedied for a period of three (3) Business Days after written notice thereof being given by the non-defaulting Party; or

(b) the performance of any material covenant or agreement by such Party in this Services Agreement (other than as described in the preceding clause 8.1(a)) and such default continues unremedied for a period of five (5) Business Days after written notice thereof being given to the defaulting Party; or

(c) either Party shall (a) make an assignment or any general arrangement for the benefit of creditors, (b) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or have such petition filed against it and such proceeding remains undismissed for 30 days, (c) otherwise become bankrupt or insolvent (however evidenced), or (d) be unable to pay its debts as they fall due.

Upon the occurrence of a default under this Section 8.1, the non-defaulting Party may, at its sole option, give written notice thereof to the defaulting Party to terminate this Services Agreement.

8.2 Effect of Termination. In the event of termination of this Services Agreement, the obligations and rights of the Parties incurred hereunder prior to such termination shall continue in full force and effect until such obligations have been fulfilled.

8.3 Remedies. With respect to any defaults under this Services Agreement, the non-defaulting Party shall be entitled to all rights and remedies which the non-defaulting Party may have under law or equity, including, without limitation, the right of setoff. All rights and remedies of a Party hereto shall be cumulative, and the exercise of any such right or

remedy shall not preclude the exercise of any other right or remedy. The exercise by the non-defaulting Party of its option to terminate this Services Agreement by reason of the default of the other Party hereunder shall not release or impair the non-defaulting Party's rights and remedies with respect to such default. Neither failure nor delay by the non-defaulting Party in exercising any of its rights, powers or privileges herein shall operate as a waiver nor shall any single or partial exercise preclude any other or further exercise of any right, power or privilege of the non-defaulting Party.

- 8.4 Agreement Redetermination. At any time prior to March 31, 2009, in the event there is a (i) material change resulting in a substantial reduction in inventory or storage injection and/or withdrawal rights in the Storage Agreement or (ii) a termination or expiration of (except that in the event of an expiration of the Storage Agreement by its own terms, this Section 8.4 shall not be applicable until sixty (60) days after the day of such expiration), the Storage Agreement during the term hereof, that is not cured by a process, tariff or other form of agreement reasonably acceptable to each Party, the Parties shall negotiate in good faith to determine a mutually agreeable redetermination of the pricing provisions of the Agreement which would result in substantially the same economic benefits to the Parties as in the original Agreement and if the Parties cannot reach mutual agreement, then either Party may elect to redetermine the pricing provisions of this Agreement upon delivery of a written notice (the "Reopening Notice") to the other Party no later than 30 days after such material change or termination is known to such Party. From and after the delivery of the Reopening Notice, the Parties shall negotiate to determine a mutually agreeable redetermination of the pricing provisions of this Agreement. In the event the Parties are unable to reach mutual agreement on required changes to this Agreement within 45 days of the delivery of the Reopening Notice, then the pricing provisions shall be redetermined by binding arbitration upon written notice of either party to enter into arbitration. Within thirty (30) Days of such notice, a single arbitrator shall be appointed by the American Arbitration Association ("AAA"). The arbitrator selected shall have over eight (8) years of professional experience in the commodity futures market, shall not be an employee, former employee or agent of either party or any of their affiliates, and shall not have a direct or indirect interest in either party or the subject matter of the arbitration. All costs of the arbitrator and the arbitration proceedings shall be shared equally by the parties, provided that each party shall be responsible for its own expenses and those of its counsel or other representatives.

**ARTICLE 9**  
**INDEMNITIES / STANDARD OF PERFORMANCE AND LIMITATIONS ON**  
**LIABILITY**

- 9.1 Long Beach Indemnity. Long Beach shall remain responsible for its obligations under the Long Beach Gas Agreements and for any instructions by Long Beach to Coral relative to the Services. Except as provided in Section 9.2, Long Beach shall indemnify and hold harmless Coral and its affiliates and each of its and their respective officers, partners, directors, employees, agents, successors and assigns from and against any and all liabilities, losses, damages, claims, costs and expenses, interest, awards, judgment and

penalties (including without limitation reasonable legal fees and expenses) (collectively “Losses”) actually suffered or incurred by it or any of them and actually arising out of or resulting from (i) the Long Beach Gas Agreements not procured by Coral, and (ii) any liability relating to or arising out of Long Beach’s performance or nonperformance of its obligations hereunder.

9.2 Coral Indemnity. Coral shall indemnify and hold harmless Long Beach and its affiliates and each of its and their respective officers, partners, directors, employees, agents, successors and assigns from and against any and all Losses actually suffered or incurred by it or any of them and actually arising out of or resulting from Coral’s gross negligence or willful misconduct in the performance of the Services up to but not exceeding the limit set forth in Section 9.4(j).

9.3 **LIMITATION OF DAMAGES.** IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES OF ANY KIND OR NATURE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, OR OTHER BUSINESS INTERRUPTION DAMAGES WHETHER ARISING IN TORT, CONTRACT, STRICT LIABILITY, OR OTHERWISE ARISING FROM ANY BREACH OR DEFAULT UNDER THIS AGREEMENT OR FROM ANY ACT OR OMISSION UNDER OR IN CONNECTION WITH THIS AGREEMENT.

9.4 Service Limitations. With respect to Coral’s provision of the Services, it is expressly recognized and stipulated that:

- (a) Coral has made and shall make no warranties as to results to be obtained; Long Beach acknowledges that any information, projections, valuations or models provided by Coral in connection with Coral’s provision of the Services are solely an estimate based upon information available to Coral at such time and the providing of such information shall not constitute, and shall not be construed by Long Beach to constitute, a guarantee of any future facts or expected results, or that such information represents the best market alternatives under any circumstances or that particular results may actually be achieved by the following of any suggestions by Coral.
- (b) Coral shall not be required to perform, any act violative of any applicable statute or regulation of any governmental entity having jurisdiction;
- (c) Long Beach is capable of understanding and evaluating (without assistance from Coral) all activities to be undertaken in connection with the Services;
- (d) Coral is an independent contractor with respect to Coral’s performance of the Services;

- (e) Coral may enter into agreements with third parties for the performance by Coral of services similar to those to be performed hereunder without regard to this Services Agreement;
- (f) The obligations of Coral under any other agreements that it may undertake with Long Beach shall not be altered or affected, except as otherwise expressly provided herein or in such other agreements, by the terms of this Services Agreement;
- (g) Coral is not acting as a fiduciary of Long Beach in respect to the performance of the Services or the activities undertaken in connection therewith;
- (h) Under no circumstances shall Coral be required to perform any service for Long Beach in connection with the Services not explicitly referenced in this Services Agreement;
- (i) Coral shall perform the Services in a commercially reasonable manner;
- (j) Coral's maximum aggregate liability to Long Beach or any third parties for all claims for Losses caused directly or indirectly by Coral's performance or nonperformance of the Services shall not exceed the amount of Service Fees paid by Long Beach to Coral during the previous six (6) months hereof.

9.5 With respect to each indemnification included in this Services Agreement, the indemnity is given to the fullest extent permitted by applicable law and the following provisions shall be applicable. The indemnified Party shall promptly notify the indemnifying Party in writing of any claim and the indemnifying Party shall have the right to assume its investigation and defense, including employment of counsel, and shall be obligated to pay related court costs, attorneys' fees and experts' fees and to post any appeals bonds; provided, however, that the indemnified Party shall have the right to employ at its expense separate counsel and participate in the defense of any claim. The indemnifying Party shall not be liable for any settlement of a claim without its express written consent thereto. In order to prevent double recovery, the indemnified Party shall reimburse the indemnifying Party for payments or costs incurred in respect of an indemnity with the proceeds of any judgment, bond, insurance, surety or other recovery made by the indemnified Party with respect to a covered event.

9.6 As between Coral and Long Beach, during the term of this Agreement, all risk of loss associated with Gas in storage under the terms of the Storage Agreement or transported under the terms of the Master Services Contract, shall be borne by each Party with respect to any Gas held in storage for its account; provided, however, Long Beach shall be responsible for any loss or liability resulting from injury to or death of any person, persons, or other living things, or loss or destruction of property, caused by such Gas. Coral shall be responsible and liable for, and shall indemnify, defend and hold harmless Long Beach from all losses, damages, expenses, attorneys' fees, experts' fees, and court

costs (whether incurred by judgment, settlement, or otherwise) arising from or related in any way to, all contractual Claims accruing under the terms of the Storage Agreement and Master Services Contract while such agreements are managed by Coral pursuant hereto and that result from the negligence or willful misconduct of Coral in the performance of the Services with respect thereto; provided, however, that in no event shall Coral's liability for any breach or failure to perform its obligations under this Agreement relating to the Master Services Contract and/or the Storage Agreement exceed, individually or in the aggregate, the amount of the consideration paid to Coral hereunder through the date of Coral's breach or failure to perform. Long Beach shall remain responsible and liable for, and shall indemnify, defend, and hold harmless Coral from all losses, damages, expenses, attorneys' fees, experts' fees, and court costs (whether incurred by judgment, settlement, or otherwise) arising from or related in any way to, all Claims of third parties accruing before, during and after the term of this Agreement under the terms of the Storage Agreement and the Master Services Contract for which responsibility has not been allocated to Coral under this Section 9.6.

**ARTICLE 10**  
**MISCELLANEOUS**

- 10.1 This Services Agreement hereby incorporates and is subject to the following provisions of the Gas Sales Agreement as if each such provision was set forth in this Services Agreement (and all references to "this Agreement" in the relevant Gas Sales Agreement provisions shall refer to this Services Agreement): (a) the assignment provisions set forth in Section 14.1; (ii) the entirety provisions set forth in Section 14.4; (iii) the third party beneficiary provisions set forth in Section 14.7; (iv) the confidentiality provisions set forth in Section 14.10; and (v) the waiver or consent provisions set forth in Section 14.3.
- 10.2 All indemnity rights set forth in this Services Agreement shall survive the expiration or termination of this Services Agreement and the expiration of this Services Agreement shall have no effect upon the rights of either Party which have accrued, or which are with respect to the period, prior to expiration hereof.
- 10.4 In the event that any provision of this Services Agreement is or are declared invalid, illegal or unenforceable, the Parties shall promptly renegotiate to restore this Services Agreement as near as possible to its original intent and effect.
- 10.5 Nothing contained in this Services Agreement shall constitute either Party as the agent of the other Party, and neither Coral nor Long Beach may, except as otherwise expressly provided herein, bind the other to an agreement with a third party. This Agreement shall not be construed as creating any partnership, joint venture, association, or any other type of entity between Long Beach and Coral, or between either or both of them and any other party for the sharing of profits and losses for federal income tax or for any other purposes.
- 10.6 **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA**

**WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW RULES THAT MAY REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.**

- 10.7 The Parties agree to take all such further actions and to execute such additional documents as may be reasonably necessary to effectuate the purposes of this Services Agreement
- 10.8 Long Beach'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 Long Beach 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 Long Beach'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 Long Beach's obligations under this Agreement shall be made solely from Long Beach's Gas Revenue Fund.
- 10.9 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; (ii) the execution and delivery of this Agreement 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 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, all regulatory authorizations necessary for it legally to perform its obligations hereunder; (v) this Agreement 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.

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 termination of the Master Agreement and the execution of this Agreement.

The Parties executed this Services Agreement in multiple counterparts to be construed as one contract effective as of the Effective Date.

**CORAL ENERGY RESOURCES, L.P.**

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

**CITY OF LONG BEACH** **ASSISTANT**

By: Christine J. Shypen  
Name: Patrick H. West **EXECUTED PURSUANT**  
Title: City Manager **TO SECTION 501 OF**  
**THE CITY CHARTER.**

**APPROVED AS TO FORM**

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

**EXHIBIT A**

**STORAGE SCHEDULE**

<b>MONTH</b>	<b>STORAGE SCHEDULE (in MMBtus)</b>
November 2007	-0-
December 2007	(100,000)
January 2008	(350,000)
February 2008	(350,000)
March 2008	-0-
April 2008	123,000
May 2008	127,000
June 2008	123,000
July 2008	127,000
August 2008	69,700
September 2008	123,000
October 2008	127,000
November 2008	-0-
December 2008	(100,000)
January 2009	(350,000)
February 2009	(350,000)
March 2009	-0-

EXHIBIT B

SERVICE FEE SCHEDULE

	<u>Reduction</u>	<u>New Fee</u>
<u>Nov-07</u>	<u>\$15,000</u>	<u>\$69,000</u>
<u>Dec-07</u>	<u>\$19,000</u>	<u>\$65,000</u>
<u>Jan-08</u>	<u>\$15,000</u>	<u>\$69,000</u>
<u>Feb-08</u>	<u>\$12,200</u>	<u>\$71,800</u>
<u>Mar-08</u>	<u>\$33,600</u>	<u>\$50,400</u>
<u>Apr-08</u>	<u>\$32,120</u>	<u>\$51,880</u>
<u>May-08</u>	<u>\$27,480</u>	<u>\$56,520</u>
<u>Jun-08</u>	<u>\$24,720</u>	<u>\$59,280</u>
<u>Jul-08</u>	<u>\$22,880</u>	<u>\$61,120</u>
<u>Aug-08</u>	<u>\$20,988</u>	<u>\$63,012</u>
<u>Sep-08</u>	<u>\$21,120</u>	<u>\$62,880</u>
<u>Oct-08</u>	<u>\$26,880</u>	<u>\$57,120</u>
<u>Nov-08</u>	<u>\$15,000</u>	<u>\$69,000</u>
<u>Dec-08</u>	<u>\$19,000</u>	<u>\$65,000</u>
<u>Jan-09</u>	<u>\$15,000</u>	<u>\$69,000</u>
<u>Feb-09</u>	<u>\$12,200</u>	<u>\$71,800</u>
<u>Mar-09</u>	<u>\$33,600</u>	<u>\$50,400</u>