



GERALD DESMOND  
CITY ATTORNEY OF LONG BEACH  
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1 described in Exhibit "B" attached hereto and made a part hereof  
2 (said portions being hereinafter called "drill site lands") for  
3 all purposes in connection with oil and gas operations on and  
4 in subject lands, it being understood and agreed that Lessee's  
5 right to use the surface of subject lands shall be and is here-  
6 by limited to drill site lands and to necessary rights of way  
7 and easements as hereinafter set forth and shall be subject to  
8 the provisions of Subsection D, below, and Section 37 hereof;

9           B. the sole and exclusive right to use and occupy  
10 all portions of subject lands lying at a depth of five hundred  
11 (500) feet or more beneath the present surface thereof, subject  
12 to the provisions of Subsection D, below;

13           C. necessary surface easements and rights of way in,  
14 over and through the remainder of subject lands for ingress to  
15 and egress from drill site lands for roads, pipelines, power,  
16 water and telephone lines and other facilities required by oil  
17 and gas operations, but such easements and rights of way shall  
18 be along routes designated by Lessors from time to time. Les-  
19 sors hereby reserve the right to change these routes from time  
20 to time and to use said routes or any part thereof for their own  
21 purposes in common with Lessee if Lessors so desire;

22           D. Lessors expressly hereby reserve the right to use  
23 and occupy and to grant leases or licenses to others (including  
24 Lessee) to use and occupy drill site lands and requisite por-  
25 tions of the subsurface of subject lands for the purpose of  
26 drilling and developing for oil and gas purposes other lands in  
27 the area of subject lands by means of wells directionally  
28 drilled from drill site lands (or other surface drill sites) and  
29 having their producing intervals wholly within such other and  
30 outside lands, reserving also necessary surface and subsurface  
31 rights of way and easements for the purpose of drilling, pro-  
32 ducing, operating and maintaining said outside wells and

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1 storing, treating and transporting the hydrocarbons produced  
2 therefrom; provided, however, that in the exercise of its rights  
3 hereby reserved Lessors and their lessees or licensees shall  
4 not unreasonably interfere with Lessee's operations hereunder,  
5 and provided further that no operations under this Subsection  
6 D shall be commenced without prior written consent of both  
7 Lessors.

8 To have and to hold subject lands, subject to the fur-  
9 ther provisions hereof, for the term of thirty-five (35) years  
10 from the date of execution by Lessors, subject to sooner termi-  
11 nation in accordance with the terms and conditions of this  
12 lease; subject also to all the terms and provisions of that cer-  
13 tain agreement dated May 11, 1962 between the Alamitos  
14 Land Company, a California corporation, and City of Long Beach.

15 It is mutually agreed as follows:

16 All royalties, net working interest, and any other  
17 consideration payable hereunder by Lessee to Lessors shall be  
18 paid 75.62% to the City of Long Beach and 24.38% to the Alamitos  
19 Land Company.

20  
21 ROYALTY FOR OIL

22 1. Lessee shall pay to Lessors as royalty 20% of all  
23 oil produced and saved from subject lands by Lessee; the payment  
24 of said royalty to be made in money or in kind at Lessors' op-  
25 tion.

26 2. If royalty is paid in money, Lessee shall pay to  
27 Lessors, on or before the last day of each and every calendar  
28 month during the term of this lease, Lessors' accrued royalty  
29 for the preceding calendar month, on the basis of the price  
30 equal to the highest price paid, including bonus, by any of the  
31 following: the purchasers of such oil, or the Standard Oil Com-  
32 pany of California, or Shell Oil Company, or Union Oil Company

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1 of California, or Socony Mobil Oil Company, Inc., or Tidewater  
2 Oil Company, or Texaco, Inc. in the Long Beach Field, Long Beach,  
3 California, for oil of like gravity on the day such oil is run  
4 into purchaser's tanks or pipelines or is otherwise delivered  
5 to such purchaser. The above price paid, including bonus, shall  
6 be computed to the closest tenth of each degree of gravity and  
7 the closest tenth cent per barrel for the pricing of each de-  
8 livery of crude oil by applying the price for each full degree  
9 of gravity to the even gravity and computing upward for each  
10 tenth degree of gravity.

11 3. Lessee shall not be required to pay royalty on any  
12 oil or gas produced by it from the subject lands hereunder and  
13 used by it for purposes necessarily incidental to its operations  
14 upon drill site lands; provided, however, electricity shall be  
15 used for power where possible.

16 4. Royalty on oil, when payable in money, shall be  
17 based on net quantities after making customary deduction for  
18 temperature, water, sand and other foreign substances.

19 5. The option of Lessors, each acting separately and  
20 for itself, to take said royalty in money or in kind may be  
21 exercised only once every six (6) months and then only on thirty  
22 (30) days' notice, in writing, to Lessee; provided, however,  
23 that if Lessors or either of them shall elect to take their or  
24 its royalty in money, they or it shall have the right and priv-  
25 ilege of joining with Lessee in any contract for the sale of  
26 oil, and any Lessor exercising such options shall enjoy the same  
27 price on the sale of its oil under such contract, and if such  
28 Lessor shall exercise such right and privilege to join with  
29 Lessee in such contract, then it may not elect to take its roy-  
30 alty in kind until the volume of oil agreed to be sold under  
31 such contract shall have been actually sold and delivered to  
32 the purchaser. If no notice is given to Lessee by either Lessor



1 lands, said volumes to be measured at such processing plant or  
2 plants.

3 8. No contract shall be entered into by Lessee for  
4 the sale or processing of the natural gas produced from subject  
5 lands without the prior written approval thereof by Lessors.

6 8.1. City of Long Beach shall have the option  
7 to purchase Lessee's share of the resulting dry gas  
8 produced and saved from subject lands on the basis  
9 of the prevailing wholesale market price paid for dry  
10 gas on the day of delivery in the Los Angeles Basin.

#### 11 ROYALTY FOR GASOLINE

12 9. Lessee shall pay to Lessors as royalty on all nat-  
13 ural gasoline and other liquefied hydrocarbon products produced  
14 and saved from subject lands, 20% of the amount paid by the  
15 purchaser and/or processor thereof for the natural gasoline and  
16 other liquefied hydrocarbon products extracted or obtained from  
17 the processing and/or treatment of said natural gas produced per  
18 day; provided, however, if Lessee shall process and/or treat  
19 said natural gas, it shall pay said royalties upon the natural  
20 gasoline or other liquefied hydrocarbon products extracted or  
21 obtained from the processing and/or treatment of said natural  
22 gas on the basis of the prevailing market price paid on the day  
23 of processing the same in the Long Beach Field for said natural  
24 gasoline and/or other liquefied hydrocarbon products, and it  
25 shall be entitled to deduct from said market value of said prod-  
26 ucts twenty-five per cent (25%) as the cost for such processing.  
27

#### 28 JOINT OPERATION OF THE SUBJECT LANDS

29 10. Subject to the provisions of this lease, Lessee  
30 shall conduct all of its operations upon subject lands for the  
31 joint benefit and account of Lessee and Lessors, and Lessee shall  
32

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1 advance all funds required to pay all lease expenditures here-  
2 under and shall be reimbursed therefor solely in the manner pro-  
3 vided herein. All production of oil, gas and other hydrocarbon  
4 substances from the subject lands shall be held by Lessee for  
5 the joint benefit and account of Lessee and Lessors, and their  
6 respective interests therein shall be as follows:

7           The royalty share of all such production com-  
8           puted as provided in Paragraphs 1, 7 and 9 hereinabove,  
9           after deduction of production properly consumed in  
10          operations hereunder or unavoidably lost, shall belong  
11          and be paid or delivered to Lessors as royalty as  
12          hereinabove provided. The remainder of all such pro-  
13          duction (hereinafter referred to as the "working  
14          interest") shall belong to Lessee and to Lessors  
15          jointly in the proportions of           32           %  
16          to the Lessee (hereinafter referred to as the "Lessee's  
17          share of the working interest") and           68           %  
18          to the Lessors (hereinafter referred to as the  
19          "Lessors' share of the working interest"), but, except  
20          as provided in Subparagraph (g) hereinbelow, no part  
21          of the Lessors' share of the working interest shall  
22          be paid or delivered to Lessors until Lessee shall  
23          have been reimbursed in full out of the working inter-  
24          est for all funds Lessee shall theretofore have ad-  
25          vanced to pay the lease expenditures from the begin-  
26          ning of operations hereunder to and including said  
27          date of computation.

28               (a) For purposes of computation hereunder the  
29               working interest shall be converted into money and  
30               shall mean eighty per cent (80%) of the value computed  
31               in accordance with Paragraphs 1, 2, 7 and 9, of the  
32               total production of oil, gas and other hydrocarbon

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1 substances, after deduction of production properly  
2 consumed in operations hereunder or unavoidably lost.

3 (b) The term "lease expenditures" for the pur-  
4 poses hereof shall mean all costs of exploring (by  
5 geological, geophysical, or other means), drilling,  
6 developing, equipping, maintaining, operating, and  
7 abandoning the subject lands and drill site lands and  
8 wells thereon and producing the oil, gas, and other  
9 hydrocarbon substances therefrom, together with all  
10 other costs, charges, expenses and liabilities arising  
11 out of or resulting from or connected with Lessee's  
12 obligations, work or operations on the subject lands  
13 and drill site lands as Lessee under this lease, in-  
14 cluding the items set forth in the Accounting Pro-  
15 cedure attached hereto, marked Exhibit "C", and by  
16 this reference thereto made a part hereof, but ex-  
17 cluding any expenses already taken into consideration  
18 in the determination of the value of net production  
19 hereunder, from which there shall be deducted any  
20 credits from disposal of equipment as provided in Sec-  
21 tion IV of said Exhibit "C" hereto, the value of any  
22 contributions or subsidies made by others and received  
23 by Lessee in connection with its operations hereunder,  
24 and such other receipts or credits, if any, as are  
25 directly attributable to Lessee's operations hereunder.  
26 Except as otherwise herein provided, the method and  
27 detail of determining and charging lease expenditures  
28 in connection with operations hereunder shall be as  
29 provided in Exhibit "C".

30 (c) All of the following shall be wholly ex-  
31 cluded from lease expenditures hereunder:

32 (1) Any royalties paid under this lease;



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- 1 (2) Any charges for interest or loan fees;
- 2 (3) Any general taxes or assessments paid or incurred
- 3 by Lessee, such as Lessee's franchise, income, profits,
- 4 capital stock or corporate taxes, and the like;
- 5 (4) Any charge or allowance for depreciation, amortiza-
- 6 tion, depletion, or obsolescence, except as provided as
- 7 an agreed-to rental charge in Paragraph 6 of Section II
- 8 of Exhibit "C";
- 9 (5) Any expenditures for capital cost on account of or
- 10 in connection with any facility constructed or installed
- 11 on the subject lands or drill site lands or elsewhere
- 12 for temporary use in connection with Lessee's opera-
- 13 tions under this lease, such as a string of drilling
- 14 tools; but there may be included in lease expenditures
- 15 a reasonable charge for rental while such facility is
- 16 actually used by the Lessee exclusively in its opera-
- 17 tions under this lease;
- 18 (6) Any expenditures for the cost or expenses of
- 19 transportation of oil, gas and other hydrocarbon sub-
- 20 stances produced from the subject lands or any cost of
- 21 the compression of gas for transportation purposes;
- 22 (7) Any expenditures for which Lessee is compensated
- 23 by insurance, indemnity agreements, or otherwise;
- 24 (8) Any expenditures on overhead or on general admin-
- 25 istration and management, except as specifically
- 26 allowed in Exhibit "C";
- 27 (9) Any cost of exploration, surveying, or other
- 28 activities of Lessee prior to the date of this lease;
- 29 (10) Any expenditures not made solely and exclusively
- 30 for operations conducted on drill site lands with
- 31 relation to wells bottomed in subject lands;
- 32 (11) Any cost of storage of hydrocarbons on the subject

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1 lands or elsewhere, except storage in such tankage on  
2 drill site lands as is used exclusively for gathering,  
3 measuring, and shipping oil produced from subject  
4 lands; and

5 (12) Any costs of anything done in violation of the  
6 provisions of this lease.

7 (d) Nothing contained herein shall be construed  
8 as obligating Lessors to reimburse Lessee for any of  
9 its costs or for any lease expenditures or for any  
10 sums expended or expenses incurred by Lessee in its  
11 operations hereunder, except as expressly provided  
12 herein. Lessors shall not be liable for the direct  
13 payment of any portion of the lease expenditures, all  
14 of which shall, subject to Lessee's right of recoupment  
15 out of the Lessors' share of the working interest, be  
16 paid directly by the Lessee. Lessors shall not be  
17 obligated to return or to pay to Lessee at the con-  
18 clusion of its operations hereunder, or at any other  
19 time, any production delivered or sums paid to Lessors  
20 theretofore pursuant to the provisions of this lease.

21 (e) The "net working interest" as of any given  
22 date shall be the amount of money by which the working  
23 interest derived from all operations on the drill site  
24 lands and subject lands hereunder during the period  
25 from the beginning of the term of this lease to and  
26 including said given date shall exceed all lease ex-  
27 penditures made hereunder during the same period, and  
28 said net working interest shall be owned by the parties  
29 hereto in the same proportions as their ownership of  
30 the working interest provided hereinabove.

31 (f) Lessee shall credit the lease account with  
32 the working interest derived from all operations on the

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1 drill site lands and subject lands hereunder and shall  
2 charge the lease account with all lease expenditures  
3 incurred hereunder. On or before the last day of each  
4 calendar month during the term of this lease, Lessee  
5 shall render an accounting to Lessors and shall pay to  
6 them Lessors' share of the net working interest com-  
7 puted as of the end of the preceding calendar month,  
8 less all payments previously made by Lessee to Lessors  
9 pursuant to this Subparagraph (f) and less the differ-  
10 ence, if any, between the market value of all production  
11 delivered to Lessors in kind pursuant to Subparagraph  
12 (g) hereinbelow and the reimbursement paid to Lessee on  
13 account thereof. All such payments shall be in addi-  
14 tion to any royalties paid or delivered to Lessors pur-  
15 suant to Paragraphs 1, 7 and 9 hereinabove.

16 (g) Lessors shall have the option, exercisable  
17 at any time and from time to time upon 180 days' written  
18 notice to Lessee, to receive the Lessors' share of the  
19 working interest (before deduction of lease expendi-  
20 tures but after deduction of any production properly  
21 consumed in operations hereunder or unavoidably lost)  
22 in kind instead of in money, or vice versa. If such  
23 option to take in kind shall be exercised, Lessors'  
24 share of the working interest shall be delivered to them  
25 in kind in the same manner and subject to the same pro-  
26 visions as are set forth in Paragraphs 5 and 7 herein-  
27 above with respect to the delivery of royalty in kind,  
28 and Lessors shall promptly reimburse Lessee for Lessors'  
29 share of all then unreimbursed lease expenditures to  
30 the extent that such share does not exceed the market  
31 value of such production so delivered to Lessors.

32 (h) Lessee shall dehydrate any oil produced from

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1 the subject lands if, in the opinion of either Lessee  
2 or Lessors such dehydration is advisable, and the cost  
3 of such dehydration shall be charged as a lease ex-  
4 penditure.

5 (i) All taxes (exclusive of taxes of the char-  
6 acter referred to in Subparagraph (c) (3) hereinabove  
7 and exclusive of retail sales and use taxes) imposed  
8 upon or by reason of or measured by operations on the  
9 subject lands hereunder and the production of oil, gas  
10 and other hydrocarbon substances therefrom, including  
11 but not limited to, personal property, mineral rights,  
12 gross production, severance, license and any other  
13 taxes and assessments levied and assessed against drill  
14 site lands and subject lands, the oil and gas therein,  
15 the production therefrom or operations thereon, and  
16 California Petroleum and Gas Fund Assessments, during  
17 the term of this lease shall be borne by the respective  
18 parties hereto against whom or against whose interests  
19 said taxes are levied and assessed, and said taxes  
20 shall not be charged to the lease account as lease ex-  
21 penditures. Each of the parties hereto binds itself  
22 to do any and all things necessary or proper in the  
23 premises to provide for the payment of all such taxes  
24 for which it is liable before the same become delin-  
25 quent. All retail sales and use taxes imposed by reason  
26 of operations on the subject lands during the term of  
27 this lease shall be paid directly by the Lessee and  
28 shall be charged to the lease account as lease expendi-  
29 tures.

30 (j) The determination of any of the physical  
31 properties of any oil, natural gas, natural gasoline,  
32 liquid petroleum products, or other hydrocarbons

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1 produced under the terms of this lease shall follow  
2 procedures recognized as standard procedures in the  
3 California oil industry and shall include standard  
4 procedures established by the California Natural Gaso-  
5 line Association, the American Petroleum Institute,  
6 and the American Society of Testing Materials. Such  
7 physical properties shall include impurities in the  
8 oil, wet and dry gravities of the oil, gasoline content  
9 of the natural gas, standard temperature, gravity and  
10 volume measurements of the natural gas, fractional  
11 analysis of the natural gas, liquid petroleum products  
12 and other hydrocarbons, vapor pressures of the various  
13 natural gasolines and other hydrocarbons, and all other  
14 physical properties which are customarily considered  
15 in establishing the market or sales value of any of the  
16 hydrocarbons produced under the terms of this lease.

17 11. Lessee shall keep full records of all of its op-  
18 erations on and in subject lands and drill site lands and of its  
19 production, sales and shipments of oil and gas produced there-  
20 from and of all costs and expenditures incurred, and all such  
21 records and all of its operations on and in subject lands and  
22 drill site lands shall be open at all reasonable times to the  
23 inspection of Lessors and their designated representatives.  
24 Lessors and their designated representatives shall have the  
25 right to take samples of production, to make copies of such  
26 records, and of all drilling logs, electric logs, service com-  
27 pany reports, well histories, core records and reports to the  
28 Division of Oil and Gas of the State of California and all  
29 records of any other public authorities relating to the oil and  
30 gas wells located on and in subject lands and the production  
31 therefrom and Lessee's operations hereunder. Lessee hereby  
32 waives all restrictions now or hereafter imposed by statute or

1 otherwise upon the use of such records by Lessors as evidence or  
2 otherwise.

3 12. On or before the last day of each month, Lessee  
4 shall furnish each Lessor with a statement showing for the pre-  
5 vious calendar month:

6 (a) all lease income credited to the lease account;

7 (b) all lease expenditures charged to the lease  
8 account;

9 (c) the net working interest reflected in the lease  
10 account; and

11 (d) the net production of oil, gas and other hydro-  
12 carbons on which said 20% royalty is payable and contemporane-  
13 ously with such statement shall make the payments required to be  
14 made to Lessors as herein provided with respect to the preceding  
15 month.

#### 16 DRILLING OPERATIONS

17 13. Lessee shall, within thirty (30) days following  
18 the effective date hereof, apply to any governmental body, de-  
19 partment or agency thereof requiring the same, for all necessary  
20 permits in order to drill, operate and maintain the first well  
21 hereinafter required to be drilled, and shall diligently and in  
22 good faith prosecute all such applications until the same shall  
23 have been finally granted or denied, and pay all fees as shall  
24 be required therefor.  
25

26 14. Lessee shall, within ninety (90) days following  
27 the granting of all necessary permits, but in no event later  
28 than 180 days following the effective date hereof, commence  
29 drilling operations, as hereinafter defined, and shall actively  
30 and diligently, in a good and workmanlike manner, prosecute such  
31 operations continuously, unless excused, as hereinafter provided,  
32 due to causes beyond Lessee's control, until a well shall have

1 been drilled to a depth of not less than twelve thousand  
2 (12,000) feet vertically below the surface of the ground, unless  
3 oil, gas or other hydrocarbons are discovered therein in paying  
4 quantities, at a lesser depth or unless the Lessors shall re-  
5 lieve Lessee from further drilling of said well by notice, in  
6 writing, to the effect that in their opinion further drilling  
7 would not result in finding oil.

8           15. If oil, gas or other hydrocarbons shall not be  
9 discovered in paying quantities in the first well, then Lessee  
10 shall commence the drilling into subject lands of an additional  
11 well within sixty (60) days after the cessation of drilling and  
12 any reasonably necessary testing of the first well, and there-  
13 after Lessee shall keep at least one string of tools employed  
14 continuously in diligently drilling wells in subject lands to  
15 completion with not more than sixty (60) days intervening be-  
16 tween the cessation of drilling and any reasonably necessary  
17 testing of one well and the commencement of drilling of another  
18 well until hydrocarbons in paying quantities shall be discov-  
19 ered in a well drilled by Lessee in subject lands, or Lessee may  
20 elect not to so continue the drilling of further wells, where-  
21 upon this lease shall terminate and Lessee shall execute and  
22 deliver a quitclaim thereof to Lessors as hereinafter provided.

23           16. If oil is discovered in paying quantities in any  
24 well drilled by Lessee in subject lands, then within sixty (60)  
25 days after such initial discovery Lessee shall commence to drill  
26 an additional well in subject lands and thereafter Lessee shall  
27 keep at least one string of tools in continuous operation in  
28 diligently drilling additional wells in subject lands to com-  
29 pletion, allowing not more than sixty (60) days between the  
30 completion or abandonment of one well and the commencement of  
31 drilling operations for the next succeeding well until not less  
32 than one well shall have been completed in each ten (10) acres,

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1 or any major portion thereof, of subject lands remaining subject  
2 to this lease; provided, however, that any well producing ex-  
3 clusively from a vertical depth greater than ten thousand  
4 (10,000) feet shall count as two wells. It is also agreed that  
5 any well which is slant-drilled from a drill site outside of  
6 drill site lands but having its producing interval in subject  
7 lands will satisfy the provisions of this lease to the same ex-  
8 tent as if said well were drilled from the drill site lands.

9 17. The provisions of this lease as to the number of  
10 wells to be drilled shall apply as to each wholly separate and  
11 independent producing zone or horizon which, as the result of  
12 drilling on or production from subject lands or from lands ad-  
13 jacent to subject lands, is proved to be capable of producing  
14 oil and (or) gas in paying quantities. Provided, however, that  
15 if in the opinion of the Lessors, so stated in writing, more  
16 than one zone can be produced from one well such well will  
17 qualify as a well as to each zone from which it is producing.  
18 For the purposes hereof, a zone is defined as a sand or series  
19 of sands of sufficient thickness and productivity to form an  
20 economic source of supply of oil and gas and which is segregated  
21 from other sands or series of sands by natural boundaries or  
22 barriers to such an extent as to make its separate development  
23 either economically or mechanically desirable in accordance with  
24 common practice. (Nothing in this paragraph shall prevent  
25 Lessee from quitclaiming as to any separate zone or horizon,  
26 hereby relieving it of its obligations to drill to and (or) pro-  
27 duce from said zone). It is further agreed that the drilling  
28 requirements set forth herein constitute minimum development  
29 programs only and Lessee shall, in any event, drill and complete  
30 in subject lands with reasonable promptness whatever additional  
31 wells may be necessary from time to time to conform to the gen-  
32 erally accepted well spacing in the field in which subject lands



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1 are located and to provide the most effective development of  
2 subject lands for the production of hydrocarbons from all zones  
3 remaining subject to this lease. Lessee may drill in subject  
4 lands to zones remaining subject to this lease as many wells as  
5 it may desire to drill in addition to those required by the pro-  
6 visions of this lease. Nothing herein contained, however, shall  
7 be deemed to permit drilling after the expiration of the twenty-  
8 year period specified in Paragraph 20 hereof, except as therein  
9 specifically provided. Unless otherwise specified herein, the  
10 location of any well for the purposes of this lease shall be  
11 deemed the location of the midpoint of the producing interval  
12 of such well.

13 18. Within three (3) years from the date of commence-  
14 ment of first drilling, Lessee shall commence the drilling of a  
15 well (hereinafter referred to as the "deep test well"), and  
16 Lessee shall prosecute the drilling thereof continuously and  
17 with reasonable diligence until igneous or metamorphic rock  
18 formations are found in such well in sufficient quantities  
19 reasonably to preclude the finding of hydrocarbons in such well.  
20 Lessee may elect not to drill such deep test well, but in the  
21 event that Lessee does not drill such deep test well within the  
22 time, in the manner and to the depth set forth above, then this  
23 lease shall automatically terminate at the end of said three-  
24 year period (or upon cessation of drilling of such deep test  
25 well if the drilling of said well is commenced within said  
26 three-year period but not carried out in the manner and to the  
27 depth set forth above), as to all zones lying below the bottom  
28 of the deepest vertical productive interval from which any well  
29 drilled by Lessee in subject lands is then producing hydrocar-  
30 bons in paying quantities, or, if hydrocarbons shall not have  
31 been discovered by Lessee in subject lands, as to all zones  
32 lying at a depth below that of the deepest well drilled by

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1 Lessee in subject lands (exclusive of the deep test well).  
2 19. If at any time during the term of this lease oil  
3 is discovered in any well drilled on adjacent lands and within  
4 three hundred and thirty (330) feet of the exterior subsurface  
5 limits of any land at the time covered by this lease, or gas  
6 and not oil is discovered in any well drilled on adjacent lands  
7 and within six hundred and sixty (660) feet of the exterior sub-  
8 surface limits of any land at the time embraced in this lease,  
9 and said well produces oil or gas in commercially paying quanti-  
10 ties, as shown by a thirty-day production test and the owner of  
11 such well shall operate the same, then unless a well shall have  
12 been theretofore drilled or is at the time being drilled by  
13 Lessee hereunder which already offsets such exterior well,  
14 Lessee shall, within sixty (60) days after such well has been  
15 completed and put upon continuous production and it is ascer-  
16 tained that the production of oil or gas, or any of the asso-  
17 ciated other substances, is produced therefrom in paying quanti-  
18 ties, commence drilling operations in subject lands for an off-  
19 set well thereto and drill the same diligently to penetrate the  
20 stratum or zone from which oil or gas is being produced in the  
21 well to be offset. Offset wells for oil drilled by Lessee shall  
22 have their producing intervals within an offset area extending  
23 three hundred thirty (330) feet from the boundary separating the  
24 properties and three hundred thirty (330) feet on each side of  
25 a straight line or projection thereof extended from the com-  
26 peting well through the nearest point on said boundary. Offset  
27 wells for gas only shall have their producing intervals within  
28 an offset area extending six hundred sixty (660) feet from the  
29 boundary separating the properties and six hundred sixty (660)  
30 feet on each side of a straight line or projection thereof ex-  
31 tended from the competing well through the nearest point on  
32 said boundary. For the purpose of satisfying drilling obliga-

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1 tions hereunder, such offset well or wells shall be considered  
2 as other wells required to be drilled hereunder. The intent  
3 hereof is that Lessee shall be obligated to drill and operate  
4 offset wells at times, to depths and at locations in subject  
5 lands as may be necessary to protect all zones or portions  
6 thereof subject to this lease from the withdrawal of oil, gas or  
7 other hydrocarbons by wells having their producing intervals in  
8 adjacent lands.

9           20. Except as otherwise hereinabove specified with  
10 regard to the drilling of offset wells, Lessee shall not after  
11 the expiration of twenty (20) years from and after the date of  
12 this lease, without the prior written consent of Lessors, com-  
13 mence drilling any new well for hydrocarbons in subject lands  
14 or deepen or redrill any well then existing in subject lands to  
15 a depth below the deepest zone then penetrated by such well, or  
16 drill any well then being drilled to below the deepest zone  
17 theretofore penetrated by any well in subject lands, or redrill  
18 or recomplete any well in a zone not then producing oil or gas  
19 in paying quantities. Subject to the foregoing limitations,  
20 Lessee shall have, during the remainder of the term of this  
21 lease, the right to continue to operate any well theretofore  
22 drilled under this lease so long as hydrocarbons are produced  
23 therefrom in paying quantities, and the right to continue to  
24 work upon and to complete any well which is in course of being  
25 drilled at the expiration of said twenty-year period or which  
26 has theretofore been drilled and is being repaired, cleaned out,  
27 redrilled or deepened, and to operate such well if and so long  
28 as hydrocarbons are produced therefrom in paying quantities, and  
29 the right at any time, and from time to time, to repair, clean  
30 out, redrill or deepen any well which Lessee shall have the  
31 right to operate after the expiration of said twenty-year period.

32           21. If in the drilling of any well in subject lands

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1 mechanical difficulties are encountered before such well is com-  
2 pleted, which would under good oil field practice preclude com-  
3 pletion of such well, then the Lessee may abandon such well, in  
4 which event the Lessee shall promptly commence the drilling of  
5 a substitute well and shall prosecute such drilling continuously  
6 and diligently to completion.

7           22. Lessee may, at its election, at any time or from  
8 time to time after it shall have drilled at least two wells to  
9 a depth of twelve thousand (12,000) feet, or unless relieved  
10 from drilling to such depth as provided in Paragraph 14 hereof,  
11 surrender and terminate this lease as to all or any portion or  
12 portions of any one or more or all of the zones of production  
13 underlying subject lands hereinabove described, or as to gas  
14 alone, or oil and solution gas, or any one or more or all such  
15 portion or portions. All rights of Lessee in and with respect  
16 to the lands, rights and zone or zones, as the case may be, so  
17 quitclaimed, shall cease to be subject to this lease and all  
18 rights, obligations and liabilities of the Lessee hereunder,  
19 except obligations or liabilities theretofore accrued, shall  
20 cease and terminate with respect thereto; provided, however,  
21 that if all drill site lands and subject lands, or all depths  
22 therein, are not so quitclaimed, or if less than all oil, gas  
23 and other hydrocarbons is so quitclaimed, then Lessee may retain  
24 rights to use the drill site lands and such portions of the sub-  
25 surface of subject lands or portions thereof so surrendered as  
26 shall be necessary for the exploration, development and opera-  
27 tion of subject lands remaining subject to this lease, but  
28 Lessors, their lessees, licensees, successors and assigns, shall  
29 likewise have the right to use the drill site lands for opera-  
30 tions in respect of the lands, zones, depths or rights so quit-  
31 claimed. Any lands quitclaimed or in respect of which any zone  
32 or rights to oil, gas or other hydrocarbons shall be quitclaimed

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1 shall be compact and of such size and form that drilling opera-  
2 tions can be effectively and legally prosecuted thereon by  
3 Lessors or others authorized by Lessors.

4 In the event of any such termination, Lessee, subject  
5 to the further provisions of this lease, shall have rights of  
6 way for pipelines and power and telephone lines and for passage  
7 over, upon and across subject lands and drill site lands as to  
8 which this lease has been quitclaimed necessary for Lessee's  
9 operations with respect to lands retained under this lease,  
10 which right, however, shall be used by Lessee so as to interfere  
11 as little as is reasonably possible with the use of said quit-  
12 claimed lands by Lessors and their lessees, successors and  
13 assigns, and shall be relocated by Lessee, at its own expense,  
14 at any time and from time to time upon written request of Les-  
15 sors, their successors and assigns, if the same interferes with  
16 any use or then prospective use of Lessors.

17 23. The drilling and operating obligations of Lessee  
18 shall be suspended while and to the extent that Lessee is pre-  
19 vented from complying therewith by strikes, lockouts or other  
20 labor disturbances, riots, insurrections, fire, the elements,  
21 acts of God, governmental actions (including orders or regula-  
22 tions of national, state and municipal agencies issuing orders  
23 or regulations with respect to the drilling or the spacing of  
24 wells), injunctions, interference by civil, military or naval  
25 authorities, war, accidents or other matter (whether similar or  
26 dissimilar) beyond the control of the Lessee, but as soon as the  
27 cause or matter so preventing compliance with such obligations  
28 is removed or ceases to exist, the obligations shall be restored  
29 to full force and effect and the Lessee shall immediately resume  
30 compliance therewith and performance thereof.

31 24. Except as hereinafter otherwise provided, at any  
32 time after the discovery of oil in paying quantities in subject

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1 lands, while the market price (as herein defined) of the oil  
2 produced from the wells in subject lands shall be and remain  
3 less than One Dollar (\$1.00) per barrel, Lessee shall not be  
4 entitled, without Lessor's prior written consent, nor shall  
5 Lessee be required to produce oil from any well in subject lands  
6 and Lessee shall not be required to conduct the drilling opera-  
7 tions required hereunder; provided, however, that Lessee's  
8 drilling and producing rights and obligations as to offset wells  
9 and all other wells in subject lands within thirteen hundred  
10 twenty (1320) feet of any boundary line thereof shall not be  
11 suspended unless, and then only so long as, pumping and all  
12 other production from all wells on property adjoining subject  
13 lands and opposite said offset and other wells and within thir-  
14 teen hundred twenty (1320) feet of the boundary line of subject  
15 lands shall also be suspended.

16 25. The suspension or curtailment of production from  
17 any well in subject lands in conformity with any valid law,  
18 ordinance, rule or regulation, municipal, state or federal, re-  
19 quiring the same, or such suspension or curtailment in con-  
20 formity with any invalid law, rule or regulation prior to the  
21 establishment of its invalidity, or in conformity with any oil  
22 or gas curtailment plan or program which is receiving general or  
23 substantially general observance by the oil or gas operators in  
24 the State of California and which does not reduce the oil or  
25 gas production from subject lands to a substantially greater  
26 extent, proportionately to maximum efficient rate of production,  
27 than other producing properties in the same field, and which  
28 does not reduce the oil or gas production from said field to a  
29 substantially greater extent, proportionately to maximum effi-  
30 cient rate of production, than the other producing oil or gas  
31 fields in the State of California, shall not be deemed a viola-  
32 tion of any of the obligations of Lessee under this lease,

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1 unless the same would result in substantial damage to Lessors  
2 by the draining of subject lands by wells on other lands. In  
3 the event of any suspension or curtailment pursuant to this  
4 paragraph, Lessee shall furnish to Lessors, upon Lessors' re-  
5 quest, any and all data and information in the possession of  
6 Lessee which may be pertinent in determining whether the cur-  
7 tailment or suspension of production from wells in subject lands  
8 is in conformity with the provisions of this paragraph. Neither  
9 the execution of this lease by Lessors nor any failure of Les-  
10 sors to object to, nor any acquiescence by Lessors in Lessee's  
11 compliance with any presently existing or any future curtailment  
12 program shall be or be deemed to be an approval by Lessors of  
13 such curtailment program or of any other curtailment program, or  
14 a waiver of any failure to abide by the provisions of this para-  
15 graph, or a waiver or modification of any of Lessors' right to  
16 require at any and all times that there shall be no suspension  
17 or curtailment of production pursuant to the provisions of this  
18 paragraph except in accordance with a curtailment plan or pro-  
19 gram which in every respect strictly fulfills the requirements  
20 of this paragraph.

21           26. Lessee shall at all times produce pump, flow or  
22 otherwise operate all wells at their full efficient capacity so  
23 as to secure the largest ultimate amount of oil therefrom, ex-  
24 cept that the wells may be operated at a lesser rate when such  
25 rate shall conform to well-established and recognized production  
26 practices or as provided in Paragraph 25 hereof.

27  
28                           MINIMUM PRODUCTION - ABANDONMENT

29           27. If any well drilled hereunder, during the period  
30 of ninety (90) consecutive calendar days after such well is  
31 placed on production, fails to produce an average in excess of  
32 fifteen (15) barrels of net oil for each such day, excluding

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1 therefrom such period of time redrilling operations or remedial  
2 work is being carried on in any such well, Lessee shall, within  
3 thirty (30) days after receipt by it of written notice from  
4 Lessors requiring the abandonment of such well, proceed with all  
5 due diligence to abandon the same, and in so doing Lessee shall  
6 observe all legal requirements with reference to such abandon-  
7 ment, provided, however, if Lessee desires to attempt to in-  
8 crease the production of said well by remedial, redrilling or  
9 deepening work thereon, it shall, within ten (10) days after  
10 receipt of such notice from said Lessors, serve upon said Les-  
11 sors a notice in writing of its desire so to do, and said work  
12 shall, within twenty (20) days thereafter, be commenced and  
13 diligently prosecuted without cessation or delay until such pro-  
14 posed work is finished and completed, when a production test  
15 shall be forthwith made by Lessee for a period of thirty (30)  
16 consecutive days (each day consisting of twenty-four (24) hours),  
17 and if, at the end of such production test it is ascertained  
18 that said well has produced during said test period an average  
19 daily production in excess of fifteen (15) barrels of net oil,  
20 said well shall not at that time be abandoned. If, however, as  
21 a result of any such production test it is ascertained that said  
22 well produced during such production test an average of fifteen  
23 (15) barrels or less of net oil per day, said Lessee shall pro-  
24 ceed with all due diligence to abandon the same, observing and  
25 complying with all legal requirements in so doing. No produc-  
26 tion test shall be made by Lessee pursuant to the provisions of  
27 this paragraph except after written notice shall have been first  
28 served by said Lessee upon said Lessors at least twenty-four  
29 (24) hours in advance of the time of the commencement of such  
30 test, giving notice of the fact that such test will be made and  
31 the time when said test shall commence. All such tests shall be  
32 so made as to insure the accuracy of such tests and nothing



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1 herein contained shall infringe upon or abridge the right of  
2 Lessors, acting through their duly authorized agents or repre-  
3 sentatives, to be present at the making of all such tests, and  
4 Lessee shall keep and compile such records pertaining to each  
5 such test and furnish copies of such records to said Lessors  
6 within five (5) days following the completion of any such test.

7 28. If the Lessee ceases producing oil in any well  
8 from which oil has been produced, unless such cessation is due  
9 to causes set forth in Paragraph 23 hereof, and is not at work  
10 in said well repairing or re-drilling the same, but leaves the  
11 same idle or abandons said well, then within thirty (30) days  
12 after receiving notice from Lessors so to do, the Lessee shall  
13 quitclaim to the Lessors all of its right, title and interest in  
14 subject lands and drill site lands as it may have retained in  
15 connection with its operations on said well. Lessee may, how-  
16 ever, retain any land needed for the operation of any other  
17 drilling or producing well or wells.

18 29. Lessee shall have, at any time, the right to re-  
19 move any tanks, pipelines, structures, casing or other equip-  
20 ment, appurtenances or appliances placed by it in or upon sub-  
21 ject lands or drill site lands, whether affixed to the soil or  
22 not; provided, however, that in the case of termination of this  
23 lease or abandonment of any well or wells, including wells to  
24 be abandoned under provisions of Paragraph 27, in which Lessee  
25 has landed casing, Lessee shall notify Lessors and if the Les-  
26 sors or their successors or assigns shall desire to retain the  
27 same, the Lessors or their successors or assigns may, upon  
28 thirty (30) days' notice to Lessee notifying Lessee to that  
29 effect, and within thirty (30) days after giving said notice to  
30 the Lessee, Lessors shall have the right to purchase all sal-  
31 vable facilities and equipment at, and recoverable casing in the  
32 wells, prior to the abandonment thereof or termination of this

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1 lease, at the salvage value thereof, less cost of recovery, and  
2 shall thereafter have the right to take possession of any well  
3 or wells and operate the same, and produce oil and gas there-  
4 from, or salvage casing therefrom at their sole option.

5 30. Notwithstanding any provision hereof to the con-  
6 trary, Lessee, at its option, with prior written approval of  
7 Lessors, may drill any well bottomed under the subject lands  
8 from a location outside of the subject lands instead of upon  
9 drill site lands, and any well so drilled shall for all purposes  
10 be the equivalent of a well drilled from a location on drill  
11 site lands, and the commencement thereof shall have the same  
12 effect as the commencement of a well on the drill site lands.  
13 Such outside location, if used by Lessee, shall be provided at  
14 its sole cost and expense, but nothing herein contained shall  
15 be construed as requiring the Lessee under any conditions or  
16 circumstances to provide or to use such outside locations unless  
17 it shall so elect.

18 31. Lessee shall not construct, install, maintain or  
19 use any open sumps upon drill site lands.

20 32. Lessee shall not erect, construct or maintain  
21 upon drill site lands or subject lands any refinery, topping  
22 plant, casing head gas plant or any structure or facility for  
23 the recovery of liquid gas products, or use any portion of said  
24 lands for the storage of oil produced therefrom, but subject to  
25 Paragraph 41 hereunder the foregoing provision shall not be  
26 applicable to facilities for separation of gas from oil, de-  
27 hydration, gauging, and shipment.

28 33. Lessee shall not drill for or develop any fresh  
29 water well in subject lands and Lessee agrees to obtain all  
30 water needed for its operations hereunder from City of Long  
31 Beach at prevailing rate schedules.

32 34. Lessee agrees that its drilling operations shall

1 be conducted in accordance with the Long Beach Municipal Code  
2 and including but not limited to the following:

- 3 (a) All drilling equipment, including but not limited  
4 to draw-works, rotary table and pumps shall be  
5 operated by means of electrical power and shall  
6 be the best and most modern drilling equipment  
7 available.
- 8 (b) Drilling derricks, and all drilling equipment  
9 shall be soundproofed in the most modern avail-  
10 able manner so as to avoid noise, disturbance  
11 or offense to the residents near the area.
- 12 (c) Mud sumps and ditches shall not be dug into the  
13 surface of the ground, but shall consist of  
14 portable metal tanks and flumes.
- 15 (d) Exhausts of all engines permitted hereunder, in-  
16 cluding service equipment, shall be muffled.
- 17 (e) The latest and most effective blowout prevention  
18 equipment shall be installed and maintained and  
19 shall have both mechanical and hydraulic controls.
- 20 (f) The movement of heavy equipment to and from the  
21 drill site lands shall be conducted, except in  
22 the case of emergency, during daylight hours.
- 23 (g) At the completion of drilling operations the  
24 derrick shall be removed from each well.

25 35. The lessee agrees that its producing operations  
26 shall be conducted in accordance with all requirements of the  
27 Long Beach Municipal Code and including but not limited to the  
28 following:

- 29 (a) All pumping equipment shall be operated by  
30 means of electrical power.
- 31 (b) No walking beam type of pumping units shall be  
32 used.

1 (c) Pumping equipment shall be done by Kobe or  
2 hydraulic pumps, gas lift, bottom hole pumps  
3 or vacuum pumps and all such pumping equipment  
4 shall be located in concreted trenches below  
5 the present level of the ground or completely  
6 concealed by vegetation as approved by Lessors.

7 (d) Before installation of permanent production  
8 equipment, the drillsite area shall be enclosed  
9 by a substantial fence, approved by Lessors, of  
10 sufficient height to screen all said production  
11 equipment. Landscaping to blend with the  
12 existing surroundings shall be planted and in-  
13 stalled as soon as practical.

14 (e) Within six months after production tests are  
15 completed on the first two wells to be drilled  
16 hereunder, all oil shall be transported from  
17 the drill site by underground pipelines to be  
18 approved by the City.

19 36. Lessee agrees that its redrilling, repairing and  
20 servicing operations shall be conducted in accordance with all  
21 the requirements of the Long Beach Municipal Code and including  
22 but not limited to the following:

23 (a) The redrilling equipment shall be portable and  
24 shall be operated in such a manner as to avoid  
25 noise, disturbance or offense to residents in  
26 the area.

27 (b) Exhaust of all internal combustion engines shall  
28 be muffled.

29 (c) Mud sumps and ditches shall not be dug into the  
30 surface of the ground but shall consist of  
31 portable metal tanks and flumes.

32 (d) Said redrilling operations shall be completed

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1           within fifteen (15) days from the commencement  
2           date thereof or shall be replaced with drilling  
3           equipment as set forth in Paragraph 34 unless  
4           permission to retain redrilling equipment is ob-  
5           tained from Lessors.

6           37. Drill site lands shall be prepared and landscaped  
7           prior to any drilling operations in a manner approved by the  
8           Lessors. This may include excavating and leveling to a depth,  
9           measured at the south boundary of said drill site lands, not to  
10          exceed a depth of ten (10) feet if required by the Lessors.  
11          The location of all wells, equipment and facilities on drill  
12          site lands and the use of drill site lands shall be approved by  
13          the Lessors.

14          38. The drilling and operations performed under the  
15          terms of this lease shall be conducted so as not to interfere  
16          unnecessarily with the use of the property for park and recrea-  
17          tional purposes. Lessee shall use all reasonable means to  
18          protect ornamental trees and shrubs from loss or damage result-  
19          ing from Lessee's operation hereunder and so far as is reason-  
20          ably practicable, shall preserve the natural and scenic appear-  
21          ance of Long Beach Recreation Park. The Lessee shall employ the  
22          latest techniques and refinements in procedures, equipment and  
23          material, including improved methods and equipment, as will  
24          reduce to a reasonable minimum any and all noises, fumes, smoke  
25          and noxious odors caused by or resulting from Lessee's opera-  
26          tions hereunder. Lessee will be required to fence to a height

27 \*

28

29 \*

30

31 \*

32 \*

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1 and with materials suitable to the Lessors all of drill site  
2 lands used in Lessee's operation hereunder. The immediate area  
3 outside such fence shall be landscaped in accordance with plans  
4 approved by the Lessors.

5           39. Lessee shall keep and without charge shall  
6 promptly furnish to each Lessor all data and information ob-  
7 tained by Lessee in the course of its drilling, development and  
8 producing operations in subject lands having to do with the  
9 mechanical histories of wells, the thickness, character and con-  
10 tent of the strata penetrated by such wells and the amount and  
11 kind of production obtained therefrom, including all logs,  
12 graphic logs, well histories, core records, daily or weekly  
13 drilling reports, well completion reports, notices and reports  
14 to the Division of Oil and Gas or other public authority and  
15 all replies, responses or comments thereon by said Division or  
16 authority, electric logs, records of core analyses and of  
17 results obtained in all formation tests, potential tests, water  
18 witch runs and pressure determinations, and all factual data or  
19 information in any way relating to subsurface conditions or to  
20 a proper determination of the maximum efficient rate of produc-  
21 tion of each well, and also all production records relating to  
22 the quantity or nature of the production obtained from such  
23 wells, and, upon request, analyses of the hydrocarbons produced.  
24 Such production records shall be furnished to each of Lessors  
25 at least as often as once each month. Lessee shall keep Lessors  
26 promptly and fully advised in writing as to the extent, nature  
27 and progress of all work.

28           Lessee agrees to confer with the Lessors on well pro-  
29 grams and drilling schedules including but not limited to casing  
30 sizes, producing intervals, formation testing, logging and  
31 coring programs and completion techniques. While actual opera-  
32 tions are in progress, the Lessors shall be kept fully advised

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1 of drilling problems and notified as to the time of coring and  
2 formation testing. Lessee further agrees to confer with Les-  
3 sors before landing or cementing any water string in any well  
4 and at all times while drilling below said water string. The  
5 Lessee shall be under no obligation to follow the advice of  
6 Lessors in the manner of drilling or conducting its operations  
7 in said well but Lessors shall at all times be fully advised by  
8 the Lessee of its operations.

9 All records, information and data of the operations of  
10 the Lessee hereunder shall at all times be open to the inspec-  
11 tion of the Lessors or their representatives, designated in  
12 writing by the Lessors, and said representatives shall be en-  
13 titled to receive copies thereof. Said information shall in-  
14 clude all geological data and interpretations of the Lessee,  
15 but Lessors agree that Lessee shall not be liable or responsible  
16 for the accuracy thereof nor any changes in interpretations  
17 which the Lessee may make from time to time based upon addi-  
18 tional data or different interpretations of existing informa-  
19 tion.

20 40. If Lessee is the owner or operator of any leased  
21 lands offsetting or adjoining the subject lands, or within one  
22 thousand (1000) feet of the subject lands, the Lessee shall fur-  
23 nish the Lessors the same data relative to its wells, produc-  
24 tion, texts, maps, geological and other data, as the Lessee is  
25 hereinabove required to furnish the Lessors as to operations in  
26 the subject lands. Lessee may likewise furnish the owner or  
27 lessees of any adjoining lands with whom Lessee wishes to ex-  
28 change information relative to wells and production on the  
29 demised premises.

30 41. The use of that system commonly known as "Lease  
31 Automatic Custody Transfer" (LACT) whereby a minimum of storage  
32 facilities is needed shall be employed on this lease. If

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1 Lessee elects to provide storage off the drill site lands at  
2 Lessee's sole cost and expense, the provision of this paragraph  
3 requiring the use of Lease Automatic Custody Transfer (LACT)  
4 shall not prevail. Lessors may at any time or from time to time  
5 specify the frequency of meter readings and tests for gravity  
6 and cut and the size of the proving tank or tanks. Lessors'  
7 representatives may be present at any LACT proving operations  
8 and shall have the right to conduct any proving tests at their  
9 own expense.

10 42. The Lessors reserve and retain the right, upon  
11 receipt of any evidence of subsidence of the surface of either  
12 the leased or adjacent lands, to determine that any or all fur-  
13 ther operations under this lease would or might aggravate or  
14 cause subsidence to the impairment or interference with resi-  
15 dential or recreational areas adjacent to the leased lands or  
16 damage to other properties. In the event of such determination,  
17 the Lessors may notify the Lessee, in writing, to suspend in  
18 the manner and to the extent specified in said notice, all or  
19 any part of Lessee's operations under this lease within thirty  
20 (30) days of said notice, and the Lessee agrees to suspend said  
21 operations within said time in the manner and to the extent so  
22 specified.

23 Exercise of either or both of the foregoing rights by  
24 the Lessors is subject to the following PROVISOS:

25 (1) Such determination may be made by the Long  
26 Beach City Manager at any time during the effective  
27 term of this lease but not less than thirty (30) days  
28 after written notice to Lessee that the Lessors have  
29 received evidence of such subsidence and propose to  
30 determine whether any or all further operations under  
31 this lease would or might cause or aggravate subsidence  
32 to the impairment or interference with residential or



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1 recreational areas or damage to other properties ad-  
2 jacent to the leased lands. Lessee may present facts  
3 and arguments relevant to such determination.

4 (2) At least thirty (30) days prior to any such  
5 determination by the Long Beach City Manager, the City  
6 of Long Beach shall, to the best of its ability and to  
7 the extent permitted by law, make available to Lessee  
8 for study any and all written and graphic information  
9 and opinions theretofore received or prepared by or  
10 for the City of Long Beach relative to subsidence of  
11 the surface of the leased and adjacent lands.

12 (3) Operations under this lease suspended pur-  
13 suant to this section may be resumed by Lessee, in  
14 whole or in part, only in the manner and to the extent  
15 provided and subject to conditions contained in a pro-  
16 gram, agreed to by both the Lessors and Lessee, de-  
17 signed to alleviate or prevent further subsidence.

18 (4) Notwithstanding any agreement by the Lessors  
19 to any such program, the Lessors may, upon receipt of  
20 evidence of further such subsidence occurring subsequent  
21 to the resumption of operations under such program,  
22 notify Lessee to again suspend operations in accordance  
23 with the provisions of this section, and Lessee agrees  
24 to so suspend operations.

25 During any such period of suspension in whole or in  
26 part pursuant to this section, the drilling, offset, and pro-  
27 duction obligations of Lessee shall likewise be suspended in  
28 whole or in part to the extent and only to the extent that the  
29 performance of such drilling, offset, and production obligations  
30 is rendered impracticable or unreasonable as a result of the  
31 notice to suspend issued by the Lessors pursuant to this sec-  
32 tion.

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1           43. Lessee may undertake pressure maintenance or sec-  
2           ondary recovery operations in subject lands and if Lessee shall  
3           undertake such operations it shall have the right to use in  
4           connection therewith all or any portions of the resulting dry  
5           gas upon thirty (30) days<sup>1</sup> prior written notice to Lessors.

6           If the owner and/or operators of real property adjacent  
7           to any portion of subject lands enter into an agreement or agree-  
8           ments providing for the pooling or unitization of such property  
9           for the purpose of developing the oil, gas and other hydrocarbons  
10          from beneath the same, Lessee shall, upon notice in writing from  
11          said Lessors so to do, join with said Lessors and third parties  
12          and execute any such pooling or unitization agreements.

13          44. In all operations under this lease, Lessee shall,  
14          at its own expense, promptly comply with any and all laws, ordi-  
15          nances, rules, regulations, requirements and orders whatsoever,  
16          present or future, of the national, state, county or municipal  
17          government, and of any and all departments, bureaus, subdivision,  
18          boards, commissions, offices or officers thereof which may in  
19          any way apply to the use or occupation of or operations on drill  
20          site lands and subject lands or the drilling, maintenance, op-  
21          eration or abandonment of any wells drilled or to be drilled  
22          thereon, or the handling of any product therefrom. Lessee  
23          hereby agrees that it will indemnify Lessors against and save  
24          and hold Lessors free and harmless of and from and that it will  
25          at all times keep said lands and all parts thereof free and  
26          clear of any and all liens, claims of lien, claims or demands  
27          of whatsoever nature based upon or arising out of any failure on  
28          the part of the Lessee, its agents or employees, or the contrac-  
29          tors engaged in doing work for it, to comply with, perform and  
30          execute the provisions of any such present or future law, ordi-  
31          nance, rule, regulation, requirement or order.

32          45. Lessee shall pay to whomever shall be entitled

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1 thereto the full amount of any damages to the surface of Long  
2 Beach Recreation Park, caused by or resulting from Lessee's oil  
3 and gas operations, exclusive of damages to the surface of drill  
4 site lands. If Lessee shall, with the permission of Lessors,  
5 utilize any portion of any road or roads on said lands not con-  
6 structed by Lessee, Lessee shall pay the cost of maintenance  
7 thereof in proportion to the use thereof by Lessee.

8 46. Lessee shall pay and discharge before delinquency  
9 its share as provided in Paragraph 10 of all taxes, assessments  
10 and other governmental charges upon or referable to any opera-  
11 tions or acts of Lessee or on its behalf on drill site lands and  
12 subject lands, including, but not limiting the generality of the  
13 foregoing, the drilling or operation of any well or wells, the  
14 production, extraction, severance or removal of any hydrocarbon,  
15 the processing, refining, storage or use thereof, the sale of  
16 any such hydrocarbon or of any products manufactured therefrom  
17 or therewith, or the transportation thereof away from drill site  
18 lands. Lessee shall also pay and discharge before delinquency  
19 any and all assessments, charges and obligations of any kind  
20 whatsoever which by reason of any operation of Lessee may be or  
21 might become a lien upon or charge against drill site lands or  
22 subject lands or any part thereof or the mineral rights therein  
23 or any well thereon, and which are created by or shall arise  
24 under or by reason of any present or future law, ordinance,  
25 regulation or order whatsoever.

26 47. In addition to all other rights and remedies of  
27 Lessors under any provision of this lease or otherwise, in the  
28 event of any breach of any of the covenants or provisions of  
29 this lease, Lessors shall have the following rights and remedies  
30 which shall be cumulative:

31 (a) If Lessee shall fail to perform the requirements  
32 of Paragraphs 13 and 14 hereof at the times and

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1 in the manner therein provided, then this lease  
2 shall ipso facto terminate without any notice  
3 whatsoever to Lessee.

4 (b) If Lessee shall fail to perform the requirements  
5 of Paragraphs 15, 16, 17, 18 and 19 hereof at  
6 the times and in the manner therein provided,  
7 and if such failure shall continue for a period  
8 of thirty (30) days after written notice thereof  
9 given by Lessors to Lessee, then this lease shall  
10 ipso facto terminate without further notice to  
11 Lessee or other action by Lessors, subject, how-  
12 ever, to the provisions of Section (e) of this  
13 paragraph.

14 (c) If Lessee shall fail to deliver or pay the  
15 royalty at the times and in the manner herein-  
16 above provided, or shall fail to keep, perform  
17 and observe the covenants, requirements and pro-  
18 visions of this lease on its part to be kept,  
19 performed and observed, other than those speci-  
20 fically mentioned in Sections (a) and (b) of this  
21 paragraph, and if such failure shall continue for  
22 a period of thirty (30) days after written notice  
23 thereof given by Lessors to Lessee, then Lessors  
24 may, at their option, terminate this lease by  
25 further written notice to Lessee. Any such termi-  
26 nation for any default other than failure to  
27 deliver or pay royalty shall be subject, however,  
28 to the provisions of Section (e) of this para-  
29 graph.

30 (d) Upon the termination of this lease as to any lands  
31 constituting all or any part of drill site lands  
32 or subject lands, all rights of Lessee under this

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1 lease with respect to such lands shall forthwith  
2 cease and be at an end and Lessors shall have and  
3 are hereby given the right to re-enter such lands  
4 and repossess themselves thereof as of their  
5 former estate therein, removing all persons and  
6 property therefrom. In like manner upon the  
7 termination of this lease as to any zone or zones  
8 underlying lands remaining subject hereto, all  
9 rights of Lessee under this lease to produce  
10 hydrocarbons from such zone or zones shall forth-  
11 with cease and revert to Lessors.

12 (e) The termination of this lease pursuant to Sec-  
13 tions (a) or (b) of this paragraph for any default  
14 other than failure to deliver or pay royalty shall  
15 not apply to any of the following wells as to  
16 which Lessee is not then in default, to-wit:

17 (1) any well drilled under this lease and pro-  
18 ducing hydrocarbons in paying quantities; (2) any  
19 well drilled and completed under this lease in  
20 which repairing, cleaning, redrilling, deepening  
21 or other operations are then being carried on; or  
22 (3) any well then in the course of being drilled  
23 under this lease. Lessee shall diligently con-  
24 tinue its operations hereunder upon each such well  
25 so long as it is entitled to retain such well.

26 Lessee shall not deepen or redrill any existing  
27 and theretofore completed well so retained by it  
28 to below the deepest zone then penetrated by such  
29 well, and if Lessee shall so retain any completed  
30 well, Lessee shall not drill any well then in the  
31 course of being drilled to below the deepest zone  
32 theretofore penetrated by any of the completed

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1 wells so retained by it. If, after retaining any  
2 well or wells pursuant to the provisions of this  
3 Section (e), Lessee fails to pay the royalty here-  
4 in required or fails to perform or observe any  
5 other provision of this lease on its part to be  
6 performed or observed, and such failure continues  
7 for a period of thirty (30) days after written  
8 notice thereof from Lessors, then in addition to  
9 all other rights and remedies Lessors may have  
10 under this lease or otherwise, Lessors may, at  
11 their option, by further written notice to Lessee,  
12 wholly terminate this lease and all rights of  
13 Lessee hereunder.

14 48. Notwithstanding any provisions of this lease to  
15 the contrary, Lessors may at any time and from time to time,  
16 after the expiration of twenty (20) years from and after the date  
17 hereof, go upon any lands then remaining subject to this lease  
18 and prospect and drill for oil, gas and other hydrocarbons and  
19 produce, extract and take the same therefrom, provided:

20 (a) that such operations shall not unduly interfere  
21 with any operations which Lessee is conducting on  
22 drill site or subject lands pursuant to this  
23 lease; and

24 (b) that Lessors shall not by means of any well lo-  
25 cated on or in the lands then subject to this  
26 lease produce, extract or take any oil, gas or  
27 other hydrocarbons from the zones from which the  
28 wells of Lessee are producing.

29 49. If any action or actions or proceeding at law or  
30 any suit or suits in equity shall be brought to recover any rent  
31 or royalty hereunder or for or on account of any breach whatso-  
32 ever in the performance or observance of any of the covenants,

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1 terms, conditions or stipulations hereof on the part of Lessee  
2 to be kept and performed, or for recovery of possession of drill  
3 site lands or subject lands, or any portion thereof, or for dam-  
4 ages or other relief, or on account of any breach hereof, and  
5 judgment herein shall be recovered by Lessors, Lessee shall, in  
6 addition to all costs of suit, be liable for a reasonable sum as  
7 and for attorney's fees, which sum shall be fixed by the court  
8 and shall be made a part of such judgment.

9 50. Time is hereby expressly declared to be of the  
10 essence of this lease and of each and every covenant, term,  
11 condition, stipulation and provision hereof and each such cove-  
12 nant, term, condition, stipulation and provision is hereby  
13 declared to be and made a material, essential and necessary part  
14 of this lease.

15 51. The term "drilling operations", as used herein,  
16 shall mean placing of materials on said drill site lands (or on  
17 drill sites on lands adjoining subject lands) for the erection  
18 of a derrick and other necessary structures for the drilling of  
19 an oil or gas well followed diligently by the erection of such  
20 derrick and other structures and by the actual operation of  
21 drilling in the ground.

22 The term "commercially paying quantities", as used  
23 herein, shall mean a well which shall produce oil and/or gas in  
24 quantities sufficient to pay the drilling and operating costs,  
25 including amortization, within a six (6) year period.

26 The term "paying quantities", as used herein, shall  
27 mean a well which shall produce oil and/or gas in sufficient  
28 quantities to pay for the operating costs thereof.

29 52. Any notice or demand by the parties hereto to any  
30 other party in connection with this lease shall be deemed to  
31 have been fully given or made when written and deposited in a  
32 sealed envelope in the United States mail, registered and postage

1 prepaid, and addressed as follows:

2 TO: City of Long Beach  
3 c/o City Manager  
4 300 City Hall  
5 Long Beach 2, California

6 TO: Alamitos Land Company  
7 817 Security Building  
8 Long Beach 2, California

9 TO: Herbell Oil Exploration Co.  
10 645 East Wardlow Road  
11 Long Beach 7, California

12 Any party may change its address by giving the other parties  
13 written notice of its new address, as herein provided.

14 Any right of Lessors hereunder to give any notice or  
15 demand may be exercised only by the City of Long Beach except  
16 as to the election to take Lessors' share of products in kind.

17 53. Lessee shall not and Lessee hereby agrees that  
18 it will not sublet drill site lands or subject lands, or any  
19 part thereof, or assign, transfer, mortgage or otherwise convey  
20 this lease or any of the rights of Lessee hereunder, or any of  
21 the interest of Lessee in or to drill site lands or subject  
22 lands, without the prior written consent of Lessors, and the  
23 written consent to one assignment or transfer shall not be  
24 deemed a consent to any other or further assignment or transfer.  
25 Any assignment or transfer or attempted assignment or transfer  
26 in violation of the foregoing provisions shall at, but only at,  
27 the option of Lessors be null and void and of no force or effect  
28 either from the beginning or upon the exercise of such option as  
29 Lessors may elect, provided that any such election by Lessors  
30 shall not be deemed to be a waiver of the default arising by  
31 reason of such assignment or transfer or attempted assignment or  
32 transfer. The operations to be conducted by Lessee hereunder  
may be conducted by, and (or) the rights of Lessee hereunder may  
be assigned by Lessee to, a corporation in which Lessee is



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1 merged or with which Lessee is consolidated or to which Lessee  
2 transfers all, or substantially all, of its assets, or if Lessee  
3 be not relieved of any obligations hereunder, by, or to, a  
4 wholly owned subsidiary of Lessee, and as long as, but only as  
5 long as, said subsidiary is a wholly owned subsidiary, but not  
6 to any other person, firm or corporation, provided that the cor-  
7 poration to which this lease is so assigned shall thereupon  
8 become bound to Lessors to pay, do, keep and perform all of the  
9 terms, covenants and (or) conditions of this lease to be paid,  
10 done, kept and (or) performed by Lessee, particularly in this  
11 provision of this paragraph. Such assignment shall not be  
12 effective, however, and shall be deemed a breach of this lease  
13 until an executed original of the agreement by the assignee to  
14 assume the obligations of Lessee shall have been delivered to  
15 Lessors.

16 54. The waiver by Lessors of any breach by Lessee of  
17 any provision hereof shall not be deemed a waiver of such provi-  
18 sion or a waiver of any other prior or subsequent breach thereof  
19 or a waiver of any breach or any other provision of this lease.  
20 Neither the acceptance of royalty after notice or knowledge of  
21 a breach of any provision hereof nor any other action of Lessors  
22 hereunder except an express waiver in writing shall be deemed or  
23 construed as a waiver by Lessors of any breach of provision  
24 hereof by Lessee.

25 55. The relationship between the parties hereto is  
26 that of Lessor and Lessee and nothing herein contained shall be  
27 deemed to create an association, partnership, joint venture,  
28 mining partnership or any other relationship between the parties  
29 hereto.

30 56. If this lease is terminated in whole or in part,  
31 Lessee shall deliver to Lessors a good and sufficient quitclaim  
32 deed as to the demised premises, except subject to the rights

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1 reserved by Lessee.

2 Lessee shall provide with each quitclaim deed a report  
3 of title issued by a responsible title company covering the land  
4 quitclaimed, made at the time of recordation of such quitclaim  
5 deed, and if such report of title discloses any rights, inter-  
6 ests, claims, liens, or encumbrances conveyed, granted, done,  
7 made or suggested by Lessee, or anyone claiming under Lessee,  
8 Lessee will take actions, steps and proceedings as may be neces-  
9 sary to terminate and extinguish any such rights, interests,  
10 claims, liens, and encumbrances, failing in which Lessors may do  
11 so at the cost and expense of Lessee, which cost and expense,  
12 plus reasonable attorneys' fees, Lessee agrees to pay to Lessors  
13 upon demand.

14 Except as to easements and rights of way to be re-  
15 tained by the Lessee on or across land so quitclaimed and the  
16 right in Lessee to remove its property therefrom, full rights  
17 to any such quitclaimed land shall revert in the Lessors free  
18 and clear of all claims of the Lessee. Notwithstanding anything  
19 in this paragraph provided to the contrary, it is distinctly  
20 understood and agreed that if Lessee quitclaims any part of the  
21 demised premises less than the whole, Lessee shall continue to  
22 pay taxes on its improvements and personal property thereon and  
23 also continue to pay taxes thereon of whatever kind resulting  
24 from the discovery or production of oil or other hydrocarbon  
25 substances on or from the demised premises.

26 Upon the abandonment of any producing well, Lessee,  
27 within thirty (30) days after the abandonment of such well,  
28 shall quitclaim and surrender to Lessors that portion of the  
29 drill site lands which it does not need for the operation of  
30 other drilling or producing wells. The lands quitclaimed shall  
31 remain subject to the rights of way necessary or convenient for  
32 Lessee's operations on the land retained by it.

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1           At the time of quitclaiming of land adjacent to said  
2 abandoned well, Lessee shall also quitclaim to the Lessor all  
3 other land which it does not use and occupy in connection with  
4 its operations on any remaining producing well or wells. Any  
5 quitclaim deed by Lessee to Lessors shall be sufficient to en-  
6 tirely clear the title to the lands so quitclaimed from any  
7 terms or obligations of this lease.

8           57. Subject to Lessors' rights and privileges as con-  
9 tained in Paragraph 29 hereof, upon the termination of this  
10 lease, whether by lapse of time or otherwise, as to all or any  
11 portion of the premises hereby leased, Lessee shall peaceably  
12 and quietly leave, surrender and yield up unto the Lessors drill  
13 site lands and subject lands or such portion thereof as to which  
14 this lease shall have terminated, and shall remove all materials,  
15 structures, obstructions, except casing, placed by it on or in  
16 the demised lands, and shall fill up all trenches and holes and  
17 remove all oil debris from drill site lands and shall fill any  
18 other excavations made by it, and restore the land to the condi-  
19 tion in which it was received, and Lessee shall promptly execute  
20 and deliver to said Lessors a good and sufficient quitclaim deed  
21 to be recorded in order that the record title of said lands, or  
22 the portion thereof as to which this lease has terminated, may  
23 be cleared of the cloud created by this lease.

24           58. Lessee shall indemnify and save harmless the City  
25 of Long Beach, Alamitos Land Company, and the officers, agents  
26 and employees of either the City of Long Beach or the Alamitos  
27 Land Company, from and against any and all claims, demands, loss  
28 or liability of any kind or nature which the City of Long Beach,  
29 the Alamitos Land Company, the officers, agents and employees of  
30 either the City of Long Beach or the Alamitos Land Company, or  
31 any of them, may sustain or incur or which may be imposed upon  
32 them, or any of them, for injury to or death of persons or

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1 damage to property arising out of or in any manner connected  
2 with the negligence or lack of care of the Lessee, its officers,  
3 agents or employees, in the use of drill site lands or subject  
4 lands.

5 As a condition precedent to the effectiveness of this  
6 lease and in partial performance of the Lessee's obligations  
7 hereunder, Lessee shall procure and maintain in full force and  
8 effect during the term of this lease a policy, or policies, of  
9 public liability and property damage insurance from a company,  
10 or companies, authorized to do business in the State of Califor-  
11 nia with minimum coverages of: Five Hundred Thousand Dollars  
12 (\$500,000.00) for death or bodily injury or loss sustained by  
13 any one person in any one occurrence; One Million Dollars  
14 (\$1,000,000.00) for death or bodily injury or loss sustained by  
15 more than one person in any one occurrence; and One Hundred  
16 Thousand Dollars (\$100,000.00) for loss by damages or injury to  
17 property in any one occurrence. The policy shall either contain  
18 a provision providing for a broad form of contractual liability,  
19 including leases, or there shall be attached thereto an endorse-  
20 ment providing for such coverage.

21 The policy shall further provide that the same shall  
22 not be cancelled until a ten (10) day written notice of can-  
23 cellation has been served upon the City Manager of the City of  
24 Long Beach.

25 Lessee shall, coincidentally with the execution of  
26 this lease, deliver said policy of insurance, or a certified or  
27 photostatic copy thereof, to the City Manager of the City for  
28 approval as to sufficiency and to the City Attorney for approval  
29 as to form.

30 If Lessee does not desire to present the original or  
31 a photostatic copy of said policy for approval as provided  
32 above, Lessee may present for approval and filing a certificate

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1 of insurance to which is attached the following endorsement:

2 "Within the limits set forth in the declarations  
3 to indemnify and save harmless the City of Long Beach,  
4 the Alamitos Land Company, the officers, agents and  
5 employees of either the City of Long Beach or the  
6 Alamitos Land Company, or any of them, from and against  
7 any and all claims or demands for injury, damage, loss,  
8 liability, cost and expense of any kind or nature  
9 whatsoever for death, injury or loss to persons or  
10 damage to property, which the City of Long Beach, the  
11 Alamitos Land Company, the officers, agents and em-  
12 ployees of either the City of Long Beach or the  
13 Alamitos Land Company may sustain or incur or which  
14 may be imposed upon them, or any of them, arising out  
15 of the use of the premises described in the Oil and  
16 Gas Lease between the City of Long Beach and the  
17 Alamitos Land Company, and the insured.

18 "This policy shall not be cancelled until ten  
19 days' written notice of cancellation has been served  
20 on the City Manager of the City of Long Beach. This  
21 endorsement shall control over all other provisions of  
22 the policy, or endorsements thereto, which are incon-  
23 sistent herewith."

24 The procuring of such policy of insurance shall not be  
25 construed to be a limitation upon Lessee's liability or as a  
26 full performance on its part of the indemnification provisions  
27 of this lease, Lessee's obligations being, notwithstanding said  
28 policy of insurance, for the full and total amount of any dam-  
29 age, injury or loss caused by the negligence or neglect connected  
30 with its operations under this lease.

31 59. The Lessee, concurrently with its execution of  
32 this lease, shall furnish to the Lessors, and throughout the

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1 term of this lease and any extension or renewal thereof, shall  
2 keep in full force and effect a good and sufficient surety bond  
3 in the sum of One Hundred Thousand Dollars (\$100,000.00), or in  
4 lieu of such surety bond, Lessee may deposit with the Lessors  
5 an equivalent amount in cash or negotiable securities to assure  
6 Lessee's full, prompt and faithful performance of all the terms,  
7 covenants and conditions of this lease on Lessee's part to be  
8 kept and performed. Any surety bond submitted to the Lessors  
9 pursuant to this paragraph shall be procured from a surety com-  
10 pany authorized to transact a surety business in the State of  
11 California, and to be approved in the manner prescribed by the  
12 Charter of the City of Long Beach. The surety company issuing  
13 said bond may terminate said bond on any anniversary date there-  
14 of by giving the City Manager of the City of Long Beach written  
15 notice of its intention to do so at least thirty (30) days prior  
16 to the next anniversary date of said bond, and said bond shall  
17 thereupon terminate on such anniversary date. If any surety  
18 bond is terminated as provided above, Lessee shall, within a  
19 reasonable time prior to the effective date of such termination,  
20 either procure another surety bond acceptable to Lessors or  
21 deposit with Lessors cash or negotiable securities in the amount  
22 and in accordance with the conditions set forth herein.

23           If Lessee elects to deposit negotiable securities in  
24 lieu of a surety bond or cash as provided for hereinabove, such  
25 negotiable securities must be acceptable to the Lessors and be  
26 of such kind and nature as to be readily convertible into cash  
27 by Lessors without further execution of any documents or en-  
28 dorsements on the part of the Lessee. The decision to accept  
29 or refuse any negotiable securities offered by Lessee shall rest  
30 solely with the Lessors.

31           Any cash or negotiable securities deposited with Les-  
32 sors pursuant to the provisions hereof may be used by Lessors

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1 to compensate it for any loss or damage resulting from Lessee's  
2 failure to fully, promptly and faithfully perform to the satis-  
3 faction of the City Manager of the City of Long Beach all of the  
4 terms, covenants and conditions of this lease on Lessee's part  
5 to be kept and performed.

6 If any part of the cash or negotiable securities re-  
7 mains unused after the Lessors' loss or damage has been compen-  
8 sated as provided above, such remaining cash or securities shall  
9 be returned to Lessee within ten (10) days thereafter. Should  
10 the City Manager of the City of Long Beach determine that no  
11 default has occurred and the Lessors had not been damaged by any  
12 of Lessee's acts hereunder, then the Lessors will return the  
13 cash or securities in their possession within ten (10) days  
14 after such determination by the City Manager of the City of Long  
15 Beach, and in any event no later than twenty (20) days after the  
16 expiration of this lease. Should the cash or securities on  
17 deposit with the Lessors hereunder be insufficient to compensate  
18 the Lessors for their loss due to Lessee's failure to comply  
19 with the terms and conditions of this lease, Lessee shall be  
20 liable for any deficiencies resulting therefrom.

21  
22 IN WITNESS WHEREOF, the parties hereto have executed  
23 this Recreation Park Oil and Gas Lease as of the day and year  
24 first herein written.

J. A. Campbell and H. H. Herder,  
a copartnership, and J. A.  
Campbell, an individual, collec-  
tively doing business as HERBELL  
OIL EXPLORATION CO.

25  
26  
27  
28  
29  
30 8-15, 1962 By A. H. Herder  
31 8-15, 1962 By J. A. Campbell  
32

CITY OF LONG BEACH, a municipal corporation

SEP 6 1962, 1962

By *James M. Maxwell*  
City Manager

ALAMITOS LAND COMPANY, a California corporation

August 20, 1962

By *Franklyn B. ...*  
President

August 20, 1962

By *Walter O. ...*  
Secretary

STATE OF CALIFORNIA )  
COUNTY OF LOS ANGELES ) ss.

On this 15<sup>th</sup> day of August, 1962,  
before me, the undersigned, a Notary Public in  
and for said County and State, personally appeared J. A. CAMP-  
BELL and H. H. HERDER, known to me to be the partners of the  
partnership that executed the within instrument, and acknowl-  
edged to me that such partnership executed the same.

*Merle O. Chaplin*  
Notary Public in and for said  
County and State

My Commission Expires: Sept. 18, 1962

STATE OF CALIFORNIA )  
COUNTY OF LOS ANGELES ) ss.

On this 15<sup>th</sup> day of August, 1962,  
before me, the undersigned, a Notary Public in and  
for said County and State, personally appeared J. A. CAMPBELL,  
known to me to be the person whose name is subscribed to the  
within instrument, and acknowledged to me that he executed the  
same on his own separate behalf.

*Merle O. Chaplin*  
Notary Public in and for said  
County and State

My Commission Expires: Sept. 18, 1962

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



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800 CITY HALL  
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TELEPHONE HE 6-8041

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

3 On this 6<sup>th</sup> day of September, 1962,  
4 before me, Julia R. Cox, a Notary Public in  
5 and for said County and State, personally appeared JOHN R.  
6 MANSELL, known to me to be the duly appointed and acting City  
7 Manager of the City of Long Beach, the municipal corporation  
8 that executed the within instrument, known to me to be the per-  
9 son who executed the within instrument on behalf of the munici-  
10 pal corporation therein named, and acknowledged to me that such  
11 corporation executed the same.

12 IN WITNESS WHEREOF, I have hereunto set my hand and  
13 affixed my official seal the day and year in this certificate  
14 first above written.

15 Julia R. Cox  
16 Notary Public in and for said  
17 County and State  
18 JULIA R. COX  
19 My Commission Expires: My Commission Expires February 20, 1965

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

22 On this 20<sup>th</sup> day of August, 1962,  
23 before me, F. L. Kane, a Notary Public in  
24 and for said County and State, personally appeared \_\_\_\_\_  
25 LLEWELLYN BIXBY, JR., known to me to be the \_\_\_\_\_  
26 President, and DARRELL NEIGHBORS, known to me  
27 to be the \_\_\_\_\_ Secretary, of ALAMITOS LAND COMPANY,  
28 the corporation that executed the within instrument, and known  
29 to me to be the person(s) who executed the within instrument on  
30 behalf of the corporation herein named, and acknowledged to me  
31 that such corporation executed the same.

32 IN WITNESS WHEREOF, I have hereunto set my hand and

1 affixed my official seal on the day and year in this certificate  
2 first above written.

3  
4 F. L. Kame  
Notary Public in and for said  
County and State

5 My Commission Expires: May 20, 1966

6  
7  
8  
9  
10  
11 The foregoing Recreation Park Oil and Gas Lease is  
12 hereby approved as to form this 27<sup>th</sup> day of August  
13 \_\_\_\_\_, 1962.

14 GERALD DESMOND, City Attorney  
15  
16 By Shirley A. Lingle  
17 Deputy

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4-11-62

1 EXHIBIT "A"

2 SUBJECT LANDS

3  
4 PARCEL NO. 1:

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

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

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PARCEL NO. 2:

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

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

PARCEL NO. 3:

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

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

PARCEL NO. 4:

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

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

PARCEL NO. 5:

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

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

EXHIBIT "B"

DRILL SITE LANDS

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

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

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1 EXHIBIT "C"

2 ACCOUNTING PROCEDURE

3  
4 ATTACHED TO AND MADE A PART OF Oil and Gas Lease by  
5 and between City of Long Beach and the Alamitos Land Company, as  
6 Lessors, and \_\_\_\_\_,  
7 as Lessee, hereinafter referred to as "said lease".

8 The purpose of this Accounting Procedure is to estab-  
9 lish equitable methods for determining charges and credits  
10 applicable to operations under said lease. The parties agree,  
11 however, that if at any time, or from time to time, any of such  
12 methods prove unfair or inequitable to Lessors or Lessee, the  
13 parties will meet and in good faith endeavor to agree on changes  
14 in methods deemed necessary to correct any unfairness or in-  
15 equity.

16 SECTION I. DEFINITIONS, RECORDS AND STATEMENTS

- 17 1. Definitions in said lease to which this Accounting Procedure  
18 is attached are adopted for all purposes of this Accounting  
19 Procedure.
- 20 2. The Lessee shall at all times maintain and keep true and  
21 correct records of the production and disposition of all oil,  
22 gas and other hydrocarbon substances, and of all costs and  
23 expenditures incurred, as well as all other data necessary  
24 or proper for the settlement of accounts between the parties  
25 hereto in connection with their rights and obligations under  
26 said lease and such records shall be open at all reasonable  
27 times for inspection by authorized representatives of Les-  
28 sors as provided in said lease.
- 29 3. A. If Lessors or either of them elect under said lease to  
30 take their or its royalty in kind, Lessee shall furnish  
31 Lessors statements showing the disposition of such sub-  
32 stances during the preceding calendar month and such

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1 other data as will satisfy the reasonable requirements  
2 of Lessors, as provided in said lease.

3 B. If Lessors or either of them are not taking royalty in  
4 kind, Lessee shall furnish each Lessor statements that  
5 will properly reflect the proceeds of sales derived from  
6 the disposition of crude oil, gas, and other hydrocarbon  
7 substances for the preceding calendar month, as provided  
8 in said lease.

9 SECTION II. CHARGEABLE COSTS AND EXPENDITURES

10 Chargeable costs and expenditures shall include all  
11 costs and expenditures in connection with the performance of  
12 Lessee's duties under said lease, such as development, mainte-  
13 nance, operation, and abandonment. Lessee shall diligently  
14 exercise its best endeavors to obtain any property, material,  
15 services or facilities used in the performance of the terms of  
16 said lease at the lowest net price at which the same is obtain-  
17 able and to dispose of the same at the highest net price obtain-  
18 able and any commission, bonus, profit, gratuity, rebate or  
19 benefit of any kind or character, when and if so received by the  
20 Lessee shall be credited against the expenses of the Lease  
21 account. To this extent the Lessors, by so stating in writing,  
22 may require competitive bidding on major items of expense.  
23 Without in any way limiting the generality of the foregoing,  
24 chargeable costs and expenditures shall include:

- 25 1. Permits, licenses, and bond premiums necessarily expended by  
26 Lessee in the performance of Lessee's duties under said  
27 lease.
- 28 2. Salaries and wages of Lessee's employees directly engaged  
29 in operations of drill site lands and subject lands, plus  
30 that portion of taxes and assessments imposed by govern-  
31 mental authority on or measured by the pay of employees,  
32 and any group insurance, sick pay (not recoverable from

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- 1 insurance), vacation pay, travel allowances, pensions, and  
2 other benefits accorded in general to Lessee's employees  
3 computed to be applicable to such salaries and wages.
- 4 3. Materials, equipment, and supplies purchased by Lessee or  
5 furnished from its storehouse stocks or from its other prop-  
6 erties for use on drill site lands and subject lands. In-  
7 sofar as is practical and consistent with efficient and  
8 economical operation, only such materials shall be purchased  
9 for or transferred to drill site and subject lands as are  
10 required for immediate use, and the accumulation of mate-  
11 rials and supplies on drill site lands shall be kept to a  
12 minimum.
- 13 4. The cost incurred and paid by Lessee of transportation of  
14 employees, equipment, material, and supplies to and from  
15 drill site lands except as follows:
- 16 A. No charge shall be made for moving equipment,  
17 material, and supplies from Lessee's storehouses  
18 or other property of the Lessee to drill site or  
19 subject lands for a distance greater than would be  
20 necessary to move such equipment, material, and  
21 supplies from the nearest reputable supply store  
22 where such items are available to purchasers gen-  
23 erally unless otherwise approved by Lessors.
- 24 B. No charge shall be made for moving surplus equip-  
25 ment and material from drill site lands to Lessee's  
26 storehouse for a distance greater than to the  
27 nearest point where such surplus equipment and  
28 material could be sold at reasonable prices, nor  
29 shall a charge be made for moving materials to  
30 other properties belonging to Lessee except by  
31 special agreement.
- 32 5. Contract services and utilities procured from outside



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- 1 sources.
- 2 6. Charges for the use of and service by Lessee's exclusively  
3 owned equipment, such as but not limited to strings of  
4 drilling tools, well pulling units, heavy automotive equip-  
5 ment, etc., on the basis of rates agreed to by Lessors prior  
6 to use of the equipment. These rates commensurate with the  
7 cost of ownership and operation, including maintenance, in-  
8 surance, taxes and allowance for depreciation, shall not be  
9 in excess of rates currently prevailing for like equipment  
10 in the area. Drilling tools and other equipment lost in the  
11 hole or damaged beyond repair may be charged at a fair  
12 depreciated value.
- 13 7. Rehabilitation costs occasioned by fire, flood, storm, acci-  
14 dent, or other cause or condition not controllable by Lessee  
15 through the exercise of reasonable diligence, whether or not  
16 similar to the causes or conditions herein specifically  
17 enumerated, and not compensated for by insurance or other-  
18 wise. Lessee shall furnish to Lessors a written notice of  
19 damages suffered from any source whatsoever immediately  
20 after report of the same has been received by Lessee.
- 21 8. Expenses of litigation, liens, judgments, and settlement of  
22 claims incurred in or resulting from the operations under  
23 said lease except that no charges for services of Lessee's  
24 legal staff or for fees or expenses of outside attorneys  
25 shall be made except upon prior agreement between Lessee and  
26 Lessors.
- 27 9. The net premiums for Workmen's Compensation Insurance cover-  
28 ing development and operations hereunder which Lessee shall  
29 procure and maintain.
- 30 10. Taxes and Assessments:  
31 Subject to Article 10 (c-3) and 10 (i) of said lease, all  
32 taxes and assessments which are levied and assessed, such

1 as taxes on improvements and personal property, retail  
2 sales and use taxes, and any license or excise, but exclud-  
3 ing any income, franchise, capital stock and other such  
4 general taxes.

5 11. The following charges to cover Lessee's cost of ordering,  
6 handling and storing materials, equipment, and supplies:

7 A. Three per cent (3%) of the cost of tubular goods  
8 (2" in diameter and larger) and major equipment  
9 such as derricks, tanks, boilers, compressors,  
10 engines, pumps, motors (3 H.P. and over), oil  
11 and gas separators (traps), pumping units, gear  
12 reduction units, and other large units delivered  
13 from Lessee's storehouse to drill site or subject  
14 lands.

15 B. Five per cent (5%) of the cost of all other mate-  
16 rial and supplies delivered from Lessee's store-  
17 house to drill site or subject lands.

18 These charges are in lieu of any other charge for the cost  
19 of operating and maintaining Lessee's purchasing and ware-  
20 housing facilities.

21 12. The following overhead costs, which shall be in lieu of any  
22 charge for any part of the compensation of salaries of  
23 managing officers, including district and division superin-  
24 tendents, and of any part of the expenses of the head or  
25 main offices or division headquarters and offices, district  
26 headquarters and offices and field headquarters and offices  
27 of the Lessee.

28 A. Per Well Basis:

29 (1) Four Hundred Dollars (\$400.00) per month (pro-  
30 rated for periods of less than one month) for  
31 each well upon which drilling, redrilling, or  
32 other remedial operations involving the use

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1 of drilling equipment and drilling crew  
2 are being performed, computed from the date  
3 of commencement of spudding-in operations  
4 on such well and continued until it is  
5 placed on production or is abandoned, as  
6 the case may be, except that no charge shall  
7 be made during the suspension of drilling  
8 operations for fifteen (15) or more consec-  
9 utive days.

10 (2) Fifty Dollars (\$50.00) per well per month  
11 for the first five (5) producing wells.  
12

13 SECTION III. BASIS OF CHARGES

- 14 1. Outside Purchases: All materials and equipment purchased  
15 and all service procured from outside sources shall be  
16 charged at their actual cost to Lessee, after deducting all  
17 trade, cash or other discounts or credits received by Lessee.
- 18 2. The actual cost to Lessee of storing, handling and deliver-  
19 ing Lessors' royalties when taken in kind.
- 20 3. New Materials Furnished by Lessee (Condition "A"):
- 21 A. New materials transferred to drill site and subject  
22 lands from Lessee's storehouse or other properties shall  
23 be priced f.o.b. the nearest reliable supply store at  
24 current new prices less all discounts customarily taken  
25 by Lessee. This will include cost of major equipment  
26 such as derricks, tanks, boilers, compressors, engines,  
27 pumps, motors (3 H.P. and over), oil and gas separators  
28 (traps), pumping units, gear reduction units, and other  
29 large units. Tubular goods (2" in diameter and over)  
30 shall be priced on carload basis effective at date of  
31 transfer and f.o.b. railway receiving point nearest  
32 drill site lands, regardless of quantity transferred.

1           Smaller new materials such as valves, fittings,  
2           supplies, etc., where the current new prices  
3           cannot be readily ascertained or where it is not  
4           practicable to use current new prices, may, for  
5           the purpose of consistency and convenience, be  
6           charged at Lessee's regular storehouse prices.

7           B. Gasoline, kerosene, and other light oils furnished  
8           by Lessee shall be at prices, approximating posted  
9           tank wagon prices. Lubricating oils and greases  
10          shall be at prices approximating commercial con-  
11          sumer's price. Such prices shall not exceed tank  
12          wagon or commercial consumer's prices for the  
13          respective products. Crude oil shall be priced  
14          at the available posted and published field price.  
15          Gas and liquefied products shall be at prices  
16          approximating market value.

17          4. Secondhand Materials Furnished by Lessee (Conditions "B"  
18          and "C"):

19          A. Material and equipment which is in sound and service-  
20          able condition and suitable for use without repair or  
21          reconditioning, shall be classed as Condition "B" and  
22          except as provided hereinbelow, shall be priced at  
23          seventy-five per cent (75%) of current new price of  
24          like material.

25          B. Material and equipment not meeting the requirements of  
26          subparagraph 4A hereinabove but which can be made suit-  
27          able for use after being repaired or reconditioned,  
28          shall be classed as Condition "C" and priced at fifty  
29          per cent (50%) of current new price of like material;  
30          provided, that material so classified will meet the  
31          requirements for Condition "B" material upon being  
32          repaired or reconditioned.

1 C. Tanks, derricks, buildings and other items of material  
2 involving erection costs, if transferred in a knocked-  
3 down condition, shall be graded as to condition as pro-  
4 vided in this paragraph 4 of Section III, and priced  
5 on the basis of knocked-down prices of like new mate-  
6 rial.

7 D. Material and equipment, including drill pipe, casing,  
8 and tubing, which is no longer usable for its original  
9 purpose but is further usable for some other purpose,  
10 shall be graded as to condition as provided in this  
11 paragraph 4 of Section III and priced on the basis of  
12 current new price of items normally used for such other  
13 purpose.

14 E. There may also be cases where some items of major equip-  
15 ment, due to their unusual condition, should be fairly  
16 and equitably priced by Lessee.

17  
18 SECTION IV. BASIS OF PRICING MATERIALS TRANS-  
19 FERRED FROM PROPERTY

20 Lessee shall notify Lessors of their intention to  
21 transfer from the property materials and equipment previously  
22 charged to the lease account and, unless Lessors elect to take  
23 such materials and equipment in kind, Lessee shall credit to the  
24 lease account as income the value of such materials and supplies  
25 on the following basis:

26 1. New materials and equipment (Condition "A") acquired for  
27 drill site lands or subject lands but not used thereon, at  
28 one hundred per cent (100%) of current new prices.

29 2. Used Material:

30 A. Material and equipment which is in sound and serviceable  
31 condition and suitable for use without repair or recon-  
32 ditioning shall be classed as Condition "B" and, except

1 as provided hereinbelow, shall be priced at seventy-five  
2 per cent (75%) of current new price of like material.

3 B. Material and equipment not meeting the requirements of  
4 subparagraph 2A, hereinabove, but which, after being  
5 repaired or reconditioned will meet the requirements for  
6 Condition "B" material, shall be classed as Condition  
7 "C" and, except as provided hereinbelow, shall be priced  
8 at fifty per cent (50%) of current new price of like  
9 material.

10 C. Material and equipment, including drill pipe, casing,  
11 and tubing, which is no longer usable for its original  
12 purpose but is further usable for some other purpose,  
13 shall be graded as to condition as provided in this  
14 paragraph 2 of Section IV and priced on the basis of  
15 current new price of items normally used for such other  
16 purpose.

17 D. Unserviceable material and scrap shall be considered as  
18 "Junk", classed as Condition "D" and, if transferred to  
19 Lessee, shall be valued at prevailing junk prices in  
20 the district where drill site lands are located.

21 E. There may also be cases where some items of major equip-  
22 ment, due to their unusual condition, should be fairly  
23 and equitably priced by Lessee.

24 Lessee shall have the right on behalf of itself and of Lessors  
25 to remove from drill site lands and subject lands and dispose of  
26 junk materials and equipment not required for immediate or  
27 future operations under said lease and the net proceeds from the  
28 sale of all such material shall be credited currently in the  
29 monthly statements.

30

31 SECTION V. PHYSICAL INVENTORIES

32 1. Inventories of the materials and equipment which are ordi-

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- 1 narily considered controllable by lessees of oil and gas  
2 properties shall be taken by Lessee at such times as shall  
3 be mutually agreed upon.
- 4 2. Written notice of intention to take inventory shall be given  
5 by Lessee to Lessors two weeks before any inventory is to  
6 begin, so that Lessors may be represented when any inventory  
7 is being taken.
- 8 3. Lessee shall furnish each Lessor with copy of such inven-  
9 tories.
- 10 4. Reconciliation of inventory shall be made by Lessee and a  
11 list of overages and shortages shall be furnished by Lessee  
12 to Lessors.
- 13 5. Inventory adjustments shall be made by Lessee for overages  
14 and shortages of such materials and equipment as are ordi-  
15 narily considered controllable by lessees of oil and gas  
16 properties. Lessee shall not be held accountable for thefts  
17 or minor shortages not due to a lack of reasonable diligence.
- 18 6. The expense of representatives conducting regular inventor-  
19 ies shall not be charged. The expense of Lessee's repre-  
20 sentative in conducting any special inventories requested  
21 shall be charged to the separate account of the party re-  
22 questing such inventory.
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BOND FOR FAITHFUL PERFORMANCE

KNOW ALL MEN BY THESE PRESENTS: That we, J. A. Campbell and H. H. Herder, a co-partnership, and J. A. Campbell, an individual, collectively doing business as HERBELL OIL EXPLORATION CO.,

as PRINCIPAL, and a corporation, incorporated under the laws of the State of \_\_\_\_\_, and having been authorized to transact business in the State of California, as SURETY, are held and firmly bound unto the CITY OF LONG BEACH, CALIFORNIA, a municipal corporation, in the sum of -----

ONE HUNDRED THOUSAND and 00/100----- DOLLARS (\$ 100,000.00 ), lawful money of the United States of America, for the payment of which sum, well and truly to be made, we bind ourselves, our respective heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT:

WHEREAS, said Principal has been awarded and is about to enter into the annexed contract with said City of Long Beach for the development and production of oil and gas in Recreation Park in the City of Long Beach,

and is required by said City to give this bond in connection with the execution of said contract;

NOW, THEREFORE, if said Principal shall well and truly keep and faithfully perform all of the covenants, conditions, agreements and obligations of said contract on said Principal's part to be kept, done and performed, at the times and in the manner specified therein, then this obligation shall be null and void, otherwise it shall be and remain in full force and effect.

PROVIDED, that any modifications of, or alterations or changes which may be made in said contract, or in the work to be done, or in the services to be rendered, or in any materials or articles to be furnished pursuant to said contract, or the giving by the City of any extension of time for the performance of said contract, or the giving of any other forbearance upon the part of either the City or the Principal to the other, shall not in any way release the Principal or the Surety, or either of them, or their respective heirs, administrators, executors, successors or assigns, from any liability arising hereunder, and notice to the Surety of any such modifications, alterations, changes, extensions or forbearances is hereby waived. No premature payment by said City to said Principal shall release or exonerate the Surety, unless the officer or Board of said City ordering the payment shall have actual notice at the time the order is made that such payment is in fact premature, and then only to the extent that such payment shall result in actual loss to the Surety, but in no event in an amount more than the amount of such premature payment.

IN WITNESS WHEREOF, the above named Principal and Surety have executed, or caused to be executed, this instrument under their respective hands and seals, and with all the formalities required by law on this \_\_\_\_\_ day of \_\_\_\_\_, 1962.

SEP 2 11 5

J. A. Campbell and H. H. Herder, a copartnership, and J. A. Campbell, an individual, collectively doing business as HERBELL OIL EXPLORATION CO.

By \_\_\_\_\_ (Seal) PRINCIPAL

(CORPORATE SEAL)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
SURETY

Approved as to form this \_\_\_\_\_ day of \_\_\_\_\_, 1962.

Approved as to sufficiency this \_\_\_\_\_ day of \_\_\_\_\_, 1962.

GERALD DESMOND \_\_\_\_\_ City Attorney

By \_\_\_\_\_ Deputy

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
City Manager

NOTE: 1. Execution of contract and bond must be acknowledged by both PRINCIPAL and SURETY before a Notary Public and Notary's certificate of each acknowledgment must be attached.  
2. A corporation must execute contract and bond by duly authorized officers or agents, and a certified copy of a resolution of its Board of Directors authorizing such execution, or other evidence of authority for such execution, must be attached.  
3. The seal of the corporation must be affixed to all instruments.