

ASSIGNMENT AND CONSENT

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

7702

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

ASSIGNOR

HERBELL OIL EXPLORATION COMPANY,  
a limited partnership

DATED: \_\_\_\_\_

By William J. Huder  
General Partner

ASSIGNEE

McFARLAND ENERGY, INC.

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

By M K Sanford  
Vice-President, Land

By \_\_\_\_\_  
Secretary

LESSORS

CITY OF LONG BEACH,  
a municipal corporation

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

By [Signature]  
Deputy

By [Signature]  
City Manager

ALAMITOS LAND COMPANY,  
a California corporation

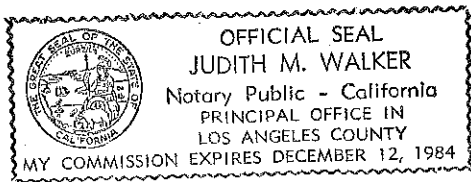
By [Signature]  
President

By [Signature]  
Asst-Secretary

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

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

WITNESS my hand and official seal.

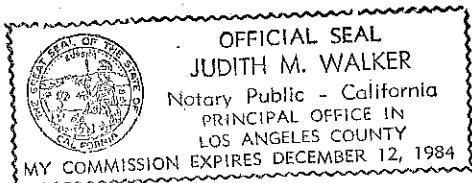


Judith M. Walker  
Notary Public of the State  
of California

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

On April 23, 1982, before me, the undersigned, a Notary Public in and for said state, personally appeared M. K. Sanford known to me to be the Vice President, and \_\_\_\_\_ known to me to be the Secretary of McFARLAND ENERGY, INC., known to me to be the persons who executed the within instrument on behalf of McFARLAND ENERGY, INC., and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

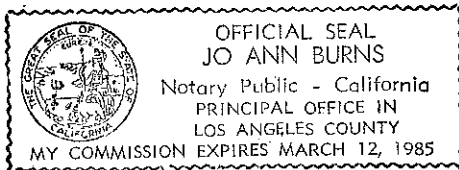


Judith M. Walker  
Notary Public of the State  
of California

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

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

WITNESS my hand and official seal.



Jo Ann Burns  
Notary Public of the State  
of California

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

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

WITNESS my hand and official seal.

Judith M. Walker  
Notary Public of the State  
of California

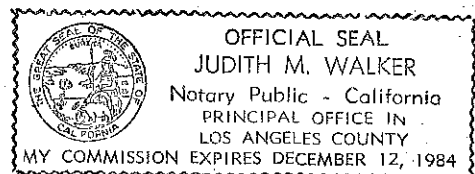


EXHIBIT "1"

SUBJECT LANDS

PARCEL NO. 1:

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

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