

1 DRILLSITE AREA B AGREEMENT

2 Recreation Park

3 7702

4 1. PARTIES: This Drillsite Area B Agreement is entered
5 into this 22nd day of December, 1987, pursuant to a
6 minute order of the City Council of the City of Long Beach, by
7 and between the CITY OF LONG BEACH, a municipal corporation
8 ("City"), and ALAMITOS LAND COMPANY, a California corporation
9 ("Alamitos"), hereinafter referred to collectively as "Lessors"
10 and M. P. OIL COMPANY, a California corporation, hereinafter
11 referred to as "Drillsite Area B Lessee".

12 2. RECITALS: This Agreement is made with reference to
13 the following facts and objectives:

14 a. On September 6, 1962, the City of Long Beach and
15 Alamitos Land Company, as Lessors, and J. A. Campbell, H. H.
16 Herder and Herbell Oil Exploration Company, a general part-
17 nership, entered into that certain Recreation Park Oil and
18 Gas Lease, hereinafter referred to as the "Lease". The
19 Lease provided that Herbell Oil Exploration Company was
20 granted a lease for drilling and producing operations in
21 and under the "subject lands" as described in Exhibit "A"
22 of the Lease. The Lease further provided that Herbell Oil
23 Exploration Company was entitled to occupy and use "drill
24 site lands" as described in Exhibit "B" of the Lease for
25 drilling and producing operations.

26 By assignment dated September 6, 1962, all right, title
27 and interest of J. A. Campbell, H. H. Herder and Herbell Oil
28 Exploration Company, a general partnership, as Lessee in the

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 Lease, was assigned, transferred and conveyed to Elliott and
2 Ten Eyck's and McFarland's predecessor in interest, Herbell
3 Oil Exploration Company, a limited partnership formed under
4 the laws of the State of California by a limited partnership
5 agreement, made and entered into as of the 6th day of
6 September, 1962, and William P. Herder and H. H. Herder are
7 now the general partners of said limited partnership.

8 b. The First Agreement Amending Recreation Park Oil
9 and Gas Lease dated September 15, 1969, settled certain
10 differences among the parties.

11 c. The Second Agreement Amending Recreation Park Oil and
12 Gas Lease dated March 5, 1970, corrected certain inadvertent
13 errors contained in said First Agreement Amending Recreation
14 Park Oil and Gas Lease.

15 d. The Third Agreement Amending Recreation Park Oil and
16 Gas Lease dated June 10, 1971, settled certain misunderstand-
17 ings in accounting for dry gas.

18 e. The Fourth Agreement Amending Recreation Park Oil
19 and Gas Lease dated April 27, 1979, resolved certain matters
20 relative to a substitute for a faithful performance bond and
21 relative to prices to be paid to Lessors, and further provided
22 for new development work and an allocation of costs and an
23 apportionment of working interest with regard to such new
24 development work.

25 f. Under the Fifth Agreement Amending Recreation Park
26 Oil and Gas Lease, dated April 26, 1982, Herbell Oil Explor-
27 ation Company assigned its rights to the drill site lands
28 and a portion of the subject lands to McFarland Energy, Inc.

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 and resolved certain matters with reference to new develop-
2 ment work and certain other matters because of changed
3 circumstances. Also, Lessors' right to use and occupy and
4 to grant leases or licenses to others to use and occupy
5 drill site lands and requisite portions of the subsurface
6 of the subject lands for the purpose of drilling and
7 developing for oil and gas purposes other adjacent or
8 nearby lands shall be subject to the further limitations
9 that such right not unreasonably interfere with McFarland
10 Energy, Inc.'s existing or proposed operations, and that
11 such right shall not be granted without obtaining the prior
12 written consent of McFarland Energy, Inc., which consent
13 shall not be unreasonably withheld.

14 g. The Sixth Agreement Amending Recreation Park Oil
15 and Gas Lease dated August 11, 1982 corrected an inadvertent
16 omission of a certain parcel of land from the subsurface
17 acreage of the South Operations Area of Elliott & Ten Eyck,
18 Ltd.

19 h. The Seventh Agreement Amending Recreation Park Oil
20 and Gas Lease dated November 25, 1987, outlines how the drill
21 site lands are to be divided into two drillsite areas and
22 also sets forth certain conditions under which the Drillsite
23 Area B Lessee shall conduct drilling and producing operations
24 on the Drillsite Area B. Said Lease of September 6, 1962 as
25 amended is by this reference incorporated herein. The
26 Seventh Agreement Amending Recreation Park Oil and Gas Lease
27 is attached hereto as Exhibit "1" and Drillsite Area B
28 Lessee shall perform all terms and conditions imposed on

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 Drillsite Area B Lessee by said Seventh Agreement Amending
2 Recreation Park Oil and Gas Lease.

3 3. RIGHTS OF DRILLSITE AREA B LESSEE:

4 a. Lessors grant to Drillsite Area B Lessee the
5 right to occupy and use said Drillsite Area and to have
6 reasonable and necessary subsurface drill through rights
7 for the purpose of exploring, drilling and operating for
8 oil, gas and other hydrocarbon substances and for taking,
9 removing and disposing of those hydrocarbon substances so
10 produced from adjacent and nearby lands.

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

22 4. DRILLSITE AREA B: Drillsite Area B is described
23 and set forth in Paragraph 4. DRILLSITE AREA B of Exhibit "1"
24 attached hereto and incorporated herein. Drillsite Area B shall
25 be used by Drillsite Area B Lessee for drilling and producing
26 operations from adjacent or nearby lands.

27 5. ACCESS ROADS. Ingress to and egress from Drillsite
28 Area A and Drillsite Area B will be provided by two Access Roads

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 as shown on Exhibit "E", a drawing which is attached hereto and
2 incorporated by reference herein. The total maintenance costs
3 for the Access Roads shall be shared equally by the Drillsite
4 Area A Lessee and the Drillsite Area B Lessee. Maintenance costs
5 will be billed as set forth above by the City to each Drillsite
6 Lessee and those costs shall be due and payable to the City
7 within thirty (30) days of that billing.

8 6. TERM: The term of this Agreement shall be for a
9 period of one (1) year, commencing as of the 15th day of December,
10 1987, and terminating on the 15th day of December, 1988. If the
11 Lessee of Drillsite Area B demonstrates to the satisfaction of the
12 Director of Oil Properties of the City of Long Beach ("Director")
13 that Drillsite Area B Lessee has experienced delay, through no
14 fault of the Drillsite Area B Lessee, and despite a good faith
15 effort to obtain permits, equipment, approvals or materials neces-
16 sary to establish oil and gas production in paying quantities,
17 the Director, in his sole judgment, may extend the one (1) year
18 initial period for up to one (1) additional year. Thereafter,
19 the term may, at the Lessee's option, be renewed as long as there
20 is oil and gas production in paying quantities from the Drillsite
21 Area B but in no event shall the total term be extended longer
22 than twenty-five (25) years. At any time during the term of the
23 Agreement if in the sole judgment of the Director, oil and gas
24 ceases to be produced in paying quantities, the Director may
25 terminate the Agreement on ninety (90) days' written notice to
26 the parties to this Agreement.

27 7. RENTAL: Drillsite Area B Lessee shall pay Lessors
28 rent in the form of "minimum monthly rent" and "percentage of

1 value of production rent" for each month and partial month during
2 the term of this Agreement. Said rent shall be divided between
3 the Lessors as follows:

4 City = 75.62% and Alamitos = 24.38%

5 a. Minimum Monthly Rent: Drillsite Area B Lessee
6 shall pay to City on the first day of each month during the
7 term of this Agreement a minimum monthly rent of \$2,000.00
8 per month. The minimum monthly rent provided for in this
9 paragraph shall be subject to adjustment at the commence-
10 ment of each calendar year of the term of this Agreement,
11 including the renewal period, as follows:

12 The base for computing the adjustment is the
13 producer price index for all commodities, published by
14 the United States Department of Labor, Bureau of Labor
15 Statistics ("Index"), which is in effect 90 days prior
16 to the date of commencement of the term ("Beginning
17 Index"). The Index published 90 days immediately
18 preceding the adjustment date in question ("Extension
19 Index") is to be used in determining the amount of
20 the adjustment. If the Extension Index has increased
21 over the Beginning Index, the minimum monthly rent for
22 the following calendar year (until the next rent adjust-
23 ment) shall be set by multiplying the minimum monthly
24 rent set forth above by a fraction, the numerator of
25 which is the Extension Index and the denominator of
26 which is the Beginning Index.

27 In no case shall the minimum monthly rent be less than the
28 minimum monthly rent for the previous year. On adjustment

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 of the minimum monthly rent as provided in this Agreement,
2 the parties shall immediately execute a letter agreement
3 stating the new minimum monthly rent. The Director shall
4 be authorized to execute the letter agreement on behalf of
5 the City.

6 If the Index is changed so that the base year differs
7 from that in effect when the term commences, the Index shall
8 be converted in accordance with the conversion factor pub-
9 lished by the United States Department of Labor, Bureau of
10 Labor Statistics. If the Index is discontinued or revised
11 during the term, such other governmental index or computa-
12 tion with which it is replaced shall be used in order to
13 obtain substantially the same result as would be obtained
14 if the Index had not been discontinued or revised.

15 b. Percentage of Value of Production Rent: In addition
16 to the minimum monthly rent and for the purpose of providing
17 adequate rent to Lessors for Drillsite Area B Lessee's use
18 of the drillsite area, Drillsite Area B Lessee shall pay,
19 each month or partial month, as percentage of value of pro-
20 duction rent the amount, if any, by which five (5) percent
21 of the total gross value of all hydrocarbons produced and
22 saved from the Drillsite Area B exceeds the minimum monthly
23 rent for the same accounting period. Gross value will be
24 determined using the methods as outlined in the Lease, as
25 amended. Said rent shall be paid to City by the end of
26 each subsequent month.

27 8. INSURANCE: Drillsite Area B Lessee shall defend,
28 indemnify and save harmless the Lessee of Drillsite Area A, the

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 City, Alamitos, and the officers, agents and employees of the
2 Lessee of Drillsite Area A, the City and Alamitos from and against
3 all claims, demands, losses, or liability of any kind or nature,
4 which the Lessee of Drillsite Area A, the City, Alamitos, the
5 officers, agents or employees of all of them, or any of them, may
6 sustain or incur or which may be imposed upon them, or any of them
7 for injury or death of persons or damage to property, including
8 the property of the Drillsite Area A Lessee, arising out of or in
9 any manner connected with the Drillsite Area B Lessee's use or
10 occupancy of the Drillsite Area B.

11 As a condition precedent to the effectiveness of this
12 Agreement, and in partial performance of the Drillsite Area B
13 Lessee's obligations under this Agreement, the Drillsite Area B
14 Lessee shall procure and maintain in full force and effect during
15 the term of this Agreement a policy or policies of public lia-
16 bility and property damage insurance from a company or companies
17 authorized to do business in the State of California with a com-
18 bined single limit of ten million (\$10,000,000) dollars. The
19 policy shall either contain a provision providing for a broad
20 form of contractual liability including leases, or there shall
21 be attached thereto, an endorsement providing for such coverage.
22 Not more frequently than once every five (5) years, if, in the
23 opinion of the Director, the coverages or the limits of insurance
24 described in this paragraph are not adequate, Drillsite Area B
25 Lessee shall increase the insurance coverage or limits as required
26 by the Director.

27 The policy shall further provide that the same shall
28 not be cancelled until thirty (30) days written notice of cancel-

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 lation has been served upon the City Manager of the City of Long
2 Beach and Alamitos Land Company. Drillsite Area B Lessee shall,
3 coincidentally with the execution of this Agreement, deliver said
4 policy of insurance or a certified or photostatic copy thereof,
5 to the Director for approval, including approval as to the maximum
6 amount of such policy or policies and to the City Attorney for
7 approval as to form.

8 9. NOTICES: Any notice by the parties hereto to any
9 other party in connection with this Agreement, shall be deemed to
10 have been given twenty-four (24) hours after such notice has been
11 deposited in the United States mail, as registered or certified
12 mail, with postage thereon fully prepaid, and addressed as follows:

13 TO: Alamitos Land Company
14 P. O. Box 2488
15 Long Beach, CA 90801

16 TO: City of Long Beach
17 c/o Director, Dept. of Oil Properties
18 333 West Ocean Boulevard, Second Floor
19 Long Beach, CA 90802

20 TO: M. P. Oil Company
21 P. O. Box 27
22 Seal Beach, CA 90740

23 Any party may change its address by giving written
24 notice to the other parties.

25 10. ASSIGNMENT: Drillsite Area B Lessee shall not assign
26 or transfer this Agreement or any interest therein, nor its right
27 to use the whole or any part of the Drillsite Area B, nor shall
28 this Agreement or any interest thereunder be assignable or trans-
ferable by operation of law or by any process or proceeding of
any court, or otherwise, without first obtaining the written con-
sent of the Lessors.

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 11. NON-DISCRIMINATION: In the performance of this
2 Agreement, Drillsite Area B Lessee shall not discriminate against
3 any employee or applicant for employment because of race, color,
4 religion, sex, ancestry or national origin. Lessee will take
5 affirmative action to ensure that the applicants are employed,
6 that the employees are treated during their employment without
7 regard to their race, color, religion, sex, ancestry or national
8 origin. Such action shall include but not be limited to: employ-
9 ment, promotion, demotion or transfer.

10 12. WELL ABANDONMENT AND DRILLSITE CLEANUP: Upon
11 termination of this Drillsite Area B Agreement for any reason, the
12 Drillsite Area B Lessee shall surrender to Lessors the drillsite
13 area and shall remove all materials, structures, obstructions, and
14 facilities placed thereon by Drillsite Area B Lessee and shall
15 fill up all trenches and holes, remove all debris and leave the
16 drillsite area and the other City of Long Beach property affected
17 by Drillsite Area B Lessee's operations, without limitation, free
18 of hazardous substances and/or hazardous materials and shall leave
19 such property in full compliance with applicable ecological, en-
20 vironmental and health and safety regulations whether promulgated
21 by federal, state, county, city, or other governmental agencies
22 having jurisdiction. All wells shall be abandoned in accordance
23 with the State of California Division of Oil and Gas Regulations
24 and good engineering practice. The Drillsite Area B Lessee shall
25 restore the land to the condition in which it was when received by
26 Drillsite Area B Lessee or as the Director shall direct, and shall
27 upon request properly execute and deliver to the Lessors a good
28 and sufficient quitclaim deed to be recorded in order that the

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 record of title for such land or portion thereof may be cleared of
2 any cloud that is created by this Agreement.

3 13. DRILLING PROCEDURE: Drillsite Area B Lessee agrees
4 that its drilling operations shall be conducted in accordance with
5 the applicable provisions of the Long Beach Municipal Code and
6 including but not limited to the following:

7 a. All drilling equipment, including but not limited
8 to draw-works, rotary table and pumps shall be operated by
9 means of electrical power supplied by local electric utility
10 and shall be the best and most modern drilling equipment
11 available.

12 b. Drilling derricks, and all drilling equipment shall
13 be soundproofed in the most modern available manner so as
14 to avoid noise, disturbance or offense to the residents
15 near the area. The methods and equipment used in this para-
16 graph "b" shall be approved in advance by the Director.

17 c. Mud sumps and ditches shall not be dug into the
18 surface of the ground, but shall consist of portable metal
19 tanks and flumes.

20 d. Exhausts of all engines permitted hereunder,
21 including service equipment, shall be muffled.

22 e. The latest and most effective blowout prevention
23 equipment shall be installed and maintained and shall have
24 both mechanical and hydraulic controls.

25 f. The movement of heavy equipment to and from the
26 drillsite area shall be conducted, except in the case of
27 emergency, during daylight hours.

28 g. At the completion of drilling operations the

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 derrick shall be removed from each well.

2 h. The City reserves the right to require the Drill-
3 site Area B Lessee, upon the decision of the Director, to
4 suspend its drilling operations prior to initiating drill-
5 ing operations on any new well drilled from Drillsite Area
6 B to allow the Drillsite Area A Lessee to drill wells.

7 14. OPERATING PROCEDURE: The Drillsite Area B Lessee
8 agrees that its producing operations shall be conducted
9 in accordance with all requirements of the Long Beach Municipal
10 Code and including but not limited to the following:

11 a. All pumping equipment shall be operated by means
12 of electrical power.

13 b. Pumping equipment shall be done by Kobe or
14 hydraulic pumps, gas lift, bottom hole pumps or vacuum
15 pumps or by those systems and using that equipment which
16 is environmentally equivalent to or superior to the above
17 systems and which is approved in writing by the Director,
18 and all such pumping equipment shall be located in con-
19 creted trenches below the present level of the ground or
20 completely concealed by landscaping as approved by the
21 Director.

22 c. Within six (6) months after production tests are
23 completed on the first two wells to be drilled hereunder,
24 all oil shall be transported from the drillsite area by
25 underground pipelines to be approved by the Director.

26 15. REDRILLING, REPAIRING AND SERVICING: Drillsite
27 Area B Lessee agrees that its redrilling, repairing and servicing
28 operations shall be conducted in accordance with all the require-

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 ments of the Long Beach Municipal Code and including but not
2 limited to the following:

3 a. The redrilling equipment shall be portable and
4 shall be operated in such a manner as to avoid noise,
5 disturbance or offense to residents in the area.

6 b. Exhaust of all internal combustion engines
7 shall be muffled.

8 c. Mud sumps and ditches shall not be dug into
9 the surface of the ground but shall consist of portable
10 metal tanks and flumes.

11 d. Said redrilling operations shall be completed
12 within fifteen (15) days from the commencement date
13 thereof or shall be replaced with drilling equipment as
14 set forth in Paragraph 13 unless permission to retain
15 redrilling equipment is obtained from Lessors.

16 16. DRILLSITE AREA B FENCING AND LANDSCAPING: Drill-
17 site Area B shall be fenced by Drillsite Area B Lessee at its sole
18 cost and expense at a height of fifteen (15) feet and be prepared
19 and landscaped within ninety (90) days after execution of this
20 Agreement by the parties hereto in a manner approved by the Direc-
21 tor. Landscaping may include but is not limited to the placement
22 of berms, trees, shrubs, ground cover, irrigation systems, ditches
23 ditches and fences. This may include excavating and leveling to
24 a depth, measured at the south boundary of said Drillsite Area B,
25 not to exceed a depth of ten (10) feet if required by the Director.
26 The location of all wells, equipment and facilities on Drillsite
27 Area B and the use of Drillsite Area B shall be approved by the
28 Director.

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

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17. OPERATIONS COMPATIBLE WITH PARK ACTIVITIES: The drilling and producing operations performed under the terms of this Agreement shall be conducted so as not to interfere unnecessarily with the use of the property for park and recreational purposes. Drillsite Area B Lessee shall use all reasonable means to protect ornamental trees and shrubs from loss or damage resulting from all operations hereunder and so far as is reasonably practicable, shall preserve the natural and scenic appearance of Long Beach Recreation Park. The Drillsite Area B Lessee shall employ the latest techniques and refinements in procedures, equipment and material, including improved methods and equipment, as will reduce to a reasonable minimum any and all noises, fumes, smoke and noxious odors caused by or resulting from Drillsite Area B operations hereunder. Drillsite Area B Lessee will be required to fence to a height and with materials suitable to the Director, all drill site lands used in Drillsite Area B Lessee's operations hereunder. The immediate area outside such fence shall be landscaped in accordance with plans approved by the Director.

If any dispute or question arises over the proper method, equipment or procedure to be used to carry out the intent of this paragraph 18, the matter shall be determined by the Director.

18. LESSEE TO FURNISH DATA: Drillsite Area B Lessee shall keep and without charge shall promptly furnish to each Lessor and shall permit City to share and provide without limit any data supplied to City under the terms of this paragraph with other working interest partners of the City in adjoining leases all data and information obtained by Drillsite Area B Lessee in the course of its drilling, development and producing operations

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 in adjacent or nearby lands having to do with the mechanical his-
2 tories of wells, the thickness, character and content of the
3 strata penetrated by such wells and the amount and kind of pro-
4 duction obtained therefrom, including all logs, graphic logs,
5 well histories, core records, daily or weekly drilling reports,
6 well completion reports, notices and reports to the Division of
7 Oil and Gas or other public authority and all replies, responses
8 or comments thereon by said Division or authority, electric logs,
9 records of core analyses and of results obtained in all formation
10 tests, potential tests, water witch runs and pressure determina-
11 tions, and all factual data or information in any way relating to
12 subsurface conditions or to a proper determination of the maximum
13 efficient rate of production of each well, and also all production
14 records relating to the quantity or nature of the production ob-
15 tained from such wells, and, upon request, analyses of the hydro-
16 carbons produced. Such production records shall be furnished to
17 each Lessor at least as often as once each month. Drillsite Area
18 B Lessee shall keep Lessors promptly and fully advised in writing
19 as to the extent, nature and progress of all work.

20 Drillsite Area B Lessee agrees to confer with the Lessors
21 on well programs and drilling schedules including but not limited
22 to casing sizes, producing intervals, formation testing, logging
23 and coring programs and completion techniques. While actual oper-
24 ations are in progress, the Lessors shall be kept fully advised of
25 drilling problems and notified as to the time of coring and forma-
26 tion testing. Drillsite Area B Lessee further agrees to confer
27 with Lessors before landing or cementing any water string in any
28 well and at all times while drilling below said water string. The

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 Drillsite Area B Lessee shall be under no obligation to follow the
2 advice of Lessors in the manner of drilling or conducting its
3 operations in said well but Lessors shall at all times be fully
4 advised by the Drillsite Area B Lessee of its operations.

5 All records, information and data of the operations here-
6 under shall at all times be open to the inspection of the Lessors
7 or their representatives, designated in writing by the Lessors,
8 and said representatives shall be entitled to receive copies there-
9 of. Said information shall include all geological data and inter-
10 pretations of the Drillsite Area B Lessee, but Lessors agree that
11 Drillsite Area B Lessee shall not be liable or responsible for the
12 accuracy thereof nor any changes in interpretations which the
13 Drillsite Area B Lessee may make from time to time based upon addi-
14 tional data or different interpretations of existing information.

15 19. LACT EQUIPMENT: The use of that system commonly
16 known as "Lease Automatic Custody Transfer" ("LACT") whereby a
17 minimum of storage facilities is needed shall be employed on the
18 Drillsite Area B. If Drillsite Area B Lessee elects to provide
19 storage off the drill site lands at its sole cost and expense,
20 the provision of this paragraph requiring the use of LACT shall
21 not prevail. Lessors may at any time or from time to time specify
22 the frequency of meter readings and tests for gravity and cut and
23 the size of the proving tank or tanks. City's representatives
24 may be present at any LACT proving operations and shall have the
25 right to conduct any proving tests at their own expense.

26 20. SUBSIDENCE: Notwithstanding any other provision
27 or provisions in this Agreement to the contrary, Lessors reserve
28 the right that in the event subsidence should hereafter occur in

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 the subject lands and/or adjacent area, Lessors shall have the
2 right to determine that subsidence has occurred and to direct
3 Drillsite Area B Lessee to initiate repressuring operations to
4 ameliorate the subsidence occurring in the subject lands and/or
5 adjacent area. Drillsite Area B Lessee hereby expressly waives
6 any and all damages as against Lessors claimed to have resulted as
7 a consequence of any of the measures, whether singularly or in
8 combination, directed by Lessors, to be taken pursuant to the
9 provisions of this paragraph.

10 21. BOOKS AND RECORDS: Drillsite Area B Lessee shall
11 keep or cause to be kept on the drillsite area or at such other
12 location as is approved by the Director, books and records of
13 hydrocarbon production from the Drillsite Area B and the value
14 of said production which is maintained using generally accepted
15 oil accounting principles. These books and records shall be kept
16 for a four (4) year period and shall be available to Lessors upon
17 request during reasonable business hours. Drillsite Area B
18 Lessee shall cooperate fully with Lessors in making the audit and
19 inspection of the books and records.

20 22. FAITHFUL PERFORMANCE BOND: Drillsite Area B Lessee
21 shall furnish Lessors with a Faithful Performance Bond or other
22 security in the amount of One Hundred Thousand Dollars
23 (\$100,000.00) in the form of the bond attached hereto. Said bond
24 must be approved as to surety and sufficiency by the City Manager
25 of the City of Long Beach or his designee and as to form by the
26 City Attorney of the City of Long Beach. The surety of such bond,
27 upon giving the Lessors at least sixty (60) days' written notice,
28 may terminate the liability of the surety thereunder for events,

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 acts, omissions and defaults occurring after the period of written
2 notice of termination. If the surety under said bond serves
3 notice of termination, Drillsite Area B Lessee shall, prior to the
4 expiration of said period of notice of termination, furnish to
5 the Lessors a substitute bond in the same amount and same form and
6 subject to the same approvals.

7 23. TAXES, CHARGES AND ASSESSMENTS: Drillsite Area B
8 Lessee shall also be responsible for and shall indemnify and hold
9 City and Alamitos harmless from any and all assessments, charges
10 and obligations of any kind whatsoever which by reason of any
11 operation of Drillsite Area B Lessee may be or might become a lien
12 upon or charge against the subject lands or any part thereof or
13 the mineral rights therein or any well thereon, and which are
14 created by or shall arise under or by reason of any present or
15 future law, ordinance, regulation or order whatsoever.

16 24. POSSESSORY INTEREST: Drillsite Area B Lessee recog-
17 nizes and understands that this Agreement may create a possessory
18 interest subject to property taxation and that Drillsite Area B
19 Lessee may be subject to the payment of property taxes levied on
20 such interest.

21 25. BID OF M. P. OIL COMPANY: Attached hereto and in-
22 corporated herein as Exhibit "2" is the bid of M. P. Oil Company
23 dated December 1, 1987, which provides for additional compensa-
24 tion beyond that set forth herein to Lessors of Two Hundred Fifty
25 Thousand Dollars (\$250,000.00) which will be paid at the time of
26 execution of the contract plus an additional Two Million Dollars
27 (\$2,000,000.00) payable at the rate of fifty cents (\$.50) per
28 barrel per day due each accounting period.

(Corporation)

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } SS.

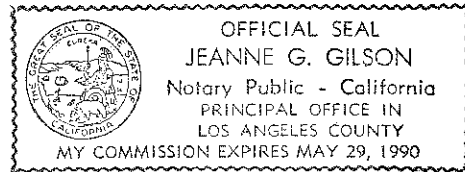
On December 16, 1987 before me, the undersigned, a Notary Public in and for said State, personally appeared Llewellyn Bixby, Jr. and Joseph R. Smith

(X) personally known to me or () proved to me on the basis of satisfactory evidence to be the person(s) who executed the within instrument as _____ President and _____ Secretary on behalf of the corporation therein named and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

Signature Jeanne G. Gilson
Jeanne G. Gilson
Name (Typed or Printed)

L-10 (8/82)



(This area for official notarial seal)

STAPLE HERE

(Corporation)

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } SS.
December 15, 1987

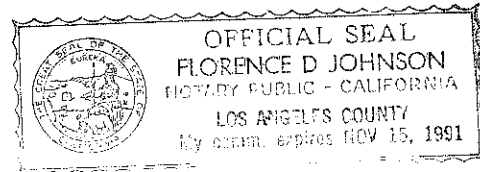
On _____ before me, the undersigned, a Notary Public in and for said State, personally appeared W M Lansdale and _____

(X) personally known to me or () proved to me on the basis of satisfactory evidence to be the person(s) who executed the within instrument as M. P. Oil President and _____ Secretary on behalf of the corporation therein named and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

Signature Florence D. Johnson
Florence D. Johnson
Name (Typed or Printed)

L-10 (8/82)



(This area for official notarial seal)

STAPLE HERE

(Corporation)

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } SS.

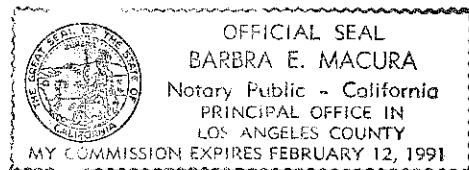
On 1-5-88 before me, the undersigned, a Notary Public in and for said State, personally appeared Florence D Johnson and _____

() personally known to me or (X) proved to me on the basis of satisfactory evidence to be the person(s) who executed the within instrument as _____ President and _____ Secretary on behalf of the corporation therein named and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

Signature Barbra E. Macura
Barbra E. MACURA
Name (Typed or Printed)

L-10 (8/82)



(This area for official notarial seal)

STAPLE HERE

Drill Site Area B Agreement

1 IN WITNESS WHEREOF, the parties hereto have executed
2 this Agreement as of the day, month and year first hereinabove
3 written.

4 333 W. Ocean Boulevard
5 Long Beach, CA 90802

CITY OF LONG BEACH, a municipal
corporation

6 Dec. 23, 1987

James Mankel
City Manager

8 444 W. Ocean Blvd.
9 Long Beach, CA 90802

ALAMITOS LAND COMPANY, a
California corporation

10 12-16, 1987

Stanley Biggs
President

11 12-16, 1987

Joseph R Smith
Secretary

LESSORS

14 P. O. Box 27
15 Seal Beach, CA 90740

M. P. OIL COMPANY, a
California corporation

16 12-15-87, 1987

Wm. Lansdale

18 1-5, 1987

Florence D. Johnson
DRILLSITE AREA B LESSEE
1-6-88 JMK 1-5-88 LJE

22 The foregoing Agreement is hereby approved as to form
23 this 19 day of December, 1987.

24 JOHN R. CALHOUN, City Attorney

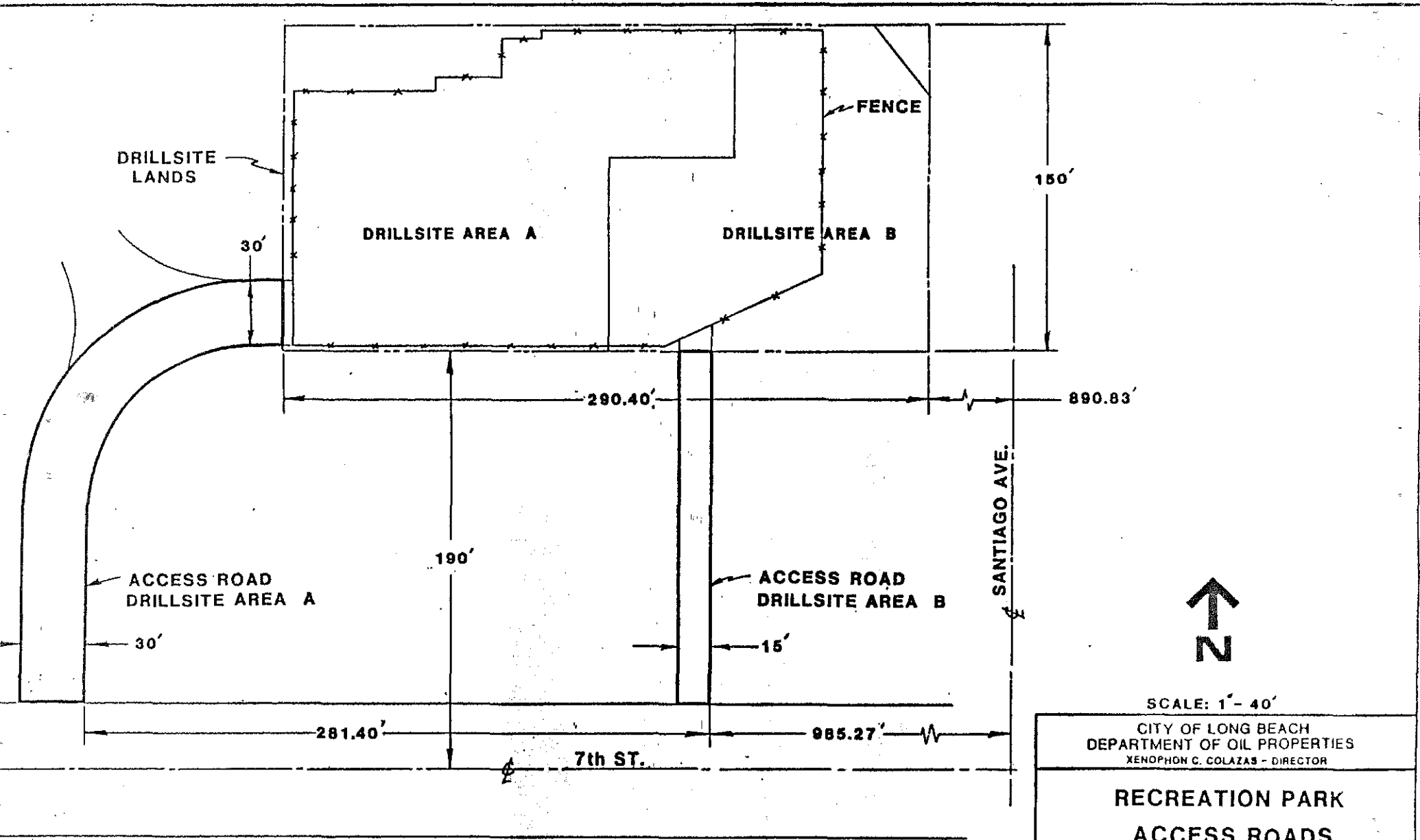
25 APPROVED AS TO FORM

By William E. Smith
Deputy

27 WEE:bjh
12/3/87
28 D-350-17

By John R. Calhoun
JOHN R. CALHOUN, City Attorney
DEPUTY CITY ATTORNEY

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061



SCALE: 1" = 40'

CITY OF LONG BEACH
 DEPARTMENT OF OIL PROPERTIES
 XENOPHON C. COLAZAS - DIRECTOR

**RECREATION PARK
 ACCESS ROADS**

PREPARED BY: D.SULLIVAN
 DRAWN BY: R.W.MILLS
 DATE: 5-8-87 D.O.P. DRWG. NO B-766

EXHIBIT "E"

REV. DATE: 9-16-87

1 SEVENTH AGREEMENT AMENDING
2 RECREATION PARK OIL AND GAS LEASE
3

4 1. PARTIES. This Seventh Agreement Amending the Lease
5 is made and entered into this 25th day of November, 1987,
6 by and between the CITY OF LONG BEACH, a municipal corporation,
7 ("City") and ALAMITOS LAND COMPANY, a California corporation,
8 ("Alamitos") hereinafter referred to collectively as "Lessors",
9 and MCFARLAND ENERGY, INC., hereinafter referred to as "Lessee"
10 or "Drillsite Area A Lessee".

11 2. RECITALS. This Seventh Agreement Amending the
12 Lease is made with reference to the following facts, representa-
13 tions and objectives:

14 a. On September 6, 1962, the City of Long Beach and
15 Alamitos Land Company, as Lessors, and J. A. Campbell, H. H.
16 Herder and Herbell Oil Exploration Company, a general partnership,
17 entered into that certain Recreation Park Oil and Gas Lease, here-
18 inafter referred to as the "Lease". The Lease provided that
19 Herbell Oil Exploration Company was granted a lease for drilling
20 and producing operations in and under the "subject lands" as des-
21 cribed in Exhibit "A" of the Lease. The Lease further provided
22 that Herbell Oil Exploration Company was entitled to occupy and
23 use "drill site lands" as described in Exhibit "B" of the Lease
24 for drilling and producing operations. .

25 By assignment, dated September 6, 1962, all right, title
26 and interest of J. A. Campbell, H. H. Herder and Herbell Oil Ex-
27 ploration Company, a general partnership, was assigned, trans-
28 ferred and conveyed to Herbell Oil Exploration Company, a limited

John R. Callhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6081

1 partnership formed under the laws of the State of California by
2 a limited partnership agreement made and entered into as of the
3 6th day of September, 1962, and William P. Herder and H. H. Herder
4 are now the general partners in said limited partnership.

5 b. The First Agreement Amending the Lease, dated
6 September 15, 1969, settled certain differences among the parties.

7 c. The Second Agreement Amending the Lease, dated
8 March 5, 1970, corrected certain inadvertent errors contained in
9 said First Agreement Amending the Lease.

10 d. The Third Agreement Amending the Lease, dated June
11 10, 1971, settled certain misunderstandings in accounting for
12 dry gas.

13 e. The Fourth Agreement Amending the Lease, dated
14 April 27, 1979, resolved certain matters relative to a substitute
15 for faithful performance bond and relative to prices to be paid
16 to Lessors, and further provided for new development work and an
17 allocation of costs and an apportionment of working interest
18 with regard to such new development work.

19 f. Under the Fifth Agreement Amending the Lease, dated
20 April 26, 1982, Herbell Oil Exploration Company assigned its
21 rights to the drill site lands and a portion of the subject lands
22 to Lessee and resolved certain matters with reference to new
23 development work and certain other matters because of changed
24 circumstances. Also, Lessors' right to use and occupy and to
25 grant leases or licenses to others to use and occupy drill site
26 lands and requisite portions of the subsurface of the subject
27 lands for the purpose of drilling and developing for oil and gas
28 purposes other adjacent or nearby lands shall be subject to the

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 further limitations that such right not unreasonably interfere
2 with Lessee's existing or proposed operations, and that such right
3 shall not be granted without obtaining the prior written consent
4 of Lessee, which consent shall not be unreasonably withheld.

5 g. The Sixth Agreement Amending the Lease, dated
6 August 11, 1982, included certain subsurface acreage inadvertently
7 excluded from the South Operations Area.

8 h. The Lessors desire to use and occupy and to grant
9 leases or licenses to others to use and occupy a portion of drill
10 site lands and requisite portions of the subsurface of the subject
11 lands for drilling and producing operations in adjacent or nearby
12 lands.

13 i. Lessee does not require all of the surface and sub-
14 surface of the drill site lands and it is the desire of the
15 parties to this Agreement to further amend the Lease (as amended)
16 to set forth that portion of the drill site lands which Lessors
17 may use and occupy and grant a lease or license to others (in-
18 cluding Lessee) for drilling and producing operations, and to set
19 forth the terms and conditions upon which Lessee grants its con-
20 sent thereto as required by paragraph 11, page 18 of the Fifth
21 Agreement Amending Recreation Park Oil & Gas Lease dated April
22 26, 1982.

23 3. AMENDMENT. Subparagraphs (b) and (c) of paragraph
24 35 of the Recreation Park Oil & Gas Lease dated September 6,
25 1962, are amended to read as follows:

26 "35(b). Walking beam type of pumping units may be
27 used upon written authorization by the Director of Oil
28 Properties, City of Long Beach ("Director") and under such

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-0061

1 conditions and restrictions as the Director in his sole
2 judgment determines.

3 "(c). Pumping equipment shall be done by Kobe or
4 hydraulic pumps, gas lift, bottom hole pumps or vacuum
5 pumps or by those systems and using that equipment as is
6 approved in writing by the Director, and all such pumping
7 equipment shall be located in concreted trenches below the
8 present levels of the ground or completely concealed by
9 landscaping as approved by the Director."

10 4. DRILLSITE AREA B. That portion of the drill site
11 lands together with the requisite portions of the subsurface of
12 the subject lands which Lessors have the right to use and occupy
13 and to grant leases or licenses to others for drilling and pro-
14 ducing operations in adjacent or nearby lands referred to here-
15 inafter as "Drillsite Area B" is described as follows:

16 "Beginning at the southeast corner of the drill
17 site lands as described in Exhibit 'B' of the
18 Lease; thence South 89° 59' 29" West, 145 feet;
19 thence North 0° 00' 31" West, 90 feet; thence North
20 89° 59' 29" East, 55 feet; thence North 0° 00' 31"
West, 60 feet; thence North 89° 59' 29" East, 65
feet; thence South 45° 39' 05" East, 39 feet;
thence South 0° 00' 31" East, 120 feet to the point
of beginning."

21 Drillsite Area B is shown on Exhibit "D", a drawing which is
22 attached hereto and incorporated by reference herein.

23 5. DRILLSITE AREA A. That portion of the drill site
24 lands together with the requisite portions of the subsurface of
25 the subject lands which is not included in the description of
26 Drillsite Area B and which is presently occupied by Lessee is
27 hereinafter referred to as "Drillsite Area A" and is shown on
28 Exhibit "D".

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 6. COMBINED DRILLSITE. When the Drillsite Area A and
2 the Drillsite Area B are both referred to, it shall be called the
3 "Combined Drillsite" as shown on Exhibit "D".

4 7. ACCESS ROADS. Ingress to and egress from Drillsite
5 Area A and Drillsite Area B will be provided by two Access Roads
6 as shown on Exhibit "E", a drawing which is attached hereto and
7 incorporated by reference herein. The total maintenance costs
8 for the Access Roads shall be shared equally by the Drillsite
9 Area A Lessee and the Drillsite Area B Lessee. Maintenance costs
10 will be billed as set forth above by the City to each Drillsite
11 Lessee and those costs shall be due and payable to the City
12 within thirty (30) days of that billing.

13 8. USE OF DRILLSITES. Lessors' right to use and occupy
14 and to grant leases or licenses to others to use and occupy the
15 Drillsite Area B shall be exercised in a manner that will not
16 unreasonably interfere with the Drillsite Area A Lessee's existing
17 or proposed operations nor shall the Drillsite Area A Lessee exer-
18 cise its rights on the Drillsite Area A so as to unreasonably
19 interfere with the operations of the Drillsite Area B Lessee.
20 Further, the activities of the parties on the Combined Drillsite
21 shall be subject to the following terms and conditions and these
22 conditions shall be incorporated by reference into the Drillsite
23 Area B Agreement, Recreation Park:

24 a. Drillsite Area B Lessee shall at its sole cost and
25 expense pay for the relocation expense, if any, of Lessee's faci-
26 lities, equipment, fences, or utilities necessary to permit
27 Drillsite Area B Lessee to occupy and conduct drilling and pro-
28 ducing operations on the Drillsite Area B.

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 b. Only one drilling rig shall be permitted to operate
2 at a time on the Combined Drillsite. Each Lessee shall cooperate
3 with the other on the Combined Drillsite in permitting oil rig
4 tie-downs to be located where needed on the Combined Drillsite
5 to assure safe drilling operations.

6 c. Drillsite Area B Lessee shall not complete its wells
7 drilled from the Drillsite Area B with producing intervals closer
8 than 330 feet from the subject lands described in Exhibit "A" of
9 the Lease, unless it is to offset a new well drilled by Drillsite
10 Area A Lessee after the date of this Seventh Agreement or unless
11 it is with the express written authority of the Director and
12 Alamitos. Drillsite Area A Lessee shall have the right to approve
13 the Drilling Operator selected by Drillsite Area B Lessee. Said
14 approval shall not be unreasonably withheld.

15 Drillsite Area A Lessee shall not complete its wells
16 drilled from Drillsite Area A with producing intervals closer than
17 three hundred thirty (330) feet from lands in which Drillsite
18 Area B Lessee has drilling rights providing the Drillsite Area B
19 Lessee gives a legal description of the said lands and evidence
20 of the Drillsite Area B Lessee's right to develop those lands
21 prior to Drillsite Area B Lessee's occupancy of the Drillsite
22 Area B and after Drillsite Area B Lessee executes the Drillsite
23 Area B Agreement. However, Lessee of Drillsite Area B shall not
24 be entitled to offset rights for wells that have been drilled
25 prior to the execution of the Drillsite Area B Agreement. Any
26 dispute between the Lessee of the Drillsite Area A and the
27 Lessee of the Drillsite Area B over the provisions of this
28 paragraph "c" shall be submitted to and decided by the Director.

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 d. Drillsite Area B Lessee shall have regular access
2 to the Drillsite Area B by entry through the south side of Drill-
3 site Area B as depicted on Exhibit "D". Drillsite Area B Lessee
4 shall, however, have the right, subject to other applicable pro-
5 visions of this Agreement, to bring a drilling rig or associated
6 equipment into the Drillsite Area B and service it while drilling
7 and remove it or associated equipment from Drillsite Area B
8 through the west gate depicted on Exhibit "D" upon reasonable
9 prior notice to the Drillsite Area A Lessee. Such right to use
10 the west gate shall not be unreasonably withheld by Drillsite
11 Area A Lessee. The Lessee of the Drillsite Area B may also use
12 the west gate in an emergency where people or property are in
13 immediate danger without notifying the Lessee of Drillsite Area
14 A, but must within 30 days after the use of the west gate make a
15 full and complete report of the entry to the Drillsite Area A
16 Lessee and the Director.

17 Drillsite Area A Lessee shall have regular access to the
18 Drillsite Area A by entry through the west side of the Drillsite
19 Area A as depicted on Exhibit "D". Drillsite Area A Lessee shall
20 however, have the right, subject to other applicable provisions
21 of this Agreement to use the south gate as it may be necessary to
22 bring a drilling rig or associated equipment into the Drillsite
23 Area A and service it while drilling and to remove it or associated
24 equipment from the Drillsite Area A through the south gate as
25 depicted on Exhibit "D" upon reasonable prior notice to the Drill-
26 site Area B Lessee. Such right to use the south gate shall not be
27 unreasonably withheld by the Drillsite Area B Lessee. Drillsite
28 Area A Lessee may also use the south gate in an emergency where

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-8061

1 people or property are in immediate danger without notifying
2 the Lessee of the Drillsite Area B, but must within 30 days after
3 the use of the south gate make a full and complete report of the
4 entry to the Drillsite Area B Lessee and the Director.

5 e. The Lessee of the Drillsite Area B shall dispose of
6 produced gas in such a manner as not to raise the operating pres-
7 sure of the gas gathering system and thereby interfering with the
8 operations of the Drillsite Area A. The Drillsite Area B Lessee
9 at its sole cost and expense shall make all required modifications
10 to the gas gathering system to prevent such pressure elevation.
11 In case of a dispute between Drillsite Area A Lessee and the
12 Drillsite Area B Lessee over the disposition of produced gas, the
13 parties shall submit the matter to the Director and the Director
14 shall issue such written directives to the Lessees as will insure
15 the safe and reasonable operation of the drillsite areas and the
16 parties shall comply with those directives as instructed by the
17 Director.

18 f. Each Lessee on the Combined Drillsite shall maintain
19 its own separate sewer line for its operations and shall comply
20 with all applicable federal, state, county, city and other appli-
21 cable agency laws and regulations.

22 g. Each Lessee on the Combined Drillsite shall at its
23 own cost and expense install and pay for whatever utilities are
24 required for operations at the drillsite.

25 h. Each Lessee on the Combined Drillsite shall comply
26 with all fire and safety regulations and in that regard shall
27 permit each other access through any gate on the Combined Drill-
28 site which is reasonable and necessary to insure safe and orderly

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-6061

1 operation. If any party is unwilling to permit access to any
2 part of the Combined Drillsite which in the opinion of the Direct-
3 or compromises a safe operation or unreasonably interferes with
4 the other Lessee's right to drill and produce from its drillsite
5 area, then the Director shall issue such written directives to
6 Lessees as will insure safe and reasonable use of the drillsite
7 areas and the parties shall comply with that directive with all
8 due speed.

9 i. Each Lessee on the Combined Drillsite shall main-
10 tain public liability and property damage insurance and other
11 coverage in such amounts as is specified in their respective lease
12 agreements with Lessors and which will compensate those entitled
13 thereto for injury and property damage caused by the Lessee's use
14 or occupancy of the Drillsite, and such policy of insurance shall
15 name the City of Long Beach, and the Alamitos Land Company, their
16 boards and employees as additional insureds under said policy.

17 j. Lessee of the Drillsite Area B shall advise all
18 regulatory agencies including but not limited to agencies con-
19 cerned with air quality, noise and water quality of the occupancy
20 by the Drillsite Area B Lessee before Drillsite Area B Lessee
21 occupies Drillsite Area B.

22 k. Lessee shall provide to Drillsite Area B Lessee and
23 the City of Long Beach, Department of Oil Properties, surveys and
24 other information pertaining to the location of Lessee's wells,
25 for the purpose of assisting Drillsite Area B Lessee in avoiding
26 damage to Drillsite Area A Lessee's wells during drilling opera-
27 tions by Drillsite Area B Lessee. However, Drillsite Area B
28 Lessee understands and agrees that neither the Drillsite Area A

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 590-0061

1 Lessee nor the City of Long Beach warrant the accuracy of the
2 information provided and the Drillsite Area B Lessee shall be
3 solely responsible for any damage caused by its operations.

4 1. If any wells are drilled by the Lessee of Drillsite
5 Area B, Lessee of Drillsite Area A shall be entitled to a mora-
6 torium on its drilling requirements under this Agreement as
7 amended. The moratorium will be for a period beginning upon the
8 start of drilling operations by the Lessee of Drillsite Area B
9 and terminating either 180 days after Lessee of Drillsite Area B
10 has released the drilling rig and where applicable has released
11 the completion rig, or ninety (90) days after the suspension by
12 Lessee of Drillsite Area B of its drilling operation pursuant to
13 a request by City under paragraph 13.h. of the Drillsite Area B
14 Agreement Recreation Park which provides as follows:

15 "h. The City reserves the right to require the Drill-
16 site Area B Lessee, upon the decision of the Director, to
17 suspend its drilling operations prior to initiating drill-
18 ing operations on any new well drilled from Drillsite Area
19 B to allow the Drillsite Area A Lessee to drill wells."

20 9. TEMPORARY STORAGE AREA. If either Lessee of Drill-
21 site Area A or Drillsite Area B requires a temporary area for
22 drill pipe bins, casing, expendable materials and/or miscellaneous
23 drilling equipment and the Director in his sole judgment deter-
24 mines that the request is reasonable and necessary and will not
25 unreasonably interfere with the activities of the other Lessee,
26 the Director shall provide temporary storage area for that Lessee
27 on the other drillsite area under such terms, conditions and sub-
28 ject to such termination provisions as are necessary to minimize

1 conflict with the activities on the drillsite area containing the
2 temporary storage area. Any dispute between the Lessee of Drill-
3 site Area A and Drillsite Area B arising out of the storage of
4 materials or the use of the storage area shall be reviewed and
5 decided by the Director and the decision of the Director shall
6 be final.

7 10. FORCE AND EFFECT. Except as amended and supple-
8 mented hereby, all terms and conditions of the Recreation Park
9 Oil & Gas Lease as amended and supplemented shall remain in full
10 force and effect.

11
12 IN WITNESS WHEREOF, the parties hereto have executed
13 this Seventh Agreement Amending Recreation Park Oil and Gas Lease
14 as of the date indicated in paragraph 1 hereof.

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
Telephone (213) 580-6061

15
16 333 W. Ocean Blvd.
Long Beach, CA 90802

CITY OF LONG BEACH, a
municipal corporation

17
18 November 25, 1987

By: James Mankla
City Manager

19
20 444 W. Ocean Blvd.
21 Long Beach, CA 90802

ALAMITOS LAND COMPANY, a
California corporation

22 November 24, 1987

Stanley Giff
President

23
24 November 24, 1987

Joseph R. Smith
Secretary

25
26 LESSORS

1 10425 S. Painter Ave.
2 Santa Fe Springs, CA

McFARLAND ENERGY, INC.

3 November 25, 1987

Lawrence M. Harris
Vice-President

4 _____, 1987

Secretary

6 LESSEE OR
7 DRILLSITE AREA A LESSEE

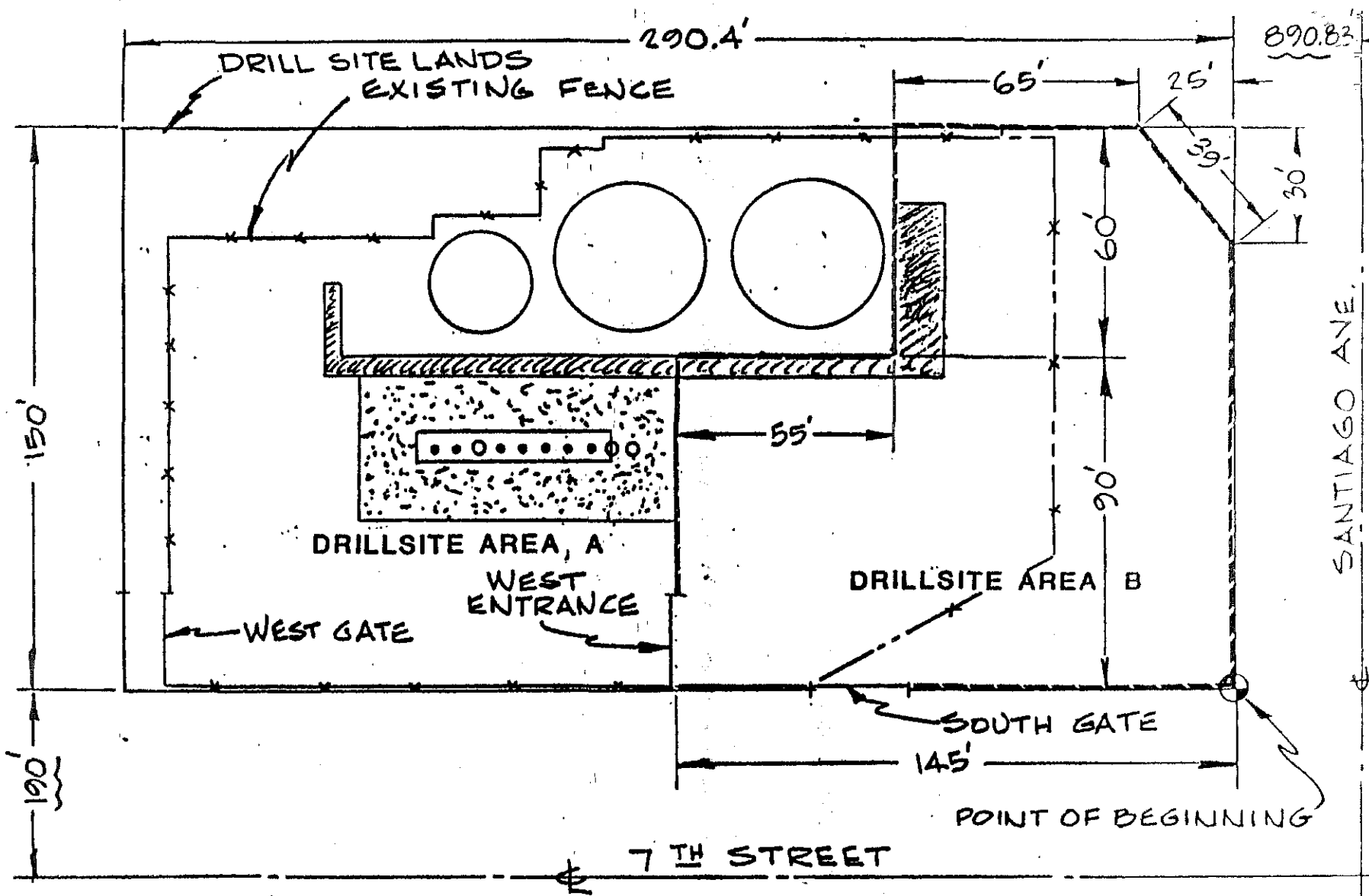
8 This Seventh Agreement Amending Recreation Park Oil and
9 Gas Lease is hereby approved as to form this 25 day of
10 November, 1987.

11 JOHN R. CALHOUN, City Attorney

12 BY *William P. ...*
13 Deputy

14 John R. Calhoun
15 City Attorney of Long Beach
16 333 West Ocean Boulevard
17 Long Beach, California 90802
18 Telephone (213) 560-6061

27 WEE:bjh
28 11/10/87
D-350-9



REVISED DATE: 8-17-87

EXHIBIT "D"

RECREATION PARK
DRILLSITES
LONG BEACH, CA.

NOTE: COMBINED DRILLSITE = DRILLSITE AREA A + DRILLSITE AREA B

DATE: 1-21-87 SCALE: 1" = 40'
D.O.P. DRWG. NO. A-726

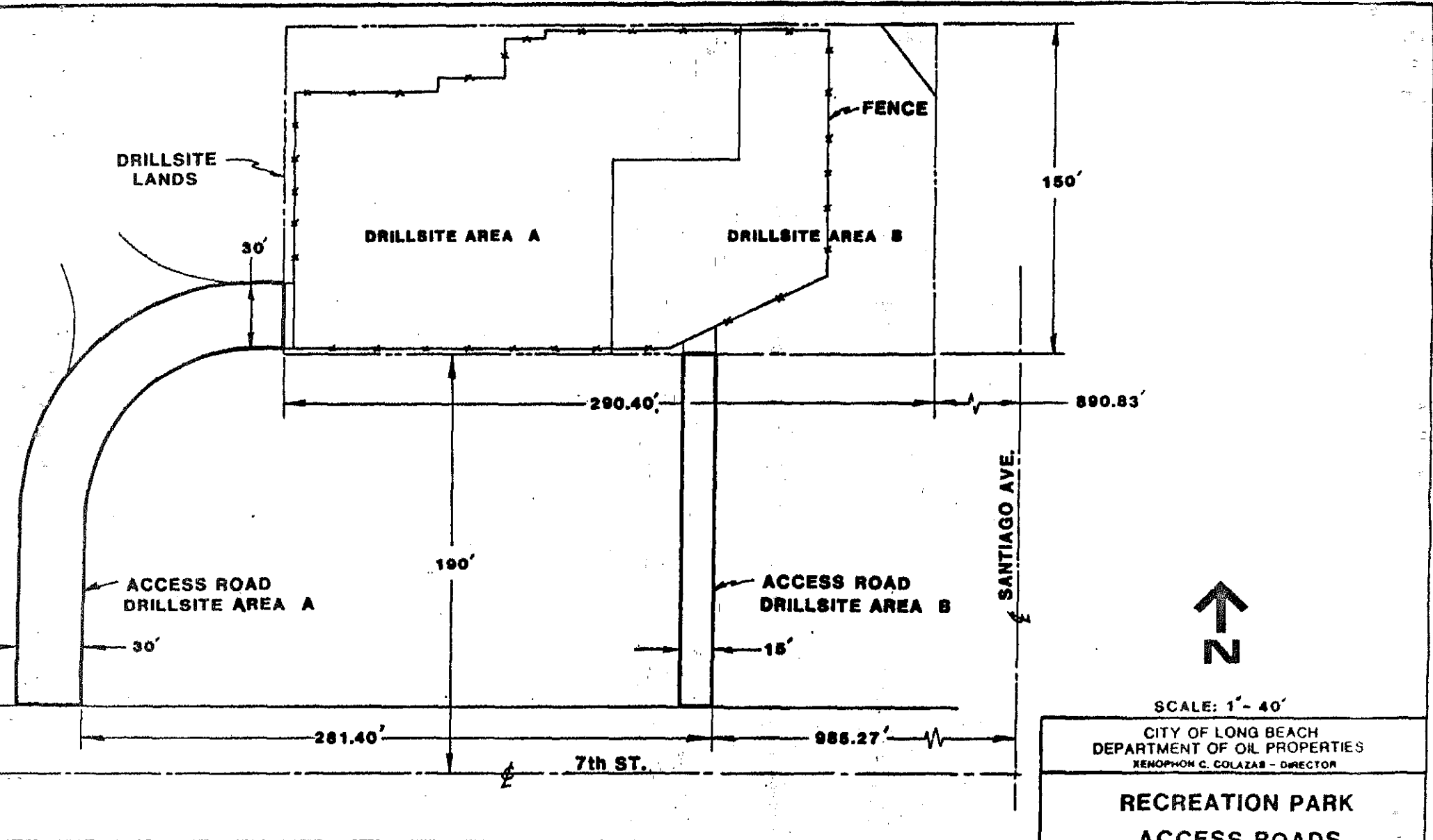


EXHIBIT "E"

REV. DATE: 9-16-87

SCALE: 1" = 40'

CITY OF LONG BEACH
 DEPARTMENT OF OIL PROPERTIES
 XENOPHON C. COLAZAS - DIRECTOR

**RECREATION PARK
 ACCESS ROADS**

PREPARED BY: D.SULLIVAN
 DRAWN BY: R.W.MILLS
 DATE: 5-8-87 D.O.P. DRWG NO B-766

BID
FOR THE
DRILLSITE AREA B AGREEMENT
RECREATION PARK

M. P. Oil Company

December 1, 1987

TO: Office of the City Clerk
City of Long Beach
333 West Ocean Blvd, Plaza Level
Long Beach, California 90802

In accordance with your "NOTICE INVITING BIDS FOR DRILLSITE AREA B AGREEMENT, RECREATION PARK", we offer to execute the Drillsite Area B Agreement, Recreation Park and hereby submit a bid of Two-Hundred & fifty-thousand dollars (\$250,000.) plus an additional two million dollars (\$2,000,000.) payable at a rate of \$.50 per barrel per day, due at each accounting period.

Enclosed is our certified or cashier's check in the amount of Ten Thousand Dollars (\$10,000.00), payable to the City of Long Beach, which is delivered as a deposit indicating our good faith and is subject to all terms and conditions relating to such deposit as set forth in the "NOTICE INVITING BIDS FOR DRILLSITE AREA B AGREEMENT, RECREATION PARK".

SIGNATURE

Florence D. Johnson
NAME Florence D. Johnson

TITLE Secretary/Treasurer

COMPANY M. P. Oil Company

ADDRESS P. O. Box 27

Seal Beach, CA 90740

TELEPHONE (213) 498-6319