

## Exhibit 2

SLC 8704

### BOLSA SURFACE USE AGREEMENT

THIS AGREEMENT made and entered into as of the 2nd day of September, 1971, by and between SIGNAL BOLSA CORPORATION (Bolsa), a California corporation, and SIGNAL OIL AND GAS COMPANY (Oil), a Delaware corporation,

#### W I T N E S S E T H:

THAT WHEREAS Bolsa is the owner of certain fee interests in the surface and the subsurface in and under certain lands situate at Bolsa Bay, Orange County, California, which interests and lands are more particularly described in that certain deed dated July 17, 1970, from Signal Properties, Inc. as Grantor, to Bolsa, as Grantee, recorded the 24th day of July, 1970, in Book 9355, page 737, in the Official Records of Orange County (Bolsa Lands); and

WHEREAS, Oil is the Lessee under the following oil and gas leases:

1. Lease dated June 12, 1940, recorded December 12, 1941, in Book 1120, Page 435, Official Records of Orange County, California, as thereafter amended (North Lease); and
2. Oil and Gas Lease dated December 1, 1943, recorded February 11, 1944, in Book 1238, Page 108, Official Records of Orange County, California, as thereafter amended (South Lease); and

WHEREAS, the Bolsa Lands and the North Lease and the South Lease are generally described on the plat attached hereto as Exhibit "A"; and

WHEREAS, Oil is the owner of all wells (except agricultural water wells and related facilities) and oil and gas facilities located on the Bolsa Lands, except the wells and oil and gas facilities located on the portion of the Bolsa Lands leased by Standard Oil Company; and

WHEREAS, Bolsa desires to provide for the location, relocation and/or removal of the wells and oil and gas facilities of Oil now or hereafter located on the Bolsa Lands so as to permit and encourage the use of the Bolsa Lands for real estate development purposes;

NOW, THEREFORE, in consideration of ten dollars (\$10) paid by Bolsa to Oil and the premises and mutual covenants and agreements contained herein, it is hereby agreed as follows:

1. Oil hereby surrenders and quitclaims unto Bolsa the surface, and also the subsurface extending downward to a depth of five hundred feet (500') below the surface, of the Bolsa Lands, excepting and reserving, however, from the operation of this paragraph those portions and parcels of the surface or the surface and the subsurface of the Bolsa Lands as more particularly described in the Reservation Schedule attached hereto as Exhibit "B", but only for oil and gas drilling and production operations; also excepting and reserving the right to use the existing roads and highways, both public and private, for the purpose of access to and from all wells and oil and gas facilities, subject, however, to the right of Bolsa to substitute therefor a dedicated road or roads at any time or from time to time; also excepting and reserving the right to use the pipelines and pole lines thereon or therein, subject, however, to the right of Bolsa to relocate any part thereof from time to time under paragraph 7 hereof.

2. The parties hereto agree to plans as shown on the OIL FACILITIES PLAN attached hereto as Exhibit "C" which shows the location of all wells, drill sites and production areas, together with oil and gas facilities which exist on the Bolsa Lands. Exhibit "C" also shows idle wells and wells of fixed life duration.

Bolsa agrees to reimburse Oil for extra costs incurred by Oil in the drilling and redrilling of wells from the South Bolsa island, subject, however, to prior written approval by Bolsa of plans for project and extra costs to be paid by Bolsa. Extra costs are defined as the difference between development and operational costs from the island as compared to operation by normal vertical drilling by a prudent operator without regard to surface real estate development.

3. Oil agrees at all times to conduct its operations in accordance with all applicable and valid laws, rules and regulations, and also, insofar as may be reasonably practicable and in accordance with sound oil and gas engineering practices, in such manner as to not allow or permit the conduct of operations that may be unduly detrimental or harmful to the use of the surface for real estate development purposes. Oil shall not conduct any refining process or any process for the extraction of products from natural gas on the Bolsa Lands. Oil shall not conduct operations of any nature (other than maintenance and transportation) on any portion of the surface or subsurface of the Bolsa Lands not reserved to Oil hereunder without the written consent of Bolsa first obtained. Oil shall have the right to provide road, power and pipeline facilities and to drill and produce, without charge, fresh and salt water source wells at mutually agreeable locations on the Bolsa Lands. Oil agrees specifically to comply with the Oil Operating Conditions attached hereto as Exhibit "D" upon request by Bolsa.

Bolsa agrees to reimburse Oil for extra costs incurred by Oil in complying with the conditions of Exhibit "D", subject, however, to prior written approval by Bolsa of plans for the work and extra costs to be paid by Bolsa. Extra costs are



defined as the difference between development and operational costs under the restricted conditions given in Exhibit "D" as compared to development and operational costs which would otherwise be incurred under the then existing normal terms and conditions imposed by the county for oil field operations.

If Bolsa Lands are annexed to or form a municipality, Bolsa will pay the additional costs, if any, of oil field operations imposed by that municipality as compared to the then existing normal terms and conditions imposed by the county for oil field operations, exclusive of costs of taxes, licenses and assessments. X

4. Upon the cessation of production of any well in quantities sufficient to pay the costs of operation of such well, unless Oil desires to use such well as an injection or disposal well, or upon the cessation of use of any other oil and gas facility or facilities, including inter alia, roads, highways, pipelines, pole lines and water service, injection or disposal wells, Oil shall, at its expense, plug and abandon such well and remove such facility or facilities and clean up and restore the surface of the land to a clean, level and safe condition. Oil will not permit a well or oil and gas facility to stand idle on the demised premises for more than six months after notification by Bolsa, except as otherwise provided in any existing agreement to which either party hereto may be subject. Oil shall also surrender and quitclaim to Bolsa the surface and subsurface to a depth of five hundred feet (500') of the land no longer used for such purpose.

5. Except as otherwise herein specifically provided, all risks, costs and expenses of oil and gas exploration, development and producing operations, including the drilling,



defined as the difference between development and operational costs under the restricted conditions given in Exhibit "D" as compared to development and operational costs which would otherwise be incurred under the then existing normal terms and conditions imposed by the county for oil field operations.

If Bolsa Lands are annexed to or form a municipality, Bolsa will pay the additional costs, if any, of oil field operations imposed by that municipality as compared to the then existing normal terms and conditions imposed by the county for oil field operations, exclusive of costs of taxes, licenses and assessments. X

4. Upon the cessation of production of any well in quantities sufficient to pay the costs of operation of such well, unless Oil desires to use such well as an injection or disposal well, or upon the cessation of use of any other oil and gas facility or facilities, including inter alia, roads, highways, pipelines, pole lines and water service, injection or disposal wells, Oil shall, at its expense, plug and abandon such well and remove such facility or facilities and clean up and restore the surface of the land to a clean, level and safe condition. Oil will not permit a well or oil and gas facility to stand idle on the demised premises for more than six months after notification by Bolsa, except as otherwise provided in any existing agreement to which either party hereto may be subject. Oil shall also surrender and quitclaim to Bolsa the surface and subsurface to a depth of five hundred feet (500') of the land no longer used for such purpose.

5. Except as otherwise herein specifically provided, all risks, costs and expenses of oil and gas exploration, development and producing operations, including the drilling,

rights-of-way in connection with the utilization of such site, and Oil shall be entitled to use and operate such new site, easements and rights-of-way, without payment to Bolsa of any rental or other consideration for such use. Bolsa shall also reimburse Oil for all direct costs, plus engineering design and field supervision and loss of production or injection, incurred by Oil in any such relocation required by Bolsa.

In relocating, modifying, or replacement of facilities where costs are paid by Bolsa, the cost shall not exceed the cost of replacement with equipment of the same service after credit for salvage. If Oil installs new and improved-type facilities to achieve greater operating efficiency or capacity, the added costs of equipment over that for original service, capacity and efficiency are to be paid by Oil.

In determining reimbursement for such loss of production and/or loss of injection, all direct, indirect, and other related operating costs which would be chargeable shall be deducted from the value of the products.

8. As an alternate to the rights of Bolsa under paragraph 7, Bolsa shall have the right at any time to require Oil to abandon any well upon the condition that Bolsa pay to Oil the cost of such required abandonment and the fair market value of the total production of oil, gas and other hydrocarbon substances from such well from the time of abandonment that would otherwise be produced with respect to such well if it were left on production until it was no longer economic to operate and produce same by primary or secondary means, which fair market value shall be discounted by a factor obtained from standard interest tables for the then prime interest rate charged by commercial banks in Los Angeles for prime short-term commercial loans so as to result in a discounted present value of such future production. In determining such value, all direct, indirect and other related operating costs which would be

chargeable to such well shall be deducted from the anticipated value of the products from such well before applying any discount factor. In the event Bolsa and Oil cannot within forty-five (45) days, agree on the present value of such future production, then such value shall be finally resolved by arbitration pursuant to the rules and regulations then current of the American Arbitration Association. Bolsa and Oil shall each appoint one arbitrator and the two so appointed shall appoint a third. All three shall be qualified petroleum engineers, and their decision shall be final and binding on both parties. Oil and Bolsa shall share said arbitration costs equally. If Oil is obligated to make abandonment payments to third party interests under existing agreements which are based on values that are different from the values determined hereunder, then the abandonment values so determined for payment to third party interests shall, insofar as such third party interests alone are concerned, supersede the values determined between Bolsa and Oil alone and all abandonment payments hereunder to such third parties alone shall be based thereon; provided, however, that in such event Bolsa shall have and is hereby granted the right to elect to participate in any such third party negotiation or arbitration in the place and stead of Oil and to be bound with Oil in abandonment values determined by said third party negotiation or arbitration.

9. Except as otherwise herein specifically provided, all costs incurred in rendering the surface of the land more adaptable for real estate purposes rather than for oil and gas operations, including without limiting the generality of the foregoing, costs incurred at the request of Bolsa in soundproofing, landscaping, fencing-beautification, screening or camouflaging of wells or oil and gas facilities (except any portion thereof attributable to the



cleanup and restoration of any land as provided for in paragraph numbered 4 hereof or to compliance with paragraphs numbered 2 or 3 hereof) shall be borne by Bolsa.

10. Oil agrees to be solely responsible for its operations and agrees to indemnify and save Bolsa harmless from any liability or damages which may result from its operations. Bolsa agrees to be solely responsible for its operations and agrees to indemnify and save Oil harmless from any liability or damages which may result from its operations. The parties agree to cooperate in the obtaining of any and all permits and agreements necessary to effectuate the intent of this agreement and to permit the prompt implementation by Bolsa of its development plan, including inter alia, all necessary or desirable agreements with the State of California to stipulate boundaries, exchange lands and cure titles. The parties agree to promptly execute and deliver any and all documentation which may be necessary to effectuate the terms and intent of this agreement.

11. Oil agrees that if it does not commence any abandonment, relocation or removal of its facilities (other than oil and gas wells) or restoration of surface as agreed herein within six (6) months following delivery of written demand therefor by Bolsa or does not thereafter complete same with due diligence, then Bolsa may proceed with same without liability of any kind to Oil. Oil also agrees that if it does not commence an abandonment or removal of its oil and gas wells as required herein within three (3) months following written demand by Bolsa and establishment of value in accordance with the provisions of paragraph numbered 8 or does not thereafter complete same with due diligence, then Bolsa may proceed with same without liability of any kind to Oil. Oil shall

reimburse Bolsa for any direct costs, except as to third party liabilities, incurred by Bolsa in fulfilling any such obligations of Oil. Direct costs shall not exceed such costs as are chargeable for similar work by reputable and responsible contractors engaged in the business of performing such work and shall not include any overtime rates therein for accelerating the performance of such work.

12. Bolsa hereby grants Oil licenses revocable at any time, upon at least one year's prior written notice of any such revocation, as follows:

A. The use of a helicopter site at a location mutually acceptable to Bolsa and to Oil.

B. The use of land on which to dump well cuttings at locations which are mutually acceptable to Bolsa and to Oil. Cuttings shall be limited to the type of fill material which in the opinion of Bolsa will reasonably compact and become a reasonable part of the land mass.

C. The use of land on which to have sumps for separating oil and water at locations which are mutually acceptable to Bolsa and to Oil.

D. The use of land on which to have pipe and equipment storage areas at locations which are mutually acceptable to Bolsa and to Oil.

Bolsa hereby agrees to allow Oil to use undeveloped land for the above use or uses of this paragraph 12 so long as Oil's use does not interfere with the real estate development of the property. Bolsa also hereby agrees to not unduly and unreasonably withhold lands from use by Oil for uses covered in this paragraph 12.

Bolsa will reimburse Oil for any capital and relocation

costs and additional costs of operation incurred by Oil attributable to the revocation of any license granted under this

paragraph 12, but only as to that portion of the license use which applies solely to oil field operations conducted on the Bolsa Lands. Relocation costs of any existing use at the time of agreement to be paid by Bolsa if relocation is on Bolsa Lands.

13. Oil hereby agrees to pay pro rata share of property taxes applicable to land reserved by Oil in Exhibit "B" or covered by revocable license in paragraph 12.

This agreement shall be binding upon the successors, assigns and legal representatives of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the day and year first above written.

SIGNAL BOLSA CORPORATION

By M. W. Wagoner

By William F. Allen

SIGNAL OIL AND GAS COMPANY

By E. E. Ferguson

By J. H. Ford Vice President  
Asst. Secretary



### Exhibit 3

#### OPERATING ASSURANCES AGREEMENT

1        This Operating Assurances Agreement ("Agreement") is made  
2        and entered into by and between the California State Lands  
3        Commission (the "SLC") and CalResources LLC ("CalResources"),  
4        collectively referred to as the "Parties."

5        WHEREAS, the SLC intends to purchase from the Signal Bolsa  
6        Corporation certain real property located in the County of  
7        Orange, California, as generally depicted on Exhibit A attached  
8        hereto (hereinafter referred to as the "Signal Lowlands") and the  
9        SLC already owns lands adjacent to the Signal Lowlands which are  
10       commonly referred to as the State Ecological Reserve (the  
11       "Ecological Reserve"), also depicted on Exhibit A; and

12       WHEREAS, CalResources conducts oil and gas field operations  
13       on the Signal Lowlands and portions of the Ecological Reserve  
14       pursuant to certain oil and gas leases and the SLC will take  
15       title to the Signal Lowlands subject to, among other things, the  
16       said oil and gas leases; and

17       WHEREAS, the SLC will also take title to the Signal Lowlands  
18       subject to, among other things, the "Bolsa Surface Use Agreement"  
19       dated September 2, 1971 (the "Original BSUA"), as amended by the  
20       "Addendum to Bolsa Surface Use Agreement" dated April 29, 1975  
21       (the "BSUA Addendum"), collectively referred to as the "BSUA";  
22       and

23       WHEREAS, the SLC, in cooperation with seven other state and  
24       federal agencies and pursuant to that certain agreement dated  
25       October 4, 1996, as amended by the First Amendment dated December  
26       13, 1996 (collectively, the "Bolsa Chica Lowlands Project  
27       Agreement"), between the SLC, the other seven agencies, and the  
28       Cities of Long Beach and Los Angeles, California, acting by and  
29       through their respective Boards of Harbor Commissioners, intends  
30       to undertake a project (the "Project") to restore the wetlands  
31       and habitat areas found on portions of the Signal Lowlands,  
32       Ecological Reserve, and certain other properties adjacent to the  
33       Signal Lowlands, which lands are collectively hereafter referred  
34       to as the "Project Lands"; and

1 WHEREAS, construction of the Project will require that  
2 certain of the oil and gas field facilities operated by  
3 CalResources on Project Lands be abandoned or relocated; and

4 WHEREAS, the Parties desire to enter into this Agreement in  
5 order to specify who, as between the two of them, will be  
6 responsible for the costs of such abandonments or relocations.

7 NOW THEREFORE, in consideration of the mutual covenants  
8 hereinafter set forth, and other good and valuable consideration  
9 the receipt of which is hereby acknowledged, the Parties covenant  
10 and agree as follows.

#### 11 DEFINITIONS

##### 12 Article 1. Definitions

13 When used in this Agreement, the following terms shall have the  
14 meanings ascribed to them herein:

15 A. "Full Tidal Area", "Managed Tidal Area", "Seasonal  
16 Ponds", and "Future Full Tidal Area" mean the areas of the  
17 Project Lands which are generally identified and so labeled on  
18 Exhibit B hereto, as those areas may in the future be modified by  
19 the Final Plan for the Project in accordance with Sections 3, 4,  
20 5, and 6 of the Bolsa Chica Lowlands Project Agreement.

21 B. "Berms" means all or any portion of the berms which will  
22 be constructed by the SLC for the Project around the Full Tidal  
23 Area, including existing berms which will be increased in height  
24 or used as they now exist, as those berms are generally depicted  
25 on Exhibit B hereto.

26 C. "Whipstock Area" means the area generally identified and  
27 so labeled as such on Exhibit B hereto.

28 D. "Tidal Inlet" means the new ocean inlet which is to be  
29 constructed for the Project across Pacific Coast Highway 1 and  
30 through the Whipstock Area, as generally depicted on Exhibit B  
31 hereto.



1 RELOCATION OR ABANDONMENT OF WELLS, ROADS, AND OTHER FACILITIES

2 Article 2. Existing, Operable Wells in the Full Tidal Area

3 A. The Parties agree that there are 55 wells, as listed in  
4 Exhibit C to this Agreement, in the Full Tidal Area, as that area  
5 is identified in Exhibit B, which have not, as of the effective  
6 date of this Agreement, been plugged and abandoned.

7 B. The Parties further agree that 17 of those 55 wells, as  
8 identified in Exhibit C hereto, have ceased production in  
9 quantities sufficient to pay the costs of operation of each such  
10 well and are therefore, subject to Article 2.D. below, the  
11 responsibility of CalResources to plug and abandon. The said 17  
12 wells shall be plugged and abandoned in accordance with Paragraph  
13 4 of the BSUA and paragraph numbered 3 of the "Deferral of Twelve  
14 South Bolsa 'Tidal Channel' Wells" dated March 13, 1993,  
15 notwithstanding the fact that the latter document does not  
16 pertain to all 17 wells.

17 C. With respect to the remaining 38 wells, the Parties  
18 agree as follows:

19 (1) Rather than making any further determinations as  
20 to whether any given well is or is not now or in the future  
21 idle, these 38 wells shall, subject to Article 2.D. below,  
22 be plugged and abandoned, with the SLC paying for fifteen-  
23 ninetieths (15/19ths) of the total cost of so plugging and  
24 abandoning the said 38 wells and CalResources paying for the  
25 balance of the total cost. CalResources agrees that this  
26 arrangement will completely fulfill the SLC's obligations to  
27 CalResources under Paragraph 8 of the BSUA for the  
28 abandonment of the said 38 wells.

29 (2) The Parties agree that CalResources shall prepare  
30 and submit a written plan and cost estimate to the SLC for  
31 the plugging and abandonment of the said 38 wells by  
32 CalResources. If the plan and cost estimate are acceptable  
33 to the SLC, as originally submitted or as they may be  
34 revised by mutual agreement of the Parties, then  
35 CalResources shall proceed to perform the necessary work and  
36 the SLC shall promptly reimburse CalResources thereafter  
37 based upon periodic billings from CalResources for work



actually performed. If the SLC prefers to perform or cause to be performed the necessary work, it shall have the option of doing so, in which event CalResources shall promptly reimburse the SLC based upon periodic billings from the SLC for work actually performed.

(3) The Parties agree that the cost of plugging and abandoning the said 38 wells shall, subject to Article 5 below, include the costs, less salvage value, for the removal of all wellbore equipment; the abandonment of the wellbore; the removal and abandonment of the well cellar, well pad and well site materials; the removal of the wellbore casing to the depth required by the California Department of Oil and Gas Regulation, considering the depths to which the Full Tidal Area is to be dredged; the removal of all wellhead/casing piping, valves, and flowlines back to the production manifold; the removal of all electrical wiring, motors, panels, and individual well poles/equipment; the removal of all artificial lift surface equipment and foundations; the removal of any other equipment, piping, wiring, or material related to the production and maintenance of the individual well; and any grading or surface contouring of the ground in the area of the above activity which is required by the SLC.

(4) With respect to the said 38 wells, the Parties further agree that, for the purposes of establishing the fair market value of the total production of oil, gas, and other hydrocarbon substances pursuant to Paragraph 8 of the BSUA:

(a) The price premise shall be the highest of the average gravity corrected daily postings for the Huntington Beach Oil Field which occurs between the day on which the SLC gives written notice to CalResources to abandon the 55 wells in the Full Tidal Area (pursuant to Article 2.D. below) and within 180 days thereafter, inclusive; Provided, however, until March 1, 2000, that the price premise shall not be higher than \$21.00 per barrel of oil nor lower than \$15.00 per barrel of oil;

1 (b) Projections of future prices shall assume  
2 real growth of one percent per annum;

3 (c) Projections of future annual inflation or  
4 deflation shall be based upon the gross domestic  
5 product or another mutually agreed upon forecast.

6 (d) CalResources' production costs shall be  
7 determined in future negotiations between the Parties,  
8 except that CalResources' indirect overhead costs shall  
9 be computed at 12.5 percent of direct costs; and

10 (e) The reserves shall be determined in future  
11 negotiations between the Parties, except that the  
12 Parties agree that the reserves shall be determined for  
13 all 38 wells in the aggregate, not on an individual  
14 well basis.

15  
16 The Parties further agree that should disputes between them  
17 concerning fair market value arise with respect to matters  
18 not specified in (a) through (e) above, then such disputes  
19 shall be submitted to arbitration in accordance with  
20 Paragraph 8 of the BSUA. CalResources may continue to  
21 produce any of the 38 wells until it receives from the SLC  
22 payment for the fair market value of the reserves associated  
23 therewith.

24 D. With respect to all 55 wells, the Parties agree, any  
25 provision of the BSUA to the contrary notwithstanding, that the  
26 SLC will give a single written notice to CalResources to plug and  
27 abandon all 55 wells not less than 18 months prior to the date  
28 upon which the SLC requires the plugging and abandonment of these  
29 wells to be completed. Nothing in this Agreement shall prevent  
30 CalResources from plugging and abandoning any of these 55 wells  
31 prior to receipt of such notice from the SLC.

32 Article 3. Wells Outside of the Full Tidal Area

33 Notwithstanding Paragraph 4 of the BSUA, the SLC agrees that  
34 it will not give CalResources any notifications of idle or  
35 inactive wells, nor require CalResources to act on any notice  
36 given prior to the effective date of this Agreement by the  
37 previous owner of the Signal Lowlands, for wells located outside



1 of the Full Tidal Area, except for wells which the SLC requires  
2 to be abandoned for the Project, until after December 31, 2001,  
3 so that CalResources may have sufficient time to assess its  
4 remaining oil field operations. On and after January 1, 2002,  
5 the SLC may resume giving notices of idle or inactive wells  
6 pursuant to the said Paragraph 4.

7 Article 4. Reabandonment of Previously Abandoned Wells in the Full  
8 Tidal Area

9 The Parties agree that if any abandoned wells in the Full  
10 Tidal Area need to be reabandoned because they are exposed by the  
11 dredging, excavation, and/or grading being done for the Project,  
12 then the SLC will be responsible for paying for any such required  
13 reabandonments of any previously abandoned wells; Provided,  
14 however, that if a well had been abandoned by CalResources but  
15 had not been abandoned to the California Department of Oil and  
16 Gas Regulation's then existing abandonment standards, then  
17 CalResources shall be responsible for reabandoning such well  
18 within 120 days of being notified by the SLC of the same and for  
19 bearing all costs associated with such reabandonment.

20 Article 5. Contaminated Soils from Wellbores, Well Pads, and  
21 Roads

22 A. If the SLC determines, in consultation with the other  
23 State and Federal agencies which are parties to the Bolsa Chica  
24 Lowlands Project Agreement, that any soils from wellbores, or on  
25 or in a well pad, associated with one of the 55 wells identified  
26 in Exhibit C hereto or that any soils on or in any roadway for  
27 which the SLC requires early removal, relocation, or contouring  
28 in the Full Tidal Area are contaminated and therefore cannot be  
29 left in place or dredged for ocean disposal, then an effort will  
30 be made by the SLC to use all such materials in the construction  
31 of the Berms to the maximum extent possible, consistent with  
32 Project needs and environmental considerations. If the SLC  
33 determines, in consultation with the other State and Federal  
34 agencies which are parties to the Bolsa Chica Lowlands Project  
35 Agreement and for whatever reason, that such soils cannot be used  
36 in the Berms, but if such soils can be used for offsite road or  
37 construction fill under the then applicable standards of the  
38 Santa Ana Regional Water Quality Control Board, then 80 percent  
39 of the cost of removing such soils and disposing of them in an



1 approved road or construction fill shall be borne by the SLC and  
2 20 percent by CalResources. If any portion of such soils are so  
3 contaminated that they cannot be used for road or construction  
4 fill, then CalResources shall bear all costs of removing and  
5 properly disposing of such portion off of the Project Lands,  
6 except that such soils may be temporarily stockpiled on Project  
7 Lands outside of the Full Tidal Area and Managed Tidal Area for  
8 future soil blending or other treatment.

9 B. If a wellbore, well pad, or road or road segment which  
10 is subject to Article 5.A. above is located within one of the  
11 areas which CalResources is responsible for cleaning up pursuant  
12 to that certain "Clean-Up Agreement and Release" between the SLC,  
13 CalResources, and Koll Real Estate Group entered into  
14 concurrently with this Agreement, and if, pursuant to the  
15 processes and procedures for which the said Clean-Up Agreement  
16 and Release calls, it is determined that an area for which  
17 CalResources is responsible need not be cleaned up except for the  
18 soils from such a wellbore, well pad, or road or road segment,  
19 then the provisions of Article 5.A. above, rather than the  
20 provisions of the said Clean-Up Agreement and Release, shall  
21 govern and clean-up costs shall be allocated between the SLC and  
22 CalResources in accordance with Article 5.A. above. On the other  
23 hand, if it is determined pursuant to the said Clean-Up Agreement  
24 and Release that an area for which CalResources is responsible  
25 needs to be cleaned up not only because of the soils in a  
26 wellbore, well pad, or road or road segment which is located  
27 within such an area, then the said Clean-Up Agreement and Release  
28 shall govern and the costs of cleaning up the entire area,  
29 including the soils from the wellbores, well pads, and roads or  
30 road segments located within such an area, shall be the  
31 responsibility of CalResources and Article 5.A. above shall not  
32 apply.

33 Article 6. Oil Field Facilities Other Than Wells and Roads

34 A. Pursuant to, and subject to the limitations of,  
35 Paragraph 7 of the BSUA, the Parties agree that the SLC is  
36 responsible for the cost of:

(1) Relocating or abandoning electrical service cables, conduits, and associated electrical equipment necessitated by the construction of the Project;

(2) Relocating or abandoning pipelines and associated facilities necessitated by construction of the Project;

(3) Constructing a suitable structure to carry pipelines and electrical cables and conduits across the Tidal Inlet; and

(4) Providing access for oil field vehicles to the portion of the Whipstock Area which will be isolated by the construction of the Tidal Inlet, either by a new exit off of Pacific Coast Highway 1 or by a bridge across the Tidal Inlet capable of supporting a 100-ton Link Belt crane or a well workover rig.

B. With respect to production support facilities which are removed and relocated at the SLC's request, the design, materials, and construction used in the relocated facilities shall be of no lesser quality and standards, as determined by the SLC in consultation with CalResources, than are typically required of the California oil industry at this time considering the environmental resources which need to be protected from, insofar as is reasonably possible, catastrophic oil spills. If CalResources desires to have production support facilities of higher quality and standards than that specified by the SLC, then the incremental cost of such facilities as compared to the cost of the facilities required by the SLC shall be borne by CalResources.

C. The SLC agrees that the cost of any additional noise abatement measures on wells or other oil field equipment which the SLC requires for the benefit of the Project will be the responsibility of the SLC.

D. CalResources agrees that, pursuant to the ESUA, it is responsible for removing and disposing of all power poles from the Project Lands. Notwithstanding this fact, the SLC agrees to remove and dispose of, at its expense whatever that expense may be, all power poles which it desires to remove from the Project Lands in consideration of CalResources paying to the SLC, not



1 later than May 1, 1997, the sum of Thirty-Seven Thousand Dollars  
2 (\$37,000.00). Upon receipt of said payment to the SLC by  
3 CalResources, CalResources will be relieved of any responsibility  
4 for removing and disposing of any power poles pursuant to the  
5 BSUA.

6 DESIGN, CONSTRUCTION, AND OPERATION OF THE PROJECT

7 Article 7. Design of the Project

8 The SLC agrees to use its best efforts, consistent with its  
9 obligations pursuant to the Bolsa Chica Lowlands Project  
10 Agreement, to ensure that the Project, including elements thereof  
11 which are intended to create habitat for and attract threatened  
12 and endangered species, is designed to minimize to the extent  
13 reasonably practicable the potential detrimental impacts of the  
14 Project on CalResources' oil field operations. CalResources  
15 agrees to cooperate in good faith with the SLC during the design  
16 of the Project to identify ways in which the Project can avoid  
17 causing the relocation of CalResources facilities and incurring  
18 costs therefore pursuant to the BSUA and this Agreement.

19 Article 8. Location of Berms

20 A. Unless CalResources gives its permission to do  
21 otherwise, the Berms shall be located so that any berm's outboard  
22 toe is no closer than ten (10) feet from any existing or  
23 relocated electrical cable, conduit, pipeline, pipe support, or  
24 other oil field facilities.

25 B. The Berms shall be located so that they will not  
26 encroach into the one hundred (100) foot by one hundred fifty  
27 (150) foot well site easements described in Exhibit B to the BSUA  
28 Addendum; Provided, however, that this limitation shall not apply  
29 to any easement for a well which is located along a road and on  
30 the side of the road across from, rather than adjacent to, the  
31 outboard toe of the Berms.

32 Article 9. Requirements for New Fencing

33 The SLC shall, at its expense, construct fencing or other  
34 appropriate barriers along and around any viewing area or



1 platform, trail, visitors' center, parking lot, road or other  
2 facility which is used or constructed by the SLC for the purpose  
3 of allowing the public to view or gain access to the Project  
4 Lands, which fencing or barriers shall be sufficient to isolate  
5 all of CalResources' continuing oil field activities from such  
6 areas and facilities. The SLC shall have no obligation to  
7 provide a perimeter fence around the outside boundary of the  
8 Project Lands or to fence or gate roads leading onto the Project  
9 Lands which are used by CalResources in its operations, except  
10 that the SLC shall bear the costs of all fencing and gates  
11 associated with the access called for by Article 6.A. (4) above.

12 Article 10. Construction of the Project

13 A. During the construction of the Project, the SLC shall,  
14 at its expense, install and maintain temporary construction  
15 fencing or other appropriate barriers around all pipelines,  
16 wellheads, and other critical equipment which are located within  
17 fifty (50) feet of earth-moving operations or earth-moving access  
18 roads, said fencing or barriers to be located an appropriate  
19 distance from such pipelines, wellheads, and equipment.

20 B. During the construction of the Project, the SLC shall  
21 obtain liability waivers from its contractors and establish  
22 contractor access and staging areas which do not interfere with  
23 CalResources' oil field operations.

24 C. During the construction of the Project, the SLC shall  
25 notify the residents of the surrounding area of the Project and  
26 provide a contact who residents can contact with questions or  
27 concerns about the Project.

28 D. In preparation for and during construction of the  
29 Project, the Parties agree that they shall cooperate with each  
30 other fully and in good faith to ensure appropriate safety plans,  
31 response plans in the event that construction activities cause  
32 oil spills or other emergencies, and coordination of construction  
33 activities with CalResources' operations, and to address any  
34 other matters of mutual interest to the Parties during  
35 construction.

1 Article 11. Operation and Maintenance of the Project

2 A. In the operation of the completed Project, the SLC  
3 agrees that it will, at its expense:

4 (1) Prevent, to the extent reasonably practicable,  
5 percolation of tidal waters through the Berms,

6 (2) Maintain the Berms, and

7 (3) Maintain all fencing or other barriers constructed  
8 pursuant to the requirements of Article 10 above.

9 B. The Parties agree to enter into good faith negotiations  
10 to develop a mutually agreeable water management plan for the  
11 Project Lands, which plan shall address protection of  
12 CalResources' assets and recognize CalResources' requirements in  
13 conducting its oil field operations. The said plan shall also  
14 address any allocation of the costs for pumping water out of the  
15 Project Lands, processes for consultation on a periodic basis  
16 about management of water on the Project Lands, and such other  
17 matters as the Parties may agree to.

18 C. In the operation and maintenance of the Project, the SLC  
19 agrees to use its best efforts, consistent with its obligations  
20 pursuant to the Bolsa Chica Lowlands Project Agreement, to ensure  
21 that operation and maintenance activities, including elements  
22 thereof which are intended to manage habitat for threatened and  
23 endangered species, are scheduled and carried out in a manner  
24 which minimizes to the extent reasonably practicable the  
25 potential detrimental impacts of the Project on CalResources' oil  
26 field operations. Even if the SLC enters into an agreement with  
27 a third party for the management of the Project Lands in  
28 accordance with Section 7 of the Bolsa Chica Lowlands Project  
29 Agreement, the SLC will remain actively involved and shall be  
30 CalResources' contact regarding all Project issues, consistent  
31 with its obligations pursuant to the Bolsa Chica Lowlands Project  
32 Agreement, in the management of the Project Lands outside of the  
33 Full Tidal Area as long as oil producing operations continue.

34 D. CalResources agrees to cooperate in good faith with the  
35 SLC and any third party which manages the Project Lands to



1 coordinate its oil field operations with fish and wildlife  
2 management efforts.

3 Article 12. Whipstock Area

4 The SLC agrees that the surface of the entire Whipstock Area  
5 shall be owned and managed by the SLC to support oil operations  
6 for the duration of oil operations there, subject, however, to  
7 the construction, operation, and maintenance of the Tidal Inlet  
8 in accordance with the Bolsa Chica Lowlands Project Agreement.

9 Article 13. Other Matters

10 A. The Parties agree that they shall, within 30 days of the  
11 effective date of this Agreement, enter into good faith  
12 negotiations to develop an agreement which will: (i) detail how  
13 CalResources' "... direct costs, plus engineering design and  
14 field supervision ..." costs pursuant to Paragraph 7 of the BSUA  
15 will be computed for the purposes of the SLC reimbursing  
16 CalResources when called for by the said Paragraph 7, and (ii)  
17 specify how and when the SLC shall reimburse CalResources for its  
18 expenses (salary, other direct expenses, and overhead) if and  
19 when the SLC asks CalResources, and CalResources agrees to,  
20 provide assistance to the SLC relative to the Project above and  
21 beyond that covered by the said Paragraph 7.

22 B. The SLC, and its contractors, consultants, or agents,  
23 shall comply with all of CalResources' safety requirements  
24 (including H<sub>2</sub>S) while visiting or working within the operating  
25 oil field and, when visiting the oil field for purposes of the  
26 restoration project, shall give CalResources reasonable advance  
27 notice of all visits to or work within the operating oil field.

28 C. During the construction of the Project, and in the  
29 operation and maintenance of the Project, the SLC shall plan and  
30 coordinate all work with CalResources in a manner that minimizes  
31 production downtime. Likewise, CalResources will, in good faith,  
32 cooperate with the SLC and any third party which is managing the  
33 construction, operation, and maintenance of the Project.



## 1 MISCELLANEOUS PROVISIONS

2 Article 14. Successors and Assigns

3 This Agreement shall be binding upon, and shall inure to the  
4 benefit of, the Parties and their respective legal  
5 representatives, successors, and assigns.

6 Article 15. Rule of Ambiguities

7 The Parties acknowledge that this Agreement is a negotiated  
8 agreement reviewed by counsel for both Parties and that the rule  
9 of construction providing that ambiguities in an agreement shall  
10 be construed against the party drafting the same shall not apply  
11 to this Agreement.

12 Article 16. Addresses for Notices

13 Any notices, other communications, or payments required by  
14 or necessary to effect this Agreement shall be sent to the  
15 following addresses:

16 Executive Officer  
17 California State Lands Commission  
18 100 S. Howe, Suite 100 South  
19 Sacramento, CA 95825-8202

20 Asset Manager - Coastal  
21 CalResources LLC  
22 P. O. Box 11164  
23 Bakersfield, CA 93389-1164  
24

25 Article 17. Effective Date of This Agreement

26 This Agreement shall take effect on the later of the dates  
27 upon which it is executed by each Party.

28 Article 18. Duplicate Originals

29 This Agreement is being executed in duplicate originals,  
30 with one copy for each Party. It may also be executed in  
31 counterparts, in which event all counterparts, taken together,  
32 shall constitute one and the same instrument.

CalResources LLC:

Robert C. Night  
signature

Signature

Robert C. Hight  
Typed or Printed Name

J. C. Boyd  
Typed or Printed Name

Executive Officer  
Title

Attorney-in-Fact  
Title

Date \_\_\_\_\_

Date 02/13/97