

THIS OIL AND GAS LEASE dated as of this 29
day of May, 1957, by and between
THE CITY OF LOS ANGELES, a municipal corporation,
as LESSOR, and Signal Oil and Gas Company, a Delaware Corpora-
tion and Richfield Oil Corporation, a Delaware
Corporation, as LESSEE,

W I T N E S S E T H:

RECITALS

THAT WHEREAS, Lessor is the owner of cer-
tain lands in the City of Los Angeles, County
of Los Angeles, State of California, more
particularly described as Parcel 3, and commonly
known as Rancho Park and Playground, and is
willing that said premises be drilled for oil,
provided that such drilling is done from such
points and in such manner that it does not
materially interfere with the use of the prop-
erty for park, playground and recreation pur-
poses;

NOW THEREFORE, in consideration of the
premises and of the covenants and agreements
hereinafter contained to be kept and performed
by the Lessee herein, and for other considera-
tions not recited herein, IT IS HEREBY AGREED AS
FOLLOWS:

DESCRIPTION
OF PROPERTY
LEASED

1. That Lessor does hereby lease, let and
démise unto Lessee all of its right, title and
interest in Parcel 1 and Parcel 2 of the premises
described as Parcel 3, all situated and being
in the City of Los Angeles, County of Los Angeles
and State of California, and all more particularly
described as follows, to wit:

94A

PARCEL 1:

Any one (1) acre of the surface of the land described as Parcel 3, which said acre may be designated by Lessor in writing at the time of the execution by Lessor of this Lease, together with such other additional surface of said land not exceeding three (3) acres in size, located on the playground area of Parcel 3, as may be designated in writing by the Board of Recreation and Park Commissioners of Lessor, if such Board, in its discretion, deems that the use of such additional surface area will not substantially interfere with the use of said land either as a park or playground.

PARCEL II:

The subsurface only of Parcel 3.

PARCEL III:

Lot "C" and a portion of Lot "B" of the Rancho Rincon de Los Bueyes, in the City of Los Angeles, as per map showing the subdivision of the property of Jose de Arnaz, recorded in Book 37, Pages 53 and 54 of Miscellaneous Records in the office of the County Recorder of said County, described as a whole as follows:
Beginning at the Northeast corner of said Lot "C"; thence along the Northerly line of said Lot "C", South 54° West 1678.38 feet to the Northwest corner of said Lot "C"; thence along the Northerly line of said Lot "B"; South 54° West 1421.62 feet; thence parallel with the Westerly line of said Lot "B"; South 35° 48' East 2643 feet to the Southerly line of said Lot "B"; thence along said Southerly

line North 56° East 1422.60 feet to the Southeast corner of said Lot "B"; thence along South-
east corner of said Lot "B"; thence along South-
erly line of said Lot "C"; North 56° East 1679.80
feet to the Southeast corner of said Lot "C";
thence along the Easterly line of said Lot "C",
North 35° 48' West 2709.86 feet to the point of
beginning.

EXCEPTING from said Lot "C" the Easterly 60
feet thereof;

with the sole and exclusive right to Lessee and
for the purpose of drilling for, producing, ex-
tracting and removing from Parcel II oil, gas,
asphaltum and other hydrocarbon substances by
means of slant wells drilled from Parcel 1. Said
drilling shall be done, and oil wells so drilled
shall be operated and maintained only in the manner
hereinafter specified; reserving and excepting
unto Lessor, however, all of the surface of
Parcel 3, except those areas thereof described
in Parcel 1.

Lessor reserves the right to drill slant
wells from any other locations on Parcel 3 to pro-
duce oil and gas from adjoining lands by means of
slant wells drilled into such adjoining lands.

METHOD OF
OPERATION

2. The oil, gas and other hydrocarbon sub-
stances underlying Parcel 3 shall be extracted by
means of wells, the drilling sites of which are
to be located, and all service operations with
respect to which are to be conducted, on Parcel
1; provided, however, that no oil tanks shall be
located on Parcel 1 except for the storage and
cleaning of oil removed from Parcel 2; and it
is further agreed that Lessee may not construct
a gasoline extraction plant of any nature or des-

cription on the premises herein demised. Under no circumstances shall surface locations be conducted or material or equipment installed or maintained on any part of Parcel 3, except as permitted on Parcel 1. All structures erected by Lessee upon the surface of Parcel 1 and all operations conducted thereon or therefrom, shall be in conformity of all laws, rules and regulations of duly authorized governmental authorities.

ACCESS 3. Lessee shall have access to Parcel 1
ROADS by means of such ways as Lessor shall from time
to time designate; Lessor hereby reserves the
right to change the location of said ways from
time to time and to use said ways or any part
thereof for its own purposes in common with Lessee,
if Lessor so desires.

PIPE LINES 4. Lessee agrees that all pipe lines and
AND TELEPHONE telephone lines shall be located at such places on
LINES Parcel 3 to reach the public streets as Lessor
may from time to time designate, and it is
agreed that Lessor may from time to time change
the location of said lines.

TERM 5. This lease shall remain in effect for
the term of thirty-five (35) years from the date
of execution by Lessor, subject to sooner ter-
mination in accordance with the terms and condi-
tions of this lease.

RESERVATIONS 6. Lessor reserves the right to use the
AND LESSEE'S demised premises for any and all other purposes
POSSESSORY except those for which this lease is granted, but
RIGHTS subject to the rights granted the Lessee herein.

The possession by Lessee of said premises

and mineral and development rights shall be solely and exclusively for oil development purposes, subject to the limitations and reservations above stated and excepting as to easements granted of record and permits or leases granted for pipe lines, overhead and underground crossings for telephone, telegraph or electric transmission lines and the use now made or to be made of said premises by Lessor.

NO WARRANTY OF TITLE Notwithstanding anything herein contained to the contrary, Lessor does not warrant its title to any part of the demised premises nor the mineral rights therein, and Lessor reserves the right either to defend or not to defend its title thereto, and to determine the extent of defense which each will make relative to its title. All rights of Lessee hereunder are subject to all encumbrances, restrictions, easements and rights of way of record.

ZONING AND DELAY RENTALS 7. Unless Parcel 3 has previously been zoned to permit drilling for oil, within ninety (90) days after the execution of this lease Lessee agrees to file an application with the Department of Planning of the City of Los Angeles for a change of zone so as to permit the use of the demised premises for drilling of oil, and Lessee agrees to commence the actual drilling of an oil well within ninety (90) days after said premises have been zoned for such purpose; provided, however, that in the event that Lessee shall not have commenced the actual drilling of an oil well at the expiration of said ninety (90) day period after zoning is permitted, Lessee agrees to pay to Lessor in lieu of such drilling, rental in

the following amounts:

\$100 per day for the first 90 days of said
delayed period;

\$150 per day during the next succeeding 90
days of said delayed period;

\$200 per day thereafter until drilling of
said well actually commences;

provided, however, that Lessee shall commence
the actual drilling of an oil well on the demised
premises on or before ~~January~~^{June} 1, 1958, or this
lease, and all of Lessee's rights hereunder shall
terminate and end.

Said rental shall be in addition to and not
a part of royalties hereinafter provided to be
paid by Lessee to Lessor in paragraph 14 of this
lease; provided further, that whenever the Lessee
shall be engaged in the drilling of a well, the
obligation to pay rental during such drilling shall
cease.

SURRENDER
OR
QUITCLAIM

8. Notwithstanding anything to the contrary
contained herein, it is understood and agreed that
Lessee may from time to time quitclaim all of the
demised premises and surrender the same to Lessor,
in which event all succeeding delayed rentals
shall cease and all the obligations of Lessee
hereunder shall end.

COMMENCEMENT
OF

9. Except as hereinabove provided, Lessee
OPERATIONS agrees to drill wells on the demised premises on
or before June 1, 1958, or within sixty (60)
days after a well producing oil, gas or other
hydrocarbon substances shall be completed within
seven hundred (700) feet of the outer boundaries

of Parcel 3, whichever shall be sooner, and subject to its right to surrender this lease, to continue the work of drilling such well after commencing the same with due diligence until a drilling depth of nine thousand (9000) feet has been reached, unless oil is discovered in paying quantities at a lesser depth, or unless such formations are encountered at a lesser depth as will indicate to the geologist of Lessee that further drilling will be unsuccessful. If, by reason of encountering mechanical difficulties in the prosecution of the work, or by reason of encountering said formations, or other causes, Lessee shall determine to abandon the same, this lease shall continue in full force, provided a new well, followed by diligent drilling operations, is commenced within sixty (60) days.

SPACING OF
OIL WELLS

Within sixty (60) days after the completion, suspension of drilling or abandonment of the first well drilled hereunder, Lessee shall commence the drilling of a second well by spudding in, and thereafter shall continue drilling wells on, or beneath or within said land, diligently and continuously, with an interval of not to exceed sixty (60) days between the completion or abandonment of one well and the spudding in of the next, until there have been drilled on said land as many wells as shall equal the quotient obtained by dividing by five (5) the number of acres in Parcel 2 then subject to this lease.

Said requirement of five acres per well shall apply to wells having a drilled depth of less than six thousand (6000⁺) feet. On wells having

a depth between six thousand (6000') feet and ten thousand (10,000') feet, Lessee shall drill on said lands as many wells as shall be obtained by dividing by ten (10) the number of acres then subject to this lease. For wells having a depth of over ten thousand (10,000') feet, Lessee shall drill on said land as many wells as will equal the quotient obtained by dividing by fifteen (15) the number of acres then subject to this lease. Provided, however, that if, in an established and generally recognized productive area outside of the leased land but contiguous thereto and within one thousand (1000') feet therefrom, there are more productive wells than the average on a corresponding part of the leased land of Parcel 2, the number of wells to be drilled on the leased land in a corresponding offsetting area of like size shall be increased to the number required to attain the same average well density as that in the said outside offsetting area. If the wells in such outside area produce from more than one zone, Lessee shall maintain a well density for each zone in the offsetting area at least equal to that maintained for such zone in said outside area. The drilling of all such wells shall be accomplished by vertical or slant drilling from the drill site hereinbefore described. For the purposes hereof, a Zone is defined as a sand or series of sands of sufficient thickness and productivity to form an economic source of supply of oil and gas, and which is segregated from other sands or series of sands by natural boundaries or barriers to such an extent as to make its separate development either

economically or mechanically desirable in accordance with common practice.

OFFSET
WELLS

Whenever and as often as any well is being produced on adjoining land which produces each day for thirty (30) consecutive days at least fifty (50) barrels of oil from a depth of 6,000 feet or less, at least seventy-five (75) barrels of oil from a depth of 10,000 feet or less, or at least one hundred (100) barrels of oil from a depth of over 10,000 feet, at a distance of 330 feet or less from a boundary of the leased land, Lessee shall drill a well to offset the same, and in such event, will commence such drilling by spudding in within sixty (60) days after it is known that the outside well has met the said conditions, and will thereafter diligently and continuously prosecute the drilling of said well. Such offset well shall be at no greater distance from the common boundary than is the outside well and shall be no more than one hundred (100) feet from a line from the outside well to the nearest point in the boundary and extended into the leased land, such distance to be measured at the level of the producing zone of such outside well, and all drilling to be from and within the drill site hereinbefore described. Such offset well or wells shall be drilled to the depth necessary to test the sand or sands being produced from the outside well. The foregoing location requirements have reference to the horizons from which production is obtained, and not to surface locations; provided, however, that when the subsurface location of an outside

well is not ascertainable, it shall be presumed to be in a vertical line with the surface location. The foregoing provisions of this paragraph are, however, subject to the following conditions and exceptions:

REDRILLING
IN LIEU OF
OFFSET

(a) In lieu of the drilling of an offset well, Lessee, at its option, may deepen, redrill or otherwise recomplete a well previously drilled in such manner as to test the said sand or sands at a location conforming to the above requirements. In such event, the operations in such well for such purpose shall be commenced not later than the date provided for the spudding in of the offset well.

(b) Any well which is being drilled, at the time the obligation to drill such offset well arises may be so completed as to meet the foregoing subsurface location requirements, and if so completed shall be considered as the offset well so required to be drilled.

RELIEF FROM
OFFSET

REQUIREMENT (c) If the horizon from which the outside well is producing had previously been tested by Lessee at a location which meets the foregoing requirements for the subsurface location of an offset well, said offset well need not be drilled.

(d) Lessee, at its option, may be relieved of the obligation to drill any offset well by quitclaiming and surrendering to Lessors all rights in and to the horizon from which such outside well is producing, including a ten (10) acre parcel of land which lies within the area in which an offset well would satisfy the above

conditions, and in such event Lessor or its assigns may drill such offset well in any manner and from any surface location Lessor may select, notwithstanding the exclusive rights granted Lessee.

(e) Any well drilled as an offset well shall be regarded also as one of the wells required to satisfy the development obligations of this lease and shall be so counted.

Each well required to be drilled under the foregoing provisions shall be drilled in accordance with good oilfield practice, diligently and continuously, and if capable of producing oil in quantities sufficient to repay operating costs and royalty, shall be operated as long as it is capable of so producing.

Nothing herein shall be construed to limit the number of wells which the Lessee may drill should it so elect in excess of the number hereinabove specified or the depths to which any well may be drilled by Lessee, should it desire to drill below the depth specified or to any depth. The Lessee shall have the right at all times to operate, deepen, redrill and properly maintain all producing wells upon said property.

DELAY
RENTALS

10. In the event Lessee shall suspend operations in any well and shall not be drilling in some other well, the Lessee shall pay delay rental to the Lessor during the time said well is idle in the following amounts:

\$100 per day during the first 90 days;

\$150 per day during the next 90 days; and

\$200 per day thereafter.

Lessee shall not be required to pay any rental to Lessor during the sixty (60) day period between the completion of a well and the actual spudding in of the next succeeding well; provided, however, if the Lessee shall not spud in the next succeeding well within said sixty (60) day period, then the Lessee shall pay delayed rental to the Lessor during said period following the end of the sixty (60) day period above described in the following amounts:

\$100 per day during the first 90 days thereafter;

\$150 per day during the next 90 days; and

\$200 per day thereafter until actual drilling shall begin in a well, whereupon the obligation to pay this delayed rental shall cease.

Said delay rental shall be in addition to and not a part of royalties hereinafter provided to be paid to Lessor in Paragraph 14 of this lease.

Notwithstanding the foregoing permitted delay in drilling in the manner above provided, and as to well spacing, at all times after the discovery and production of oil in paying quantities in any well within seven hundred feet (700') of the outer boundaries of the demised premises, the Lessee agrees to protect the demised premises from drainage by the drilling of such additional wells, if any, as good oil field practice and sound engineering shall require to protect the demised premises from drainage due to the drilling and production of oil from wells on adjoining lands.

PRODUCING
OBLIGATIONS

11. Lessee shall at all times produce, pump, flow or otherwise operate all wells at their full capacity so as to secure the largest amount of oil therefrom, except that the wells may be operated at a lesser rate when such rate shall conform to well established and recognized production practice or as provided in paragraph 17 hereof.

DISCONTINUANCE
OF PRODUCTION
OF WELL

12. In the event the Lessee shall cease producing oil in any well from which oil shall have been produced, unless such cessation is due to causes set forth in paragraph 17 hereof, and shall not be at work in said well repairing or redrilling the same, but shall leave the same idle or shall abandon said well, then within thirty (30) days after the cessation of the production of oil or of repair work or redrilling, the Lessee shall during the thirty-five (35) year term of this lease, quitclaim to the Lessor all of its right, title and interest in such land as it may have retained on connection with its operations on said well. Lessee may, however, retain any land needed for the operation of any other remaining drilling or producing well or wells.

ROYALTIES
FOR OIL

13. Lessee shall have the use, without payment of royalty, of so much of the oil and gas produced on the demised premises as it may require for production purposes. Other than the products so specified to be used by Lessee in this paragraph 13, Lessee shall pay the Lessor one-fifth (1/5) royalty of the value of all oil which may be produced, saved and removed from said lands, and after making customary deductions for temperature, water and bottom sediment at the posted

prices paid to producers by Standard Oil Company of California, or the highest price posted by any of the other following oil companies: Union Oil Company of California, Shell Oil Company, Tidewater Associated Oil Company, Richfield Oil Company, General Petroleum Corporation, or Texas Oil Company, or paid by any of the herein specified oil companies at the well in which the demised premises are located for oil of like gravity of cleaned oil, free from water, mud and bottom sediment, on the day the oil is run into the pipe line or storage tanks of Lessee; settlement to be made by Lessee on or before the 20th day of each calendar month for accrued royalties for the preceding month; or, at Lessor's option, on thirty (30) days' notice, Lessee shall deliver into tanks maintained by Lessee on the demised premises, or to pipe line at some point on the drill site, free of cost, Lessor's royalty oil. If said oil is delivered into Lessee's tanks, it shall be stored therein for not exceeding fifteen (15) days, free of charge to Lessor, but at Lessor's risk. Nothing herein contained shall require Lessee to segregate or keep separate the various grades of oil produced upon the demised premises, nor shall Lessee be required to keep separate the production of any well or group of wells. Whenever accounting for royalty will permit, the oil produced and saved from the different wells may be commingled and after commingling shall represent the character of oil produced upon the demised premises.

STORAGE OF
LESSOR'S
OIL

COST OF
TREATING
OF OIL

In the event that in the judgment of the Lessee it shall be necessary to heat, treat or dehydrate the oil produced from any of the wells drilled on the above described premises, Lessee may heat, treat or dehydrate the same and Lessor hereby agrees to pay its pro rata share of its royalty share of not to exceed four cents (4¢) per barrel for the net oil heated, treated or

dehydrated, which charge shall be deducted monthly from the royalty due Lessor.

BONUS FOR
OIL

In the event the Lessee receives any bonus in money above the posted market price for the sale of the above oil, the Lessor shall receive its proportion of such bonus, payable proportionately as and when received by the Lessee.

ACCOUNTING FOR
OIL PRODUCED

The Lessee agrees that it will, on or before the twentieth (20th) day of each calendar month, furnish to the Lessor a true account of the production of all substances herein named from the demised premises during the next preceding calendar month, except such portion thereof as may be used in the development and operation of the property under the terms of this lease.

ROYALTY
FOR GAS

14. Lessee shall pay Lessor one-fifth (1/5) royalty of the net proceeds derived from the sale of gas from said property while same is being sold or used off the premises, settlement to be made by Lessee on or before the 20th day of each calendar month for gas sold during the preceding month, but nothing herein contained shall require Lessee to save or market gas from said lands. Lessee shall have the right, free of cost to it, to use gas required for production purposes on said property and production and lifting of oil from said wells.

ROYALTY FOR
GASOLINE

14A. In the event Lessee shall extract or cause to be extracted gasoline or other liquid products from gas produced from said leased premises, Lessee shall pay to Lessor as royalty one-fifth (1/5) of the sales value as hereinafter

defined of fifty per cent (50%) of the gasoline or other liquid products credited to this lease. The sales value of such products at the prices currently offered or paid to producers for products of like specifications and quality in the same vicinity. Settlement shall be made on or before the 20th day of each calendar month for gasoline sold during the preceding month.

INTEREST OF
UNITED STATES

15. It is understood and agreed that the United States of America is the owner of six and one-quarter per cent ($6\frac{1}{4}\%$) of the amount or value of any oil and gas that may be produced from the demised property except that used on the demised property, and that the royalty of one-fifth ($\frac{1}{5}$) herein reserved in paragraphs 13 and 14 to the Lessor includes such amount or value.

SHARE OF NET
PROFITS
DEFINITIONS

16. The term "net profits," as used herein, and as applied to any particular time, shall mean the amount by which the "gross proceeds," as hereinafter defined, derived by Lessee from its operations from the beginning of operations until the date as of which the computation is made, shall exceed the "chargeable costs and expenditures," as hereinafter defined, paid and incurred by Lessee from the beginning of operations to said date of computation.

GROSS PROCEEDS
DEFINED

A. The term "gross proceeds," as used herein, shall mean and include and shall only mean and include:

- (a) The "sale value," as hereinafter defined, of eighty per cent (80%) of all oil and other hydrocarbon substances (other than gas and gasoline) produced and saved by Lessee from

wells drilled under this Agreement;

(b) The "sale value" of eighty per cent (80%) of all gas produced and saved and sold by Lessee from wells drilled under this lease, including the "sale value" of eighty per cent (80%) of any gas retained by any processor under the provisions of any processing agreement which Lessee may enter into for the processing of gas produced from wells drilled under this lease and agreement, and also including eighty per cent (80%) of the sale value (computed at the same price at which gas is contemporaneously produced and sold from wells drilled under this lease and agreement, or if no gas is being produced, saved and sold by Lessee from such wells at such time, then computed on the basis of the net proceeds from the sale of gas in the nearest field where gas of similar quality is produced, saved and sold) of any gas produced and saved by Lessee from such wells and not sold but used by Lessee at any particular time for any purpose not connected with or incidental to its operation under this lease and agreement; and

(c) The eighty per cent (80%) of the "sale value" as hereinafter defined, of fifty per cent (50%) of all gasoline extracted from gas produced from wells drilled under this lease and agreement.

SALE VALUE
(OIL)
DEFINED

B.(a) The term "sale value" of all oil and other hydrocarbon substances (other than gas and gasoline), as herein used, is hereby

defined to mean the value thereof computed at the current price posted and paid therefor by Standard Oil Company of California from time to time to producers generally for products of like character, gravity and quality in the same vicinity.

SALE VALUE
(GAS)

(b) The term "sale value" of gas, as herein used, is hereby defined to mean the net proceeds received by Lessee from the sale of such gas.

SALE VALUE
(GASOLINE)

(c) The term "sale value" of gasoline, as herein used, is hereby defined to mean the value thereof computed at the current prices paid therefor by Standard Oil Company of California, or any of its present or future subsidiaries, from time to time to producers generally for products of similar specifications, vapor pressure and quality in the same vicinity.

CHARGEABLE
COSTS AND
EXPENDITURES
DEFINED

C. The term "chargeable costs and expenditures," as used herein, shall mean all costs and expenses incurred by Lessee in the exploration, development, equipment, maintenance, operation and abandonment of wells drilled under this lease and agreement, which costs and expenses shall be defined in and determined in accordance with the accounting schedule marked Exhibit "A", hereto annexed and by reference made a part hereof; provided, however, that no part of the cost of extracting gasoline from gas produced from wells drilled under this lease and agreement shall be included therein nor shall the cost of transporting and selling such gasoline be included therein.

D. Lessee shall have the free use of, and shall not be required to account to Lessor for, any oil, gas or other hydrocarbons produced from wells drilled under this lease and agreement and used by Lessee for production purposes on the demised premises or unavoidably lost.

ACCOUNTING

E. Lessee shall keep true and correct books of account and records showing the production of oil, gas, gasoline and other hydrocarbon substances from wells drilled under this lease and agreement, the amounts shipped therefrom, the total "gross proceeds" and "chargeable cost and expenditures" hereunder, as well as any other records and data necessary or proper for the settlement of accounts between the parties hereto, which books, records and data shall be open to inspection by Lessor at all reasonable times; and Lessee shall, not later than the last day of each calendar month, furnish Lessor with statements showing such production from such wells, the "gross proceeds" derived from the operations thereon, royalties and rentals paid or accrued, and the "chargeable costs and expenditures" hereunder incurred during the preceding calendar month, accompanied by any payments due Lessor hereunder, such statements and payments to be mailed to Lessor at the City Hall, 200 North Spring Street, Los Angeles, California. Said statement of "chargeable costs and expenditures" shall be in the same summarized form as Lessee shall prepare such statement for its own use.

SHARE OF NET
PROFITS TO BE
PAID TO LESSOR

F. On or before the last day of each calendar month, commencing with and including the month next succeeding the month in which oil, gas or other hydrocarbons shall first be produced in Lessee's operations under this lease and agreement, Lessee shall account for and pay to Lessor the following:

A sum representing the amount by which fifty per cent (50%) of the "net profits," as herein defined, derived from Lessee's operations under this lease and agreement, from the date of this agreement up to the end of such preceding calendar month shall exceed all sums paid from the date of this agreement by Lessee to Lessor pursuant to the provisions of this paragraph F.

DEVELOPMENT
AND OPERATING
EXPENSE

G. All operations performed by Lessee in connection with the exploration, development and operation of said leased Parcels 1 and 2 shall be at the sole cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof.

LESSOR'S
INTEREST
IN PERSONAL
PROPERTY

H. Lessor shall have no right, title or interest in or to any machinery, rigs, pipes, casing or other property or improvements of whatsoever nature belonging to or furnished by Lessee in connection with the exploration, development and operation of said demised Parcels 1 and 2 and Lessee shall have the right to remove at any time, and from time to time, all such property and improvements belonging to or furnished by Lessee, provided that, upon removal of any of such property and improvements, a proper accounting of the value thereof, when removed, shall be made, as provided in Exhibit "A", hereto annexed.

PARTNERSHIP

I. It is the express intention of the parties hereto not to create a partnership relation hereby.

DEDUCTION

J. All amounts required to be paid by Lessee to Lessor shall be paid without delay, deduction or default and shall be payable to the Lessor at the address hereinafter given in paragraph 36.

ADJUSTMENT OF INCOME TO LESSOR

It is understood and agreed by and between the parties hereto, anything hereinbefore to the contrary notwithstanding, that on and after January 1, 1961, Lessor, at its option, may appraise said Parcel No. 1 (or any portion thereof then subject to this lease, whichever is lesser) for the purpose of determining its market value for any and all purposes other than for production of oil and/or other hydrocarbon substances. If said appraisalment by Lessor shall be unsatisfactory to the Lessee, the Lessee shall have the right to demand a reappraisement to determine said market value. Said reappraisement shall be made by appraisers selected by Lessor and the Lessee in the following manner: Lessor shall select one and the two thus selected shall select a third, and a reappraisement in writing made and signed by said appraisers, or a majority of them, shall be deemed to have fixed the market value of said property; and if at that time, of any time thereafter the net revenue received by and paid to Lessor under the terms of this lease shall in any period of one year be less in amount in the aggregate than the total of taxes and assessments (if same were payable by Lessor) or any portion of Parcel No. 1, then subject to this lease, which-

ever is the lesser, and interest for one year, at the rate of six per cent (6%) per annum on said market value as reappraised, the Lessor may, at its option, terminate this lease upon sixty (60) days' written notice to the Lessee, and within said sixty (60) days, said Lessee agrees to move from Parcel No. 1 all tools, implements, and appliances and structures owned by the Lessee and to deliver to Lessor a quitclaim deed in form sufficient to be recorded in the Office of the County Recorder of Los Angeles County, terminating all rights of the Lessee hereunder; provided, however, that the Lessee may, at its option, within said sixty (60) day notice period, pay to Lessor in addition to the net revenue received by Lessor a sum which with such net revenue, shall equal at least taxes and assessments (if same were payable by Lessor) on said Parcel No. 1 (or any portion thereof then subject to this lease, whichever is lesser) and six per cent (6%) per annum upon said appraised value as fixed by such reappraisal, and upon such payment Lessee shall retain the rights herein granted for one year; and thereafter Lessor, at its option, may annually appraise the market value of said Parcel No. 1 and if said appraisal is unsatisfactory to Lessee, the Lessee may require annually a reappraisal of the market value of said Parcel No. 1, in the manner hereinbefore stated, and the Lessee may retain its rights hereunto only from year to year provided the net revenue plus such sums as the Lessee shall pay to Lessor shall for each year be equivalent to at least taxes and assessments (if same were payable by Lessor) on said Parcel No. 1

and six per cent (6%) of the appraised value of said Parcel No. 1 (or any portion thereof then subject to this lease, whichever is the lesser). The cost of such appraisal shall be borne equally by Lessor and Lessee.

UNAVOIDABLE
DELAYS IN
DRILLING
OPERATIONS

17. Drilling, pumping, remedial and repair operations shall be suspended on said property only in the event that they are prevented by the elements, accidents, strikes, lockouts, riots, delays in transportation or interference by municipal, state or federal action, or by action of any other governmental officers or bodies, or other causes beyond reasonable control of Lessee, or so long as the price of oil of the quality produced on said property shall be less than seventy-five (75¢) cents a barrel at the well (except that Lessee shall, regardless of the price of oil, pump or drill offset wells when wells offset are being drilled or operated), but Lessee shall in each such case, with due diligence, resume drilling and/or pumping as soon as such preventing cause or causes shall cease to operate. Lessee is hereby authorized to enter into conservation agreements with the United States Government, State of California, or any county or municipal subdivision thereof, and/or other operators in the field for proper conservation of oil and/or gas.

CONSERVATION

Lessee may at its option regulate its oil production to the amounts recommended by the Conservation Committees of California Oil Producers or in accordance with any other reasonable, general conservation or production program in the field.

If the Conservation Committee of California Oil Producers shall cease to function in recommending said amounts, then Lessee may at its option abide by the action of any other body that succeeds said Conservation Committee of California Oil Producers, either in the State of California as a whole or in the field in which this lease is located.

Anything in this lease agreement contrary to the terms and provisions of or regulations under any State or Federal law or municipal or county ordinance having for its purpose the control of production of gas and/or oil, of the drilling of wells therefor, shall be deemed inoperative.

REMEDIAL
OPERATIONS

18. Time consumed in cleaning out, repairing, deepening, or improving any producing well or its necessary appurtenances shall not be construed or deemed as an interruption of the covenants requiring continuous operation of producing wells.

TAXES

19. Lessee agrees to pay before delinquency all mineral taxes levied against its interest hereunder, and all taxes that may be levied against its improvements, machinery, equipment and personal property on the demised premises, including any oil and minerals belonging to Lessee that may be stored in said premises.

Should severance taxes or other new forms of taxes be assessed, including all taxes measured by the amount of oil, gas and/or other hydrocarbon substances produced, Lessee shall pay such taxes as are levied against its interest hereunder.

LIENS AND
CLAIMS

20. The Lessee also agrees to keep the demised premises and every part thereof free from

liens for work or labor done for, or materials or supplies furnished to, Lessee during its occupancy of the demised premises, or any part thereof, to cause same to be released or discharged of record; provided that, if Lessee shall dispute the justice of any such claim or claims, it shall have the right to defend against the same, and in the event that Lessee shall fail or refuse to defend any such claim or claims, the Lessor shall have the right to defend against the same and the Lessee shall be liable to Lessor for all costs, damages and counsel fees, reasonably expended by Lessor in defending any such action and for the payments of any final judgment entered against Lessor, and Lessor shall have the privilege at all times of posting and maintaining upon the property used by the Lessee, notices that the Lessor is not responsible for any debts contracted by the Lessee.

COMPLIANCE
WITH LAWS

Lessee shall carry on all operations in a careful, workmanlike manner, at its sole cost and risk, and Lessee agrees to comply with all the laws of the State of California, the ordinances and regulations of the City of Los Angeles and all rules or regulations of all governmental bodies having jurisdiction over any of the operations conducted on the demises premises, and shall, at its sole cost and risk, abandon all wells drilled on the demised premises strictly in accordance with the laws of the State of California and the regulations of the Division of Oil and Gas of the Department of Natural Resources of the State of California.

INDEMNITY

Lessee shall protect, indemnify and save Lessor harmless from any and all liability and claim

of liability of every kind and character caused by or arising out of any injuries to person or property by reason of, or in any way connected with, the operations of Lessee upon the demised premises.

LITIGATION 21. Each of the parties shall give the other written notices of any litigation affecting the demised premises as soon as such party shall have knowledge thereof. If either Lessor or Lessee shall commence any action against the other in order to enforce its rights under this instrument, then, in any judgment which may be rendered in said action in favor of the Plaintiff, the party in default shall have included against it such reasonable attorneys' fees in said action as shall be fixed by the court.

DRILLING INFORMATION 22. The Lessee agrees to keep an accurate log and casing record, showing the progress of drilling and casing in each well in which drilling shall have been done on the demised premises, and to give the Lessor access to such log and casing record at all reasonable times and at such times to permit the Lessor to inspect such log and casing record, and to furnish a copy thereof to Lessor.

PIPE LINE LOCATION The Lessee shall keep a record of installation of all pipe lines laid by the Lessee on the demised premises, showing the location of such pipe lines, and give the Lessor access to such record at all reasonable times, and at such times to furnish the Lessor a copy of such record.

INSPECTION OF DRILLING RECORDS Lessor shall have the right to inspect and receive copies of all well surveys, maps showing the

underground location of all wells, Schlumberger records and reports of other electrical logging, water tests or other tests now known or developed hereafter, bore records and logs, and shall have access at all reasonable times to the demised premises and the derrick floor located thereon for the purpose of making such inspections and examinations.

All records, information and data of the operations of the Lessee hereunder shall at all times be open to the inspection of the Lessor or its representatives, designated in writing by the Lessor, and said representatives shall be entitled to receive copies thereof. Said information shall include all geological data and interpretations of the Lessee, but Lessor agrees that Lessee shall not be liable or responsible for the accuracy thereof nor any changes in interpretations which the Lessee may make from time to time based upon additional data or different interpretations of existing information.

LANDING AND
CEMENTING OF
PIPE

Lessee further agrees to confer with the geologist, or other representative of the Lessor designated in writing, before landing or cementing any water string in any well drilled on the demised premises. The Lessee further agrees to confer with geologist of the Lessor at all times while it shall drill in any well below said water string until the completion depth of said well has been determined. The Lessee shall be under no obligation whatsoever to follow the advice of the said geologist in the manner of drilling or conducting its operations in said well, but said geologist shall at all times be fully advised by the Lessee of its operations in selecting cementing points for water strings in its

well and while drilling in oil zones in said wells.

INSPECTION OF
PRODUCTION
RECORDS

23. The Lessor shall have the right, if it so desires, to inspect Lessee's records of production at any time during business hours for the purpose of verifying such accounts and the right to measure and gauge the quantity of any and all of said substances produced on said premises.

NOTICE OF
WORK

24. Lessee shall at all times advise Lessor of all work which is contemplated on the demised premises and shall consult with the representative of the Lessor when designated in writing by the General Manager of the Department of Recreation and Parks for the purpose of minimizing all hazards and preserving safety on the demised premises. Lessee shall not hold Lessor responsible for any damage which might be sustained as the result of said consultations, and hereby relieves Lessor of all such responsibility.

INFORMATION
RESPECTING
OTHER
LANDS

25. In the event the Lessee is the owner or operator of any leased lands offsetting or adjoining the demised premises, or within one thousand feet (1000') of the demised premises, the Lessee will furnish the Lessor the same data relative to its wells, production, tests, maps, geological and other data, as the Lessee is hereinabove required to furnish the Lessor as to operations on the demised premises. Lessee may likewise furnish the owner or Lessees of any adjoining lands, with whom Lessee wishes to exchange information relative to wells and production on the demised premises.

FENCES AND
PIPELINES

26. Substantial fence shall be constructed and maintained by Lessee when required by Lessor at places designated by Lessor. Lessee will bury

all pipe lines to such depth and in such manner satisfactory to representative of the Lessor.

CONDUCT OF
DRILLING
OPERATIONS

27. Lessee agrees that its drilling operations shall be conducted in accordance with all requirements of the Department of Planning and the Zoning Administrator, and including, but not limited, to the following; and it is agreed that whenever the requirements of said Department or said Administrator are more severe than those contained herein, such more severe requirements shall apply:

(a) All drilling equipment, including, but not limited to, draw-works, rotary table and pumps, shall be operated by means of electrical power and shall be the best and most modern drilling equipment available;

(b) Drilling derricks, and all drilling equipment shall be sound-proofed in the most modern available manner so as to avoid noise, disturbance or offense to the residents near the area in which drilling operations are conducted;

(c) Mud sumps and ditches shall not be dug into the surface of the ground, but shall consist of portable metal or wooden tanks and flumes;

(d) Exhausts of all engines (if any) shall be muffled.

CONDUCT OF
PRODUCING
OPERATIONS:

28. Lessee agrees that its producing operations shall be conducted in accordance with all requirements of the Department of Planning and the Zoning Administrator, and including, but not limited to, the following, and it is agreed that whenever the requirements of said Department or said Administrator

are more severe than those contained herein, such more severe requirements shall apply:

- (a) All pumping equipment shall be operated by means of electrical power;
- (b) No walking beam type of pumping unit shall be used;
- (c) Pumping equipment shall be done by Kobe or by hydraulic pumps, gas lift, botton hole pumps or vacuum pumps, and all such pumping equipment shall be located in concreted trenches below the present level of the ground, or completely concealed by vegetation or an approved enclosure.

CONDUCT OF
REMEDIAL AND
REDRILLING
OPERATIONS

29. Lessee agrees that its redrilling, re-pairing and servicing operations shall be conducted in accordance with all the requirements of the Department of Planning and the Zoning Administrator and including, but not limited to, the following, and it is agreed that whenever the requirements of said Department or said Administrator are more severe than those contained herein, such more severe requirements shall apply:

- (a) The redrilling equipment shall be portable and shall be operated in such a manner as to avoid noise, disturbance or offense to residents in the area in which such operations are conducted;
- (b) Exhausts of all internal combustion engines shall be muffled;
- (c) Mud sumps and ditches shall not be dug into the surface of the ground, but shall consist of portable metal or wooden tanks and flumes;
- (d) Said redrilling operations shall be completed within fifteen (15) days from the commencement

date thereof, or shall be replaced with drilling equipment, as set forth in Paragraph.27.

INJURY TO
SURFACE OF
LAND

30. The Lessee further agrees to prevent, as far as practicable, with the exercise of reasonable care and diligence, the overflow of oil or water which may be detrimental to vegetable growth upon the portions of the demised premises, and to save the Lessor harmless from all damages and claims for damages for injuries to adjacent lands caused by the overflow of such oil or water.

TERMINATION
FOR DEFAULT

31. If the Lessee shall fail for a period of thirty (30) days after written notice is given to it by the Lessor to comply with any provisions in this lease, Lessor may, at its option, terminate this lease, provided that no failure on the part of the Lessee to comply with any of the provisions of this lease as to any well or wells shall affect the right of the Lessee to continue its possession and operation of any other producing or drilling wells, so long as Lessee shall comply with the terms hereof as to said other well or wells.

VOLUNTARY
QUITCLAIM

32. Lessee, upon payment to Lessor of the sum of Ten Dollars (\$10.00), may, at any time, either prior to or after the discovery of oil on the demised premises, quitclaim said property or any part thereof to Lessor, its successors or assigns; and thereupon, all rights and obligations of the parties hereto, one to the other, shall cease and determine as to the premises quitclaimed, except unpaid rentals, royalties, taxes, and except obligations theretofore accrued, if any.

OTHER
QUITCLAIM

33. If this lease is terminated in whole or

in part, Lessee shall deliver to Lessor a good and sufficient quitclaim deed as to the demised premises, except subject to the rights reserved by Lessee under this Article.

Lessee shall provide with each quitclaim deed a Certificate of Title or a letter of a responsible title company covering the land so quitclaimed, made at the time of recordation of such quitclaim deed, and if such Certificate of Title or letter from title company discloses any rights, interests, claims, liens, or encumbrances conveyed, granted, done, made or suffered by Lessee, or anyone claiming under Lessee, Lessee will take such actions, steps and proceedings as may be necessary to terminate and extinguish any such rights, interests, claims, liens, and encumbrances, failing in which, Lessor may do so at the cost and expense of Lessee, which cost and expense, plus reasonable attorneys' fees, Lessee agrees to pay to Lessor upon demand.

Except as to easements and rights of way to be retained by the Lessee on or across land so quitclaimed and the right in Lessee to remove its property therefrom, full rights to any such quitclaimed land shall revert in the Lessor free and clear of all claims of the Lessee. Notwithstanding anything in this paragraph provided to the contrary, it is distinctly understood and agreed that in the event the Lessee quitclaims any part of the demised premises less than the whole, Lessee shall continue to pay taxes on its improvements and personal property thereon and also continue to pay taxes thereon of whatever kind resulting from the discovery or production of oil or other hydrocarbon substances

on or from the demised premises.

QUITCLAIM Upon the abandonment of any producing well,
AFTER
ABANDONMENT Lessee, within thirty (30) days after the abandon-
ment of such well, shall quitclaim and surrender
to Lessor all of the land retained adjacent to said
abandoned well which it does not need for the opera-
tion of other drilling or producing wells. The
lands quitclaimed shall remain subject to the rights
of way necessary or convenient for Lessee's opera-
tions on the land retained by it.

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

REMOVAL OF 34. Lessee shall have, at any time, the right
CASING
to remove any tanks, pipe lines, structures, casing
or other equipment, appurtenances, or appliances
placed by it upon said land, whether affixed to
the soil or not; provided, however, that in the
case of abandonment of any well or wells, in which
Lessee has landed casing, Lessee shall notify Lessor
and if the Lessor or its successors or assigns, shall
desire to retain the same, the Lessor or its success-
ors or assigns, may, upon thirty (30) days' notice
to Lessee notifying Lessee to that effect, and with-
in thirty (30) days after giving said notice to the
Lessee, Lessor shall have the right to purchase all
salvable facilities and equipment at, and recoverable

casing in the wells, prior to the abandonment thereof, at the salvage value thereof, less cost of recovery, and shall thereafter have the right to take possession of any of said well or wells and operate the same, and produce oil and gas therefrom, or salvage casing therefrom at its sole option.

ARBITRATION 35. In the event of any controversy between the parties as to any matters of fact arising under this lease, such question of facts shall be submitted to arbitration, and the decision of the arbitrators thereon shall be a condition precedent to the right of action under the lease itself. One arbitrator shall be appointed by each of the parties hereto and a third arbitrator by the two (2) so appointed. Any decision by a majority of such arbitrators shall be binding upon both parties.

NOTICES 36. Any notice relative to this lease from Lessor to Lessee shall be deemed sufficiently delivered if written copy thereof be delivered to Lessee at the address given below, or by mailing a written copy, by registered mail, postage prepaid, addressed as follows:

| | |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Richfield Oil Corporation, 555 South Flower Street, Los Angeles, 17, California. | Signal Oil and Gas Company 811 West Seventh Street Los Angeles 17 California |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|

or to such other address as the addressee shall have designated by its latest written notice of change of address to the party mailing the aforesaid notice or communication.

Any notice relative to this lease from Lessee to Lessor, including payment of rents and royalties, shall be deemed sufficiently delivered if a written copy thereof be delivered or mailed by registered

mail, postage prepaid, to the Lessor, City Hall,
200 North Spring Street, Los Angeles, California.

INSURANCE

37. In connection with any and all operations contemplated hereunder, the Lessee will, prior to the commencement thereof, procure and maintain insurance against public liability and property damage for the benefit of the Lessor and the Lessee in amounts satisfactory to Lessor, and will carry adequate Workmen's Compensation Insurance. Lessee shall furnish to Lessor Certificate of Insurance evidencing the fact that such policies are carried, the extent of the liabilities therein provided, and the risks against which Lessee and Lessor are insured, which said policies shall be approved by Lessor prior to commencement of any such operations.

SURRENDER OF
POSSESSION

38. Upon the termination of this lease, whether by lapse of time or otherwise, as to all or any portion of the premises hereby leased, Lessee shall peaceably and quietly leave, surrender and yield up unto the Lessor said premises or such portion thereof as to which this lease shall have terminated, and shall remove all materials, structures, obstructions, excepting, casing, placed by it on or in the demised lands and shall fill up all trenches and holes and remove all oil debris from said premises and shall fill any other excavations made by it, and restore the land to the condition in which it was received, and Lessee shall promptly execute and deliver to said Lessor a good and sufficient quit-claim deed to be recorded in order that the record title of said premises, or the portion thereof as to which this lease has terminated, may be cleared of the cloud created by this lease.

39. Notwithstanding anything herein contained to the contrary, it is understood and agreed that any reference to the use of the demised premises or to the rights or obligations of the parties in respect thereto shall in no way be deemed to grant or lease unto the Lessee herein any right to the surface or to use or occupy in any manner whatsoever the surface of Parcel No. 3, except as described in Parcel No. 1.

40. Neither this lease nor any interest therein may be assigned by Lessee nor shall Lessee sublet any portion of the demised premises without the written consent of Lessor. Any such attempted assignment or subletting without such consent of Lessor shall be ineffective and shall confer no rights on any purported assignee or sublessee, and shall be deemed a default in the terms of this lease.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed the day and year first hereinabove written.

THE CITY OF LOS ANGELES, a municipal corporation

Approved as to Form and Legality

8-12-1957

ROGER ARNEBERGHI

By [Signature]
City Attorney
Deputy

By and through its Department of Recreation and Park Commissioners

By [Signature]
President

By [Signature]
Secretary

LESSOR

RICHFIELD OIL CORPORATION

By [Signature]
Exec. Vice President

By [Signature]
Assistant Secretary

SIGNAL OIL AND GAS COMPANY

By [Signature]
Vice President

By [Signature]
Assistant Secretary

LESSEE

~~XXXXXX~~

SUPPLEMENT TO OIL AND GAS LEASE-94A

THIS SUPPLEMENT TO OIL AND GAS LEASE-94A made and entered into this 28th day of SEPTEMBER, 1961, by and between THE CITY OF LOS ANGELES, a municipal corporation, hereinafter called CITY, and SIGNAL OIL & GAS COMPANY, a Delaware corporation, hereinafter called SIGNAL, and RICHFIELD OIL CORPORATION, a Delaware corporation, hereinafter called RICHFIELD;

W I T N E S S E T H:

WHEREAS, on May 29, 1957, the CITY, SIGNAL and RICHFIELD entered into an agreement known as Oil and Gas Lease-94A, wherein SIGNAL and RICHFIELD were granted the exclusive right to drill for, produce, extract and remove oil, gas and other hydrocarbon substances from the property known as Rancho Park and Playground; and

WHEREAS, by Ordinance No. 117,497, approved November 10, 1960, the CITY granted a franchise to RICHFIELD to install certain pipe lines in various City streets; and

WHEREAS, RICHFIELD has requested permission to install a manhole and covered concrete valve vault under a portion of Rancho Park and Playground in connection with the installation of one of the said pipe lines in Pico Boulevard in order to separate its share of the gas and other hydrocarbon substances extracted from said Rancho Park and Playground pursuant to Oil and Gas Lease 94A, and transport the same in

the said pipe lines through various City streets to its refining facilities for treatment; and

WHEREAS, the Board of Recreation and Park Commissioners by their action of March 30, 1961, found and determined that the permission sought by RICHFIELD will not result in a material interference with the use of Rancho Park and Playground for park and recreation purposes, and that the subsurface space hereinafter identified is not now needed for park and recreation purposes, and approved the grant of permission requested by RICHFIELD subject to certain conditions;

NOW, THEREFORE, in consideration of the covenants and conditions hereinafter contained to be kept and performed by the respective parties hereto, it is mutually agreed that Oil and Gas Lease-94A be supplemented as follows:

1. CITY grant to RICHFIELD: Permission to locate, install, construct, maintain and repair a manhole and covered concrete valve vault in that portion of Rancho Park and Playground as shown on the drawing attached hereto and made a part hereof and marked Exhibit "A";

2. RICHFIELD will:

(a) Pay to The City of Los Angeles, Department of Recreation and Parks, each year, in advance, on or before the 30th day of March, a sum equal to forty cents (40¢) for each cubic foot of subsurface park space used for said manhole and covered concrete valve vault;

(b) Restore the grounds at its own expense after each and every installation or repair work thereon to

the same condition that such grounds existed immediately prior to the commencement of such work;

(c) Save and hold The City of Los Angeles, the Department of Recreation and Parks, and its Board, the members thereof and the officers and employees, harmless for and on account of any injury or damages to persons or to property, or both, caused by the grant of this license or by the condition or activity herein permitted.

3. The permission herein granted to RICHFIELD is revocable at the will of the Board of Recreation and Park Commissioners of The City of Los Angeles.

4. Except as expressly supplemented herein, all of the provisions, terms and conditions of Oil and Gas Lease-94A remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to Oil and Gas Lease-94A to be executed the day and year first hereinabove written.

Approved as to form and content
June 16 1961

ROGER ARNEBERG
City Attorney

By Farell
Deputy

THE CITY OF LOS ANGELES, a municipal corporation, acting by and through its Board of Recreation and Park Commissioners

By Harold C. Morton
President

By Ruth Knight
Secretary

SIGNAL OIL & GAS COMPANY

By W. H. Heath
VICE PRESIDENT

By Harold Brown
ASSISTANT SECRETARY

RICHFIELD OIL CORPORATION

By Scott Phillips
Assistant General Manager of Production Dept.

By Paulson
ASSISTANT SECRETARY

upto law