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May 1, 2013

Mr. Christopher Garner
Director
Long Beach Gas & Oil Department
City of Long Beach
2400 E. Spring Street
Long Beach, CA 90806

Dear Mr. Garner:

The Port of Los Angeles (Port) has been a participant in the Fault Block II Unit from its inception. Contractually, the Port has been in a royalty position for its ownership in the unit originally with General Petroleum followed by Mobil Oil Corporation (Mobil) as its Working Interest Owner (WIO). The Port did receive royalty payments from its WIO's up to 1989, though since then, the Port has no record of receiving any further payments. The Port has hired various consultants over the last few years to review this situation and seek out a solution. Recently, our consultant met with Mr. Kevin Tougas from your staff along with Don Foster, Karen Newitt, and Barbara Zimmerman from Tidelands Oil Production Company to discuss this issue. From that discussion the following was agreed to in concept:

1. The Port requests that the City of Long Beach acknowledge that Mobil is no longer the WIO for the Port in Tract 4, Parcels 1 and 4 of the Fault Block II Unit.
2. The Port requests that the City of Long Beach discontinue the steamflood accounting in Fault Block II and all WIO's, including the Port, become part of the waterflood in Fault Block II.
3. The Port requests that the City of Long Beach agree that the Port will have the opportunity at any time to contract with a new WIO for Tract 4, Parcels 1 and 4 in the Fault Block II Unit.

Transmittal No. 2

Mr. Garner
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If the City of Long Beach is agreeable, we can arrange a meeting to discuss the timing and implementation of the requests.

Sincerely,

A handwritten signature in cursive script that reads "Kathryn McDermott".

fov GERALDINE KNATZ, Ph.D.
Executive Director

Cc: Kevin Tougas, Long Beach Gas & Oil
Don Foster, Tidelands Oil Production Company
Karen Newitt, Tidelands Oil Production Company
Barbara Zimmermann, Tidelands Oil Production Company