

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 16, 2013

Advice Letter 3109-G

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**SUBJECT: Sale of a Gas Gathering Pipeline System and Assignment of Land Rights
in Sutter County to Atlantic Oil Company - Section 851 Transaction**

Dear Mr. Cherry:

Advice Letter 3109-G is effective as of June 8, 2012 per Resolution G-3458.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division

April 7, 2010

Advice 3109-G

(Pacific Gas and Electric Company ID U 39 G)

Subject: Sale of a Gas Gathering Pipeline System and Assignment of Land Rights in Sutter County to Atlantic Oil Company – Section 851 Transaction

Public Utilities Commission of the State of California

Purpose

Pacific Gas and Electric Company (“PG&E”) requests Commission approval under Public Utilities (“P.U.”) Code § 851 for the sale of segments of operating gas gathering pipelines with associated appurtenances in Sutter County (the “Facilities”) and the assignment of associated land rights (“Assignment”) to Atlantic Oil Company (“Atlantic”).

Background

On October 9, 2009, PG&E filed Advice Letter 3052-G requesting Commission approval under P.U. Code § 851 for the sale of segments of operating gas gathering pipelines with associated appurtenances in Colusa County (the “Facilities”) and the assignment of associated land rights (“Assignment”) to Atlantic Oil Company (“Atlantic”). On January 21, 2010, Resolution G-3442 was issued by the Commission approving PG&E’s request. After the Resolution was issued, PG&E realized that while the transactional documents supporting its § 851 request in Advice Letter 3052-G were correct, it erroneously cited Colusa County as the location of the Facilities being sold instead of Sutter County, which is the county where the Facilities are located. As a result, PG&E served the incorrect county with the Advice Letter.

This filing is requesting § 851 approval for the sale of the same gas gathering facilities PG&E approved in Resolution G-3442, while citing Sutter County as the county where the Facilities are located and providing service to Sutter County regarding this request. The only difference between this Advice Letter and Advice Letter 3052-G is the correction of the county name and the inclusion of Sutter County in the Service List (Appendix A).

In Decision (D.) 89-12-016, the Commission “strongly encourage[d] PG&E to sell gathering plant when it is offered net book value or more for the plant, consistent

with our view that PG&E should phase out its gathering operations....” The Commission stated that its intent was to promote more efficient investments in plant and improve pricing signals among gas supplies from various sources. During the intervening period, PG&E has attempted to implement the Commission’s directive.

In December 2008, PG&E initiated a bidding process for PG&E’s Atlantic Gas Gathering Pipeline System (“Atlantic System”) which currently collects gas production for Atlantic, with segments located in Sutter County, California (“Facilities”). PG&E accepted Atlantic’s bid to purchase the Facility, and it is this proposed sale for which PG&E now seeks Commission approval. The Purchase and Sale Agreement (“Agreement”) is attached hereto (Attachment 1).

PG&E respectfully requests that the CPUC approve this sale, which is similar to numerous other CPUC-approved gas gathering facility sales¹ and meets the long-established CPUC standard of not being adverse to the public interest. This sale regards a gas gathering system of no current operational value, and its sale will not interfere with PG&E’s utility operations or provision of service to its customers. Rather, this sale is beneficial to PG&E’s customers because it will alleviate the need for pipeline operations, maintenance and replacement/retirement which are not cost-justified.

In accordance with Resolution ALJ-202, Appendix A, Section IV, PG&E provides the following information related to the proposed transaction:

(1) Identity and Addresses of All Parties to the Proposed Transaction:

Pacific Gas and Electric Company
Lise H. Jordan
Gail L. Slocum
Law Department
P.O. Box 7442
San Francisco, CA 94120
Telephone: (415) 973-6583
Facsimile: (415) 973-0516
Email: GLSG@pge.com

Atlantic Oil Company
David Rodgers
General Manager
310 East Colorado Street, Suite 201
Glendale, CA 91205
Telephone: (818) 409-0922
Facsimile: (818) 507-4957

(2) Complete Description of the Property Including Its Present Location, Condition and Use:

The operating gas gathering pipeline system PG&E proposes to sell is located west of the Sacramento/Marysville division line in Sutter County, with segments spanning from Franklin Levee Road to west of Tarke

¹ See Section 10 below, which provides citations to numerous CPUC resolutions approving similar PG&E Advice Letters for Section 851 approval of such gas gathering facility sales.

Road in Sutter County. This pipeline varies from 2 inches to 8 inches in diameter, with a total length (including all the segments) of approximately 13,400 feet. It currently receives Atlantic's well production gas in Sutter County.

PG&E maps detailing the facilities and their location can be found in the Schedule 1.1 Pipeline Purchasing and Sale Agreement Atlantic Gas Gathering Sale (Attachments 2 and 3).

PG&E's land rights and easements associated with the subject Facilities will be assigned to Atlantic. A listing of said land rights and easements can be found in the Agreement, Schedule 7, Assignment of Rights (Attachment 1) that are part of this sale transaction.

In general, the pipeline's condition is "fair," due to its age and its prior collection of wet production gas. PG&E believes the gas gathering pipeline system has no operational value to PG&E for the delivery of service to its customers. Therefore, pipeline replacement is not justified. Further, retirement of the gas gathering pipeline system would be costly to PG&E due to requirements to clean liquids from the interior and removal of numerous pipeline segments from private land.

(3) Intended Use of the Property:

PG&E is not aware of any anticipated change in the use of the Facilities. The Facilities currently are used to receive Atlantic gas well production, and upon completion of the sale, Atlantic plans to operate the gas gathering pipeline segment and its associated appurtenances as a private pipeline. However, Atlantic agrees that upon request, it will make any capacity in excess of its requirements available to third party producers of natural gas in the area served by the subject pipeline segment for the collection of natural gas well production. PG&E customers will not be impacted by this transaction. The sale of the Facilities is beneficial to PG&E's customers because it alleviates the need for pipeline operations, maintenance and future replacement or retirement.

(4) Complete Description of Financial Terms of the Proposed Transaction:

As provided for in the Agreement (Attachment 1), Atlantic was the sole bidder and PG&E has accepted its offer of Thirty Five Thousand, Four Hundred and Eighty Three Dollars, and Sixty Four Cents (\$35,483.64) for the Facilities and the land rights being assigned. Because of the significant maintenance and future replacement costs associated with the ownership of the Facilities, it will benefit PG&E and its customers to sell

the Facilities and assign the associated land rights. The proposed transaction thus falls below the financial threshold of “in excess of \$5 million” under Resolution ALJ-202, Appendix A, Section II.6-7.

(5) Description of How Financial Proceeds of the Transaction Will Be Distributed:

In D.89-12-016, the Commission ordered PG&E to record sales of gas gathering facilities “in appropriate accounts for future consideration of gain-on-sale issues.” The gain on sale issues were addressed in Rulemaking (R.) 04-09-003, in Decision D.06-05-041 as modified in D.06-12-043. D.06-05-041 established a gain on sale policy for sales of depreciable assets that allocates 100% of the net gain to ratepayers. Of the one-time fee payment of \$35,483.64 that Atlantic is paying PG&E for these Facilities, \$15,000 in transaction costs will be removed from the sales price for PG&E’s costs associated with the sale. These include, but are not limited to: land rights activities, data room and records preparation, reconfiguration work to separate the system, and documentation transfers to the buyer to effectuate the transaction. This approach is consistent with other CPUC-approved gas gathering sales (see CPUC citations in Section 10 below). PG&E proposes to allocate one hundred percent of the remaining financial proceeds of \$20,483.64 to ratepayers as a credit through Accumulated Depreciation, consistent with D. 06-05-041.

(6) Impact of the Transaction on Ratebase and Any Effect on the Ability of the Utility to Serve Customers and the Public:

The proposed transaction will not have an adverse effect on the public interest because it will not interfere with the operation of PG&E’s facilities, or with the provision of service to PG&E’s customers.² Rather, the proposed transaction will serve the public interest by eliminating significant operation and maintenance costs, as well as potential replacement or retirement costs associated with the ownership of the Facilities.

(7) The Original Cost, Present Book Value, and Present Fair Market Value for Sales of Real Property and Depreciable Assets, and a

² Numerous Commission decisions have held that the relevant inquiry for the Commission in Section 851 proceedings is whether the transaction is “adverse to the public interest” (See, e.g. Universal Marine Corp., 1984, Cal. PUC Lexis 962 * 3; 14 CPUC 2d 644, 646; see *also*, D.89-07-019, 1989 Cal. PUC Lexis 582 * 25, 32 CPUC 2d 233; D.01-05-076, 2001 Cal. PUC Lexis 284 * 15; D.04-07-021, mimeo p. 57). The Commission should grant Section 851 approval if there is no evidence that transaction would adversely affect the public or impair PG&E’s ability to serve its customers. (D.04-07-023, mimeo, pp. 11-12.)

Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):

The Original Cost of the Facilities is \$210,551. The accumulated Straight Line Depreciation is \$199,942, resulting in a Present Net Book Value (NBV) is \$10,609. The NBV includes the original facility costs less accumulated depreciation and net salvage. The liability (including significant maintenance activities and possible replacement or retirement costs) of the pipeline will be transferred to Atlantic as a result of the sale. Because of the significant maintenance and future replacement costs associated with the ownership of the Facilities, it will financially benefit PG&E and its customers to sell the Facilities and assign the associated land rights; this transaction will thus reduce the rates that ratepayers would otherwise have to pay to cover these future maintenance and replacement or retirement costs which will instead be borne by Atlantic.

The Present Fair Market Value for the Facilities was determined through a bidding process conducted using Protocols and Procedures for a Standard Auction Process. At the conclusion of this competitive bidding process, PG&E accepted the bid for the Facilities, from Atlantic, for \$35,483.64, which is more than triple PG&E's Present Net Book Value. The CPUC should find the agreed sale price to be reasonable.³

(8) The Fair Market Value for Leases of Real Property, and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

(9) The Fair Market Value of the Land Rights or Rights-of-Way and a Detailed Description of How the Fair Market Value Was Determined:

Along with the sale of the Facilities, PG&E is also assigning several land rights associated with the property to Atlantic. PG&E will not be collecting any fees associated with the assignment as they have little or no economic value to PG&E.

(10) A Complete Description of any Recent Past (Within the Prior Two Years) or Anticipated Future Transactions that May Appear To Be Related to the Present Transaction:

PG&E is currently soliciting bids for other auctions of various sections of its operating gas gathering facilities. PG&E's gas gathering system is expansive and not consolidated. Therefore, PG&E expects to conduct

³ Along with the sale of the Facilities, PG&E is also assigning several land rights associated with the Facilities. PG&E will not be collecting any fees associated with the assignments, as they have little or no economic value.

separate sales of multiple segments of its gas gathering facilities to various purchasers in the near future. Each proposed sale would be governed by a standard Pipeline Purchase and Sale Agreement (Attachment 1), similar in form to the proposed agreement attached to this advice letter. In addition, each sale would be nearly identical, with the exception of the identity of the purchaser, description of the specific gas gathering facility, and the purchase price.

Recent transactions approved by the CPUC in accordance with Decision D.89-12-016 include:

- The sale of 26,207 feet of gas gathering pipeline located in Colusa County to TexCal Energy, LP for \$55,531.20 (See Advice 2876-G, filed on October 12, 2007, and approved in Resolution G-3412 on February 28, 2008);
- The sale of 65 miles of gas gathering pipeline located in Sacramento and Solano Counties to Rosetta Resources Operating, LP for \$1,339,317.00. (See Advice 2912-G-A, filed on April 17, 2008, and approved in Resolution G-3416 on June 12, 2008);
- The sale of 3,523 feet of gas gathering pipeline located in San Joaquin County to Vintage Production for \$16,500. (See Advice 2747- G, filed on July 26, 2006, and approved by Approval Letter on September 20, 2006); and
- The sale of 13,519 feet of gas gathering pipeline located in Colusa County to Vintage Production for \$30,778.50 (See Advice 2831-G, filed on May 4, 2007 and approved in Resolution G-3411 on December 6, 2007).

The currently proposed sale proceeds from Atlantic -- for approximately 13,400 feet of gas gathering pipeline for \$35,483.64 -- is in line with and about 18% higher on a per foot basis than the most similarly-sized gas gathering pipeline sale (see CPUC decision approving sale to Vintage Production, listed immediately above).

(11) Sufficient Information and Documentation (Including Environmental Documentation) to Show that All Criteria Set Forth in Section II of Resolution ALJ-202 Are Satisfied:

PG&E has provided information in this advice letter to meet the eligibility criteria under the advice letter pilot program. First, the transaction falls far below the threshold of "not to exceed \$5 million." Second, this transaction satisfies ALJ-202's CEQA provisions because it is a sale only with no

changes in use, thus it is not a CEQA project and will not require environmental review, as discussed in more detail in Section 13 below. Finally, the proposed transaction will not have an adverse effect on the public interest, but rather will serve the public interest by eliminating significant maintenance costs and potential replacement or retirement costs associated with the ownership of the Facilities, as discussed above.

(12) Additional Information to Assist in the Review of the Advice Letter:

With respect to the sale of these Facilities, PG&E relied on historical data from maps and records to identify the Facilities to include in this sale. While these are deemed accurate, both PG&E and Atlantic recognize the complexity of the facilities and land rights being acquired. Thus, PG&E respectfully requests authority from the CPUC to be able to make adjustments to correct the records as may be revealed during the physical separation of the piping system, or during future operational activities, without necessitating a subsequent filing and application under P.U. Code 851.

(13) Environmental Information

Pursuant to ALJ-202, the advice letter program only applies to proposed transactions that (a) will not require environmental review by the CPUC as a lead agency or responsible agency under CEQA either because a statutory or categorical exemption applies or (b) because the transaction is not a project under CEQA.

This transaction is not a "project" under CEQA and will not require CEQA review, as defined by CEQA Guideline Section 15061(b) (3) discussed below.

a. Exemption

(1) Has the proposed transaction been found exempt from CEQA by a government agency?

(a) If yes, please attach notice of exemption. Please provide name of agency, date of Notice of Exemption, and State Clearinghouse number.

Not Applicable.

(b) If no, does the applicant contend that the project is exempt from CEQA? If yes, please identify the specific CEQA exemption or exemptions that apply to the transaction, citing to the applicable State CEQA Guideline(s) and/or Statute(s).

PG&E believes this transaction is exempt from and does not require CEQA review under Section 15061(b)(3) of the CEQA guidelines because approval of this sale does not have any potential for causing a significant effect on the environment.⁴ The Commission has previously ruled that if the property being exchanged “will be used in the same manner as previously, and neither applicant seeks authority from the Commission for a change in the existing use, there is no substantial evidence of any change to the environment and no CEQA review is required.” (D.99-03-033, 1999 Cal PUC LEXIS 408). The CPUC has consistently made similar such findings in approving PG&E’s prior gas gathering facility sales (see, e.g., Resolution G-3416, issued June 12, 2005, at p. 5, and other citations in Section 10 above).

b. Not a “Project” Under CEQA

- (1) If the transaction is not a “project” under CEQA, please explain why.

This transaction is not a project under CEQA. The ownership of the Facilities is merely being transferred from PG&E to Atlantic after the Facilities are separated (severed) from the PG&E pipeline system at several locations. The property being transferred to Atlantic will be used in the same manner as previously, and neither party seeks authority from the Commission for a change in the existing use. Therefore, this transaction does not meet the definition of a “project” as provided in CEQA Guideline 15378, in addition to being exempt from and not requiring CEQA review pursuant to CEQA Guideline 15061(b)(3), as discussed above.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than 20 days after the date of this filing, which is **April 27, 2010**. Protests should be mailed to:

⁴ CEQA Guidelines Section 15061 (b) (3) states: “[t]he activity is covered by the general rule that CEQA only applies to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.”

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company
Attention: Jane Yura
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

Effective Date

Pursuant to the review process outlined in Resolution ALJ-244, PG&E requests that this advice filing become effective as soon as possible. If this advice letter is uncontested, and the CPUC chooses to proceed via resolution rather than approval letter, PG&E requests that the Commission waive the otherwise applicable 30-day period for public review and comment. **PG&E submits this filing as a Tier 3.**

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list.

Address changes and electronic approvals should be directed to e-mail PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Jane Yura /ent". The signature is written in a cursive style with a vertical line separating the name from the initials.

Vice President - Regulation and Rates

Attachments

cc: Service List – Advice Letter 3109-G

***** SERVICE LIST Advice 3109-G *****
APPENDIX A

***** STATE EMPLOYEE *****

Karen Clopton
Administrative Law Judge Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2008
kvc@cpuc.ca.gov

Myra J. Prestidge
Administrative Law Judge Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2629
tom@cpuc.ca.gov

Jonathan Reiger
Legal Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 355-5596
jzr@cpuc.ca.gov

Chloe Lukins
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703- 1637
clu@cpuc.ca.gov

Julie Fitch
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 355-5552
jf2@cpuc.ca.gov

Kenneth Lewis
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-1090
kl1@cpuc.ca.gov

Brewster Fong
Division of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703- 2187
bfs@cpuc.ca.gov

***** AGENCIES *****

Donna M. Johnston
County Clerk and Recorder
433 2nd Street
Yuba City, CA 95991
Telephone: (530) 822-7134
Facsimile: (530) 822-7214

***** 3rd Party *****

Atlantic Oil Company
David Rodgers
General Manager
310 East Colorado Street, Suite 201
Glendale, CA 91205
Telephone: (818) 409-0922
Facsimile: (818) 507-4957

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3109-G**

Tier: 3

Subject of AL: Sale of a Gas Gathering Pipeline System and Assignment of Land Rights in Sutter County to Atlantic Oil Company – Section 851 Transaction

Keywords (choose from CPUC listing): Section 851

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **Upon Commission Approval**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Ave.,
San Francisco, CA 94102
jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Jane Yura
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

Advice 3109-G

Attachment 1

PIPELINE PURCHASE AND SALE AGREEMENT

This PIPELINE PURCHASE AND SALE AGREEMENT (this "Agreement") is made as of July 31, 2009, 2009, by and between Pacific Gas and Electric Company, a California corporation ("PG&E"), and Atlantic Oil Company, a California corporation ("Buyer").

RECITALS

A. PG&E owns certain pipelines and [accessory equipment] which are used for gathering natural gas, all as more particularly described in Schedule 1 "DESCRIPTION OF PIPELINE(S) TO BE SOLD," attached hereto (collectively, the "Subject Pipeline(s)") and all located as shown generally on the map attached hereto as Schedule 1.1 "PIPELINE MAP."

B. PG&E desires to sell, and Buyer desires to purchase, the Subject Pipeline(s), for the consideration and on the terms set forth in this Agreement.

AGREEMENT

The parties, intending to be legally bound, agree as follows:

1. DEFINITIONS

1.1 Defined Terms. For purposes of this Agreement (and the Schedules attached hereto), the following terms, and the singular or plural thereof, have the meanings specified or referred to in this Article 1:

"Affiliate" -- with respect to a specified Person, any other Person that (a) directly or indirectly controls the specified Person; (b) is controlled by or is under direct or indirect common control with the specified Person; or (c) is an officer, director, employee, representative, manager, partner or agent or subsidiary of the Person. For the purposes of this definition, "control," or "controlled by" when used with respect to any specified Person, means the power to direct the management or policies of the specified Person, directly or indirectly, whether through the ownership of voting securities, partnership or limited liability company interests, by contract or otherwise.

"Agreement" -- this Pipeline Purchase and Sale Agreement, together with the Schedules and Exhibits specified in Section 12.12 hereof.

"Article" -- a numbered article of this Agreement. An Article includes all the numbered sections ("Sections") of this Agreement that begin with the same number as that Article.

"Assumed Liabilities" -- as defined in Section 3.2.

"Audited Financial Statements" -- as defined in Section 4.2(f).

"Balancing Agreement" -- the California Production Balancing Agreement (CPBA) to be entered into by PG&E and Buyer before the Closing (Exhibit F).

"Buyer" -- as defined in the introductory (first) paragraph of this Agreement.

“Buyer Group” -- as defined in Section 8.2.

“Capital Expenditure” -- any additions to or replacements of property, plant and equipment and any other expenditures or repairs that would be capitalized on PG&E’s balance sheet in accordance with PG&E’s capitalization policy.

“Certificate of Incumbency” -- with respect to the Party delivering it, a certification satisfactory to the other Party in its discretion, from the corporate secretary (or if applicable the assistant corporate secretary) that the officer signing this Agreement has been duly authorized to sign and execute this Agreement on behalf of that Party.

“Closing” -- the consummation of the Transaction and transfer of the Subject Pipeline(s) contemplated by this Agreement, as set forth in Section 7.4.

“Closing Date” -- as defined in Section 7.4.

“Closing Deadline” -- as defined in Section 7.6(b).

“Closing Document” -- any document required to be delivered at the Closing pursuant to this Agreement.

“Commercially Reasonable Efforts” -- efforts which are reasonably within the contemplation of the Parties at the time of execution of this Agreement and which do not require the performing Party to expend any funds other than expenditures which are customary and reasonable in transactions of the kind and nature contemplated by this Agreement in order for the performing Party to satisfy its obligations hereunder.

“CPI” -- The Nationwide, All Items, Consumer Price Index for all Urban Workers (CPI-U) as published by the United States Department of Labor, Bureau of Labor Statistics, using the most recent index published prior to execution of this Agreement by Buyer as the base year index.

“CPUC” -- the California Public Utilities Commission, or its regulatory successor, as applicable.

“CPUC Approval” -- the decision of the CPUC approving the sale of the Subject Pipeline(s), this Agreement and the consummation of the Transaction contemplated hereby on terms and conditions acceptable to PG&E and Buyer, in their respective sole discretion, and in a form which is final and unconditional and unappealable, including exhaustion of all administrative and judicial appeals or remedies and the running of time periods and statutes of limitation for rehearing and appeal.

“Creditworthiness Requirements” -- as defined in Section 12.10.

“Dollars” -- United States dollars.

“Due Diligence Period” -- as defined in Section 5.1.

“Due Diligence Related Termination Period” -- as defined in Section 5.3

“Effective Date” -- the date of execution and delivery of this Agreement by PG&E and Buyer.

“Environmental Costs” -- all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such a claim is ultimately defeated, and any good faith settlement, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including reasonable attorneys fees and disbursements and consultants’ fees,

any of which are incurred as a result of the existence of Hazardous Substances upon, about or beneath the Subject Pipeline(s), emitted or released from the Subject Pipeline(s), or migrating or threatening to migrate to or from the Subject Pipeline(s), including, without limitation:

- (a) Damage for personal injury;
- (b) Damages for injury to property, both real and personal;
- (c) Environmental clean-up and remediation costs;

(d) Reasonable fees incurred for the services of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Substances, including the preparation of any feasibility studies, reports or the performance of any Remediation required by any Governmental Authority, and including any attorneys fees, costs and expenses incurred in enforcing this Agreement or collecting any sums due under it; and

(e) Liability for the indemnification of any Third Party or Governmental Authority for costs expended in connection with the items referenced in this definition of Environmental Costs, including oversight costs of any Governmental Authority.

“Environmental Laws” – any applicable statutes, regulations or ordinances relating to storage and use of hazardous or toxic substances, generation, treatment, storage, and disposal of hazardous wastes, wastewater discharges and similar environmental matters, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. § 1801, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901, et seq.), the Federal Water Pollution Control Act (33 U.S.C. § 1251, et seq.), the Clean Air Act (42 U.S.C. § 7401, et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.), the Oil Pollution Act (33 U.S.C. § 2701, et seq.) and the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001, et seq.), the Porter-Cologne Water Quality Control Act (Cal. Wat. Code § 13020, et seq.), the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5, et seq.), the Hazardous Substance Account Act (Cal. Health & Safety Code § 25300, et seq.), and the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100, et seq.).

“Environmental Requirements” – means all applicable present and future laws, statutes, regulations, rules, ordinances, codes, policies, rules of common law, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all Governmental Authority and all applicable judicial, legislative, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including:

(a) All requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases, or threatened releases of Hazardous Substances, chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, including all Environmental Laws, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature; and

(b) All requirements pertaining to the protection of the health and safety of employees or the public.

“Existing CPIOA” -- means the California Production Interconnection and Operating Agreement, between Buyer and PG&E, existing and entered into prior to the execution of this Agreement by Buyer and PG&E.

“Facility,” “Facilities” -- any of the gathering pipelines or appurtenances specified in Schedule 1 “DESCRIPTION OF PIPELINE(S) TO BE SOLD” that constitute a portion of the Subject Pipeline(s) or collectively constitute the Subject Pipeline(s).

“Governmental Authority” -- any federal, state, local or other governmental, regulatory, or administrative agency, governmental commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body, or authority with jurisdiction, but excluding Buyer and any subsequent owner of the Subject Pipeline(s).

“Guarantor” -- any person or entity, acceptable to PG&E, that executes a Guaranty Agreement unconditionally guaranteeing payment to PG&E of all or a portion of Buyer’s obligations as set forth in this Agreement.

“Guaranty” -- that certain guaranty attached hereto as Exhibit A, to be executed by Guarantor in favor of PG&E.

“Hazardous Substances” -- any chemical, material or substance that is listed or regulated under applicable Environmental Laws as a “hazardous” or “toxic” substance or waste, or as a “contaminant,” or is otherwise listed or regulated under applicable Environmental Laws because it poses a hazard to human health or the environment.

“HSR Act” -- as defined in Section 6.8(c).

“Interconnection Agreement” -- an agreement based on the standard California Production Interconnection and Operating Agreement (also referred to as “CPIOA”) to be entered into by PG&E and Buyer before the Closing, (in the form attached hereto as Exhibit E or in its then current standard form, if amended) for the purpose of interconnection of the Subject Pipeline(s) to PG&E’s gas transmission system and establishing the terms and conditions for the delivery of gas into that system.

“Knowledge” -- (i) in the case of PG&E, the actual, current knowledge of the PG&E officers and employees listed in Schedule 12 “SCHEDULE OF PG&E OFFICERS AND EMPLOYEES” on the Closing Date of this Agreement (or, with respect to the certificate delivered pursuant to Section 7.2(j) “PG&E’s Certificate of Compliance,” on the date of delivery of the certificate); (ii) in the case of Buyer, the actual, current knowledge of Buyer’s officers and employees listed in Schedule 13 “SCHEDULE OF BUYER OFFICERS AND EMPLOYEES” on the Closing Date of this Agreement (or, with respect to the certificate delivered pursuant to Section 7.3.(r) “Buyer’s Certificate of Compliance,” on the date of delivery of the certificate).

“Losses” -- all costs, losses, expenses, damages, claims, causes of action, demands, judgments, fines, penalties, assessments, attorneys’ fees, accounting expenses, and liabilities.

“Necessary Capital Expenditure” -- any Capital Expenditure which, in the exercise of Prudent Utility Practices, is reasonably necessary for the continued operation or maintenance of any of the Subject Pipeline(s) or that is required by applicable law (except for any Remediation required by applicable Environmental Laws).

“Ordinary Maintenance Expenditures” -- those expenditures which, in the exercise of Prudent Utility Practices, are reasonably necessary for the continuing day-to-day operation, maintenance, administration, and management of any of the Subject Pipeline(s) during all seasons of the year and as required by applicable law (except for any Remediation required by applicable Environmental Laws).

“Party or Parties” -- “Party” means either PG&E or Buyer; “Parties” means PG&E and Buyer.

“Person” -- includes any individual, partnership, joint venture, corporation, limited liability company, firm, trustee, association, or unincorporated organization, governmental authority, or other entity.

“PG&E Group” -- as defined in Section 8.1.

“PG&E Remediation Liability Cap” -- Thirty Thousand Dollars (\$30,000.00) or the Purchase Price set forth in Section 3.1, whichever is the greater amount.

“PG&E Remediation Time Limit –

One (1) calendar year if the Subject Pipeline(s) consist of 15 miles or less;

Eighteen (18) months if the Subject Pipelines consist of more than 15 miles but no more than 100 miles;

Two (2) calendar years if the Subject Pipelines consist of more than 100 miles.

“Post-Closing Environmental Conditions” -- the presence of Hazardous Substances introduced into, on, over or about the Site(s) or the soil or groundwater at the Site(s) after the Closing, as a result of releases from the Pipeline(s) or the operation thereof by Buyer or its transferees, or successors or assignees of Buyer or its transferees, or by their respective employees, agents or contractors, including any migration of such Hazardous Substances through soil or groundwater.

“Pre-Closing Environmental Conditions” -- those Hazardous Substances present prior to the Closing in the soil or groundwater at or adjacent to the Pipeline(s) as a result of releases of Hazardous Substances by PG&E from the Pipeline(s) or the operation thereof by PG&E, its employees, agents or contractors, prior to the Closing, and any migration of those Hazardous Substances through soil or groundwater after the Closing. Pre-Closing Environmental Conditions do not include any molecules of Hazardous Substances that were not actually and physically present in the soil or groundwater or both at the Site(s) prior to the Closing as a result of releases of Hazardous Substances from the Pipeline(s) by PG&E or the operation thereof by PG&E, its employees, agents or contractors, except that the Pre-Closing Environmental Conditions include those molecules of Hazardous Substances which migrate onto the Site(s) after the Closing and which were actually and physically present on the property adjacent to the Site(s) prior to the Closing as a result of releases of Hazardous Substances by PG&E or the operation of such adjacent properties by PG&E, its employees, agents or contractors.

“Prudent Utility Practices” -- any of the practices, methods and acts required by applicable laws and regulations, or engaged in or approved by a significant portion of the natural gas industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the geographical region where the Subject Pipeline(s) are located.

“Related Contracts” -- Contracts related to the Subject Pipeline(s), or their maintenance or operation, including without limitation the contracts listed on Schedule 10 “RELATED CONTRACTS.”

“Remediation” -- any or all of the following activities to the extent they relate to or arise from the presence of Hazardous Substances in soil or groundwater: (i) monitoring, investigation, cleanup, abatement, closure, containment, remediation, removal, mitigation, response or restoration work; (ii) obtaining any permits, consents, approvals or authorizations of any Governmental Authority necessary to conduct any such work; and (iii) preparing and implementing any plans or studies for or related to such work.

“Required Consents” -- as defined in Section 6.8(b).

“Rights-of-Way” -- the easements, permits, licenses and other rights which are necessary for the ownership, operation and maintenance of the Subject Pipeline(s), including access thereto.

“Site(s)” -- the real property on or in which any portion of the Subject Pipeline(s) (or a Facility as applicable) is located.

“Tax” or “Taxes” -- any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Internal Revenue Code of 1986, as amended, Sect. 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including assessments, fees, or other charges based on the use or ownership of real property), personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated tax, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, including such item for which liability arises as a transferee or successor-in-interest, including liability therefor as a transferee or successor-in-interest.

“Third Party” -- a Person that is not a Party to this Agreement.

“Third Party Claim” -- a claim by a Person that is not a Party to this Agreement.

“Transaction” -- the purchase and sale of the Subject Pipeline(s) pursuant to this Agreement.

“Volunteered Line” -- pipelines, valves and other appurtenances owned by PG&E, which are located between the measurement facility and a producer’s gas well(s) and are identified on Schedule 15 “Volunteered Line(s).”

2. SALE AND PURCHASE OF PIPELINE(S)

2.1 Sale and Purchase of the Subject Pipeline(s). On the terms and subject to the conditions of this Agreement, at the Closing, PG&E will sell, convey and transfer to Buyer, and Buyer will purchase and accept from PG&E, all of PG&E’s right, title and interest in and to the following natural gas pipeline(s) (collectively, the “Subject Pipeline(s)”):

The pipeline(s) and [appurtenances] that are specifically listed and described in Schedule 1 “DESCRIPTION OF PIPELINE(S) TO BE SOLD” and located as shown on Schedule 1.1 “PIPELINE MAP”, Schedules 1 and 1.1 are attached hereto and made part of this Agreement. The Subject Pipeline(s) shall include only those Pipeline(s) which are included in both Schedule 1 and Schedule 1.1.

2.2 No Other Pipeline(s) Transferred to Buyer. Other than as specifically set forth in Section 2.1 “Sale and Purchase of the Subject Pipeline(s),” nothing in this Agreement shall constitute or be construed as conferring on Buyer, and Buyer shall not acquire any right, title, or interest to or in any pipelines, metering stations, properties, or assets of PG&E or any business, operation, subsidiary, or division of PG&E, or any other asset of PG&E, whether tangible or intangible, real, personal or mixed.

2.3 Rights-of-Way and Other Permits. Buyer acknowledges that, the Subject Pipeline(s) are located on property owned in fee by Third Parties. PG&E claims easement rights to maintain and use the Subject Pipeline(s) on some, but not necessarily all, of the property owned by Third Parties on which the Subject Pipeline(s) are located. Attached hereto as Schedule 7 “LIST OF EASEMENTS TO BE ASSIGNED” and Schedule 7.1 “LIST OF EASEMENTS TO BE PARTIALLY ASSIGNED” are descriptions of those easements of which PG&E is currently aware. PG&E

makes no representation that the information concerning such easements is complete or accurate, and makes no representation that the list of easements included on Schedules 7 and 7.1 constitute a full list of all easements which are owned by PG&E in connection with the Subject Pipeline(s). The list of easements on Schedules 7 and 7.1 may be supplemented by agreement of the parties from time to time prior to the Closing Date. To the extent that it is legally able to do so, PG&E shall assign to Buyer those easement rights listed on Schedule 7, and partially assign to Buyer rights under those easements listed on Schedule 7.1 as set forth in paragraph 2.3.1 "Easements." PG&E shall have no obligation to obtain for Buyer the Rights-of-Way or other rights, permits or approvals necessary or required for the ownership, operation, or maintenance of the Subject Pipeline(s). Buyer acknowledges the need and requirement to obtain various such Rights-of-Way and other permits and approvals.

2.3.1 Easements.

(a) Subject to any restrictions that may be contained in the documents granting such easements to PG&E, PG&E will at the Closing assign to Buyer its rights and obligations under easements held by PG&E for the use, operation and maintenance of the Subject Pipeline(s), to the extent that PG&E may have the legal right to do so; such assignment will be made by instrument in substantially the same form as attached hereto as Exhibit H "FORM OF ASSIGNMENT OF EASEMENT," provided that, if PG&E at its sole option elects to retain such easements for its own operations, then PG&E has the right to do so and to provide only a partial assignment of rights under such easements to the extent necessary for Buyer to own, operate and maintain the Subject Pipeline(s). Such partial assignment will be made by instrument in substantially the same form as is attached hereto as Exhibit I "FORM OF PARTIAL ASSIGNMENT OF EASEMENT." With respect to all easements assigned or partially assigned to Buyer pursuant to this Article 2, PG&E hereby reserves the right to enter upon those easement areas in order to conduct remedial work and otherwise meet its obligations or exercise its rights set forth in Article 9. Any and all easements assigned pursuant to this Agreement will be subject to the aforesaid reservation of rights.

(b) Before the end of the Due Diligence Period, PG&E will provide to Buyer a list of easements to be conveyed to Buyer and identifying those easements under which PG&E will make a partial assignment only (retaining easement rights for PG&E's use). Such list will consist of Schedules 7 and 7.1, as confirmed or amended by additions or deletions prior to the Closing. If at the time at which such list is delivered to Buyer less than thirty-five (35) days of the Due Diligence Period remain, then Buyer shall have thirty (30) calendar days to determine whether or not the easements to be assigned by PG&E will be sufficient for Buyer's acquisition of the Subject Pipeline(s), regardless of the expiration of the Due Diligence Period. Buyer may terminate this Agreement within that thirty (30) day period if Buyer determines that such easements will be insufficient for Buyer's acquisition.

(c) Notwithstanding any other provision of this Section 2.3.1, Buyer acknowledges and agrees that any assignments of easements made by PG&E will be made without any representation or warranty by PG&E (express or implied) with respect to the validity of such assignments or in any other respect and without recourse against PG&E. PG&E shall not be obligated to obtain any consents from property owners regarding such assignments. Buyer shall indemnify and hold PG&E harmless against and from (i) all liabilities, damages, claims and costs arising out of or resulting from any assignment of such easements by PG&E to Buyer, as set forth in Section 8.1(a)(7), and (ii) any and all future liabilities and obligations under or arising from such easements. The Parties shall comply with Public Utilities Code Section 3255(b), and Buyer shall reimburse PG&E for the cost of the notifications to property owners required by Public Utilities Code 3255(b) within ten (10) calendar days of PG&E's invoice for such costs.

(d) Effective as of the date of the assignment or individual assignments ("Effective Date of Assignment") that may be made by PG&E pursuant to this Section 2.3.1, Buyer will accept and agrees to assume, pay, perform and discharge, as and when due, all of the agreements and obligations of PG&E under or related to all easements or portion thereof assigned by PG&E to Buyer pursuant to this Section 2.3.1, and Buyer agrees to be bound by all of the terms and conditions of such easements, except to the extent retained by PG&E under Section 3.3(a).

(e) Except for those easements listed pursuant to Section 2.3.1 (b) above, PG&E reserves the right to refuse to assign (or partially assign) to Buyer any of PG&E's easement rights referred to in this Section 2.3.1, if an assignment or an attempt to make such an assignment without the consent of a Third Party would (1) breach a contractual or equitable obligation owed to a Third Party, or violate any law, decree, order or regulation of any Governmental Authority, or (2) result, or potentially result, in PG&E incurring additional costs or liabilities that will not be paid by Buyer before the Closing.

2.3.2 Franchises, Licenses and Other Rights. Buyer acknowledges that PG&E does not intend to assign or transfer any franchise rights, licenses, or other rights or permits that it may have, other than the assignment of easements subject to the conditions set forth in Section 2.3.1 "Easements" above.

3. PURCHASE PRICE AND PAYMENT

3.1 Purchase Price. In consideration of the transfer of the Subject Pipeline(s), Buyer will pay a total of Thirty-Five Thousand, Four Hundred and Eighty-Three Dollars and Sixty-Four Cents (\$35,483.64) at the Closing, by wire transfer of immediately available funds to such account as will have been designated by PG&E (the "Purchase Price.")

3.2 Assumption of Liabilities. Upon the Closing, and subject to other terms of this Agreement, Buyer will assume and retain all obligations and liabilities of any kind or nature whatsoever related to, arising from or associated with any of the following (collectively, "Assumed Liabilities"):

(a) **Ownership Liabilities.** Ownership or possession of the Subject Pipeline(s) after the Closing, including without limitation: (i) liability for any Remediation determined by Buyer to be necessary or appropriate with respect to any Hazardous Substances in, on, under, about or incorporated in the Site(s) or the Subject Pipeline(s) or migrating through soil or groundwater, to or from the Site(s); (ii) liability for compliance with Environmental Requirements as well as liability for any and all Post-Closing Environmental Conditions and costs associated therewith; (iii) liability for any Hazardous Substances present in, on or incorporated into the Subject Pipeline(s), improvements, buildings, structures, containers, or equipment, or stored or contained within the Subject Pipeline(s) or in containers present at the Sites; and (iv) liability arising from the ownership or possession of the Subject Pipeline(s), equipment, structures, surface impoundments or any other facility used for the treatment, storage, handling or disposal of Hazardous Substances; excepting from Buyer's liabilities set out in this subparagraph only those obligations and liabilities expressly retained by PG&E in Section 9.1 "PG&E's Rights and Responsibilities," and Section 8.2 (a)(1), (2) and (3) "Indemnification by PG&E."

(b) **Use and Operation Liabilities.** The use or operation of the Subject Pipeline(s) or the business conducted with the Subject Pipeline(s) after the Closing, including without limitation: (i) any obligation to remove, deactivate, demolish, dispose of, or close any Facility or the Subject Pipeline(s) or any portion thereof, and any obligation to restore the Site(s) to its/their natural state, and (ii) any obligation arising from the use or operation of surface impoundments or any other facility used for the treatment, storage or disposal of Hazardous Substances, excepting only those obligations and liabilities expressly retained by PG&E in Section 9.1 "PG&E's Rights and Responsibilities," and Section 8.2 "Indemnification by PG&E."

(c) **Compliance Liabilities.** Obligations to comply with all permits, licenses and approvals that relate to the Subject Pipeline(s).

(d) **Assigned Liabilities.** Obligations arising or accruing from and after the Closing under any easements that relate to the Subject Pipeline(s) or under any Related Contracts that are assigned to Buyer. To the extent that they are assignable to Buyer and PG&E wishes to assign them, Buyer will accept the assignment of Related Contracts of which Buyer was furnished a copy during the Due Diligence Period.

(e) **Other Specified Liabilities.** All other obligations and liabilities expressly allocated to Buyer in this Agreement.

3.3 Retention of Liabilities. Upon the Closing and subject to other terms of this Agreement, PG&E will remain responsible for and retain all obligations and liabilities accruing prior to the Closing relating to any of the following:

(a) **Assigned Obligations.** Obligations to the extent their performance is due prior to the Closing under easements or contracts that relate to the Subject Pipeline(s). Payments that become due after the Closing for goods or services consumed by PG&E prior to the Closing or a prorated portion of such payments, as applicable. In the event that PG&E makes or is required to make any payment pursuant to this subparagraph (a) and a portion of such payment applies to a time period after the Closing, Buyer shall promptly pay to PG&E Buyer's pro rata share of such payment to the extent that it applies to such a time period. Conversely, if Buyer pays for any such goods or services consumed by PG&E prior to the Closing, PG&E shall promptly reimburse Buyer for such payments.

(b) **Other Specified Liabilities.** All other obligations and liabilities expressly allocated to PG&E in this Agreement.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations, Warranties and Disclaimers of PG&E. PG&E represents, warrants and, where specified, disclaims to Buyer as follows:

(a) **Organization and Existence.** PG&E is a duly organized and validly existing corporation in good standing under the Laws of the State of California.

(b) **Execution, Delivery and Enforceability.** PG&E has full corporate power to enter into and carry out its obligations under this Agreement. Except as specified in Schedule 8, "PG&E AUTHORIZATION AND ENFORCEABILITY," the execution and delivery by PG&E of this Agreement and the consummation of the Transaction contemplated by it have been duly authorized by all necessary corporate action required on the part of PG&E. Except as specified in Schedule 8, "PG&E AUTHORIZATION AND ENFORCEABILITY" and Schedule 11, "REQUIRED GOVERNMENTAL APPROVALS," and assuming Buyer's due authorization, execution and delivery of this Agreement, this Agreement constitutes a valid and legally binding obligation of PG&E enforceable against PG&E in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

(c) **No Violation.** Except as specified in Schedule 8 "PG&E AUTHORIZATION AND ENFORCEABILITY," and Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS" and subject to (i) PG&E obtaining the release of the Subject Pipeline(s) from the lien imposed by PG&E's First and Refunding Mortgage, dated December 1, 1920, as supplemented through the Closing Date, and (ii) the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 "Regulatory Matters and Other Consents," neither the execution and delivery by PG&E of this Agreement, nor the compliance by PG&E with any provision hereof, nor the consummation of the Transaction contemplated hereby will: (A) violate or conflict with, or result in a breach of the Articles of Incorporation or Bylaws of PG&E, or (B) violate any material law or regulation applicable to PG&E.

(d) No Consents. Except as may be specified in Schedule 8 "PG&E AUTHORIZATION AND ENFORCEABILITY" and Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS," and subject to (i) PG&E obtaining the release of the Subject Pipeline(s) from the lien imposed by PG&E's First and Refunding Mortgage, dated December 1, 1920, as supplemented through the Closing Date, and (ii) the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 "Regulatory Matters and Other Consents," no consent or approval of, filing with, or notice to any Person is required to be obtained or made by PG&E in connection with PG&E's execution, delivery and performance of this Agreement or the consummation by PG&E of the Transaction contemplated hereby, which if not so obtained or made, will prevent PG&E from performing its obligations hereunder.

(e) Litigation. As of the Closing Date and except as set forth on Schedule 9 "PG&E LITIGATION," PG&E has no Knowledge of:

(i) any action, investigation or request for information by any Governmental Authority or other Third Party which could result, or has resulted, in: (A) the institution of legal proceedings to prohibit or restrain the performance of this Agreement or the consummation of the Transaction contemplated by this Agreement, or (B) a claim for damages as a result of this Agreement or the consummation of the Transaction contemplated by this Agreement; or

(ii) any pending or threatened litigation, claim, investigation or proceeding, private or governmental, against PG&E which, if adversely determined, would have a material adverse effect on (1) PG&E's ability to perform this Agreement or (2) the ownership, use, operation or value of the Subject Pipeline(s).

(f) Compliance with Laws. To PG&E's Knowledge and except as set forth on Schedule 14, "Compliance Exceptions," as of the Closing Date PG&E has received no written notice that PG&E's current use and operation of the Subject Pipeline(s) violates in any material respect any applicable laws, orders, ordinances, rules or regulations of any Governmental Authority in existence as of execution of this Agreement.

(g) Brokers. All negotiations relative to this Agreement and the Transaction contemplated by it have been carried on by PG&E without the intervention of any Third Party that would give rise to any valid claim against Buyer (by reason of PG&E's actions) for a brokerage commission, finder's fee or other like payment to any Third Party.

(h) DISCLAIMERS REGARDING THE SUBJECT PIPELINE(S). PG&E EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE SUBJECT PIPELINE(S) OR THE PROSPECTS (FINANCIAL OR OTHERWISE), RISKS AND OTHER INCIDENTS OF THE SUBJECT PIPELINE(S), AND PG&E SPECIFICALLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE SUBJECT PIPELINE(S), OR ANY PART THEREOF, OR AS TO THE WORKMANSHIP OR CONSTRUCTION THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, PG&E EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND REGARDING THE CONDITION OF THE SUBJECT PIPELINE(S) OR THE SUITABILITY OF THE SUBJECT PIPELINE(S) FOR OPERATION AS GATHERING FACILITIES. THE SUBJECT PIPELINE(S) ARE BEING SOLD "AS IS, WHERE IS, WITH ALL FAULTS" ON THE CLOSING DATE.

NO SCHEDULE OR EXHIBIT TO THIS AGREEMENT, NOR ANY OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY PG&E, ITS EMPLOYEES, AGENTS, OR CONSULTANTS, SHALL CAUSE OR CREATE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE SUBJECT PIPELINE(S). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E SPECIFICALLY DISCLAIMS AND BUYER ACKNOWLEDGES THE FOLLOWING:

(i) TITLE AND PROPERTY INTERESTS. PG&E expressly disclaims any and all representations and warranties as to the condition of, or PG&E's rights in, or its title to, the Subject Pipeline(s), or any part thereof, or whether PG&E possesses sufficient real property or personal property interests to own or operate the Subject Pipeline(s) or to convey the Subject Pipeline(s).

(j) HAZARDOUS SUBSTANCES. PG&E disclaims any representation or warranty regarding the absence of Hazardous Substances or liability or potential liability arising under Environmental Laws or as to compliance with Environmental Laws with regard to the Subject Pipeline(s) or any of the Site(s) on which they are located.

(k) RIGHTS-OF-WAY, OTHER PERMITS, LICENSES, ETC. PG&E makes no representation or warranty regarding the transfer or transferability of easements or any other permits or licenses, and PG&E makes no representation or warranty regarding which Rights-of-Way or other permits or licenses must be obtained by Buyer to operate the Subject Pipeline(s).

(l) REAL PROPERTY SITE(S). PG&E makes no representation or warranty as to the physical condition of the Site(s) or as to the uses of the Site(s), or any limitations thereon, including, but not limited to, zoning, Environmental Laws or other laws, regulations or governmental requirements; the conditions of the soils or groundwaters of the Site(s); the presence or absence of Hazardous Substances on or under the Site(s); or any other matter bearing on the use or condition of the Site(s).

(m) NO RECOURSE. Buyer agrees that to the extent the transfer, conveyance, assignment and delivery of the Subject Pipeline(s) or easements to Buyer as provided in this Agreement is accomplished by bills of sale, subleases, subcontracts, or other instruments of transfer, whether executed at the Closing or thereafter, such instruments shall be without representation or warranty by, or recourse against, PG&E, except as expressly provided in this Agreement.

4.2 Representations and Warranties of Buyer. Buyer represents and warrants to PG&E as follows:

(a) Organization and Existence. Buyer is a duly organized and validly existing corporation in good standing under the Laws of the State of California. Buyer is qualified to do business in the State of California.

(b) Execution, Delivery and Enforceability. Buyer has the requisite corporate power to enter into and carry out its obligations under this Agreement. The execution and delivery by Buyer of this Agreement and the consummation of the Transaction contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer. Assuming the due authorization, execution and delivery by PG&E, this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

(c) **No Violation.** Subject to the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 "Regulatory Matters and Other Consents," neither the execution and delivery of this Agreement by Buyer, nor the compliance with any provision hereof, nor the consummation of the Transaction contemplated hereby will: (i) violate or conflict with, or result in a breach of any provisions of the organizational documents of Buyer; or (ii) violate any material law or regulation applicable to Buyer.

(d) **No Consents.** Subject to the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 "Regulatory Matters and Other Consents," no consent or approval of, filing with or notice to any Person is required to be obtained or made by Buyer in connection with Buyer's execution, delivery and performance of this Agreement, or the consummation of the Transaction contemplated hereby, which, if not obtained or made will prevent Buyer from performing its obligations hereunder or thereunder.

(e) **Litigation.** As of the Closing Date and except as set forth on Schedule 2 "BUYER LITIGATION," Buyer has no Knowledge of:

(i) any action, investigation or request for information by any Governmental Authority or other Third Party which could result, or has resulted, in: (A) the institution of legal proceedings to prohibit or restrain the performance of this Agreement or the consummation of the Transaction contemplated by this Agreement, or (B) a claim for damages as a result of this Agreement or the consummation of the Transaction contemplated by this Agreement; or

(ii) any pending or threatened litigation, claim, investigation or proceeding, private or governmental, against Buyer which, if adversely determined, would have a material adverse effect on Buyer's ownership or acquisition of the Subject Pipeline(s) or Buyer's ability to perform this Agreement.

(f) **Financial Statements.** Buyer has delivered to PG&E true and complete copies of the audited balance sheet of Buyer and of Guarantor as of the last day of Buyer's most recently completed fiscal year, and the related audited statements of operations, stockholders' equity and cash flows for the year then ended (collectively, "Audited Financial Statements"), together with the related auditors' opinion letter, Buyer's and Guarantor's quarterly financial statements for each of the fiscal quarters ended after the date of its most recent Audited Financial Statements. Except as may otherwise be indicated in the auditor's opinion letter, the Audited Financial Statements have been prepared in conformity with generally accepted accounting principles, consistently applied, and present fairly the financial position and results of Buyer's operations and its cash flows on the dates and for the periods stated.

(g) **Brokers.** All negotiations relating to this Agreement and the Transaction contemplated hereby have been carried on by Buyer without the intervention of any Third Party that would give rise to any valid claim against PG&E (by reason of Buyer's actions) for a brokerage commission, finder's fee, or other like payment to any Third Party.

4.3 Certain Acknowledgments and Risk Allocations.

(a) **Buyer's Responsibility.** Buyer is an experienced gas producer/gas well operator and investor, and is represented by counsel in connection with this Transaction. Buyer has the responsibility under this Agreement to inspect the Subject Pipeline(s) and Site(s) in sufficient detail to fully satisfy itself with respect to the environmental conditions and the physical conditions affecting the Subject Pipeline(s) and Site(s). As of the Closing Date, Buyer will have reached its conclusions based upon its own analysis and without relying upon representations by PG&E, its employees, agents, consultants or other representatives, except for the representations expressly set forth in Section 4.1, "Representations, Warranties and Disclaimers of PG&E."

(b) **Acknowledgment by Buyer.** In making its decision to execute this Agreement and to purchase the Subject Pipeline(s), Buyer has relied and will rely upon the results of its own independent investigation and verification of the Subject Pipeline(s). THE REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 4.1 "REPRESENTATIONS, WARRANTIES AND DISCLAIMERS OF PG&E" OF THIS AGREEMENT CONSTITUTE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES OF PG&E IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY. There are no representations, warranties, covenants, understandings, or agreements among the Parties regarding the Subject Pipeline(s) or their transfer other than those incorporated in this Agreement. Except for the representations and warranties expressly set forth in Section 4.1 "Representations, Warranties and Disclaimers of PG&E" of this Agreement, Buyer disclaims reliance on any representations, warranties, or guarantees, either express or implied, by PG&E, its officers, directors, counsel, representatives or agents.

(c) **"AS IS" SALE.** BUYER ACKNOWLEDGES AND AGREES THAT THE SUBJECT PIPELINE(S) ARE BEING ACQUIRED "AS IS, WHERE IS" ON THE CLOSING DATE, AND IN THEIR CONDITION ON THE CLOSING DATE, AS SET FORTH IN SECTION 4.1(b) "DISCLAIMERS REGARDING THE SUBJECT PIPELINE(S)," AND THAT BUYER IS RELYING ON ITS OWN EXAMINATION OF THE SUBJECT PIPELINE(S).

(d) Buyer acknowledges and agrees that any easement rights in or to the Site(s) that may be assigned to and accepted by Buyer will apply to the Site(s) in its/their present condition, "AS IS, WITH ALL FAULTS;" and subject to the obligations of PG&E in Sections 9.1 and 8.2, Buyer hereby assumes the risk that adverse physical characteristics and existing conditions, including, without limitation, Hazardous Substances, may not have been revealed by its investigation.

(e) Buyer acknowledges that portions of the Site(s), or adjacent or neighboring lands, were or may have been used by present or prior owners or operators for the disposal of wastes, substances, and materials of unknown type, nature or origin, some of which may have been or may now be Hazardous Substances. As a result of such uses and activities and the seepage and leaching of materials, physical, chemical, or other changes may have occurred in, on, or under the Site(s), including, without limitation, the release of Hazardous Substances. By completing the Transaction, as of the Closing, Buyer shall be deemed to acknowledge that Buyer had the opportunity to inspect the Site(s) and observe its/their physical characteristics and existing conditions and had the opportunity to conduct such investigation and study on and of the Site(s) as it deems necessary. Consequently, as of the Closing Date, Buyer shall be deemed to have waived any and all objections to or complaints about any and all Hazardous Substances, subject to PG&E discharging its obligations under Sections 8.2 and 9.2.

4.4 Survival of the Parties' Representations, Warranties, Disclaimers, and Acknowledgments.

(a) **Survival Period of Certain Representations and Warranties.** The representations and warranties of PG&E contained in Section 4.1 "Representations, Warranties and Disclaimers of PG&E" will survive until the first anniversary of the Closing Date, at which time these representations and warranties will terminate; provided that the representations and warranties of PG&E contained in paragraphs (e) and (f) of Section 4.1 shall terminate upon the Closing. The representations and warranties of Buyer contained in Section 4.2 "Representations and Warranties of Buyer" will survive until the first anniversary of the Closing Date, at which time these representations and warranties will terminate.

(b) **Survival of Disclaimers.** All disclaimers of PG&E contained in Article 4 or in any other provision of this Agreement shall survive the Closing or termination of this Agreement without a time limitation.

(c) Survival of Buyer's Acknowledgments. All provisions of Section 4.3 "Certain Acknowledgments and Risk Allocations" shall survive the Closing or termination of this Agreement without a time limitation.

5. DUE DILIGENCE; PRE-CLOSING INSPECTIONS

5.1 Due Diligence.

(a) For a period not to exceed forty-five (45) days following the Effective Date of this Agreement (the "Due Diligence Period"), during normal business hours and subject to any rights of Third Parties and the conditions stated below, PG&E shall make available as may be requested by Buyer from time to time for inspection by Buyer (i) the Subject Pipeline(s), at their location, and (ii) documents in PG&E's Possession to the extent that they are reasonably available and relate materially to ownership or operation of the Subject Pipeline(s), including easement records; Related Contracts; "as-built" drawings; alignment drawings (pipeline survey sheets); engineering drawings or pipeline plat sheets; leak records; CPUC required maintenance records; environmental investigation and remediation reports relating to hazardous substances in soil or groundwater; closure reports for environmental remediation and "No Further Action" letters. Buyer acknowledges and agrees that PG&E shall have no obligation to and shall incur no liability as a result of refusing to provide access to any information which PG&E determines is either (i) subject to privilege in accordance with the California Evidence Code, or (ii) proprietary or confidential and not related exclusively to the Subject Pipeline(s), or (iii) not material or relevant to Buyer's due diligence investigation. Nothing contained in this Section 5.1 requires PG&E to develop or provide to Buyer any information or material that is not in PG&E's Possession. For purposes of this Article 5, "PG&E's Possession" shall mean the possession by employees of PG&E's Land Department and the following work groups located in PG&E's System Maintenance & Technical Support Department offices at Walnut Creek: "Pipeline Engineering & Estimating"; "Environmental, Health & Safety"; and "Operations Support," whose functional duties are directly related to the operation, maintenance or ownership of the Subject Pipeline(s). For the purposes of this Section 5.1, "reasonably available" shall mean a reasonable search of the PG&E files of documents that relate to the operation and maintenance of the Subject Pipelines. The Due Diligence Period may be extended or reduced subject to mutual agreement of the Parties, by a number of days not to exceed thirty (30) days.

(b) Notwithstanding any other provision of this Section 5.1 and its subparagraphs, Buyer shall be solely responsible for conducting an independent investigation and verification of the Subject Pipeline(s) and the Site(s). Buyer shall inspect, review and otherwise perform whatever acts Buyer deems necessary to determine the condition of the Subject Pipeline(s) and the Site(s), so as to ensure that, after the Closing Date, Buyer may use, operate, repair and maintain the Subject Pipeline(s) in their present location and condition; provided that, the activities of Buyer at the Site(s) are subject to Buyer obtaining any approvals of landowners (or lessees) that may be required; and provided further that, Buyer shall not test, collect or make environmental investigation of Site(s), or remove any soil, groundwater or other materials, until Buyer's testing plans and procedures have been approved in writing by PG&E, which approval shall not be unreasonably withheld; however, reasonable grounds for withholding such approval shall include, but not be limited to, potential exacerbation of site conditions or interference with PG&E's operations. PG&E's failure to approve, or request modification of Buyer's submittal within ten (10) business days, shall be construed as a rejection. If PG&E withholds such approval or Buyer reasonably disagrees with the conditions of approval imposed by PG&E, or if the landowner withholds an approval required for Buyer's due diligence or investigation, Buyer may terminate this Agreement pursuant to Section 5.3 "Buyer's Right to Terminate" below. Such termination rights shall constitute Buyer's sole and exclusive remedy in the event that PG&E withholds such approval.

(c) Buyer's investigation or inspection of the Site(s) or the Subject Pipeline(s) shall not unreasonably interfere with any of the business or operations of the Subject Pipeline(s) or of the owner (or the lessee or tenant) of the real property comprising the Site(s).

(d) Buyer shall bear all of its own costs, expenses, liabilities and charges incurred in connection with its access to the Subject Pipeline(s), the Site(s), or in connection with any reviews, inspections or investigations, pursuant to this Section 5.1.

(e) Buyer shall notify PG&E by telephone or facsimile, at the numbers provided for that purpose in Section 12.1 "Notices," no later than two (2) working days prior to any inspection of the Subject Pipeline(s), Site(s), or information, in each instance. PG&E shall have the right to have a representative accompany Buyer on each such inspection.

(f) Buyer shall, promptly upon receipt by Buyer, provide to PG&E copies of all reports and studies, and with respect to environmental investigations also raw data, collected or prepared by or on behalf of Buyer in connection with Buyer's due diligence or the matters addressed in this Article 5.

5.2 Indemnification. Buyer shall indemnify, defend (with competent independent counsel), protect and hold PG&E, its officers, directors, employees, agents and contractors harmless from and against any and all Losses arising out of or in any way connected with the Subject Pipeline(s) or Site(s) and occurring as a result of any inspection of the Subject Pipeline(s) or entry upon the Site(s) or activities conducted thereon prior to the Closing by Buyer, its agents, contractors, employees, consultants, or other representatives of Buyer. Buyer shall return the Subject Pipeline(s) and Site(s) as nearly as possible to the same condition as they were in prior to such entries or activities, or shall pay PG&E all costs of doing so.

5.3 Buyer's Right to Terminate. Buyer shall have the right to terminate this Agreement by written notice to PG&E given prior to the expiration of the Due Diligence Period or no later than five (5) business days thereafter (the "Due Diligence Related Termination Period"), if any of the following events occur: (i) Buyer is not satisfied with the results of its inspections, or (ii) Buyer is unable to obtain the necessary Rights-of-Way or any other consents, permits, or licenses which are necessary to own, operate, or maintain the Subject Pipeline(s), or (iii) PG&E withholds approval of or imposes conditions unacceptable to Buyer with respect to Buyer's environmental investigations regarding Hazardous Substances; or (iv) the landowner withholds an approval required for Buyer's due diligence investigation, or (v) PG&E fails or refuses to provide access to information in its possession which is reasonably deemed material by Buyer.

5.4 Buyer's Election and Obligation to Notify PG&E. Before the end of the Due Diligence Period or the end of the Due Diligence Related Termination Period, as applicable, Buyer shall either:

(a) notify PG&E in writing of the completion of Buyer's due diligence investigations and review, approval of the results thereof, and Buyer's intention to complete the Transaction on Buyer's part; or

(b) notify PG&E in writing of Buyer's intention to exercise its right to terminate this Agreement pursuant to Section 5.3 "Buyer's Right to Terminate," if applicable.

Buyer's notice of termination shall specify in detail the basis for Buyer's termination of this Agreement. If Buyer elects not to terminate this Agreement, in addition to all other claims waived by Buyer hereunder, Buyer shall be deemed to have waived any and all rights or claims against PG&E with respect to matters discovered during the Due Diligence Period, except with regard to PG&E's obligations under Sections 3.3, 8.2, 9.1 and 9.2. If Buyer elects to terminate this Agreement, Buyer shall promptly provide PG&E with copies of any and all inspection reports and other items, as provided in Section 5.1(f). If Buyer fails to comply with the provisions of this Section 5.4, PG&E shall be released from all of its obligations under this Agreement.

6. CERTAIN AGREEMENTS

6.1 Confidentiality.

(a) Each Party shall treat information furnished or made available to it by the other Party, pursuant to this Agreement, as confidential and use it solely for purposes of evaluation and consummation of the Transaction (i) if the document in which the information is presented is clearly marked as confidential, or (ii) if information provided orally is identified as confidential at the time of the disclosure and in a letter transmitted within two (2) weeks of the disclosure, or (iii) if the information is obtained during the course of the negotiations leading to the execution of this Agreement, or as part of due diligence (including documents and material of the type provided for in Section 5.1 "Due Diligence"), or as a result of due diligence inspections or investigations, or as a result of investigation of the other Party, the Subject Pipeline(s), or Site(s), or in the preparation of agreements, schedules or other documents relating to the consummation of the Transaction. All information referred to above in this Section 6.1 is defined as "Confidential Information" for purposes of this Agreement. The term Confidential Information will not, however, include information that (i) is or becomes publicly available other than as a result of a disclosure by the receiving Party or its representatives, (ii) is or becomes available to the receiving Party without confidentiality restrictions from a source other than the other Party or its representatives, which source, to the receiving Party's knowledge after due inquiry, is not prohibited by any legal obligation or fiduciary duty to the other Party from disclosing such information to the receiving Party, or (iii) is used by the Buyer after the Closing in the operation of the Subject Pipeline(s). If this Agreement is terminated (i) neither Party will use any Confidential Information furnished by the other Party in its own or any of its Affiliate's business or for any other purpose, and (ii) each of the Parties will return to the other all originals and copies of Confidential Information, including documents and material of the type provided for in Section 5.1 "Due Diligence" or referred to in this Section 6.1, that have been furnished in connection with this Agreement, and (iii) each Party will destroy, and certify through its corporate secretary or responsible officer, the destruction of all records containing Confidential Information of the other Party that the receiving Party may have prepared.

(b) Upon written notice to the other Party, either Party may provide the other Party's Confidential Information to the CPUC or any other Governmental Authority with jurisdiction, as required (by such Governmental Authority) to obtain any necessary regulatory approvals related to the Transaction. The disclosing Party shall seek confidential treatment for the other Party's Confidential Information so provided to a Governmental Authority unless this requirement is waived in writing by the other Party. To the extent possible, the disclosing Party shall notify the other Party within a reasonable time in advance of its intention to release to a Governmental Authority any Confidential Information that such Party has obtained from the other Party pursuant to this Agreement. Nothing in this Agreement shall preclude either Party from providing a Governmental Authority with Confidential Information that such Party is required to provide pursuant to any law, or any decree, order or regulation of any Governmental Authority.

(c) The provisions of this Section 6.1 shall survive termination of this Agreement or the Closing of the Transaction.

6.2 Taxes, Prorations and Closing Costs.

(a) Taxes.

(i) In General. Buyer shall pay all Taxes, including sales, use and transfer Taxes, arising in connection with the transfer of the Subject Pipeline(s), except that PG&E and Buyer shall each pay their own net income Taxes. State and local real and personal property Taxes relating to the Subject Pipeline(s) for the Tax year of the Closing shall be prorated between Buyer and PG&E on the following basis: PG&E shall be responsible for the payment of all such Taxes for the period up to the Closing; and Buyer shall be responsible for payment of all such Taxes for the period on and after the Closing. All such Taxes assessed on an annual basis shall be prorated on the assumption that an equal amount of Tax applies to each day of the year, regardless of how any installment payments are billed or made, except that any supplemental property Taxes or assessments which arise out of a revaluation of the Subject Pipeline(s), which revaluation would not have occurred except for the change in ownership, shall be paid by Buyer. Any payments due one

Party from the other pursuant to this Section 6.2 shall be paid at the Closing. If the Closing year's Taxes and assessments are not available as of the Closing, for purposes of apportionment between Buyer and PG&E and payment pursuant to this Section 6.2, the amount thereof shall be estimated on the basis of the final Tax statements; but, within forty-five (45) days after such statements are provided by one Party to the other, the Party owing any amount to the other hereunder shall pay that amount.

(ii) Assessment and Payment of Property Taxes. Buyer acknowledges that the property Tax on the Subject Pipeline(s) is assessed by the California State Board of Equalization as of January 1 of each year, and PG&E must pay real property Taxes on the Subject Pipeline(s) for the subsequent fiscal year. If the Closing occurs between January 1, and June 30, Buyer shall deposit with PG&E the full amount to pay real property Taxes allocable to the Subject Pipeline(s) for the tax year beginning on July 1, in addition to the prorated amount of real property Taxes allocable to the Subject Pipeline(s) for the tax year (ending June 30). PG&E shall pay the Taxes for the subsequent tax year before they become delinquent; provided, however, that PG&E shall have the right to pay such Taxes in installments as permitted by law.

(iii) Refunds and Credits. PG&E will be entitled to any and all refunds or credits of Taxes relating to the Subject Pipeline(s) for the period prior to the Closing Date. Buyer will promptly notify PG&E and forward to PG&E the amounts of any such refunds or credits within fifteen (15) days after receipt thereof.

(iv) Notices Regarding Taxes. After the Closing, Buyer will notify PG&E in writing, within fifteen (15) days after Buyer's receipt of any correspondence, notice or other communication from a taxing authority or any representative thereof, of any pending or threatened tax audit, or any pending or threatened judicial or administrative proceeding that involves Taxes relating to the Subject Pipeline(s) for the period prior to the Closing; and Buyer will furnish PG&E with copies of all correspondence received from any taxing authority in connection with any audit or information request, with respect to any such Taxes relating to the Subject Pipeline(s) for the period prior to the Closing.

(b) Rents and Fees. Any rents and fees due or payable by PG&E under any Rights-of-Way, or other permits, licenses or other agreements relating to the Subject Pipeline(s) shall be prorated as of the Closing Date. The amount due PG&E at the Closing shall be adjusted by the prorations calculated pursuant to this Section 6.2(b).

(c) Buyer's Closing Costs. Buyer will pay (i) all costs of (1) any title policy and all endorsements thereto that Buyer elects to obtain, and any other costs for title-related work charged by the title company issuing the title policy; (2) all necessary filings required of Buyer under the HSR Act; (3) compliance with CEQA requirements; (4) Buyer's Due Diligence Inspections, investigations and reviews; (5) obtaining the authorizations, consents, licenses, permits and approvals pursuant to Section 6.8(b) "Buyer Responsibility;" (ii) all document recordation costs; (iii) all documentary transfer taxes due in connection with the transfer of the Subject Pipeline(s) to Buyer; and (iv) all other closing costs as may be necessary to complete the Transaction, except to the extent that any such cost is specifically allocated to PG&E in this Agreement.

(d) PG&E's Closing Costs. PG&E will pay (i) all costs of PG&E's filing for CPUC Approval of the Transaction; (ii) all costs of necessary filings required of PG&E under the HSR Act; and (iii) all costs of any other approval or authorization that PG&E deems appropriate to seek and is not stated as one of Buyer's responsibilities under this Agreement.

6.3 Operation of the Subject Pipeline(s). Except as set forth in Schedule 6 "MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S)," in Sections 6.4 "Modifications of PG&E's System and/or the Subject Pipeline(s)" and 6.5 "Capital Expenditures" below, and as contemplated herein or otherwise consented to by Buyer in writing, from the date of this Agreement through the Closing, PG&E will use reasonable efforts under the circumstances not to do or permit to be done anything in respect of the Subject Pipeline(s) other than in the ordinary course of business as presently conducted, or as provided in this Agreement.

6.4 Modifications of PG&E's System and/or the Subject Pipeline(s). PG&E will make modifications in or to PG&E's gas plant, gas transmission system and/or the Subject Pipeline(s), as specifically set forth in Schedule 6 "MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S)," for the purpose of separating the Subject Pipeline(s) from PG&E's gas plant ("Transition Modifications"). All such Transition Modifications, as specifically set forth in Schedule 6 hereof, will be performed by PG&E at Buyer's expense ("Transition Modification Costs") after the Closing, subject to Buyer's payment to PG&E of the total sum of \$0 at the Closing, which payment shall cover all Transition Modifications specifically set forth in Schedule 6 "MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S)," on the Effective Date, but no other modifications..

6.5 Capital Expenditures. Notwithstanding anything to the contrary contained in this Agreement, from the Effective Date through the Closing, PG&E may make Capital Expenditures in accordance with the Existing CPIOA. Buyer shall pay to PG&E the amount expended by PG&E on account of all Capital Expenditures made between the Effective Date and the Closing in accordance with the Existing CPIOA. If Buyer fails to authorize PG&E to make such Capital Expenditures, then PG&E shall have the right to retire the affected Facilities, and all obligations of PG&E to Buyer with respect to the affected Facilities shall be automatically extinguished and PG&E shall be released from any and all liabilities relating thereto.

6.6 Risk of Loss. If, prior to the Closing Date, the Subject Pipeline(s) are totally or partially damaged or destroyed, and the cost of repair is reasonably estimated to exceed fifty percent (50%) of the Purchase Price specified in Section 3.1 (a "Major Loss"), Buyer and PG&E shall each have the right to terminate this Agreement by giving to the other Party written notice of termination within ten (10) days of PG&E's notice to Buyer of such destruction or damage. In the event that neither Party elects to terminate this Agreement following such damage or destruction, or in the event of any other damage to the Subject Pipeline(s) the repair cost of which is less than a Major Loss, Buyer shall remain obligated to perform all of its obligations under this Agreement, and the provisions of Section 6.5 "Capital Expenditures" shall apply to the affected Facilities. If PG&E performs such repairs Buyer shall, within thirty (30) days of the date of PG&E's invoice, pay to PG&E the actual cost of such repairs. [The Closing Deadline, as defined in Section 7.6(b), will be extended by the estimated time period for completion of such repair or replacement plus thirty (30) days.] All other costs of repair to the Subject Pipeline(s) shall be deemed to be Capital Expenditures, with the exception of Ordinary Maintenance Expenditures, which shall be borne by PG&E.

6.7 Buyer's Insurance Requirements. From and after the Closing, Buyer or Guarantor shall maintain insurance coverage with respect to the acquired Subject Pipeline(s) against liabilities of the kinds customarily insured against by companies in the same or similar businesses of comparable types and scale (including self-insurance).

6.8 Regulatory Matters and Other Consents.

(a) **PG&E Responsibility.** PG&E will use Commercially Reasonable Efforts to obtain the CPUC Approval of the Transaction and any other authorization, consent, or approval that PG&E, in its sole discretion, deems necessary or appropriate regarding the Transaction.

(b) **Buyer Responsibility.** Except as provided in Section 6.8(a) "PG&E Responsibility," it is Buyer's responsibility to obtain the following (collectively, the "Required Consents"):

(i) all authorizations, consents, licenses, permits and approvals of Governmental Authorities and Third Parties required by applicable law or by Third Parties in connection with the consummation of the Transaction or Buyer's operation of the Subject Pipeline(s); and

(ii) without limiting the generality of clause (i) above, the specific consents to the assignment from PG&E to Buyer of (or, as applicable, the reissuance of) easements pursuant to Section 2.3.1 "Easements."

With respect to Required Consents of Third Parties, Buyer will promptly use Commercially Reasonable Efforts to obtain all Required Consents. Upon PG&E's request, Buyer will promptly provide a detailed report as to the status of each Required Consent and Buyer's efforts to obtain the same. After the Closing, Buyer will promptly notify all relevant Governmental Authorities and all Third Parties of the change in ownership of the Subject Pipeline(s) resulting from the Transaction to the extent required by applicable law or the specific underlying agreements.

(c) Hart-Scott-Rodino. The Parties will comply with the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") to the extent applicable to the Transaction. If applicable, the Parties will make the required filings under the HSR Act, and it will be a condition precedent to Closing for both PG&E and Buyer that all waiting periods under the HSR Act expire prior to Closing, and that no order, decree, judgment or injunction enjoining or prohibiting the consummation of the Transaction has been issued. If any Governmental Authority having jurisdiction under the HSR Act requires the filing of any additional information, each Party will provide that information in a prompt and diligent manner. Buyer and PG&E will pay their respective filing fees under the HSR Act, and each Party will bear its own costs of the preparation of any filing.

(d) CEQA Compliance. Buyer will pay for compliance with all CEQA requirements, to the extent applicable to the Transaction.

(e) Cooperation. Each Party will use Commercially Reasonable Efforts to assist the other Party in its efforts to obtain the consents, approvals, permits and licenses required pursuant to this Section 6.8 and will cooperate with the other Party in executing the applications and other documents that are reasonably required. Each Party will bear its own costs for these applications and proceedings except as otherwise provided in Section 6.2 "Taxes, Prorations and Closing Costs."

(f) No Transfer if Consent or Approval Not Obtained. PG&E is not obligated to assign or transfer any interest in the Subject Pipeline(s) or any claim, right or benefit arising under or resulting from the Subject Pipeline(s), if an assignment or transfer or an attempt to make such an assignment or transfer without the consent of a Third Party would breach a contractual or equitable obligation owed to a Third Party, or violate any law, decree, order or regulation of any Governmental Authority.

(g) No Transfer if Utility Status. It is not Buyer's intent to become or operate as a public utility. In requesting CPUC Approval of the Transaction, the Parties shall specifically request that the CPUC issue a conclusion of law or finding of fact stating that Buyer's deliveries of gas to PG&E and the provision of equal access and non-discriminatory gas gathering services to producers connected to the Subject Pipelines do not by themselves cause Buyer to be subject to CPUC regulation as a public utility defined in California Public Utilities Code, Part 1. Buyer is not obligated to accept transfer of the Subject Pipelines unless the CPUC shall have made a finding in response to the Parties' request for CPUC Approval of the Transaction regarding Buyer's status as a public utility and such finding shall be acceptable to Buyer in its sole discretion.

7. THE CLOSING

7.1 Conditions Precedent to the Closing. The obligations of each Party under this Agreement to complete the purchase and sale of the Subject Pipeline(s) as contemplated hereby shall be subject to the satisfaction, on or prior to the Closing, of each of the following conditions precedent:

(a) **Approval of Governmental Authority.** CPUC Approval shall have been obtained no later than twelve (12) months following the Effective Date of this Agreement and shall be in full force and effect. Each Party shall notify the other in writing no later than sixty (60) calendar days following the date of such approval stating whether or not such approval is in a form satisfactory and acceptable to it. If either Party notifies the other that such approval is not satisfactory, this Agreement shall automatically terminate. All approvals from the other Governmental Authorities listed on Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS," as such Schedule may be amended prior to the Closing by mutual agreement of the Parties, shall have been received and been approved by both Parties no later than twelve (12) months following the Effective Date of this Agreement and shall be final and not subject to rehearing appeal or judicial review, and in full force and effect on the Closing Date.

(b) **Due Diligence.** Buyer shall have completed and approved the results of its due diligence inspections and review, in connection with the purchase of the Subject Pipeline(s) within the Due Diligence Period, and Buyer shall have notified PG&E in accordance with Section 5.4(a).

(c) **CEQA Compliance.** Any environmental review required under CEQA with respect to the Transaction contemplated hereby shall have been undertaken and completed, and the applicable statute of limitations for filing a judicial challenge to such review shall have expired without any challenge of this kind.

(d) **Equal Access and Non-Discriminatory Service.** Buyer shall have provided to PG&E, in a form and substance acceptable to PG&E, as Exhibit D herein, Buyer's assurance that Buyer will provide equal access and non-discriminatory services to producers, connected to the Subject Pipeline(s) at the time of Closing, and their successors, desiring to delivery their gas to the PG&E gas pipeline system.

7.2 Additional Conditions Precedent to Obligations of Buyer. In addition to the conditions set forth in Section 7.1 "Conditions Precedent to the Closing," the obligations of Buyer under this Agreement to complete the Transaction contemplated hereby will be subject to the satisfaction, at or prior to the Closing, of each of the conditions precedent set forth in this Section 7.2, any one or more of which may be waived by Buyer at its option:

(a) **Compliance with Provisions.** PG&E has performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement required to be performed or complied with by PG&E at or prior to the Closing.

(b) **Approvals.** Buyer has received and approved all authorizations, consents, licenses, permits and approvals of Governmental Authorities and Third Parties required by applicable law or required by any such Third Parties in connection with the consummation of the Transaction contemplated by this Agreement and with Buyer's operation of the Subject Pipeline(s) At PG&E's option, Buyer will be deemed to have received and approved all of such authorizations, consents, licenses, permits and approvals of Governmental Authorities and of Third Parties unless Buyer has notified PG&E in writing of the failure of this condition on or before the first anniversary of the Effective Date. PG&E may extend the aforesaid time period at PG&E's discretion.

(c) **No Adverse Proceedings or Events.** No suit, action or other proceeding against any Party or its Affiliates is pending before any court or Governmental Authority which seeks to restrain or prohibit the Transaction contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the Transaction contemplated hereby.

(d) **Transfer Documents.** PG&E has delivered or caused to be delivered to Buyer at the Closing the documents referenced in Schedule 4 "CLOSING DELIVERIES BY PG&E."

(e) **Interconnection Agreement.** PG&E has executed and delivered to Buyer the Interconnection Agreement.

- (f) Balancing Agreement. PG&E has executed and delivered to Buyer the Balancing Agreement.
- (g) PG&E's Certificate of Incumbency. PG&E has delivered to Buyer PG&E's Certificate of Incumbency.
- (h) Hart-Scott-Rodino. The condition precedent set forth in Section 6.8(c) "Hart-Scott-Rodino" is satisfied.
- (i) No Termination. Neither Party has exercised any termination right such Party is entitled to exercise pursuant to Section 7.6 "Termination."
- (j) PG&E's Certificate of Compliance. PG&E shall have delivered to Buyer a certificate signed by an officer of PG&E stating that, to PG&E's Knowledge, PG&E has complied with all of its obligations and covenants under this Agreement necessary for Closing, and that all of its representations and warranties made herein are true and correct as of the Closing Date.
- (k) Public Utility Status. Buyer has received and accepted (in its sole discretion) the CPUC finding regarding Buyer's status as a public utility, pursuant to Section 6.8(g).

7.3 Additional Conditions Precedent to Obligations of PG&E. In addition to the conditions set forth in Section 7.1 "Conditions Precedent to the Closing," the obligations of PG&E under this Agreement to complete the Transaction contemplated hereby will be subject to the satisfaction, at or prior to the Closing, of each of the conditions precedent set forth in this Section 7.3, any one or more of which may be waived by PG&E at its option:

- (a) Compliance with Provisions: Buyer has performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement required to be performed or complied with by Buyer at or prior to the Closing.
- (b) PG&E's Receipt of Approvals of Governmental Authorities: PG&E has received and approved in form and content satisfactory to PG&E (in its sole discretion) the CPUC Approval, and each specific approval and decision requested by PG&E as part of the CPUC Approval, any other authorization, consent and approval that PG&E deems necessary or appropriate for the completion of the Transaction, and any and all other approvals from the other Governmental Authorities listed on Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS," as such Schedule may be amended prior to Closing by mutual agreement of the Parties, and which approvals are in full force and effect on the Closing Date. This Agreement may be voided by either Party, by written notice delivered to the other, at any time within thirty days after (i) the effective date of a CPUC decision disapproving, in whole or in part, either (A) this Agreement or the Transaction contemplated hereby, including, but not limited to, a request for approval under Section 851 of the Cal. Pub. Util. Code or (B) any other filing made by PG&E relating to cost or rate recovery related to this Agreement or the transaction contemplated hereby; or (ii) the failure of any condition set forth in this Section 7.2(b) "Approvals"; or
- (c) Other Approvals: Buyer has received and approved, in form and content, satisfactory to PG&E in its sole discretion, all authorizations, consents, licenses, permits and approvals of Governmental Authorities and Third Parties required by applicable law or required by any such Third Parties in connection with the consummation of the Transaction contemplated by this Agreement and Buyer's ownership and operation of the Subject Pipeline(s). No adverse effect on PG&E's pre-existing rights and interest has resulted or is likely to result, in PG&E's sole judgment,

from Buyer's acquisition of such authorizations, consents, licenses, permits or approvals. At PG&E's option, Buyer will be deemed to have received and approved all of such authorizations, consents, licenses, permits and approvals of Governmental Authorities and of Third Parties unless Buyer has notified PG&E in writing of the failure of this condition on or before the first anniversary of the Effective Date. PG&E may extend the aforesaid time period at PG&E's discretion.

(d) No Adverse Proceedings or Events: No suit, action or other proceeding against any Party or its Affiliates is pending before any court or Governmental Authority which seeks to restrain or prohibit the Transaction contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the Transaction contemplated hereby.

(e) No Material Adverse Change: No material adverse change in Buyer's or Guarantor's financial condition, as determined by PG&E in its sole discretion, has occurred since the Effective Date.

(f) No Adverse Effect: No adverse effect on PG&E's permits, licenses, franchises, easements or other rights or approvals has resulted or is likely to result from the sale of the Subject Pipeline(s), or the completion of the Transaction contemplated hereunder, as determined in PG&E's sole judgment.

(g) Cash Closing Payment: Buyer has delivered to PG&E the Purchase Price as required by Section 3.1 "Purchase Price."

(h) Closing Deliveries: Buyer has delivered to PG&E (i) the documents referenced in Schedule 3 "CLOSING DELIVERIES BY BUYER;" and (ii) payments specified in Section 6.3 "Operation of the Subject Pipeline(s)," 6.4 "Modifications of PG&E's System and/or the Subject Pipeline(s)," Section 6.5 "Capital Expenditures," and Section 6.6 "Risk of Loss."

(i) Interconnection Agreement: Buyer has executed and delivered to PG&E the Interconnection Agreement.

(j) Balancing Agreement: Buyer has executed and delivered to PG&E the Balancing Agreement.

(k) Board Resolutions: Buyer has delivered to PG&E certified copies of resolutions adopted by the Board of Directors of Buyer authorizing the Transaction contemplated by this Agreement.

(l) Creditworthiness Requirements: Buyer has met the Creditworthiness Requirements as set forth in Section 12.10; and, if requested by PG&E, has delivered security in a form and amount acceptable to PG&E in accordance with Section 12.10.

(m) Guaranty: If requested by PG&E, Buyer has delivered to PG&E: (i) the Guaranty executed by Guarantor, and (ii) evidence demonstrating that Guarantor continues to meet the Creditworthiness Requirements (as set forth in Section 12.10) as of the Closing Date.

(n) Hart-Scott-Rodino: The condition precedent set forth in Section 6.8(c) "Hart-Scott-Rodino" is satisfied.

(o) Buyer's Certificate of Incumbency: Buyer has delivered to PG&E, Buyer's Certificate of Incumbency.

(p) **Buyer's Certificate of Compliance:** Buyer shall have delivered to PG&E a certificate signed by an officer of Buyer stating that, to Buyer's Knowledge, Buyer has complied with all of its obligations and covenants under this Agreement necessary for Closing, and that all of its representations and warranties made herein are true and correct as of the Closing Date.

(q) **No Termination:** Neither Party has exercised any termination right such Party is entitled to exercise pursuant to Section 7.6 "Termination."

7.4 The Closing. The closing of the sale of the Subject Pipeline(s) to Buyer (the "Closing") shall take place at the offices of PG&E, 77 Beale Street, San Francisco, California, at the date and time determined by the Parties, which date shall be as soon as reasonably practicable following the date on which all of the conditions set forth in this Article 7 have been satisfied or waived by the Parties. The day and time of the Closing is herein also referred to as the "Closing Date."

(a) At the Closing, PG&E will deliver to Buyer the following, at the expense of PG&E:

(i) Appropriate transfer documents consisting of Bill(s) of Sale with respect to the Subject Pipeline(s), substantially in the form of Exhibit B;

(ii) Any other documents required to be delivered on or prior to the Closing, if such delivery has not already occurred.

(b) At the Closing, Buyer will deliver to PG&E, at the expense of Buyer:

(i) An amount equal to the purchase price as specified in Section 3.1 "Purchase Price," as adjusted pursuant to Sections 6.2 "Taxes, Prorations and Closing Costs", 6.4 "Modifications of PG&E's System and/or the Subject Pipeline(s)," Section 6.5 "Capital Expenditures," Section 6.6 "Risk of Loss," and Section 12.2 "Costs and Expenses";

(ii) Any other documents required to be delivered on or prior to the Closing, if such delivery has not already occurred.

7.5 Passage of Title. Legal title with respect to the Subject Pipeline(s) shall not pass to Buyer until the Subject Pipeline(s) are transferred at the Closing.

7.6 Termination. Notwithstanding any provision of this Agreement to the contrary, this Agreement may be terminated at any time prior to or on the Closing Date:

(a) By the mutual written consent of the Parties; or

(b) By either Party, upon ten (10) days written notice delivered to the other Party, if the Closing shall not have occurred within 365 days from the execution of this Agreement by PG&E, (the "Closing Deadline"), and either Party may exercise this right at any time after the Closing Deadline but before the Closing Date has been determined by the Parties in accordance with Section 7.4; or

(c) By either Party, immediately upon written notice delivered to the other Party, if there has been any material misrepresentation, or any material breach of any covenant or warranty contained in this Agreement on the part of the other Party which that Party has not cured by the earlier of the Closing Date or the date thirty (30) days after receipt of a written notice specifying such breach or misrepresentations; or

(d) By either Party in accordance with Section 6.7 "Risk of Loss;" or

(e) By either Party, immediately upon notice delivered to the other, if there has been entered a final, nonappealable order or injunction of any Governmental Authority restraining or prohibiting the consummation of the Transaction contemplated by this Agreement or any material part hereof; or

(f) By Buyer, prior to the expiration of the Due Diligence Period, under the conditions set forth in Section 5.3 "Buyer's Right to Terminate;" or

(g) By PG&E on thirty (30) days' written notice any time after a CPUC decision approving this Agreement and the consummation of the Transaction contemplated hereby, or approving any other request related hereto filed separately by PG&E, if PG&E in its sole discretion does not accept one or more of the terms or conditions of the CPUC decision, including, without limitation, terms and conditions relating to PG&E's ability to recover its costs of Remediation, or relating to the purchase price (as set forth in Section 3.1 "Purchase Price"), or to any matter for which PG&E may request specific approval of the CPUC.

(h) By Buyer on thirty (30) days' written notice any time after a CPUC decision approving this agreement and the consummation of the Transaction contemplated hereby, or approving any other request related hereto, if Buyer in its sole discretion does not accept one or more of the terms or conditions of the CPUC decision, including, without limitation, terms and conditions relating to Buyer's status as a public utility (as described in Section 6.8(g) hereof.

8. INDEMNIFICATION

8.1 Indemnification by Buyer.

(a) **PG&E Claims.** From and after the Closing Date, Buyer shall assume the entire responsibility and liability for and will indemnify, defend and hold harmless PG&E, its Affiliates, successors and assigns (collectively, the "PG&E Group") from and against all Losses which arise out of or relate to the following (collectively, the "PG&E Claims"):

(1) any Third Party Claims for personal injury or property damage (other than the Third Party Claims described in subsections (2), (4), (6) and (7) below) resulting from or arising out of the ownership, maintenance or operation of the Subject Pipeline(s), regardless of any prior active or passive negligence of PG&E in the construction, maintenance or operation of the Subject Pipeline(s), but only where the alleged personal injury or property damage giving rise to the claim occurs after the Closing Date;

(2) any Third Party Claims: (i) for personal injury caused by any Post-Closing Environmental Condition; (ii) for personal injury caused by any Pre-Closing Environmental Condition for exposure occurring after the Closing; (iii) for property damage caused by any Post-Closing Environmental Condition; or (iv) for property damage resulting from or arising out of any Pre-Closing Environmental Condition where the alleged property

damage occurred after the Closing or after Buyer or its transferees, or their successors, assignees, or respective employees, agents or contractors took an action that exacerbated such Pre-Closing Environmental Condition, as described in Section 9.3 (d) (1).

(3) beginning on the first anniversary of the Closing Date, any and all Environmental Costs regardless of when the release occurred or whether the injury, damage, claim, demand or cost is caused by or results from Pre-Closing Environmental Conditions or Post-Closing Environmental Conditions, subject to PG&E's obligations under Section 9.1 (c).

(4) any and all Environmental Costs for which PG&E is not expressly liable.

(5) the failure, after the Closing Date, of Buyer to pay or otherwise discharge when due the Assumed Liabilities or Buyer's obligations under Article 9 "ENVIRONMENTAL MATTERS;"

(6) any loss or damages resulting from or arising out of the ownership or operation of the Subject Pipeline(s) after the Closing (other than the Third Party Claims described in subsections (1), (2) (3) and (4) above); provided that loss or damages resulting from PG&E's failure to comply with its obligations under Section 3.3 shall not be included in this provision; and

(7) any assignment of easements or other land rights by PG&E to Buyer including, but not limited to, obligations to remove pipelines or other Facilities, or to restore the Site(s), or any claims of landowners against PG&E or the PG&E Group or against Buyer or the Buyer Group, arising out of or in connection with any such assignment by PG&E to Buyer.

(b) **Buyer Exceptions.** PG&E Claims will not include Losses, for which PG&E has agreed to provide indemnification pursuant to Section 8.2 "Indemnification by PG&E," or those which PG&E has agreed to retain pursuant to other provisions of this Agreement. PG&E Claims will not include any Losses arising out of property damage or injury to person caused by PG&E's operations after the Closing Date at or adjacent to the Site(s).

(c) **Buyer Limitations.** The PG&E Group will not in any event be entitled to any punitive or consequential damages resulting from or arising out of any PG&E Claim.

8.2 **Indemnification by PG&E.**

(a) **Buyer Claims.** PG&E will indemnify, defend and hold harmless Buyer, its successors and assigns (collectively, the "Buyer Group"), from and against all Losses, which arise out of or relate to the following (collectively, "Buyer Claims"):

(1) any Third Party Claims for personal injury or property damage (other than the Third Party Claims described in subsections (2) or (3) below) resulting from or arising out of the ownership, maintenance or operation of the Subject Pipeline(s) by PG&E prior to the Closing, but only if the alleged personal injury or property damage giving rise to the claim occurred before the Closing Date;

(2) any Third Party Claims (i) for personal injury caused by Pre-Closing Environmental Conditions or (ii) for property damage caused by Pre-Closing Environmental Conditions, but only if the personal injury or property damage occurred prior to the Closing; and

(3) any Third Party Claims resulting from or arising out of the disposal, by PG&E or at PG&E's direction at an Offsite Disposal Facility, before the Closing Date, of Hazardous Substances generated by PG&E at a Facility.

(b) **PG&E Exceptions.** Buyer Claims will not include any Losses, with respect to which Buyer has agreed to provide indemnification pursuant to Section 8.1 "Indemnification by Buyer" or which Buyer has agreed to assume pursuant to other Sections of this Agreement, or which (i) relate, are associated with, or arise in any manner out of a Volunteered Line or Volunteered Lines or the operation thereof, or (ii) relate to Hazardous Substances which are present at any time on Site(s) where a Volunteered Line is located; and for clarity of intention, it is expressly agreed that PG&E's liability for Remediation related to Third Party Claims for property damage under this Section 8.2 shall be subject to and limited by the provisions of Section 9.3 and the same PG&E Remediation Time Limit and PG&E Remediation Liability Cap as provided in Section 9.1.

(c) **PG&E Limitations.** The Buyer Group will not in any event be entitled to any punitive or consequential damages resulting from or arising out of any Buyer Claims, including damages for lost revenues, income, or profits, diminution in value of the Site or the Subject Pipeline(s) or any other damage or loss resulting from the disruption to or loss of operation of the Subject Pipeline(s).

(d) **BUYER'S RELEASE OF PG&E.** BUYER, FOR ITSELF AND ON BEHALF OF THE BUYER GROUP, DOES HEREBY RELEASE, HOLD HARMLESS AND FOREVER DISCHARGE EACH MEMBER OF THE PG&E GROUP FROM ANY AND ALL CLAIMS, DEMANDS, LIABILITIES (INCLUDING FINES AND CIVIL PENALTIES) OR CAUSES OF ACTION AT LAW OR IN EQUITY (INCLUDING ANY ACTIONS ARISING UNDER ENVIRONMENTAL LAWS), DESTRUCTION, LOSS OR DAMAGE OF ANY KIND OR CHARACTER, WHETHER KNOWN OR UNKNOWN, HIDDEN OR CONCEALED, TO THE PERSON OR PROPERTY OF ANY MEMBER OF THE BUYER GROUP INCLUDING THOSE RESULTING FROM OR ARISING OUT OF ANY HAZARDOUS SUBSTANCE, AT, ON, UNDER, IN OR ABOUT THE SITE, AND FROM ALL ENVIRONMENTAL COSTS, EXCEPT AS TO PG&E'S OBLIGATIONS UNDER SECTION 9.1 "PG&E'S RIGHTS AND RESPONSIBILITIES," SECTION 9.2 "PG&E'S REMEDIATION OBLIGATION," SECTION 8.2 "INDEMNIFICATION BY PG&E," AND SECTION 3.3 "RETENTION OF LIABILITIES." BUYER'S RELEASE DOES NOT INCLUDE ENVIRONMENTAL COSTS FOR WHICH BUYER IS NOT RESPONSIBLE UNDER PARAGRAPH 9.3(g). BUYER HEREBY WAIVES ANY AND ALL RIGHTS AND BENEFITS THAT IT NOW HAS, OR IN THE FUTURE MAY HAVE CONFERRED UPON IT BY VIRTUE OF THE PROVISIONS OF SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA (OR ANY OTHER STATUTE OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT), WHICH PROVIDES AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

IN THIS CONNECTION, BUYER HEREBY AGREES, REPRESENTS, AND WARRANTS THAT IT REALIZES AND ACKNOWLEDGES THAT FACTUAL MATTERS NOW UNKNOWN TO IT MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CLAIMS THAT ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND IT FURTHER AGREES, REPRESENTS, AND WARRANTS THAT THIS RELEASE HAS BEEN NEGOTIATED AND AGREED UPON IN LIGHT OF THAT REALIZATION AND IT NEVERTHELESS HEREBY INTENDS TO RELEASE EACH MEMBER OF THE PG&E GROUP FROM THE CLAIMS, DEMANDS AND LIABILITIES DESCRIBED IN THE FIRST SENTENCE OF THIS SECTION 8.2(d).

Initials of Buyer's authorized representative

Initials of PG&E's authorized representative

8.3 Notice of Claim. Subject to the terms of this Agreement and upon obtaining knowledge of a claim for which it is entitled to indemnity under this Article 8, the Party seeking indemnification hereunder (the "Indemnitee") will promptly notify the Party against whom indemnification is sought (the "Indemnitor") in writing of any damage, claim, loss, liability or expense which the Indemnitee has determined has given or could give rise to a claim under Section 8.2 "Indemnification by PG&E" or Section 8.1 "Indemnification by Buyer." (The written notice is referred to as a "Notice of Claim.") A Notice of Claim will specify, in reasonable detail, the facts known to the Indemnitee regarding the claim. Subject to the terms of this Agreement, the failure to provide (or timely provide) a Notice of Claim will not affect the Indemnitee's rights to indemnification, except as otherwise provided by the specific time frames set forth in Section 8.2 "Indemnification by PG&E" and Section 8.1 "Indemnification by Buyer;" provided, however, that the Indemnitor is not obligated to indemnify the Indemnitee for the increased amount of any claim which would otherwise have been payable, to the extent that the increase resulted from the failure to deliver a timely Notice of Claim.

8.4 Defense of Third Party Claims. The Indemnitor will defend, in good faith and at its expense, any claim or demand set forth in a Notice of Claim relating to a Third Party Claim for which the Indemnitee is entitled to indemnity pursuant to this Article 8; and the Indemnitee, at its expense, may participate in the defense with counsel of its choice. The Indemnitee shall not settle or compromise any Third Party Claim so long as the Indemnitor is defending it in good faith. If the Indemnitor elects not to contest a Third Party Claim, the Indemnitee may undertake its defense, and the Indemnitor will be bound by the result obtained by the Indemnitee. If the Indemnitor confirms its indemnity obligation with respect to the claim or claims, then the Indemnitor may at any time request the Indemnitee to agree to the abandonment of the contest of the Third Party Claim or to the payment or compromise by the Indemnitor of the asserted claim or demand. If the Indemnitee does not object in writing within fifteen (15) days of the Indemnitor's request, the Indemnitor may proceed with the action stated in the request. If within that fifteen (15) day period the Indemnitee notifies the Indemnitor in writing that it has determined that the contest should be continued, the Indemnitor will be liable under this Article 8 only for an amount up to the amount which the Third Party to the contested Third Party Claim had agreed to accept in payment or compromise as of the time the Indemnitor made its request. This Section 8.4 is subject to the rights of any Indemnitee's insurance carrier that is defending the Third Party Claim.

8.5 Cooperation. The Party defending the Third Party Claim will (a) consult with the other Party throughout the pendency of the Third Party Claim regarding the investigation, defense, settlement, trial, appeal or other resolution of the Third Party Claim; and (b) afford the other Party the opportunity to be associated in the defense of the Third Party Claim. The Parties will cooperate in the defense of the Third Party Claim. The Indemnitee will make available to the Indemnitor or its representatives all records and other materials reasonably required by them for use in contesting any Third Party Claim (subject to obtaining an agreement to maintain the confidentiality of confidential or proprietary materials in a form reasonably acceptable to Indemnitor and Indemnitee). If requested by the Indemnitor, the Indemnitee will cooperate with the Indemnitor and its counsel in contesting any Third Party Claim that the Indemnitor elects to contest or, if appropriate, in making any counterclaim against the Person asserting the claim or demand, or any cross-complaint against any Person. The Indemnitor will reimburse the Indemnitee for any expenses incurred by the Indemnitee in cooperating with or acting at the request of the Indemnitor.

8.6 Mitigation and Limitations on Claims. As used in this Agreement, the term "Indemnifiable Claim" means any Buyer Claims or PG&E Claims. Notwithstanding anything to the contrary contained herein:

(a) **Reasonable Steps to Mitigate.** The Indemnitee will take all reasonable steps to mitigate all losses, damages and the like relating to an Indemnifiable Claim, including availing itself of any defenses, limitations, rights of contribution, claims against third Persons and other rights at law or equity, and will provide such evidence and documentation of the nature and extent of the Indemnifiable Claim as may be reasonably requested by the Indemnitor.

The Indemnitee's reasonable steps include the reasonable expenditure of money to mitigate or otherwise reduce or eliminate any loss or expense for which indemnification would otherwise be due under this Article 8, and the Indemnitor will reimburse the Indemnitee for the Indemnitee's reasonable expenditures in undertaking the mitigation.

(b) **Net of Benefits.** Any Indemnifiable Claim is limited to the amount of actual damages or Losses sustained by the Indemnitee, net of the dollar amount of any insurance proceeds receivable by the Indemnitee (or any member of the PG&E Group or Buyer Group indemnified hereunder, as applicable) with respect to the Indemnifiable Claim.

9. ENVIRONMENTAL MATTERS

9.1 PG&E's Rights and Responsibilities.

(a) From the Closing Date until the expiration of "the PG&E Remediation Time Limit" or until a total aggregate cost to PG&E of an amount equal to the "PG&E Remediation Liability Cap", whichever of these limits is reached first, PG&E agrees to pay for Remediation of any Pre-Closing Environmental Condition to the extent it is required by a Governmental Authority with jurisdiction to require Remediation under Environmental Laws and subject to the following conditions:

(i) Buyer has provided PG&E with a Notice, either during the Due Diligence Period or during the PG&E Remediation Time Limit;

(ii) Buyer shall pay for Remediation of Pre-Closing Environmental Conditions up to and including an aggregate limit of [Ten Thousand Dollars (\$10,000.00) as escalated by the CPI, ("the PG&E Remediation Liability Floor"), and Buyer shall not be entitled to assert any rights under this Article 9 unless and until the aggregate of all such Remediation costs paid by Buyer is equal to or exceeds the PG&E Remediation Liability Floor.

(iii) For purposes of this Section 9.1 (a), "Notice" shall mean a notice of the existence of Pre-Closing Environmental Conditions, which notice shall include the results of laboratory tests evidencing the presence of Hazardous Substances.

(b) PG&E has the right, but not the obligation, at its sole option, to undertake: (1) the Remediation described in Section 9.1(a) above; (2) any Remediation that PG&E reasonably determines is required under Environmental Laws; and (3) any additional Remediation relating to Pre-Closing Environmental Conditions as PG&E reasonably deems necessary or appropriate.

(c) PG&E has no obligation to pay for or undertake Remediation of: (1) any Post-Closing Environmental Condition; or (2) any Pre-Closing Environmental Condition of which PG&E does not receive Notice during the Due Diligence Period or the PG&E Remediation Time Limit, or to the extent that it causes PG&E's total aggregate Remediation costs to exceed the PG&E Remediation Liability Cap; or (3) any environmental condition beneath, about, around, or resulting from operation of a Volunteered Line or Volunteered Lines; however, for a Pre-Closing Environmental Conditions where Remediation was commenced or as to which a Notice (including laboratory test results) was provided by Buyer to PG&E during the PG&E Remediation Time Limit, solely with respect to such Pre-Closing Environmental Condition, PG&E's obligation shall extend until the PG&E Remediation Liability Cap has been reached.

(d) PG&E shall have no obligation with respect to any Environmental Costs or environmental conditions for which PG&E is not expressly liable pursuant to this Agreement.

9.2 PG&E's Remediation Obligation. PG&E's agreement under Section 9.1 "PG&E's Rights and Responsibilities" to pay for certain Remediation is subject to the terms and conditions set forth in Schedule 5 "ENVIRONMENTAL REMEDIATION."

9.3 Buyer's Responsibilities.

(a) Buyer will comply with all Environmental Laws and Environmental Requirements and directives of all Governmental Authorities, including those concerning the presence of Hazardous Substances in, on, at, near or about the Subject Pipeline(s) or the Site(s), including Hazardous Substances in soil or groundwater, and including all Governmental Authorities' directives requiring Remediation. Should PG&E opt to undertake (instead of to pay for) Remediation related to a Facility in accordance with Section 9.1, Buyer's obligation under this Section is excused only to the extent of the Remediation undertaken by PG&E.

(b) Buyer agrees that it will not develop the Site(s) or any adjacent land or any portion thereof for use as a permanent or temporary lodging (including hotels, motels, and the like), hospital or other health-care facility, school, day care center for children, park, playground or other recreational use, or other use that: (1) could cause a Governmental Authority with jurisdiction over the Subject Pipeline(s) or Site(s) under Environmental Laws to require more extensive or additional Remediation of any Pre-Closing Environmental Condition than the Remediation appropriate for the Facility under its current use; or (2) could enhance the risks of human exposure to or movement of Hazardous Substances. Buyer will indemnify, defend and hold harmless each member of the PG&E Group from and against all damages, claims, losses, liabilities and expenses, including reasonable legal, accounting and other expenses, which arise out of or relate to any breach of this Section. Any defense of PG&E under this provision shall be by attorneys satisfactory to PG&E. Buyer will incorporate its obligations under this Section into any sales or lease agreement hereafter executed by Buyer for the Subject Pipeline(s) or the Site(s) (or any portion thereof) and any tenant, operator, or subsequent purchaser or transferee will be required to comply with all obligations of Buyer relating to use of the Subject Pipeline(s) and Site(s) set forth in this Section.

(c) Buyer agrees to assume and pay for all costs of Remediation relating to the Subject Pipeline(s) or Site(s) that (i) are incurred by anyone after the PG&E Remediation Time Limit (except as set forth in the last sentence of Section 9.1(c)); or (ii) exceed the PG&E Remediation Liability Cap (as defined in Section 9.1 (a)); or (iii) are costs of Remediation, or a portion of such costs, up to the PG&E Remediation Liability Floor specified in that Section 9.1(a); or (iv) relate to or result from or in connection with any Post-Closing Environmental Condition(s); or (v) for which PG&E is not expressly liable.

(d) Buyer agrees to pay for all losses, damages, and costs incurred by PG&E due to or arising out of the Pre-Closing Environmental Conditions or Post-Closing Environmental Conditions to the extent such loss, damage, or cost results from or arises out of any of the following:

(1) the exacerbation of a Pre-Closing Environmental Condition due to any acts or omissions of Buyer or its transferees, or their successors, assignees, or respective employees, agents or contractors;

(2) the relocation at Buyer's request of the equipment used by PG&E for the Remediation of any Pre-Closing Environmental Condition, including the relocation costs and any increased costs or expenses in conducting such Remediation; or

(3) any Post-Closing Environmental Conditions.

(e) Buyer shall also have the obligations specified in Schedule 5 "ENVIRONMENTAL REMEDIATION."

(f) Except for PG&E's obligations under Section 8.2 with respect to personal injury occurring prior to the Closing, Buyer expressly agrees that beginning on the first anniversary of the Closing Date, Buyer will be liable for and shall indemnify, defend and hold PG&E harmless against all Environmental Costs, regardless of when the release of Hazardous Substances occurred and whether they constitute Post-Closing Environmental Conditions or Pre-Closing Environmental Conditions, except as set forth in the last clause of Section 9.1 (c). Any defense of PG&E under this provision shall be by attorneys satisfactory to PG&E.

(g) Buyer's responsibilities under this Section 9.3 shall not include costs of Remediation or Environmental Costs to the extent caused by PG&E's operation of pipelines or other facilities after the Closing at Sites to which Buyer received a shared easement pursuant to Section 2.3.1(a) hereof.

10. LIMITATION OF LIABILITY

10.1 The total aggregate liability of PG&E, if any, arising out of or in connection with this Agreement, whether based on contract, tort (including negligence) warranty or otherwise, shall in no event exceed: (i) ten percent (10%) of the Purchase Price paid by Buyer pursuant to Section 3.1, or (ii) if PG&E has not received the Purchase Price when its liability arises then the lesser of Ten Thousand Dollars (\$10,000.00) or ten percent (10%) of the Purchase Price (the "Contract Liability Cap"), excepting solely PG&E's liability as specifically set forth in Article 8 "INDEMNIFICATION" and in Article 9 "ENVIRONMENTAL MATTERS;" provided that, PG&E's total aggregate liability under Article 9, "ENVIRONMENTAL MATTERS," shall in no event exceed the PG&E Remediation Liability Cap as defined in Section 1.1.

10.2 IN NO EVENT SHALL PG&E BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING BUT NOT LIMITED TO LOST REVENUES, LOST PROFITS, COST OF CAPITAL AND DAMAGES ARISING OUT OF CLAIMS BY THIRD PARTIES INCLUDING BUT NOT LIMITED TO CLAIMS BY ANY TRANSFEREES, ASSIGNEES, OR SUCCESSORS IN INTEREST OF BUYER, REGARDLESS OF WHETHER SUCH DAMAGES ARE FORESEEABLE, AND REGARDLESS OF ANY NEGLIGENCE OF PG&E WHETHER ACTIVE OR PASSIVE.

BUYER SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOST REVENUES, LOST PROFITS, OR COST OF CAPITAL.

NOTHING IN THIS SECTION 10.2 SHALL LIMIT OR AFFECT THE OBLIGATIONS OF THE PARTIES AS SET FORTH IN THIS AGREEMENT.

11. CERTAIN POST-CLOSING COVENANTS

11.1 Release of Subject Pipeline(s) from First and Refunding Mortgage. Within a reasonable time following the Closing, PG&E shall seek from the trustee the release of the Subject Pipeline(s) from PG&E's First and Refunding Mortgage. A failure of the trustee to release the Subject Assets from PG&E's First and Refunding Mortgage shall not be construed as a breach by PG&E of this Agreement, and in the event of such a failure of the trustee, Buyer's right to terminate this Agreement and PG&E's obligation to return the Purchase Price specified in Section 3.1, paid by Buyer at the Closing, shall constitute Buyer's sole and exclusive remedy.

11.2 Transfer or Disposition of Subject Pipeline(s) by Buyer. Any transfer or other disposition by Buyer, or by its assignee or transferee, or by any subsequent assignee or transferee, of all or any portion of the Subject Pipeline(s) after the Closing shall not in any way alter or affect the applicability of this Agreement or release Buyer from any of its obligations under this Agreement and Buyer shall continue to be subject to its obligations hereunder and under the this Agreements regardless of any action or omission of any future transferee(s).

12. MISCELLANEOUS AGREEMENTS AND ACKNOWLEDGMENTS

12.1 Notices. All notices and other communications required or permitted under this Agreement shall be in writing and, unless otherwise provided in this Agreement, shall be deemed to have been duly given (i) when delivered in person, or (ii) when dispatched by telegram or electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched), or (iii) one (1) business day after dispatch by a nationally recognized overnight courier service, to the appropriate Party at the address specified below:

(a) If to Buyer, to: David Rodgers
General Manager
310 East Colorado Street, Suite 201
Glendale, CA 91205

with a copy to: David Rodgers
General Manager
310 East Colorado Street, Suite 201
Glendale, CA 91205
Telephone: (818) 409-0922
Facsimile: (818) 507-4957

(b) If to PG&E, to: Steve Whelan
Director, Wholesale Marketing and
Business Development
245 Market Street, N15A
San Francisco, CA 94105

with a copy to: Rod Boschee
Manager, Business Development
245 Market Street, N15A
San Francisco, CA 94105

Notices to PG&E regarding due diligence investigations, pursuant to Section 5.1(c):

Rod Boschee
Manager, Business Development
245 Market Street, Mail Code N15A
San Francisco, CA 94105

Telephone: (415) 973-2908
Facsimile: (415) 973-6112

or to such other address or addresses as a Party may designate from time to time.

12.3 Successors and Assigns. This Agreement is binding upon and inures to the benefit of the Parties hereto and their respective successors and permitted assigns, but neither Party may assign or delegate its rights or its obligations hereunder without the prior written consent of the other Party in its sole discretion; provided that, PG&E may, upon notice to Buyer, assign its rights concurrently with a delegation of its obligations under this Agreement to an Affiliate of PG&E or to another Person in conjunction with the transfer of the Subject Pipeline(s) or the business function to which this Agreement pertains.

In the event of an assignment or delegation of Buyer's rights or obligations under this Agreement, Buyer shall remain liable for all of Buyer's obligations hereunder and for the performance of those obligations, regardless of any such assignment or delegation or of PG&E's consent thereto. Any assignment or delegation by Buyer of Buyer's rights or obligations under this Agreement is expressly conditioned on (i) execution by a guarantor acceptable to PG&E and delivery to PG&E of the Guaranty attached hereto as Exhibit A and (ii) compliance with the Creditworthiness Requirements (as stated in Section 12.10). Any assignment or delegation without the execution and delivery of the Guaranty by Buyer to PG&E shall be void and of no force or effect.

In the event of an assignment of PG&E's rights or obligations under this Agreement, PG&E shall remain liable for all of PG&E's obligations hereunder and for the performance of those obligations, regardless of Buyer's consent thereto.

12.4 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) and the Guaranty, constitute the entire agreement between the Parties with respect to the Transaction contemplated hereby, and supersede any other agreements, negotiations, representations, warranties, commitments, offers, or contracts, whether written or oral, that may have been made or entered into by either Party hereto or any of its respective Affiliates (or by any director, officer, employee, or representative of such Party or Affiliate) relating to the matters contemplated hereby.

12.5 Amendments and Waivers. No waiver, modification, or amendment of any provision of this Agreement shall be effective unless specifically made in writing and signed by authorized representatives of the Parties.

12.6 No Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any Person, other than the Parties hereto, any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

12.7 Dispute Resolution.

(a) **Applicable Law.** This Agreement and the legal relations between the Parties hereto will be governed by and construed in accordance with the substantive laws of the State of California, without giving effect to any principles of conflict of laws.

(b) **Venue and Jurisdiction.** PG&E and Buyer hereby irrevocably submit to the exclusive jurisdiction of any State of California or federal court sitting in the City of San Francisco over any suit, action or proceeding arising out of or related to this Agreement or any of the documents or instruments referred to herein. Each of PG&E and Buyer hereby waives any objection to jurisdiction or venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based on forum non conveniens.

12.8 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

12.9 Certain Interpretive Matters.

(a) Titles and headings to Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Ambiguities or uncertainties in the wording of this Agreement will not be construed for or against any Party, but will be construed in the manner that most accurately reflects the Parties' intent as of the date they executed this Agreement.

(b) The inclusion of any matter on any Exhibit attached hereto will not be deemed an admission by PG&E that such listed matter has or would have a material adverse effect.

(c) Nothing contained in this Contract shall be construed as an agreement by the Parties as to whether Buyer should file for public utility status.

(d) Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture, or impose a trust or partnership duty, obligation, or liability on or with regard to any Party.

12.10 Creditworthiness Requirements. In order for PG&E to evaluate Buyer's Credit Worthiness, Buyer shall provide to PG&E's Credit Risk Management Unit the following financial information:

- (1) Buyer's most recent audited annual report, or
- (2) Buyer's most recent U.S. Securities and Exchange Commission (SEC) Form 10-K, or
- (3) Buyer's most recent audited annual financial statement (including a balance sheet, income statement, notes to financial statements and cash flow statement).

(a) **Requirement for Security.** If in PG&E's assessment, Buyer fails to meet the Credit Worthiness Requirements, Buyer shall furnish to PG&E security in a form and amount that is acceptable to PG&E. Acceptable forms of security are:

- (1) Corporate Guaranty in the form attached hereto as Exhibit A, or
- (2) Irrevocable Standby Letter of Credit, in the form attached hereto as Exhibit A.1 or
- (3) Evidence of Insurance, in the form attached hereto as Exhibit A.2 or
- (4) cash deposit

(b) The corporate Guarantor executing the Guaranty to be provided to PG&E as a condition precedent to the Closing shall as of the Date of Closing have a demonstrable current rating of its long-term unsecured debt by Moody's, Investor Service, Inc. (Moody's), Standard and Poor's Rating Service ("S & P"), or an equivalent rating service, of Baa2 or higher by Moody's, or BBB or higher by S & P, or an equivalent credit rating by an equivalent rating service. In the event of an assignment of this agreement by the Buyer, the Buyer's assignee shall as of the Date of Closing or of the assignment, whichever is the later date, meet the same Creditworthiness Requirements as stated in this paragraph.

The issuing bank of the Irrevocable Standby Letter of Credit shall, as of the Date of Closing, have a demonstrable current rating of its long-term unsecured debt by Moody's Investor Service, Inc. (Moody's), Standard and Poor's Rating Service ("S&P"), or an equivalent rating service, of A2 or higher by Moody's, or A or higher by S&P, or an equivalent credit rating by an equivalent rating service.

The insurance company issuing the Insurance Policy shall, as of the Date of Closing, have a demonstrable current rating of its long-term unsecured debt by Moody's Investor Service, Inc. (Moody's), Standard and Poor's Rating Service ("S&P"), or an equivalent rating service, of A2 or higher by Moody's or A or higher by S&P, or an equivalent credit rating by an equivalent rating service.

12.11 Survival. The representations and warranties of PG&E contained in Section 4.1 "Representations, Warranties and Disclaimers of PG&E" of this Agreement, and the representations and warranties of Buyer contained in Section 4.2 "Representations and Warranties of Buyer" of this Agreement, shall (except as otherwise stated in this Agreement) survive the Closing and continue for a period of twelve (12) months thereafter and shall thereupon expire and be of no further force and effect. Any claim for breach of any such surviving representations or warranties must be made within such twelve month period or shall be waived. The following Articles and Sections shall survive the Closing: Sections 2.3.1, 2.3.2, 3.2, 4.1, 4.2, 4.3, 4.4, 5.2, 6.1, 6.2, 6.4, 6.5, 6.7, 6.8, Articles 8, 9 and 10 in their entirety, and Sections 11.1, 11.2, 12.3, 12.4, 12.5, 12.6, 12.7, 12.9, 12.10, 12.11, and 12.12, as applicable. The following Articles and Sections shall survive the termination of this Agreement: Sections 4.3, 4.4(b) and (c), 5.1(d) and (f), 5.2, 5.4, 6.1, and Article 10 in its entirety. In addition, all provisions of this Agreement which by their purpose or nature are intended to survive the Closing or the termination of this Agreement shall survive the Closing and/or the termination of this Agreement.

12.12 Effect of Closing On Known Unsatisfied Conditions or Breached Representations, Warranties or Covenants. If PG&E or Buyer elects to proceed with the Closing knowing of any failure of any condition in its favor to be satisfied by the other Party, or of the breach of any representation, warranty or covenant by the other Party, the condition that is unsatisfied or the representation, warranty or covenant which is breached will be deemed waived by such Party on the Closing Date, and such Party will be deemed to fully release and forever discharge the other Party on account of any and all claims, demands or charges, known or unknown, with respect to the same.

12.13 Schedules and Exhibits. The following Schedules and Exhibits are attached hereto and incorporated by reference into this Agreement:

Schedule 1	"DESCRIPTION OF PIPELINE(S) TO BE SOLD"
Schedule 1.1	"PIPELINE MAP"
Schedule 2	"BUYER LITIGATION"
Schedule 3	"CLOSING DELIVERIES BY BUYER"
Schedule 4	"CLOSING DELIVERIES BY PG&E"
Schedule 5	"ENVIRONMENTAL REMEDIATION"
Schedule 6	"MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S)"
Schedule 7	"LIST OF EASEMENTS"
Schedule 8	"PG&E AUTHORIZATION AND ENFORCEABILITY"
Schedule 9	"PG&E LITIGATION"

- Schedule 10 "RELATED CONTRACTS"
- Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS"
- Schedule 12 "SCHEDULE OF PG&E OFFICERS AND EMPLOYEES"
- Schedule 13 "SCHEDULE OF BUYER OFFICERS AND EMPLOYEES"
- Schedule 14 "COMPLIANCE EXCEPTIONS"

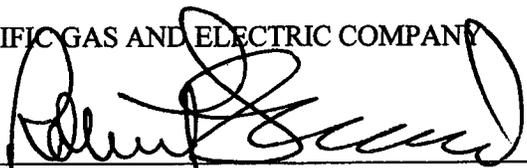
EXHIBIT

- EXHIBIT A "FORM OF GUARANTY"
- EXHIBIT A.1 "FORM OF LETTER OF CREDIT"
- EXHIBIT A.2 "FORM OF EVIDENCE OF INSURANCE"
- EXHIBIT B "FORM OF BILL OF SALE"
- EXHIBIT C "FORM OF FIRPTA CERTIFICATE"
- EXHIBIT D "EQUAL ACCESS AND NON-DISCRIMINATORY SERVICE"
- EXHIBIT E "CALIFORNIA PRODUCTION INTERCONNECTION AND OPERATING AGREEMENT" ("CPIOA")
- EXHIBIT F "CALIFORNIA PRODUCTION BALANCING AGREEMENT"
- EXHIBIT H "FORM OF ASSIGNMENT OF EASEMENT"

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth below.

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY

By: 

Name: Robert T. Howard

Title: VP - Gas Transmission and Distribution

Date: July 31, 2009

BUYER:

ATLANTIC OIL COMPANY

By: 

Name: General Manager

Title: DAVID RODRIGUEZ

Date: 7-28-09

Schedule 1
Description of Pipeline(s) to be Sold
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

See Schedule 1.1 of this Agreement for description and location of pipeline to be sold.

Schedule 2
Buyer Litigation
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Atlantic Oil Company is not aware of any litigation current or past that would affect the purchase of these pipelines.

Schedule 3
Closing Deliveries by Buyer
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Upon execution of the Closing Documents by Pacific Gas & Electric Company (PG&E) and Atlantic Oil Company (Atlantic). Atlantic will either wire transfer or write a check to PG&E for the agreed to price of the pipeline.

Schedule 4
Closing Deliveries by PG&E
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

All documentation pertaining to this section of pipeline will be provided to Buyer.

July 31, 2009

ENVIRONMENTAL REMEDIATION

1. PG&E'S REMEDIATION OBLIGATION

(a) PG&E shall have the exclusive right to negotiate and enter into agreements with any Person regarding the nature, technical remediation approach, scope, cleanup objectives or any other aspect of any Remediation undertaken by PG&E.

(b) PG&E agrees that prior to proposing any work plan for Remediation to a Governmental Authority with jurisdiction over the Facility or Site(s) under Environmental Laws, PG&E will provide Buyer with a copy of the work plan. The work plan will set forth the type and nature of the Remediation, the specific locations at the Site(s) where the Remediation will be conducted, and the type and nature of any equipment that will be used on or installed for purposes of conducting the Remediation.

(c) PG&E will consult in good faith with Buyer regarding the nature, technical Remediation approach, scope, and cleanup objectives of any Remediation and the placement of and the location of PG&E's remediation and testing equipment. PG&E will avoid, to the extent reasonably practicable and consistent with sound Remediation practices, proposing a method for Remediation that: (i) is materially inconsistent with any planned expansion of the Facility that has been disclosed in writing by Buyer to PG&E; or (ii) will materially decrease the economic value of the Facility.

(d) If PG&E is undertaking the Remediation under the supervision of a Governmental Authority, PG&E will use Commercially Reasonable Efforts to obtain written evidence of such Governmental Authority's approval of such work plan and, if and when obtained, will provide Buyer with such evidence.

(e) PG&E will use reasonable efforts to inform Buyer orally at least twenty-four (24) hours in advance of all material actions to be taken near the Facility, which notice may be in the form of a schedule of activities. No notice will be required for any action taken in connection with an emergency.

(f) Buyer understands that the Remediation may interfere with the use of the Facility after the Closing. PG&E will, to the extent reasonably practicable and consistent with sound Remediation practices, undertake the Remediation in a manner that will not unreasonably disrupt Buyer's operations of the Facility. All Remediation work will be done in substantial compliance with Environmental Laws.

2. BUYER'S RESPONSIBILITIES

(a) Should PG&E opt to perform Remediation near a Facility, Buyer will grant to PG&E a non-exclusive license for the purpose of conducting Remediation, subject to the terms and conditions of this Agreement, and Buyer agrees to cooperate to enable Remediation work to be performed, to assist PG&E in obtaining access to the Facility and the Site(s), and to off-site property if necessary (including consents of the respective landowners), for the implementation of the Remediation work, and support PG&E in its negotiations with any Governmental Authority with respect to the Remediation. Buyer agrees that it will comply, and will cause other Persons (other than any member of the PG&E Group) at the Facility and Site(s) to comply, with any requirements, directives, instructions, or plans issued by any Governmental Authority or PG&E for the purpose of protecting the health and safety of Persons during Remediation activities conducted on or in the vicinity of the Facility or Site(s).

(b) Buyer acknowledges that PG&E will have the right, but not the obligation, to undertake the Remediation of the Pre-Closing Environmental Conditions and therefore Buyer will not initiate or permit the initiation of any Remediation of the Pre-Closing Environmental Conditions, or submit, or cause to be submitted, orally or in writing, any information or comments to any Governmental Authority concerning the Pre-Closing Environmental Conditions or Remediation thereof (other than documents or information routinely and customarily submitted to such Governmental Authority) without the prior consent of PG&E, unless in the reasonable judgment of Buyer such actions are required by Environmental Laws or Environmental Requirements or to protect the immediate health and safety of individuals or the environment. Buyer will notify PG&E as soon as reasonably possible of any information developed by Buyer or received by Buyer from any Person other than PG&E regarding the presence or suspected presence of Hazardous Substances that Buyer believes to be a Pre-Closing Environmental Condition. Buyer may submit such information to a Governmental Authority, if in the reasonable judgment of Buyer such submission is required by Environmental Laws or Environmental Requirements, or to protect the immediate health and safety of individuals or the environment.

(c) Buyer will not relocate, disturb or interfere with, or permit the relocation, disturbance, or interference with, the equipment used by PG&E or PG&E's agent for any Remediation without obtaining PG&E's prior written consent. Upon written request from Buyer, PG&E will relocate such equipment to accommodate Buyer's operations of the Facility, to the extent such relocation can be accomplished without materially delaying or disrupting the Remediation.

(d) Buyer will notify PG&E at least ten (10) business days in advance, and will consult in good faith with PG&E, before commencing any planned extraction, excavation or removal of any soil or groundwater near the Facility, or commencing any other action that could disrupt or disturb any soil or groundwater near the Facility. Without derogating from or otherwise modifying Buyer's obligations in Section 8.1 "Indemnification by Buyer" and Section 9.3 "Buyer's Responsibilities," Buyer will make Commercially Reasonable Efforts to avoid taking any action, and to cause other Persons (other than any member of the PG&E Group) to avoid taking any action, that could: (1) increase the risk that a Governmental Authority would require any Remediation relating to any Pre-Closing Environmental Condition; (2) increase the cost of any such Remediation; (3) increase the risk of human exposure to or movement of Hazardous Substances; or (4) increase the risk that a Third Party Claim with respect to a Pre-Existing Environmental Condition, or the Remediation thereof, could arise.

(e) With respect to a Pre-Closing Environmental Condition, PG&E and Buyer will, upon the written request of the other Party, provide to the requesting Party copies of all material reports, correspondence, notices and communications regarding any Pre-Closing Environmental Condition or the Remediation thereof sent to or received from any Governmental Authority with jurisdiction under Environmental Laws over such Remediation.

Schedule 6
Modifications of PG&E's System
and/or the Subject Pipeline(s)
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

None

Schedule 7
Lost of Easements
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Title Review

© Copyright 1996, Pacific Gas and Electric, all rights reserved.

gas line review

name Atlantic 1 2 Active Pipe Sale
county Sutter County
analyst Bruce Hardy
charge # 40755049
date Monday, February 25, 2008

See Last page for General Comments

For more info, please contact the Title Analysts in PGE, BLS, Land Rights Services:
Ann Johnston: adj4@BlsNb@Gsv (adj4@pge.com) 223-5897
Margaret O'Day: mfo1@BlsNb@Gsv (mfo1@pge.com) 223-5923
Al Soller: ads2@BlsNb@Gsv (ads2@pge.com) 223-8234



as Line Review

name: Atlantic 1.2 Active Pipe Sale
 county(ies): Sutter County

title analyst: Bruce Hardy
 charge #: 40755049

W #	Drawing Number:	Land Document #	Type of Document:	Type of Facilities:	Type of Description:	Type of Strip:	Building Width:	Length of Line:	Gas Pressure:	Standard Rights to Replace	Special Conds	Install Gates	Mark RW	Can Assign Rights?	Aband non-use
-----	-----------------	-----------------	-------------------	---------------------	----------------------	----------------	-----------------	-----------------	---------------	----------------------------	---------------	---------------	---------	--------------------	---------------

1	B4862 & B4788, sh 4	2115-01-0554	easement	Pp	strip	multiple general	20 feet	20 Feet	1802 feet						
		<u>Doc Date:</u>	02/06/1984												
		<u>Rec Info:</u>	Book 1113, Pg 399 Sutter County Official Records												
		<u>Grantor:</u>	Thomas E. Frye, et al												
		<u>Remarks:</u>													

2	B-4788	2115-01-0045	easement	Pp	strip	multiple general	20 Feet	20 Feet	1247 Feet						
		<u>Doc Date:</u>	11/02/1961												
		<u>Rec Info:</u>	Book 583, Pg 419 Sutter County Official Records												
		<u>Grantor:</u>	Frye Land Company												
		<u>Remarks:</u>	The easement description was modified by agreement dated January 10, 1962 and recorded in Book 589, Pg 443 of Sutter County Official Records												

3	B-4788 & B-4840	2115-01-0047	easement	Pp	strip	multiple general	20 Feet	20 Feet	230 Feet						
		<u>Doc Date:</u>	05/24/1962												
		<u>Rec Info:</u>	Book 599, Pg 486 Sutter County Official records												
		<u>Grantor:</u>	Frye Land Company												
		<u>Remarks:</u>													

Page 2 of 7
 12/25/2008 2:07:04 PM

Legend for Type of Facilities

C	Communications	R	Regulator Lot
CaPr	Cathodic Protection	UG	Underground
G	Gas Line	V	Valve Lot
Pp	Pipe Line		

Gas Line Review

name: Atlantic 1.2 Active Pipe Sale
county(ies): Sutter County

title analyst: Bruce Hardy
charge #: 40755049

Drawing #	Land Document #	Type of Document:	Type of Facilities:	Type of Description:	# of Lines:	Access:	Strip Width:	BuildingR	Length of Line:	Gas Pressure:	Standrd Rights	Special Conds	Install to Replace	Mark RW	Can Assign Rights?	Aband non-use
4	B-4840	2115-01-0250 easement	Pp	strip	multiple general	20 Feet	20 Feet	20 Feet	2050 Feet							

Doc Date: 05/16/1962

Rec Info: Book 593, Pg 125
 Sutter County Official Records

Grantor: George W. Tarke

Remarks:

5	B-4840	2115-01-0252 easement	Pp	strip	multiple general	20 Feet	20 Feet	20 Feet	620 Feet							
---	--------	-----------------------	----	-------	------------------	---------	---------	---------	----------	--	--	--	--	--	--	--

Doc Date: 05/16/1962

Rec Info: Book 599, Pg 479
 Sutter County Official Records

Grantor: Fred Tarke and Ruth Tarke, H&W

Remarks:

6	B-4840	2115-01-0256 easement	Pp	strip	multiple general	20 Feet	20 Feet	20 Feet	284 Feet							
---	--------	-----------------------	----	-------	------------------	---------	---------	---------	----------	--	--	--	--	--	--	--

Doc Date: 06/05/1962

Rec Info: Book 599, Pg 490
 Sutter County official Records

Grantor: Newhall Land and Farming Company

Remarks:

Legend for Type of Facilities

<u>C</u>	Communications	<u>R</u>	Regulator Lot
<u>CaPr</u>	Catholic Protection	<u>UG</u>	Underground
<u>G</u>	Gas Line	<u>V</u>	Valve Lot
<u>Pp</u>	Pipe Line		

Gas Line Review

name: Atlantic 1.2 Active Pipe Sale
county(ies): Sutter County

file analyst: Bruce Hardy
charge #: 40755049

Drawing Number:	Land Document #	Type of Document	Type of Facilities: Description:	Type of Facilities:	# of Lines:	Access:	Strip Width:	BuildingR of Line:	Length of Line:	Gas Pressure:	Standard Rights Conds	Special Rights to Replace	Inball Gates	Mark RW	Can Assign Rights?	Aband non-use
-----------------	-----------------	------------------	----------------------------------	---------------------	-------------	---------	--------------	--------------------	-----------------	---------------	-----------------------	---------------------------	--------------	---------	--------------------	---------------

7	B-4807, Sh 4, & B-4841	2115-01-0126 easement	Pp strip	Pp	multiple	general	20 Feet	20 Feet	1210 Feet							
	Doc Date:	04/23/1962														
	Rec Info:	Book 597, Pg 103 Sutter County Official Records														
	Grantor:	Fred S. Betty and Bertha Betty, H&W														
	Remarks:	Only Strip 2 of the Three strips is to be assigned														

8	B-4807, Sh 4 & B-4841	2115-01-0129 easement	Pp strip	Pp	multiple	general	20 Feet	20 Feet	1749 Feet							
	Doc Date:	05/16/1962														
	Rec Info:	Book 599, Pg 381 Sutter County Official Records														
	Grantor:	Fred S. Betty and Bertha Betty, H&W														
	Remarks:															

9	B-4841	2115-01-0134 permit	Pp strip	Pp	single	general										
	Doc Date:	06/07/1962														
	Rec Info:	Not Recorded														
	Grantor:	Reclamation Board (Appl. No. 3966)														
	Remarks:	This permit is not assignable - Purchaser to notify the Reclamation Board of ownership change														

Legend for Type of Facilities

<u>C</u>	Communications	<u>R</u>	Regulator Lot
<u>CaPr</u>	Catholic Protection	<u>UG</u>	Underground
<u>G</u>	Gas Line	<u>V</u>	Valve Lot
<u>Pd</u>	Pipe Line		

Gas Line Review

name: Atlantic 1.2 Active Pipe Sale
 county(ies): Sutter County

title analyst: Bruce Hardy
 charge #: 40755049

RW #	Drawing Number:	Land Document #	Type of Document:	Type of Facilities:	Type of Description:	Type of Strip Width:	Building R	Length of Line:	Gas Pressure:	Standard Rights to Replace	Special Conds	Install Gates	Mark RW	Can Assign Rights?	Aband non-use
-------------	------------------------	------------------------	--------------------------	----------------------------	-----------------------------	-----------------------------	-------------------	------------------------	----------------------	-----------------------------------	----------------------	----------------------	----------------	---------------------------	----------------------

13	B-4807, Sh 1	2115-01-0191	easement	Pp	strip	multiple general	20 Feet	20 Feet	1160 Feet							
		<u>Doc Date:</u>	02/07/1963													
		<u>Rec Info:</u>	Book 616, Pg 375 Sutter County Official Records													
		<u>Grantor:</u>	Fred Tarke and Ruth Tarke H&W													
		<u>Remarks:</u>														

14	B-4807, Sh 1	2115-01-0325	easement	Pp	strip	multiple general	20 Feet	20 Feet	1258 Feet							
		<u>Doc Date:</u>	02/14/1963													
		<u>Rec Info:</u>	Book 619, Pg 277 Sutter County Official Records													
		<u>Grantor:</u>	Newhall Land and Farming Company													
		<u>Remarks:</u>														

Legend for Type of Facilities

C	Communications	R	Regulator Lot
CaPr	Cathodic Protection	UG	Underground
G	Gas Line	V	Valve Lot
Pp	Pipe Line		

General Comments

This report identifies land rights that are to be assigned to Atlantic Oil upon receipt of approval from the CPUC in accordance with an 851 filing.

gas line review report

name: Atlantic 1 -2 Active Pipe Sale

county(ies): Sutter County

title analyst: Bruce Hardy

charge #: 40755049

Schedule 8
PG&E Authorization and Enforceability
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

NONE

Schedule 9
PG&E Litigation
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

PG&E has no knowledge of any litigation involving the subject transaction or the subject matter thereof.

Schedule 10
Related Contracts
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

There are two permit from the State Reclamation Board which are not recorded. Document numbers are LD 2112-01-0134 and LD 2115-01-0138 which are not assignable. Both permits are to install pipe in the Sutter basin of the Sacramento and San Joaquin Drainage District Property.

Schedule 11
Required Governmental Approvals
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Will require approval from the California Public Utilities Commission (CPUC) of an 851 Filing covering the sale of the subject pipeline in this Agreement.

Schedule 12
Schedule of PG&E Officers and Employees
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Thomas B. King
President and CEO

Robert T. Howard
Vice President
Energy Delivery, Gas Transmission and Distribution

Steve Whelan
Director, Wholesale Marketing and Business Development

Schedule 13
Schedule of Buyer Officers and Employees
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Roy C. Dolley
President

Marleen Martin
Secretary & Chief Financial Officer

Coetta Wright
Treasurer

David Rodgers
General Manager

William DeGroot
Production Superintendent
Northern California

Larry Gailey
Production Superintendent
Southern California

Schedule 14
Compliance Exceptions
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

NONE

Exhibit A
Form of Guaranty
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

GUARANTY

1. Guaranty of Payment and Performance. For valuable consideration, Atlantic Oil Company ("Principal") and Paul Reagin ("Guarantor") jointly and severally unconditionally guarantee payment to Pacific Gas and Electric Company ("PG&E"), its successors and assigns, of all amounts owed to PG&E by Principal and of the performance of all obligations of Principal under that certain "Pipeline Purchase and Sale Agreement" (the "Agreement") between Principal and PG&E dated 7-29, 2009 (the "Obligations"). The joint and several liability of Principal and Guarantor hereunder is a continuing guaranty of payment and performance when any amount is owing or when any provision of the Agreement is breached, without regard to whether such payment or performance obligation is contingent or absolute, liquidated or not, or whether recovery may be or has become barred by any statute of limitations or otherwise may be unenforceable. In addition to the amounts for which payment is guaranteed hereunder, Guarantor agrees to (a) pay reasonable attorneys' fees and all other costs and expenses incurred by PG&E in enforcing this Guaranty or any action or proceeding arising out of or relating to this Guaranty and (b) to perform any and all of Principal's Obligations upon demand for the same by PG&E.

2. Guarantor's Creditworthiness. If at any time during the term of this Guaranty PG&E determines that Guarantor's creditworthiness has materially changed, PG&E may declare Guarantor and Principal to be in default under this Guaranty and Principal to be in default of the Obligations and may exercise its remedies under the Obligations and relevant provisions of PG&E's filed tariffs.

3. Independent Liability. Except for performance by the Guarantor on demand, the obligations of Guarantor hereunder are independent of the Obligations of Principal. The liability of Guarantor hereunder is independent of any security for or other guaranty of payment received by PG&E in connection with the Agreement and is not affected or impaired by (a) any indebtedness of Principal to PG&E that exceeds Guaranty's liability hereunder, or (b) any other guaranty as to amounts owed to PG&E by Principal, or (c) any partial payment by Principal or any other party acting under a separate guaranty, or (d) any dissolution, reorganization, or insolvency of Principal, or (e) any payment to PG&E by Principal that PG&E subsequently returns to Principal pursuant to court order in any bankruptcy or other debtor-relief proceeding, or (f) any indemnity agreement Principal may have from any party, or (g) any insurance that may be available to cover any loss. Guarantor waives any right to the deferral or modification of Guarantor's obligations hereunder by virtue of any such debtor-relief proceeding involving Principal.

4. Term. The term of this Guaranty is coincident with the term of any Obligation of Principal under the Agreement, and this Guaranty may not be terminated early for any reason.

5. Waivers of Defenses by Guarantor. (a) Guarantor waives, to the fullest extent permitted by law, the benefit of any statute of limitations affecting its liability under this Guaranty or the enforcement of this Guaranty. (b) Guarantor waives any right to require PG&E to (i) proceed against Principal, (ii) proceed against or exhaust any security held from Principal or any other party acting under a separate agreement, or (iii) pursue any other remedy available to PG&E. (c) Guarantor waives any defense based on or arising out of any defense of Principal other than payment in full of the amount(s) owed or full and satisfactory performance of Principal's obligations under the Agreement, including without limitation any defense based on or arising out of the disability of Principal, the unenforceability of the indebtedness from any cause, or the cessation from any cause of the liability of Principal other than payment in full of the amount(s) owed or full and satisfactory performance of Principal's obligations. (d) PG&E may, at its election, foreclose on any security held by PG&E, whether or not the means of foreclosure is commercially reasonable, or exercise any other right or remedy available to PG&E without affecting or impairing in any way the liability of Guarantor under this agreement, except to the extent the amount(s) owed to PG&E by Principal have been paid. (e) Guarantor waives all rights and defenses arising out of an election of remedies by PG&E, even though that election of remedies may impair or destroy Guarantor's rights of subrogation and reimbursement against Principal by operation of Section 580d of the California Code of Civil Procedure or otherwise. (f) Until all amounts owed by Principal to PG&E are paid in full, even though such amounts may in total exceed Guarantor's liability hereunder, Guarantor shall have no right of subrogation, waives any right to enforce any remedy that PG&E has or may have against Principal, and waives any benefit of and any right to participation in any security from Principal now or later held by Guarantor. (g) Guarantor assumes all responsibility for keeping itself informed of Principal's financial condition and all other factors affecting the risks and liability assumed by Guarantor hereunder, and PG&E shall have no duty to advise Guarantor of information known to it regarding such risks.

6. Liens and Setoffs. PG&E shall have a right of setoff against any amounts owed by PG&E to Guarantor under any agreement or judgment and a lien against any money or other security of Principal held by Guarantor, without regard whether such money or security is held in relation to this Guaranty or otherwise, and every such lien and setoff may be exercised by PG&E without notice to or demand on Guarantor.

7. No Waiver of Rights by PG&E. No right or power of PG&E under this Guaranty shall be deemed to have been waived by any act or conduct on the part of PG&E, or by any neglect to exercise a right or power, or by any delay in doing so, and every right or power of PG&E hereunder shall continue in full force and effect until specifically waived or released in a written document executed by PG&E.

8. Governing Law. This Guaranty is made under and shall be governed in all respects by the laws of the State of California, and its provisions may not be waived, altered, modified or amended except in writing executed by an officer of each of Guarantor and PG&E. If any provision of this Guaranty is held invalid under the laws of California, this Guaranty shall be construed as though the invalid provision has been deleted, and the rights and obligations of the parties shall be construed accordingly.

9. Construction. All parties to this Guaranty are represented by legal counsel. The terms of this Guaranty and the language used herein shall be deemed to be the terms and language chosen by the parties hereto to express their mutual intent. This Guaranty shall be construed without regard to any presumption or rule requiring construction against the party causing such instrument or any portion thereof to be drafted, or in favor of the party receiving a particular benefit under this Guaranty. No rule of strict construction will be applied against any person.

10. Notice. Any notice given hereunder by either Guarantor or PG&E shall be made by facsimile to the person and at the address specified by each party for this purpose. Such notice shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if receipt is outside of the recipient's normal business hours. Either party may periodically change any address to which notice is to be given it by providing notice of such change as provided herein.

For _____:
(Guarantor)

By: _____
Date: _____

For Atlantic Oil Company
(Principal)

By: David Rogers
Date: 7-28-09

Agreed to by PG&E for purposes of establishing the creditworthiness of Principal, as security for the Agreement.

For PG&E:
By: [Signature]
Date: July 31, 2009

Exhibit A.1
Form of Letter of Credit
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

**ISSUING BANK LETTERHEAD
ADDRESS**

Date: _____
Irrevocable Standby Letter of Credit Number: _____

Beneficiary: Pacific Gas and Electric Company
77 Beale Street, Mail Code B28L
San Francisco, CA 94105
Attn: Credit Risk Management Unit

Applicant: _____
Address: _____

[Advising Bank, if applicable]
[Confirming Bank, if applicable]

At the request of [insert name of Applicant], we, [insert name of Issuing Bank] hereby issue our Irrevocable Standby Letter of Credit No. [insert Letter of Credit number] ("Letter of Credit") effective immediately in your favor for the account of [insert name of account party] ("Account Party") in the amount of United States Dollars [spell out amount followed by (US\$ _____)] (hereinafter, as may be reduced from time to time in accordance with provisions hereof, referred to as the "Stated Amount"). This Letter of Credit can be drawn against presentation of the following documents:

1. Your sight draft, in the form of Annex A.

AND

A Beneficiary Certificate signed by an authorized officer of Pacific Gas and Electric Company in the form of either Annex B or Annex C.

Special Conditions:

1. Partial and multiple drawings are permitted.
2. All banking charges associated with this Letter of Credit are for the account of the Applicant.
3. This Letter of Credit expires at our counters located at [address] on _____, _____, (the "Expiration Date") but such Expiration Date shall be automatically extended without amendment for a period of one year and on each successive Expiration Date, unless at least sixty (60) days before the then current Expiration Date, we notify you by registered mail or courier that we elect not to extend the Expiration Date of this Letter of Credit for such additional period.

4. Documents are to be presented at our office located at the address below no later than the Expiration Date.
5. This Letter of Credit is not transferable.
6. Each drawing request honored by us shall reduce the Stated Amount by the amount honored.
7. A drawing for an amount greater than the Stated Amount of the Letter of Credit is allowed, however, payment shall not exceed the Stated Amount of the Letter of Credit.

We hereby engage with you that draft(s) drawn under and in compliance with the terms of this Letter of Credit will be duly honored if drawn and presented for payment at any time before the close of business [insert time] at our counters located at [insert address] on the then current Expiration Date or in the event of a Force Majeure, as defined under Article 17 of the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500 ("UCP 500"), that interrupts our business, within thirty (30) days after resumption of our business, whichever is later.

Except as otherwise stated herein, this Letter of Credit is subject to UCP 500 and, with respect to matters not so covered by UCP 500, this Letter of Credit is subject to and governed by the laws of the State of New York.

If you have any questions regarding this Letter of Credit, please call [Telephone No.].

By: _____
Authorized Signature

Name: _____

Title: _____

Exhibit A.2
Form of Evidence of Insurance
Pipeline Purchase & Sale Agreement



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
03/17/2009

PRODUCER Fax# 1-818-508-1787 Phone# 1-800-660-BOGY
THE BOGY COMPANY - INSURANCE SINCE 1910
P O BOX 2100
TOLUCA LAKE CA 91610-0100
CA ORG LIC 0696236

INSURED Fax# Phone#
ATLANTIC OIL COMPANY AND LOMITA OPERATING CO.
310 E. COLORADO STREET, SUITE 201
GLENDALE CA 91205

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: CHUBB	
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INBR ADDL LTR INBR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC	0000-7956-06-97	04/01/08	04/01/09	EACH OCCURRENCE \$ 1,000,000. DAMAGE TO RENTED PREMISES (EA OCCURRENCE) \$ 100,000. MED EXP (Any one person) \$ EXCLUDED PERSONAL & ADV INJURY \$ 1,000,000. GENERAL AGGREGATE \$ 2,000,000.** PRODUCTS - COMPIOP AGG \$ 2,000,000. DEDUCTIBLE: \$ 5,000.
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (EA accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$
	EXCESS / UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE \$ RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y/N If yes, describe under SPECIAL PROVISIONS below				WE STATUTORY LIMITS OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
	OTHER				

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 *****SAMPLE ONLY***** PENDING MAILING ADDRESS FOR CERTIFICATE HOLDER. ALL COVERAGES, LIMITS, TERMS, COVERED LOCATIONS, AND CONDITIONS PER POLICY FORMS AND SUPPORTING DOCUMENTS.
 **UNDERGROUND RESOURCES HAZARD PROPERTY DAMAGE AGGREGATE LIMIT: \$1,000,000.
 POLLUTION FORMS, CONDITIONS AND EXCLUSIONS PER POLICY FORMS.

CERTIFICATE HOLDER Fax# Phone#
 P. G. AND E.
 TOGETHER WITH THEIR OFFICERS, DIRECTORS,
 EMPLOYEES AND AGENTS
 ADDRESS TO FOLLOW
 ADDRESS TO FOLLOW

CANCELLATION
 SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.
 AUTHORIZED REPRESENTATIVE THE BOGY COMPANY

IMPORTANT

If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

This Certificate of Insurance does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.



Pacific Gas and Electric Company

Bill of Sale and Sale Agreement

Exhibit B
Form of Bill of Sale
Pipeline Purchase and Sale Agreement **9323**
Dated July 31, 2009

SELLER: Pacific Gas and Electric Company
Materials Department
Investment Recovery Group
245 Market Street, Mail Code N5F
San Francisco, CA 94105

BUYER: Atlantic Oil Company
Attn: Dave Rogers
310 East Colorado Street Suite 201
Glendale, Ca 91205

We offer to purchase the following items for the Purchase Price shown and subject to the attached Terms and Conditions.

ITEM	QTY	UNIT	DESCRIPTION	PURCHASE PRICE
1	E+04	EA	Retire and Sell Portions of L-302 - 2, 3, 4, 6 & 8-Inch pipe totaling 13,388 feet connecting the following gas wells: Epperson 2, Sutter Units K-2, K-3, K-4, Cameron Units 23-26a-1, 23-26a-3 and Frye Units 1, 2 & 3	\$20,483.64
2	1	EA	This is a 851 transaction	

Sub Total	\$20,483.64
Tax @ 0.00%	\$0.00
Total	\$20,483.64

REMARKS:

Disposition Number: 89602
Bid Number:
Sales Location: NO TAX
Ref Order Number: 9702041

Seller shall add State of California sales tax for property delivered in California OR the appropriate sales tax of the state to which shipment is sent UNLESS Buyer claims exemption of such tax.

TAX EXEMPT BECAUSE:

RESALE PERMIT #	TYPE OF PAYMENT RECEIVED (CHECK ONE - Cash not accepted)	<input type="checkbox"/> COMPANY/PERSONAL CHECK <input type="checkbox"/> CASHIER'S CHECK <input type="checkbox"/> MONEY ORDER
-----------------	---	--

THE ATTACHED TERMS AND CONDITIONS ARE PART OF THIS OFFER AS EFFECTIVELY AS THOUGH THEY PRECEDE THE SIGNATURE OF BUYER BELOW

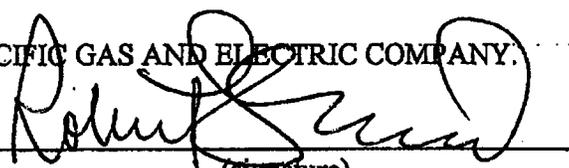
SELLER (Signature)	BUYER (Signature)
TITLE	TITLE
TELEPHONE	TELEPHONE
DATE OF ACCEPTANCE	DATE OF OFFER

Buyer's Copy (not valid without Investment Recovery's initial in non-black ink) _____
Buyer retains along with Terms and Conditions as proof of payment.

Exhibit C
Form of FIRPTA Certificate
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by Pacific Gas and Electric Company (PG&E), the undersigned hereby certifies the following on behalf of PG&E: 1. PG&E is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations); 2. PG&E's U.S. employer identification number is 94-0742640; and 3. PG&E's office address is 77 Beale Street, San Francisco, California 94105. PG&E understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both. Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of PG&E

PACIFIC GAS AND ELECTRIC COMPANY.

By: 

(signature)

Robert T. Howard

(print name)

Title: VP - Gas Transmission and Distribution

Date: Sept 2, 2009

[Sec. 5.F.(iii)]

THIRD PARTY ACCESS PROPOSAL
Gas gathering lines (Subject Pipelines) acquired from
Pacific Gas & Electric ("PG&E")

Atlantic Oil Company ("Atlantic") is an exploration and production company, incorporated in and doing business in the state of California since 1933. In connection with its purchase of the Subject Pipeline segment from Pacific Gas & Electric Company (PG&E), Atlantic proposes to operate said pipeline segment as a non-regulated pipeline. Atlantic also agrees, upon request, to make any capacity in excess of its actual production requirements available to Third Party Producers of natural gas in the area served by the Subject Pipeline segment for the gathering of natural gas. Prior to the gathering of any thirty party natural gas, Atlantic and said Third Party Producer shall in good faith enter into a mutually acceptable written gathering agreement that shall provide for the prompt payment of revenues to the Third Party Producer and which shall include among its terms and conditions, provisions that accomplish the following:

- a. Atlantic shall use commercially reasonable efforts to market any such third party natural gas and said Third Party Producer shall be responsible for producing the quantities of natural gas it nominates. Atlantic shall not be held liable to said Third Party Producer with respect to marketing decisions under any theory of liability with the exception of any harm which is determined to be the result of the gross negligence or willful misconduct of Atlantic.
- b. Should the BTU content of such Third Party Producer natural gas be of such quality that when blended with Atlantic's natural gas jeopardizes deliveries to the custody transfer point, then prior to the acceptance of such gas for gathering, said Third Party Producer shall be responsible at its sole risk and expense to make its gas compatible with the requirements of the custody transfer point. In addition, the third party gas shall not have a sulphur, carbon dioxide, oxygen, water, and other contaminant content more than the natural gas then moving through the Subject Pipeline segment, such that the transmission, corrosion, and marketability characteristics of the natural gas stream moving through the pipeline segment shall not be degraded.
- c. All third party gas will be gathered on an interruptible service basis. In the event of capacity constraints, the shortages will be allocated on a through put basis among the third party natural gas producers such that Atlantic gas shall have a priority right to the pipeline capacity. In the event of any such constraint, Atlantic shall not have any obligation to enlarge the lines, install compression, or do any other act to increase

capacity. Atlantic's obligations shall be strictly limited to fairly allocating between the Third Party Producers the gathering capacity remaining after Atlantic's pipeline capacity requirements have been satisfied.

- d. Gathering services for all third parties will be priced at a value per thousand cubic feet of natural gas gathered at a rate calculated to recover: (i) the direct actual costs of operating and maintaining the pipeline segment; (ii) the purchase price of the initial transaction and any capitalized items installed on or connected to said pipeline, or otherwise reasonably associated with said segment, by way of a depreciation charge in accordance with generally accepted accounting standards; and (iii) a delivery fee not to exceed 12% of the above-mentioned costs.
- e. Third Party Producers will pay for additional insurance if required, to transport their gas to the PG&E meter.
- f. This statement of operation shall have no application to or create any obligation in Atlantic with regard to any Atlantic owned pipelines that have not been acquired from PG&E pursuant to this transaction to which this statement is a part.
- g. Atlantic agrees the obligations undertaken herein shall run with the pipeline segment and bind it and its successors and assigns, if any.

Exhibit E
California Production Interconnection
and Operating Agreement ("CPIOA")
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

**CALIFORNIA PRODUCTION
INTERCONNECTION AND OPERATING AGREEMENT**

No. _____

between

PACIFIC GAS AND ELECTRIC COMPANY

and

PRODUCER

California Production Interconnection and Operating Agreement

TABLE OF CONTENTS

ARTICLE		PAGE
1	Warranty of Title	6
2	Well Connection and Facilities	6
2.1	Existing Facilities	6
2.2	New Facilities	6
2.3	Ownership of Facilities	11
2.4	No Dedication of Facilities	12
2.5	Repairs, Upgrades, Modifications and Replacements	12
2.6	Specific Equipment	12
2.7	Future Well Additions	13
2.8	Certain Costs Payable By Producer	13
3	Operations and Maintenance	14
3.1	Appointment of Producer's Nominations Agent	14
3.2	Appointment of Physical Operator	15
3.3	Maintenance of Facilities	15
3.4	Rights and Obligations	16
3.5	Volunteered Lines	17
3.6	Volume Report	18
4	Gas Quality	19
4.1	Gas Quality Requirements	19
4.2	Gas Quality Testing	19
4.3	Refusal of Gas	20
5	Measurement and Tests	20
5.1	Measurement and Computation	20
5.2	Custody, Maintenance and Records	20
5.3	Meter Accuracy Verification	21
5.4	Manufacturer's Specifications	21
5.5	Inaccuracies	22

TABLE OF CONTENTS (continued)

	ARTICLE	PAGE
6	Compression	24
6.1	Operation	24
7	General Conditions	24
7.1	Term	24
7.2	Termination	24
7.3	Survival	26
7.4	Warranty Disclaimer	26
7.5	Exclusive Remedy	26
7.6	Consequential Damages	27
7.7	Governmental Authority	27
7.8	Compliance with Laws	28
7.9	Environmental Indemnification	28
7.10	Arbitration	28
7.11	Governing Law	30
7.12	Easements and Rights of Way	30
7.13	Force Majeure	30
7.14	Waivers	30
7.15	Amendments and Modifications	31
7.16	Enforceability	31
7.17	Ambiguities	31
7.18	Headings	31
7.19	Notices	31
7.20	Assignments	32
7.21	Appendices	32
7.22	Separate Agreement	33

California Production Interconnection and Operating Agreement

This Agreement, (hereafter "Agreement") dated _____
is between _____

"Producer" and PACIFIC GAS AND ELECTRIC COMPANY (PG&E), individually and collectively also referred to as "Party" or "Parties":

PURPOSE:

1. Producer owns or otherwise controls, or may hereafter own or otherwise control, natural gas ("Gas") produced from the Well(s) specified in Appendix A, located in _____ County; and
2. PG&E is willing to connect Producer's Gas Delivery Facilities to accept Producer's Gas into PG&E's Gas Plant for transportation to PG&E's customers ("Customers"); however, this Agreement is not intended to be an agreement for transportation services, and it does not entitle Producer to deliver or obligate PG&E to receive Producer's Gas for transportation. PG&E provides transportation services pursuant to applicable rules, schedules, tariffs, and agreements.
3. This Agreement establishes the terms and conditions for the installation, operation, and maintenance of certain facilities (which may include taps, tie-ins, measurement facilities, valves, associated piping, and other such equipment as may be required from time to time) to connect Producer's Gas Delivery Facilities to and accept Gas into PG&E's Gas Plant; and
4. This Agreement also establishes the terms and conditions for the delivery of Gas into PG&E's Gas Plant (including gas quality, pressure, and measurement) and other conditions intended to govern the contractual relationship of the Parties.

NOW THEREFORE, in consideration of the covenants set forth herein, the Parties agree as follows:

California Production Interconnection and Operating Agreement

Definitions: The following terms when used in this Agreement shall mean:

"Article" - A numbered Article of this Agreement. An Article includes all the numbered sections of this Agreement that begins with the same number as that Article.

"British Thermal Unit" or "Btu" - The amount of energy required to raise the temperature of one pound of water one degree Fahrenheit. Of the several precise definitions of a Btu, this agreement shall use the gas industry accepted International Table Btu (Btu_{IT}) which is equal to 1,055.05585262 joules (exact) or rounded to 1,055.056 joules for most applications. (A joule is approximately equal to one watt-second.)

"CPUC" - The California Public Utilities Commission or any successor regulatory body.

"Cubic Foot" - (Also a Standard Cubic Foot of Gas) The volume of Gas which occupies one cubic foot when the Gas is at the standard reference conditions of sixty degrees Fahrenheit and fourteen and seventy-three hundredths (14.73) pounds per square inch absolute.

"Delivery Facilities" - Producer's facilities at which Gas is transferred from Producer to PG&E's Gas Plant.

"Facilities" - General term which includes all Measurement Facilities, Odorization Facilities, and Gas Sampling Facilities used to receive Producer's Gas into PG&E's Gas Plant.

"FERC" - The Federal Energy Regulatory Commission or any successor regulatory body.

"Gas" - Natural gas produced from gas wells or casing head gas produced in association with crude oil.

"Gas Plant" - The gas pipeline system, and all related facilities which are owned and operated by PG&E within the state of California.

"Sampling Facilities" - Equipment used to monitor the quality of Producer's Gas.

"Heating Value" - The amount of heat, measured in Btu per standard cubic feet, produced by the complete combustion of a dry Cubic Foot of Gas. The Heating Value shall be the gross or higher Heating Value which is obtained when all of the products of combustion are cooled to 60 degrees Fahrenheit.

"Master Meter" - The Meter which measures volumes of Gas consolidated from two or more Meters.

California Production Interconnection and Operating Agreement

"Measurement Facilities" - Equipment associated with the measurement of Gas, which may include but is not limited to the block valves, back-flow check valve, relief valves, straightening vanes, orifice tube, orifice plate, orifice fitting, flow meter, solar panel, and associated fittings, tubing and piping.

"Meter" - A measurement device used to determine the quantity of Gas that flows from Producer's Well(s) into the PG&E Gas Plant.

"Odorization Facilities" - Equipment used to inject odorant into PG&E's Gas Plant.

"Producer" - Person or persons (legal or natural) owning a Working Interest in, or otherwise controlling a Well and having the right to deliver or sell Gas from such Well. If more than one Producer are signatories to this Agreement, the term "Producer" shall mean the Producers signatories to this Agreement jointly and severally.

"Physical Operator" - May be designated under the terms of this agreement as Producer's duly authorized representative for the purposes stated in Paragraph 3.2 hereof.

"PSIG" - Pounds per Square Inch Gauge gas pressure, measured with reference to the local atmospheric pressure.

"Receipt Point" - The interconnection point between Producer's Gas Delivery Facilities and PG&E's Gas Plant, where Gas is measured by PG&E for delivery into PG&E's Gas Plant.

"Section" - A numbered section of this Agreement included within the Article that begins with the same number as that section.

"Specifications" - PG&E's General Specifications for Producer Installation of Measurement Facilities and Related Equipment for Gas Gathering Interconnections, Appendix C to this Agreement, as required, and/or other specifications provided by PG&E for the installation of Facilities by Producer.

"Volunteered Line" - Pipelines, valves, and other attached appurtenances owned by PG&E, as listed on Appendix E, which are located between the Measurement Facility and Producer's Gas Well(s).

"Well(s)" - Well(s) listed on Appendix A, attached hereto and made a part of this Agreement.

"Working Interest" - Percentage of ownership of production from a Well(s) under a gas lease.

Article 1

1. **Warranty of Title:** Producer hereby warrants that Producer has the right to nominate and deliver all Gas to be delivered to PG&E at the Receipt Point(s) and that such right is free and clear of all liens and adverse claims of any kind. Producer will hold harmless, indemnify and defend PG&E against all claims, suits, actions, debts, accounts, damages, liabilities, costs (including reasonable attorneys fees), losses, and expenses, for or arising from or out of any: (1) adverse claims of any and all persons to the Gas; (2) royalties, overriding royalties, or other payments with respect to the Gas; and (3) taxes, licenses, fees or charges, relating to the Gas or its delivery or sale, which are or may be applicable.

Article 2

2. Well Connection and Facilities

2.1. **Existing Facilities:** If there are existing Facilities for receipt of Producer's Gas into PG&E's Gas Plant and PG&E has determined that they are adequate for receipt of Gas for transportation purposes, then these Facilities may, in PG&E's sole discretion, be used for such purposes. Existing Facilities will not be used for the measurement of Gas that does not meet the quality requirements as provided in Section 4.1 of this Agreement. If Producer and PG&E determine or PG&E determines that additional Facilities, modifications or upgrades are required, then the conditions set forth in Sections 2.2, 2.3 and 2.5 below shall apply.

2.2. **New Facilities:** If new Facilities are required to connect a new Well or Wells, the following conditions shall apply:

2.2.1. **Request for Tie-In Connection Location:** Producer shall request PG&E to identify a specific tie-in connection location. At the time such request is made, Producer shall: (1) pay to PG&E a non-refundable application fee in the amount specified in Appendix F, as amended from time to time; (2) identify the exact well-site location; and (3) provide proof of mineral rights and the assignment of applicable easements, rights of way, and other necessary land rights to PG&E.

California Production Interconnection and Operating Agreement

2.2.2. Connection Location(s): PG&E shall identify the tie-in connection location(s) with compatible Gas quality and available capacity for the receipt of Producer's Gas, after PG&E has: (1) received all items described in Section 2.2.1 above; (2) performed or witnessed a back pressure test; and (3) collected or received Gas sample(s). The back pressure test and collection or receipt of gas samples shall take place within thirty (30) days of the receipt of the items described in Section 2.2.1 above.

PG&E may refuse to accept Producer's Gas if the Gas quality is not compatible, PG&E does not have available system capacity, or in PG&E's reasonable judgment the delivery of Producer's Gas may have other adverse effects on PG&E's operations, Gas Plant or Facilities, or on the operations or property of Customers or other producers.

2.2.3. PG&E Installs Measurement Facilities, Odorization Facilities and/or Gas Sampling Facilities: If Producer requests PG&E to install Facilities at the Receipt Point and PG&E in its sole discretion agrees to install such Facilities at Producer's expense, the following conditions shall apply:

(a) Upon identification of the tie-in connection location(s), PG&E shall inform Producer of the cost to install the Facilities contemplated hereunder. Such costs may include, but not be limited to, engineering, PG&E's land survey and land rights acquisition, and/or equipment costs. Identification of the tie-in connection location(s) shall not obligate PG&E to maintain capacity available on its Gas Plant for Producer's Gas.

(b) Producer shall pay PG&E for PG&E's actual costs to provide and install Facilities pursuant to this Agreement, including all direct and overhead costs as allocated to such Facilities by PG&E. PG&E shall provide PG&E's estimate of these costs to Producer and Producer shall pay this estimated amount to PG&E prior to construction. After completion of the Facilities, PG&E will provide a statement to Producer showing the difference, if any, between such estimated costs and the actual costs. If the actual costs exceed the estimated costs paid by

California Production Interconnection and Operating Agreement

Producer, Producer shall submit payment to PG&E within thirty (30) calendar days of the date of PG&E's invoice. If the actual costs are less than the estimated costs paid by Producer, PG&E will refund the difference to Producer within the same time period.

All payments shall be made referencing account number UZB _____ on Producer's check, to the following address:

Mailing Address:
PACIFIC GAS & ELECTRIC COMPANY
C/O Payment Processing
Mail Code B5C
Box 770000
San Francisco, CA 94177

Street Address:
PACIFIC GAS & ELECTRIC COMPANY
C/O Payment Processing
Mail Code B5C
77 Beale Street
San Francisco, CA 94105

(c) After PG&E and Producer have reached agreement on the specific tie-in location(s) as stated in Section 2.2.3.(a) above, Producer may not change the location without PG&E's written concurrence. Producer shall pay to PG&E any additional costs associated with a change in location.

2.2.4. Producer Installs Measurement Facilities, Odorization Facilities and/or Gas Sampling Facilities: If Producer elects to install Facilities, the following shall apply:

(a) Producer may furnish and/or install Facilities in accordance with specifications, plans, standards and procedures provided by PG&E and subject to PG&E's inspection for compliance with PG&E's specifications, plans, standards and procedures. Producer shall use qualified licensed contractors for such work. Producer shall ensure that the Facilities meet all of the applicable requirements of all governmental authorities having jurisdiction.

California Production Interconnection and Operating Agreement

(b) Prior to construction, Producer shall pay PG&E for PG&E's estimated cost of labor, material and overhead to provide engineering review, identification of the required tie-in connection location(s), Facilities, and inspections and tap installation. After PG&E has performed these activities, Producer shall pay to PG&E the difference, if any, between the estimated cost and the actual cost of these activities and any other actual costs to PG&E associated therewith. PG&E shall provide a statement to Producer, and Producer shall pay PG&E for such actual costs as provided in Section 2.2.3(b).

(c) After Producer has completed the installation of the Facilities, Producer shall request in writing that PG&E connect the Facilities to PG&E's Gas Plant. At the time of this connection request, Producer shall provide: (1) an assignment to PG&E of all applicable easements, rights of way, and other necessary land rights; (2) engineering specifications; (3) an "as-built" drawing with survey location of the Facilities and pipeline(s); and (4) Producer's warranty that the Facilities were constructed in conformance with CPUC General Order No. 112-E, or any successor regulations, and the Specifications.

2.2.5. Contributions in Aid of Construction:

(a) If PG&E determines that an amount with respect to Producer's Contributions in Aid of Construction (CIAC) is includable in PG&E's gross income, PG&E will calculate the CIAC gross up amount based on the methodology approved by the CPUC from time to time for that purpose; and Producer agrees to pay this CIAC gross up amount to PG&E, within thirty (30) days from PG&E's demand for payment, plus interest; the interest will be computed at the "CPUC Rate" from the due date (without extensions) of the federal tax return for the taxable year in which such amount is includable until the date Producer pays to PG&E the total amount described herein; the "CPUC Rate" is interest at the average three-month commercial paper rate as published in the Federal Reserve Bulletin, or such other rate as the CPUC may establish from time to time to replace the rate in paragraph 18 of its conclusions of law in Decision 87-09-026.

California Production Interconnection and Operating Agreement

(b) The CIAC gross up amounts, if demanded, shall be paid in addition to Producer's reimbursements to PG&E, or Producer's expenditures, for the costs of facilities and their installation as provided in this Agreement.

(c) The payment of the CIAC gross up amount shall be made by Producer, pursuant to Section 2.2.5(a), when PG&E reasonably determines that an amount with respect to Producer's contribution is includable in PG&E's gross income based upon IRS ruling, regulation, court decision (including tax court), or other pertinent tax authority, or when an IRS revenue agent issues a notice of proposed adjustment or other notice indicating that such an amount is so includable.

2.2.6. Facility Inspection and Connection:

(a) PG&E will make reasonable efforts to inspect the Facilities during construction and as soon as practicable after construction. However, due to possible emergency situations or manpower constraints, PG&E's inspection within thirty (30) days after Producer's notice of completion shall constitute compliance with the provisions of this Section 2.2.6(a).

(b) PG&E will connect Facilities to PG&E's Gas Plant after PG&E has inspected the Facilities and has verified that the Facilities meet PG&E's applicable standards and the Specifications.

(c) All connections to and from the PG&E system shall be performed solely by PG&E or PG&E's contractor. For tap installations, Producer shall pay PG&E's actual cost of materials, equipment and labor (which labor charge shall include wages, benefits, and payroll taxes).

2.2.7. Failure to Request Connection: If Producer fails to request connection to PG&E's Gas Plant of the Facilities installed by Producer within one-hundred and twenty (120) days following the date of PG&E's identification of a specific tie-in connection location (pursuant to Section 2.2.2 above), then Producer shall request the following before requesting connection of the Facilities to PG&E's Gas Plant: (1) verification and a written statement from PG&E that capacity remains available at the identified tie-in connection location for the receipt of Producer's Gas; and (2)

California Production Interconnection and Operating Agreement

that Producer's gas is still compatible with PG&E's gas plant. If, at the time Producer requests such verification, capacity is no longer available at that tie-in connection location and Producer still desires to connect the Facilities to PG&E's Gas Plant, then Producer shall request a new tie-in connection location pursuant to Section 2.2.1 above.

2.2.8. Failure to Connect: If Producer's Well is not connected to PG&E's Gas Plant within six (6) months from the date of Producer's request for a tie-in connection location, then PG&E shall render to Producer an itemized invoice for all unpaid costs of the work undertaken to identify a specific tie-in connection location in excess of the non-refundable application fee paid to PG&E pursuant to Section 2.2.1 hereof. If such failure to connect is not caused by PG&E, Producer agrees to reimburse PG&E for the actual cost of such work.

2.2.9. Payments: All amounts invoiced by PG&E, pursuant to this Article 2, shall be due and paid within thirty (30) calendar days following the date of PG&E's invoice, except as otherwise stated herein.

2.3. Ownership of Facilities: PG&E shall have sole ownership, custody and control of all Facilities, regardless of which Party installed the Facilities. Upon completion of construction, installation, inspection, and PG&E's finding that the Facilities conform to PG&E's specifications, title to the Facilities shall immediately transfer into the name of PG&E, whether or not the Parties have executed any documentation formalizing such transfer.

PG&E may at any time while this agreement is in effect transfer ownership of Facilities to Producer. In that event, Producer agrees to accept the ownership of such Facilities and the obligation to maintain and operate such Facilities at Producer's expense. PG&E shall have the right, at any time to access Facilities to do any of the following: (1) inspect Facilities to verify the proper maintenance and operation thereof to the extent PG&E deems it necessary; and (2) test and calibrate the Measurement

California Production Interconnection and Operating Agreement

Facilities to verify the accuracy of instruments as provided in Article 5. If Producer does not grant access to the Facilities as provided herein, PG&E shall have the right to refuse to accept Producer's Gas until such access is granted in accordance with this Agreement.

2.4. No Dedication of Facilities: Nothing in this Agreement shall be construed as a dedication by either PG&E or Producer of its respective facilities to the other Party.

2.5. Repairs, Upgrades, Modifications and Replacements: If PG&E determines that Facilities, or the gas gathering pipeline(s) used to transport Producer's Gas to PG&E's transmission system, are in need of repairs, upgrades, modifications or replacements, PG&E shall notify Producer accordingly. If Producer requests PG&E to make the necessary repairs, upgrades, modifications or replacements, and PG&E agrees to do so, Producer shall pay PG&E for all (or a prorated portion if more than one Producer is served by the pipeline(s) and/or Facilities) of PG&E's actual costs of such work in accordance with the same provisions as applicable to Facilities under Section 2.2.3(b) above. If Producer fails to request that PG&E make the repairs, upgrades, modifications or replacements at Producer's expense, or if not all producers served by the pipeline(s) and/or Facilities request PG&E to perform such work at their expense, PG&E shall have the right to refuse to accept Producer's Gas. However, if Producer wishes to build its own pipeline, Producer may enter into a new CPIOA for a new connection and delivery of Gas at an appropriate Receipt Point.

If Producer takes ownership of Facilities, PG&E will not perform repairs, upgrades, modifications or replacements of such transferred Facilities.

2.6. Specific Equipment:

2.6.1. Pressure Regulations: Producer shall install (upstream of the Measurement Facilities), test, and maintain in good working condition the necessary pressure regulation equipment to protect PG&E's Gas Plant from exposure to pressures in excess of the specified maximum pressure. Such Facilities and the installation and maintenance thereof shall conform with CPUC General Order No. 112-E, or any successor regulations.

California Production Interconnection and Operating Agreement

2.6.2. Odorization and/or Gas Sampling: If under the laws, rules or regulations of any local government or regulatory body having jurisdiction, or in PG&E's sole judgment as a public utility, it is required that all or any of Producer's Gas be odorized or that Producer's gas be monitored for quality, then Sections 2.2, 2.3, 2.4, and 2.5 above shall apply as they relate to such Odorization Facilities. Producer agrees to obtain a grant of easement at a suitable location and to grant PG&E a non-exclusive license to exercise the rights conveyed to Producer under said grant of easement for the purpose of installing, operating and maintaining said Odorization Facilities or Gas Sampling Facilities.

2.7. Future Well Additions

2.7.1. New Well Connection and Well Recompletions: PG&E may or may not accept Gas from a reworked, recompleted, or new well, at the same interconnection point and/or through the meters identified in Appendix A. PG&E will determine the tie-in location, and may refuse to accept such Gas, based upon the same criteria as set forth in Section 2.2.2.

2.7.2. Acceptance of New Gas: If PG&E refuses to accept new Gas at the existing Receipt Point, the Producer may request a new tie-in connection location for the Additional Well(s) by executing a separate CPIOA.

2.8 Certain Costs Payable By Producer: Charges payable by Producer pursuant to Sections 2.2.1, 2.2.3, 2.2.4, 2.2.6, 2.2.8, 2.5, 3.5.3 and 5.3 shall be based on the costs stated in Appendix F, which is subject to Section 7.7. Appendix F will be amended from time to time when PG&E reviews and recalculates its actual costs to keep the charges current.

Article 3

3. Operations and Maintenance

3.1. Appointment of Producer's Nominations Agent: As a condition of interconnection of Producer's Gas Delivery Facilities with PG&E's Gas Plant, under this Agreement, Producer shall appoint one authorized representative as Producer's sole agent with exclusive authority to place nominations for Producer on PG&E's system, for transportation of Producer's Gas to be delivered at the Receipt Point(s). That agent shall also be referred to as "Producer's Nominations Agent"; and the appointment shall be made pursuant to Appendix B "Appointment of Producer's Nominations Agent." The executed Appointment of Producer's Nominations Agent shall be returned to PG&E, addressed as follows:

PACIFIC GAS AND ELECTRIC COMPANY
Gas System Operations Department
Scheduling and Accounting Director
Mail Code B16A
P. O. Box 770000
San Francisco, CA 94177

Producer may change its Producer's Nominations Agent, by providing a new Appointment of Producer's Nominations Agent to PG&E pursuant to PG&E's applicable procedures. If Producer and PG&E enter into a separate agreement regarding nominations, balancing and other issues relating to the transportation of the Gas delivered under this Agreement, with respect to the Well(s), it shall govern with respect to the procedures for the appointment and/or change of Producer's Nominations Agent.

Producer acknowledges and agrees that Producer's failure to appoint an agent with exclusive authority to make nominations for Producer may cause Producer, PG&E, or third parties to incur damages or liabilities; therefore, Producer agrees that if Producer fails to comply with this Section 3.1, Producer will hold PG&E harmless and will indemnify PG&E from and against any and all damages and liabilities that may be incurred by PG&E, Producer or third parties as a result of or in connection with the nominations of Producer's Gas made by anyone.

California Production Interconnection and Operating Agreement

3.2. Appointment of Physical Operator: Producer may appoint an authorized representative to serve as Physical Operator for the Well(s). Except as set forth in Section 3.1 above, the Physical Operator shall be duly authorized to act for Producer as follows: to give and receive notices and requests, make and witness tests, deliver quantities of Gas hereunder; and do and receive all things as provided herein regarding the physical operation of the Well(s). Producer shall notify PG&E in writing of the appointment and change of the Physical Operator. Producer expressly agrees that PG&E may rely on any and all acts and notices of the Physical Operator to the same extent as if they were performed or provided by Producer.

Producer hereby appoints as Physical Operator: _____

Physical Operator's Address

Telephone: _____	Telephone: _____
Telecopier: _____	Attention: _____

3.3. Maintenance of Facilities: Maintenance of Facilities owned or controlled by PG&E will, in PG&E's sole discretion, be provided by PG&E at PG&E's expense, subject to Section 2.3 above. Producer acknowledges that PG&E intends to submit to the CPUC for approval an operating and maintenance fee (O&M Fee) to be charged to Producer, based on PG&E's actual costs to operate and maintain facilities, pipelines and equipment, for the receipt of Gas, as determined from time to time by PG&E pursuant to Appendix D. Such O&M Fee may include, without limitation, meter reading, gas sampling and analysis, gas odorization, equipment maintenance and calibration, direct and indirect expenses, and administrative and general office allocated costs. Producer agrees to start paying the O&M Fee when it is approved by the CPUC.

California Production Interconnection and Operating Agreement

3.3.1. After the approval of the O&M Fee by the CPUC, PG&E will mail to Producer a statement (on or before the 15th day of each month), setting forth the applicable O&M Fee for the previous month. Producer shall pay the O&M Fee to PG&E on or before the twenty-fifth (25th) calendar day of the month or the tenth (10th) calendar day following receipt of PG&E's statement, whichever is later. Any late payments by Producer to PG&E shall accrue interest at the rate prescribed for pipeline refunds as provided in Section 154.67(c)(2) of the Federal Energy Regulatory Commission's Regulations under the Natural Gas Act (or any successor thereto).

3.4. Rights and Obligations

3.4.1. Operations: PG&E shall retain the full and exclusive right to operate its Gas Plant in a manner which, in PG&E's sole judgment, is consistent with safe and proper operating conditions, obligations of PG&E to others, laws, and regulations of governmental authorities having jurisdiction, without incurring any liability to Producer.

3.4.2. Tampering: Producer shall not alter, or in any manner disturb, manipulate, or tamper with any Facilities owned or controlled by PG&E.

3.4.3. Gas Pressures: Producer shall deliver Gas at the Receipt Point(s) at the Gas well pressure required by PG&E, which may be up to, but not to exceed the maximum allowable operating pressure (MAOP) in PG&E's Gas Plant downstream of the Receipt Point. PG&E shall have the right to upgrade the MAOP of PG&E's Gas Plant, and in such event Producer shall increase the pressure of its Gas if and to the extent required by PG&E, upon ninety (90) days' written notice to Producer.

3.4.4. Refusal of Gas: PG&E shall have the right, without incurring any liability to Producer, to refuse acceptance of Gas at the Receipt Point(s) when:

(a) Producer is operating Gas Delivery Facilities in a manner which in PG&E's reasonable judgment has or may have an adverse effect on PG&E's operations, Gas Plant or Facilities, or on PG&E's customer's operations or property; or

California Production Interconnection and Operating Agreement

(b) Producer's handling or failure to properly collect or dispose of liquids of Producer's Gas Well(s) affects PG&E's operations, Gas Plant, or real property (leased or owned) or any other property of PG&E; or

(c) It is necessary or desirable to test, maintain, modify, enlarge, or repair any facility or property that is part of PG&E's Gas Plant, or related to its operation.

PG&E shall give reasonable notice to Producer prior to the date on which shut-in of Well(s) is required, except for emergency repair which may require an immediate shut-in.

In addition to the rights stated above in this Section 3.4.4., PG&E shall have the right to retire and/or remove all or any portion of PG&E's Facilities at the Receipt Point and to terminate this Agreement effective upon notice to Producer if:

(i) Producer has not delivered Gas, which meets the specifications set forth in this Agreement, through the Measurement Facilities at an average quantity of at least 50 Mcf per day for a period of ninety (90) consecutive days; PG&E may extend the shut-in date if the Producer provides to PG&E in writing reasons acceptable to PG&E as to why production should not be shut-in; or

(ii) Producer has not remedied, within thirty (30) days of PG&E's notice of refusal to accept the Gas, the conditions stated in Paragraphs (a) and/or (b) above, as applicable.

3.5. Volunteered Lines: This Section 3.5 shall apply only if Producer has been delivering Gas through a Volunteered Line. If Producer has been delivering Gas through PG&E's pipeline, specified in Appendix E, PG&E shall have the right to terminate this Agreement for cause at any time with thirty (30) days notice, unless a mutually acceptable arrangement for the delivery of Producer's Gas into PG&E's system has been made prior to such termination.

California Production Interconnection and Operating Agreement

3.5.1. Control & Possession of Gas: Producer shall be deemed to be in control and possession of Gas produced into the Volunteered Line(s) from the gas well to the upstream fitting where Gas is delivered to PG&E. PG&E shall be deemed in control and possession of the Gas at the downstream fitting of Producer's Gas Delivery Facilities.

3.5.2. Operation of Lines: Notwithstanding the above, if PG&E in its sole discretion desires to operate the Volunteered Line(s) or any portion thereof at a higher pressure, or to have the direction of flow changed, Producer shall shut-in the Well(s) connected thereto during any such work on the Volunteered Line(s), upon thirty (30) days prior written notice to Producer.

3.5.3. Repair and Replacement: If PG&E determines that the Volunteered Line(s) require repair or replacement, PG&E shall provide Producer with a written description of such work and a statement detailing the costs to perform that work, including materials, direct, indirect, and overhead costs. If Producer desires PG&E to proceed with such work, Producer shall, within fifteen (15) business days from the date of PG&E's notice, pay PG&E the amount set forth therein. If Producer does not pay PG&E within fifteen (15) business days of PG&E's notice, PG&E shall have the right to refuse to accept Producer's Gas and to remove or retire all or any portion of the Volunteered Line(s).

3.6. Volume Report: PG&E shall provide Producer, once a month, a report containing the volume of Gas received by PG&E at the Receipt Point(s) for each day of the previous calendar month. If a future separate agreement between Producer and PG&E regarding nominations, balancing, and other issues relating to transportation of the Gas delivered under this Agreement, contains a provision that addresses the subject matter of this Section 3.6, the provision of such other agreement shall supersede this Section 3.6.

Article 4

4. Gas Quality

4.1. Gas Quality Requirements: Producer represents, warrants and guarantees that the Gas delivered to PG&E for transportation under this Agreement shall meet the following requirements:

4.1.1. Rule 21: Gas shall be merchantable pipeline quality Gas and shall conform to the quality specifications as prescribed in Rule 21(C) of PG&E's CPUC approved Tariff Schedule (Rule 21), as amended from time to time; and

4.1.2. Unnatural Substances: Gas shall not contain any substances that are not naturally contained in natural gas, excepting only those substances which PG&E specifies as additives for operating or Gas compatibility reasons; and

4.1.3. Heating Value: Gas shall have a Heating Value within the Operation BTU level required by PG&E for its pipeline system at the Receipt Point. PG&E may refuse to accept all or any portion of Gas of which the Btu content has significantly changed since the back pressure test and gas sample collections referred to herein.

4.1.4. Indemnity: If the Gas delivered to PG&E under this Agreement fails to meet the requirements of this Article, Producer shall indemnify and hold PG&E harmless against and from all losses, costs, damages, claims, suits, and liabilities arising out of or in connection with such failure.

4.2. Gas Quality Testing: Tests to determine the quality of the Gas delivered to PG&E may be performed by PG&E at any time. If Gas delivered by Producer fails to fully conform to the Gas quality specifications as stated herein, then PG&E may refuse to accept the Gas upon notice to Producer of any such failure. Producer shall revise any outstanding nominations for the affected Receipt Points to reflect no deliveries. Producer shall not resume deliveries of Gas until PG&E is satisfied that the problems

California Production Interconnection and Operating Agreement

have been corrected and that the Gas conforms to the applicable quality specifications. PG&E's acceptance of Gas that does not conform to the specifications stated herein shall not constitute a waiver of the Gas quality specifications stated in this Agreement or any remedies of PG&E or obligations of Producer with respect to such a nonconformity.

4.3. Refusal of Gas: PG&E shall have the right, without incurring any liability to Producer, to refuse acceptance of Gas at the Receipt Point(s) when the Gas does not meet the temperature, delivery pressure, or quality specifications described in this Agreement.

Article 5

5. Measurement and Tests

5.1. Measurement and Computation: The volume of Gas delivered under this Agreement shall be measured by orifice meter(s), and computations made, as prescribed in the American National Standards Institute/American Petroleum Institute 2530 (ANSI/API 2530), also published as A.G.A. Report No. 3 as revised from time to time.

5.2. Custody, Maintenance and Records: Except as otherwise set forth in Section 2.3, during the term of this Agreement, all Measurement Facilities shall be in the sole custody and control of PG&E. The reading, calibration, and adjustment of Measurement Facilities and changing of charts, if required, shall be performed by PG&E or its agent at intervals determined by PG&E. The records from Measurement Equipment shall remain the property of PG&E, but Producer shall have access to PG&E's Meters relating to this Agreement and shall be allowed to inspect all charts or other records of measurement pertaining to the Gas delivered into PG&E's Gas Plant under this Agreement, at any reasonable time, for the purpose of verifying their accuracy. PG&E shall preserve, for a period of at least three (3) years, all test data, charts, and/or other records of Gas measurements. Transfer of Gas custody shall occur at the meter.

California Production Interconnection and Operating Agreement

5.3. Meter Accuracy Verification: Producer may request at any time, but not exceeding two (2) times in any calendar year, that the accuracy of PG&E's Measurement Equipment be verified by testing. Producer may witness requested tests. Producer may not alter or in any manner disturb, manipulate, or tamper with any equipment or Facilities owned or controlled by PG&E. Within a reasonable time of such a request, PG&E will give at least two (2) working days prior notice to Producer of the time and date of the test. If upon such requested verification the measurement equipment is determined to be registering correctly, as specified in PG&E's Tariff Rule 17, or in any amendment thereto, the cost of such requested verification shall be charged to and paid by Producer, and no recalculation of quantities delivered shall be made.

If an inaccuracy of greater than specified in Rule 17 is discovered, PG&E will bear the cost of such test, and volume adjustments will be made pursuant to Section 5.5 of this Agreement.

5.4. Manufacturer's Specifications: Flow measurement and volume computations will be made by PG&E within the accuracy prescribed by the manufacturer of the measurement and computing equipment.

5.4.1. Gas Temperature: Flowing gas temperature shall be continuously measured or recorded. If a temperature chart recorder is used, the arithmetical average temperature recorded during each day shall be used for volume computations.

5.4.2. Sampling: Relative density (G), carbon dioxide (CO₂), nitrogen (N₂) and Heating Value, shall be determined, from time to time as deemed to be required by PG&E, from samples taken by PG&E at the Measurement Facilities. Determination of Heating Value and relative density by compositional analysis shall comply with the methods specified in the American Society for Testing and Materials ASTM D 3588, as revised from time to time. The physical properties of the constituent gases used to calculate Heating Value and relative density shall be taken from the Gas

California Production Interconnection and Operating Agreement

Processors Association GPA 2145, as revised from time to time. Chromatography, calorimeters, densitometers, or other means acceptable in the industry may be used to determine Heating Value or relative density of the Gas.

5.4.3. Atmospheric Pressure: The average atmospheric (barometric) pressure shall be assumed to be 14.73 psia at sea level. Corrections for higher elevations shall be determined by PG&E by using an industry acceptable equation or by taking actual measurements at the point of measurement.

5.4.4. Gas Compressibility: Gas Compressibility shall be calculated at the flowing pressure and temperature under which Gas is metered in accordance with the recommendations contained in A.G.A. Report No. 8, "Compressibility Factors of Natural Gas and Other Related Hydrocarbon Gasses", as amended from time to time. If a chart recorder is used, the average flowing pressure and temperature for the day may be used to calculate an average compressibility for that day.

5.4.5. Other Tests: Tests for other quality parameters of the Gas delivered hereunder shall be made from time to time by PG&E using approved standard methods acceptable in the industry.

5.4.6. Service Fees: The Parties may execute a Service Fee Agreement if operational services, that are different from or in addition to the normal service provided by PG&E, are requested by Producer and provided by PG&E in PG&E's sole discretion.

5.5. Inaccuracies: If an inaccuracy is discovered at any time, or if a Meter is out of service, the following action will be taken for volume correction or determination:

5.5.1. Incorrect Constant: When the inaccuracy is a result of using an incorrect constant value in the volume calculation, the quantity of metered gas shall be recalculated. If the duration of the error cannot be determined, the adjustment shall be made based on one-half of the time since the last Meter and instrument inspection, or three months, whichever is the shorter period of time. Examples of using incorrect constant values include, but are not limited to, basing calculations on

California Production Interconnection and Operating Agreement

the incorrect orifice plate size, orifice tube size, differential pressure range, or static pressure range.

5.5.2 Incorrect Calibration: When the inaccuracy is a result of errors in the calibration or operation of flow computers, transducers, recorders, or measurement devices for relative density or Heating Value, that result in an error greater than that specified in PG&E's Tariff Rule 17, as revised from time to time (at a reading corresponding to the average rate of flow for the period since the preceding test) the quantity of Gas shall be recalculated. Recalculations, due to differential pressure calibration errors, shall be limited to inaccuracies greater than that specified in Tariff Rule 17, of the transducers' or recorders' full scale reading. If the percentage of error is not ascertainable by calibration, test, or mathematical calculation, the correction shall be made by PG&E by estimating the quantity or quality of Gas delivered based upon deliveries under similar conditions during a period when the equipment was deemed to be registering accurately. Where the duration of the inaccuracy in measurement is not known or agreed upon, the period of inaccuracy shall be deemed to be one-half of the time elapsed since the date of the last test or three (3) months, whichever is the shorter period of time. Basis for calculation specified in this section may be modified by a PG&E Rule or applicable standard.

5.5.3 Pulsation Induced Errors: When the inaccuracy is caused by compressor induced pulsations and the measurement error is greater than one percent (1%), the quantity of metered gas shall be recalculated based on the percent error determined by a Square Root Error Indicator developed by the Southern Gas Association's Pipeline Compressor Research Committee. If the duration of the error cannot be determined, the adjustment shall be made based on one-half of the time since the last pulsation check, or three months, whichever is the shorter period of time.

California Production Interconnection and Operating Agreement

Article 6

6. **Compression:** In the event that Producer owns, or at some future time installs compressor plants upstream of the Measurements Facilities, in order to deliver gas to PG&E's Gas Plant, the following shall apply:

6.1. **Operation:** Producer shall install and operate its compressor so that its operation will not adversely affect PG&E's Gas, Gas Plant, or customers, or impair the accuracy of the measurement of the Gas at the Meter. Producer shall eliminate compressor induced pulsation or vibration before Gas is passed through PG&E's Meter. PG&E shall not be required to take Gas if compressor induced pulsation and/or vibration exists.

Article 7

7. **General Conditions**

7.1. **Term:** This Agreement shall be effective from the date of execution by PG&E and shall, subject to the termination rights contained herein, continue in full force and effect for a period of one (1) year from that date (the "Initial One Year Period") and thereafter until it is terminated as provided in this Agreement.

7.2. **Termination:**

(a) **Termination for Convenience:** Either Party may terminate this Agreement after the Initial One Year Period upon thirty (30) days written notice.

(b) **Termination for Cause:** Either Party may terminate this Agreement during or after the Initial One Year Period, immediately upon notice: (i) if the other Party is in breach of this Agreement; or (ii) if the portion of PG&E's gathering system to which Producer's Delivery Facilities are connected is sold by PG&E; or (iii) if the CPUC or the FERC at any time asserts (1) that Producer is a public utility or subject to regulation by such a regulatory body, or (2) that such a regulatory body may prevent

California Production Interconnection and Operating Agreement

PG&E from complying with this Agreement; or (iv) if any state or federal legislation, decision or rule of any governmental authority, enacted or issued after the effective date of this Agreement, affects either Party or this Agreement in a manner that is unacceptable to either Party.

(c) Additional Termination Rights: PG&E may also, during or after the Initial One Year Period, terminate this Agreement as provided in this Section 7.2(c) or in other Articles of this Agreement.

Producer acknowledges that PG&E is a public utility regulated by the CPUC, that PG&E's Gas transportation services are exempt from the jurisdiction of the FERC pursuant to Section 1(c) of the Natural Gas Act (15 U.S.C. § 717(c)) commonly referred to as the "Hinshaw Amendment," and that PG&E has received a "blanket certificate" from the FERC pursuant to 18 CFR §284.224. Producer agrees that if at any time the CPUC, the FERC, a court, or PG&E, determines that PG&E's status as aforestated is or may be affected in any respect as a result of this Agreement or the transportation of Gas delivered into PG&E's Gas Plant pursuant to this Agreement, PG&E may, in its sole discretion, refuse to perform such transportation services and/or refuse to accept Producer's Gas under this Agreement, and/or terminate this Agreement upon ten (10) days written notice.

If Producer breaches a term or condition of this Agreement, or fails to comply with all applicable laws, rules, regulations, orders, ordinances, and codes, including any existing or future applicable tariffs or schedules, and Producer does not immediately correct such breach or failure, then in addition to all remedies provided by law or by this Agreement, PG&E shall have the right, without notice, to: (1) refuse to accept Producer's Gas into PG&E's Gas Plant and suspend its performance under this Agreement until the breach or failure has been corrected and PG&E has been fully compensated for all damages and costs incurred, and/or (2) terminate this Agreement, prior to or following such a suspension.

(d) Certain Rights and Obligations: Termination of this Agreement shall not release either Party from its obligation to make payments or compensate the other Party for damages or costs, if any are due or have been incurred.

California Production Interconnection and Operating Agreement

Upon termination of this Agreement, PG&E shall have the right to disconnect from PG&E's Gas Plant the Facilities used to receive Producer's gas.

7.3. Survival: The following Sections shall survive the termination of this Agreement: 4.1.4, 7.2, 7.4, 7.5, 7.6, 7.7, 7.9, 7.10, 7.11, and 7.18. All other provisions of this Agreement, which by their nature or content are intended to survive termination of this Agreement, shall also survive.

7.4. WARRANTY DISCLAIMER: ALL INSTALLATION, CONNECTION, MAINTENANCE AND OTHER SERVICES PERFORMED BY PG&E AND MATERIAL, EQUIPMENT AND FACILITIES INCLUDING BUT NOT LIMITED TO MEASUREMENT EQUIPMENT AND VOLUNTEERED LINES PROVIDED BY PG&E OR MADE AVAILABLE BY PG&E FOR USE, IN CONNECTION WITH THIS AGREEMENT, ARE PROVIDED "AS IS," WITHOUT ANY WARRANTIES, EXPRESS, IMPLIED OR STATUTORY. ALL WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED BY PG&E INCLUDING WITHOUT LIMITATION THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NO WARRANTIES SHALL APPLY TO ANY SERVICES, MATERIAL, EQUIPMENT OR FACILITIES PROVIDED BY PG&E OR MADE AVAILABLE BY PG&E UNDER THIS AGREEMENT.

7.5. Exclusive Remedy: In lieu of all warranties express, implied, or statutory, PG&E's sole obligation and total liability, and Producer's sole and exclusive remedy, relating to or arising out of the installation or connection of equipment or Facilities or the furnishing of equipment, material, or Facilities or of any services by PG&E, shall be limited, at PG&E's option, to (1) reperformance of the installation or connection work or other services at PG&E's expense up to a cost equal to the amount paid by Producer for such installation or connection work, or other services, excluding any amounts paid for equipment, material or Facilities or other costs, or (2) a refund by PG&E to Producer of an amount equal to the amount paid to PG&E by Producer for said installation or connection work or other services, excluding any other costs, or (3) a refund of the amount paid by Producer to PG&E for equipment, material or Facilities, as applicable.

Except as specifically stated above in this Paragraph 7.5, PG&E shall have no obligation or liability and shall be released from any and all liability for losses, costs or damages of

California Production Interconnection and Operating Agreement

any-kind with respect to or arising out of installation or connection work, or other services, equipment, material or Facilities installed, connected, or in any way provided by PG&E or made available by PG&E pursuant to this Agreement, whether arising in contract, tort (including negligence), strict liability, warranty, or otherwise.

7.6. CONSEQUENTIAL DAMAGES: IN NO EVENT, SHALL EITHER PRODUCER OR PG&E BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, INCLUDING WITHOUT LIMITATION LOST PROFITS OR REVENUES, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, WARRANTY, OR OTHERWISE, AND WHETHER OR NOT SUCH DAMAGES ARE FORESEEABLE.

7.7. Governmental Authority: This Agreement shall at all times be subject to all applicable present and future rules, tariffs and schedules of PG&E, and to all valid legislation with respect to the subject matter hereof, either state or federal, and to all valid present and future decisions, rules, regulations, orders and ordinances of all duly constituted governmental authorities having jurisdiction; this Agreement shall at all times be subject to any and all amendments to such rules, tariffs, and schedules of PG&E, legislation, and decisions, rules, regulations, orders and/or ordinances of governmental authorities.

If at any time the CPUC or any branch thereof issues a finding or opinion, formal or informal, that this Agreement is inconsistent with CPUC rules, regulations, decisions, or policy, then this Agreement shall be amended to eliminate any inconsistency. This Agreement shall at all times be subject to such changes or modifications by the CPUC as it may from time to time direct in the exercise of its jurisdiction.

PG&E will file for CPUC approval of all or part of this Agreement, and this Agreement shall be subject to such approval.

California Production Interconnection and Operating Agreement

7.8. Compliance with Laws: Producer shall comply with all applicable federal, state and local laws, rules, regulations, ordinances and codes and shall obtain all applicable licenses and permits for the conduct of its business and the performance of this Agreement.

7.9. Environmental Indemnification: Producer shall indemnify, defend, and hold PG&E harmless against and from all claims, suits, liabilities, damages, costs (including attorney's fees), expenses, fines and penalties, and all applicable judicial, administrative, and regulatory decrees, directives, judgments, and orders resulting from, or arising out of or in connection with any environmental contamination or any violation of environmental or other laws, regulations, rules, ordinances, codes, orders, directives and similar items of all appropriate governmental authorities relating to Producer's Property used by PG&E for the installation and operation of Facilities pursuant to this Agreement, to the extent that such claims, suits, liabilities, damages, costs, expenses, fines or penalties arise out of or result from or in connection with: (1) causes or events occurring prior to PG&E's use of the Property, or (2) acts or omissions of Producer, its parent, agents, employees, contractors or successors, occurring at any time. For purposes of this paragraph, "Property" shall mean any property, real or personal, in or to which Producer owns or hold any rights including easements, licenses, rights-of-way or any other contractual or real property rights.

7.10. Arbitration

7.10.1. Disputes: Any disputes arising out of or related to the interpretation or performance of the provisions of this Agreement, which cannot be settled by the Parties within a reasonable time, may be submitted by either Party to binding arbitration.

7.10.2. Appointment of Panel: All disputes to be arbitrated shall be submitted to and decided by a panel of three arbitrators: one to be appointed by Producer, one by PG&E, and the third one to be chosen by the two arbitrators appointed by the Parties. If either Party shall fail or refuse to appoint an arbitrator within thirty (30)

California Production Interconnection and Operating Agreement

days, after written notice has been given to it by the other party naming the latter's arbitrator, the Party giving such notice shall have the right to request the Presiding Judge of the Superior Court of the State of California in and for the City and County of San Francisco to appoint an arbitrator for the other party so in default.

If the two arbitrators thus chosen shall be unable to agree upon a third arbitrator within thirty (30) days, such arbitrator shall be appointed, upon application of either party, by the Presiding Judge of the Superior Court of the State of California in and for the City and County of San Francisco. Except as otherwise specifically provided in this Section 7.10, any arbitration shall be subject to the provisions of Title 9 of Part 3 of the Code of Civil Procedure of the State of California.

7.10.3. Venue for Arbitration and Costs: Venue for arbitration hereunder shall be the City and County of San Francisco unless another location is unanimously selected by the arbitrators. The cost of the arbitrator appointed by Producer shall be paid for by Producer; the cost of the arbitrator appointed by PG&E shall be paid for by PG&E; and the cost of the third arbitrator and any attendant costs shall be borne equally by Producer and PG&E. Each Party shall bear its own attorney's fees and other expenses in connection with such arbitration.

7.10.4. Binding Decision: The decision of a majority of the arbitrators, after a hearing at which the Parties shall have an opportunity to be heard and to introduce evidence, shall be binding upon the Parties hereto and judgment thereon may be entered in any court of competent jurisdiction.

7.10.5. Jurisdiction, Choice of Litigation Location: Any suit or action brought between the Parties relating to this Agreement shall be litigated only in a California State Court of competent jurisdiction or, if jurisdiction over the action cannot be obtained in a California State Court, in a Federal Court of competent jurisdiction situated in the State of California.

California Production Interconnection and Operating Agreement

7.11. Governing Law: This Agreement shall be governed and interpreted in accordance with the laws of the State of California, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

7.12. Easements and Rights of Way: Producer shall grant and assign to PG&E, insofar as Producer has the right to do so, and without any charge to PG&E, all necessary easements and rights-of-way for the installation, operation, maintenance, replacement, and/or removal of pipelines and Facilities necessary or convenient to the receipt and the measurement of Gas covered by this Agreement.

7.13. Force Majeure: Neither PG&E nor Producer shall be considered in default in the performance of its obligations under this Agreement, except obligations to make payments hereunder, to the extent that the performance of any such obligation is prevented or delayed by any cause, existing or future, which is beyond the reasonable control of the affected Party. Causes beyond the reasonable control of a Party shall include, but not be limited to, acts of God, a public enemy, or a governmental authority, strikes, lockouts, riots, rebellions, injunctions, breakage of or accident to wells, machinery, equipment, or lines of pipe, washouts, earthquakes, floods, storms, extreme weather conditions, freezing of lines, or any cause or causes of whatsoever nature (whether like or unlike those herein enumerated) beyond the reasonable control of either Party. In the event either Party claims that performance of its obligations was prevented or delayed by any cause beyond its reasonable control, that Party shall promptly notify the other Party of the circumstances preventing or delaying performance. Such Party so claiming a cause-delayed performance shall endeavor, to the extent reasonable, to remove the obstacles which preclude performance.

7.14. Waivers: No waiver, expressed or implied, by either Party, of any default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a waiver of any other or subsequent default whether of like or different nature. A failure of either Party to declare the other Party in default, regardless of how long such failure continues, shall not constitute a waiver by such Party of any of its rights hereunder.

California Production Interconnection and Operating Agreement

7.15. Amendments and Modifications: Except as otherwise specifically set forth in this Agreement, this Agreement may be amended or modified only by an instrument in writing executed by all Parties hereto.

7.16. Enforceability: In the event that one or more of the provisions contained in this Agreement, shall for any reason be invalid, illegal or unenforceable, in any respect, this shall not affect any other provision contained in this Agreement.

7.17. Ambiguities: Any ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in a manner which most accurately reflects the intent of the Parties at the time of its execution.

7.18. Headings: The headings of this Agreement are for convenience only and shall not vary the meaning of the text.

7.19. Notices: Except as otherwise provided herein, any notice, request, demand, or statement ("Notice") regarding this Agreement, including notices of Arbitration, shall be in writing and deemed given when deposited in the United States mail, postage prepaid, directed to the address of the Parties as follows:

Producer Address

Telephone: () _____

Attention: _____

Telecopier: () _____

Telephone: (415) 973-5128
Telecopier: (415) 972-6002
Attn.: _____

Pacific Gas and Electric Company
77 Beale Street, B16A
P.O. Box 770000
San Francisco, CA 94177
Tel: (415) 973-5128
Attn: Transportation Services

California Production Interconnection and Operating Agreement

Notices may also be given by facsimile or other electronic transmittal, provided that such facsimile or electronically conveyed Notice is confirmed in writing and delivered as aforesaid within three (3) days of the facsimile or other electronic Notice. Routine communications may be exclusively communicated by facsimile or other electronic means.

Either Party may from time to time change its address for Notices upon a thirty (30) day prior Notice, given pursuant to this Article 7.19.

7.20. Assignments: The rights and obligations of the Parties hereunder shall bind and benefit the Parties' successors and assigns; provided, however, that neither Party may assign its rights or delegate its obligations hereunder, without first obtaining the written consent of the other Party, except for an assignment of the entire interest in this agreement of the assigning Party (an assignment of all rights coupled with a delegation of all of the obligations of such Party under this Agreement) to a corporate parent or affiliate of the assigning Party or to an entity succeeding to all or substantially all of the business, properties or assets of the assigning Party related to or directly used in the performance of this Agreement. An assignment pursuant to the aforesaid exception shall become effective on the date of notice thereof to the other Party. For purposes of this Paragraph 7.20, "affiliate" shall mean any corporation, partnership, or other legal entity, which controls, is controlled by, or is under common control with the Party making the assignment, and fifty percent (50%) or more of the equity shall constitute "control." Assignment of this Agreement shall not release Producer from any of its obligations under this Agreement, unless such release is agreed to in writing by PG&E and by the assignee.

7.21. Appendices: All of the following appendices and exhibits attached hereto are incorporated herein by reference:

California Production Interconnection and Operating Agreement

7.22. Separate Agreement: Producer acknowledges and agrees that terms and conditions governing nominations of Producer's Gas for transportation, balancing of Gas accounts, and other provisions relating to the transportation of Producer's Gas on PG&E's system, shall be governed by a separate California Production Balancing Agreement (CPBA); therefore, Producer agrees to appoint an Authorized Agent, as defined in the CPBA, and to execute a standard "Appointment of Authorized Agent" (Attachment 1 to the CPBA) for that purpose, as soon as CPUC approval of the CPBA becomes effective .

IN WITNESS WHEREOF, this Agreement has been executed by the duly authorized representatives of the Parties hereto.

Pacific Gas and Electric Company

Producer _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Exhibit F
California Production Balancing Agreement
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

Contract No. _____
Date _____

PACIFIC GAS & ELECTRIC COMPANY
CALIFORNIA PRODUCTION BALANCING AGREEMENT

This California Production Balancing Agreement (CPBA) is made by and between Pacific Gas & Electric Company (PG&E), a California corporation, and _____ hereafter referred to as Authorized Agent (AA), a(n) _____. PG&E and the AA are each also referred to herein as "Party" and together as "Parties".

PURPOSE

This CPBA establishes the terms and conditions for the resolution of imbalances on PG&E's gas transportation system (the PG&E System) caused by volumes of gas, delivered into the PG&E System from California production wells, which volumes exceed or are insufficient to match the nominations made for the deliveries into the PG&E System.

The AA requests that PG&E recognize (1) the AA's authority to represent and act on behalf of the parties (party) who own(s) or control(s) gas produced from certain California production wells (Producer(s)) and who deliver that gas into the PG&E System, for transportation, at the point(s) of interconnection where gas is measured before delivery into the PG&E System (Receipt Point(s)), which is (are) specified in Attachment 2 "Receipt Point(s)" (Attachment 2); and (2) that the AA has been duly appointed to act as agent for the Producer(s) pursuant to Attachment 1 "Appointment of Authorized Agent" (Attachment 1).

This CPBA is not intended to be an agreement for transportation services. PG&E provides transportation services pursuant to applicable rules, schedules, tariffs, and agreements.

This CPBA does not apply to gas volumes delivered at the Receipt Point(s) specified in Attachment 2 for procurement by PG&E under a traditional procurement contract executed prior to December, 1989, and such deliveries shall not be included in the Cumulative Imbalance calculation applicable to gas nominated by the AA under this CPBA.

AGREEMENT

The Parties intending to be legally bound agree as follows:

REPRESENTATIONS

By entering into this CPBA, the AA accepts the obligations of the AA hereunder. The AA represents that (1) the AA is the exclusive agent for one or more Producer(s), who are supplying gas to the Receipt Point(s) listed in Attachment 2 of this CPBA, for the purpose of nominating volumes of that gas for transport by PG&E under PG&E's standard nomination procedures; balancing those nominations against actual deliveries at the Receipt Point(s); allocating, prorating and handling administrative matters concerning Receipt Point(s); giving and receiving payments, notices and requests; and taking such action and exercising such powers as agent on behalf of the Producer(s) as set forth in Attachment 1; and (2) the AA is

duly authorized and has all necessary legal rights and powers to enter into this CPBA and to perform all of the obligations of the AA set forth herein, to grant to PG&E the rights set forth herein, and to bind the Producer(s) to all obligations, acts and omissions of the AA under this CPBA; and (3) the AA will comply with all of the obligations set forth in this CPBA, notwithstanding any agency relationship between the AA and the Producer(s) or other third party.

WARRANTIES

The AA represents and warrants that (1) it has the right and is duly authorized to nominate all gas delivered to PG&E at the Receipt Point(s); (2) it has or can transfer good title to such gas, and all such gas is delivered free from all liens, encumbrances and adverse claims of any kind; (3) it will comply with all federal, state and local reporting requirements and other applicable laws or regulations; and (4) PG&E may conclusively rely upon any and all nominations made and information provided by the AA hereunder as correct.

TARIFFS

The Parties agree to abide by the applicable sections of PG&E's tariffs as they may change from time to time, as well as the terms and conditions stated in this CPBA and its Attachments. Such tariffs include but are not limited to the Operational Flow Order (OFO) and Emergency Flow Order (EFO) provisions of gas Rule 14.

TERM OF AGREEMENT

This CPBA will become effective as of the effective service date of _____ and will remain in effect until terminated by the AA or PG&E pursuant to this CPBA.

ATTACHMENTS

Attachments, as listed below, are hereby made a part of this CPBA and specify terms and conditions under which PG&E will recognize the authority of the AA and the Receipt Point(s) for which the AA is responsible.

(1) Appointment of Authorized Agent (Attachment 1). Appoints the exclusive agent of the Producer(s) for all purposes stated in this CPBA including, without limitation, all applicable nominating, balancing, paying, allocating, prorating, and other administrative matters with respect to the gas to be delivered at the Receipt Point(s) specified in Attachment 2 of this CPBA.

(2) Receipt Point(s) (Attachment 2). Lists the Receipt Point(s), and their maximum daily production cap(s), for which the AA will be responsible.

(3) Communications and Operations Contact (Attachment 3). Specifies the notice requirements applicable to this CPBA.

NOMINATIONS AND SCHEDULED DELIVERIES

The AA shall place nominations with PG&E for transportation of gas from each Receipt Point consistent with PG&E's nomination procedures. PG&E shall process nominations in accordance with PG&E's normal scheduling procedures and communicate the resulting confirmed nominations to the AA pursuant to Attachment 3.

The AA shall verify with the well operator that the confirmed nomination quantity of gas shall be delivered to each Receipt Point each day for which the gas is nominated. If the delivered quantity is estimated to be less than the confirmed nomination, the AA shall provide PG&E with an estimate of the delivered quantity. This estimated quantity, which may not exceed the volume of gas already confirmed by PG&E, shall become the volume of gas scheduled for delivery and shall be communicated by PG&E to the AA, by facsimile or other electronic means, on the day the gas is transported.

PG&E, in its sole discretion, may review the maximum daily production cap volume(s) for the Receipt Point(s) specified on Attachment 2, and may reduce such volume(s) to better match actual delivered volume(s) into the PG&E System. PG&E may also revise a maximum daily production cap upward, if the AA provides PG&E with recent well test documentation for increased production to be delivered to a Receipt Point.

REFUSAL OF GAS

PG&E, in its sole judgment, shall have the right, without incurring any liability to the AA or to the Producer(s), to refuse acceptance of gas at the Receipt Point(s) when:

- (a) the AA fails to comply with a provision of this CPBA, becomes insolvent or subject to a bankruptcy proceeding, or fails to establish creditworthiness if requested by PG&E; or
- (b) any agreement required by PG&E in connection with the transportation of gas on PG&E's System has not been executed, has been terminated, or has expired; or
- (c) PG&E deems it necessary or desirable to curtail acceptance of the gas in order to operate, preserve, or protect the integrity and safety of PG&E's gas system including, without limitation, gas quality, gas supply, and/or gas system facilities. PG&E shall use reasonable efforts to give the AA advance notice of any such curtailment.

ADDING POINTS OF RECEIPT TO THE CPBA

The AA shall notify PG&E in writing of any Receipt Point(s) to be added to or deleted from Attachment 2. Changes will take effect on the first day of the month following PG&E's receipt of a written notification from the AA of an addition or deletion of a Receipt Point if received by PG&E no later than ten (10) business days prior to the first day of the month in which the change is to take effect. The AA shall not nominate or deliver gas to an added Receipt Point until PG&E notifies the AA that the Receipt Point is included in Attachment 2 by written amendment.

CALCULATING IMBALANCES

At the end of each month, PG&E shall calculate the difference between the actual delivery and the scheduled delivery at each Receipt Point listed on Attachment 2. The total net difference for all Receipt Points, plus any uncleared prior imbalance allowed under the provisions of this CPBA, shall be the "Cumulative Imbalance", which shall be maintained in a "Cumulative Imbalance Account" until cleared under the provisions of this CPBA.

Actual deliveries greater than the scheduled deliveries for all Receipt Point(s) shall be a positive Cumulative Imbalance. Actual deliveries less than the scheduled deliveries for all Receipt Point(s) shall be a negative Cumulative Imbalance. PG&E shall issue a "Cumulative Imbalance Statement" no later than the 15th day of the first month subsequent to the month in which the Cumulative Imbalance occurred.

TOLERANCE BAND

The Tolerance Band is equal to plus or minus 150 decatherms of the Cumulative Imbalance for the month in which the imbalance occurred.

CLEARING IMBALANCES

A Cumulative Imbalance may be cleared by nominating to or from the AA's Cumulative Imbalance Account or by trading the Cumulative Imbalance.

1. Cumulative Imbalance Account Nominations: Following issuance of the Cumulative Imbalance Statement, the AA may clear a negative Cumulative Imbalance by nominating, consistent with PG&E's nominating procedures, In-Kind (an equivalent amount of gas from the Receipt Point(s) listed on Attachment 2) to the Cumulative Imbalance Account; or the AA may clear a positive Cumulative Imbalance by nominating from the Cumulative Imbalance Account to a Delivery Point, on or before the closing date for trading imbalances as described below.
2. Trading Imbalances: Following issuance of the Cumulative Imbalance Statement, the AA may trade its Cumulative Imbalance with another AA under a CPBA that has a Cumulative Imbalance from the same calendar month. Any imbalance trade shall move the trading party's Cumulative Imbalance toward zero or result in an imbalance that is within the Tolerance Band. The AA may trade all or a portion of its Cumulative Imbalance by executing an imbalance trade on or before the last business day of the first month subsequent to the month in which the Cumulative Imbalance occurred. Executing an imbalance trade consists of both parties to the trade completing a California Production Cumulative Imbalance Trading Form (No. 79-946) or electronic equivalent, and submitting the form to PG&E.

REMAINING IMBALANCES

After the imbalance trading deadline, a remaining Cumulative Imbalance within the Tolerance Band will be carried forward to the following month's Cumulative Imbalance. A remaining Cumulative Imbalance greater than the Tolerance Band will be automatically cashed out in its entirety, resulting in a zero imbalance.

CASHOUT

The Commodity cashout prices for each month are established for the following four (4) imbalance categories: Over-deliveries and under-deliveries in the imbalance range of greater than zero (0) percent and less than or equal to ten (10) percent of actual deliveries (Tier I Cashout), plus over-deliveries and under-deliveries in the imbalance range of greater than ten (10) percent of actual deliveries (Tier II Cashout).

Each cashout price is based on a two step calculation: First a cashout index is determined based on an average of the published price date from Natural Gas Intelligence (NGI) and the BTU Daily Gas Wire for the PG&E interconnect points of Malin (Line 400) and Topock (Southern California Border). Second, that index is adjusted to arrive at the cashout price for that imbalance category.

Imbalances greater than zero (0) percent and less than or equal to ten (10) percent of actual deliveries (Tier I Cashout):

- 1) **Over-deliveries**
 - a) The Weighted Over Delivery (WOD) Index equals the lower of the Bid Week monthly index price or the average of the five (5) lowest average published daily prices, weighted by the supply mix of all gas received at Malin and Topock for on-system End-Use Customers during the month in which the imbalance occurred.
 - b) The cashout price equals ninety five (95) percent of the WOD Index.
- 2) **Under-deliveries:**
 - a) The Weighted Under Delivery (WUD) Index equals the higher of the Bid Week monthly index price or the average of the five highest average published daily prices, weighted by the supply mix of all gas received at Malin and Topock for on-system End-Use Customers during the month in which the imbalance occurred.
 - b) The cashout price equals one hundred five (105) percent of the WUD Index.

Imbalances Greater than 10% of Actual Deliveries (Tier II Cashout):

- 1) **Over-deliveries:**
 - a) The Over Delivery (OD) Index equals the lowest average published daily price at either Malin or Topock.
 - b) The cashout price equals fifty (50) percent of the OD Index.
- 2) **Under-deliveries:**
 - a) The Under Delivery (UD) Index is defined as the highest average published daily price at either Malin or Topock.
 - b) The cashout price equals one hundred fifty (150) percent of the UD Index.

If no published daily price is reported on a given day, the prior published daily price from that index service will continue to apply for that day. If an index service is no longer available, PG&E reserves the right to choose another nationally recognized index to replace it.

PAYMENTS

The AA shall pay PG&E for all charges associated with balancing service on behalf of the Producer(s) supplying gas to any Receipt Point. Details for payment are provided in PG&E's tariffs. All payments shall be made by wire transfer or check to the address for "Payments" set forth in Attachment 3.

DISPUTED CASHOUT STATEMENTS

In the event of a dispute as to the amount of a cashout, OFO or EFO Noncompliance Charge under this CPBA, payment shall nonetheless be made in a timely manner as specified in PG&E's tariffs. Such payment shall not be deemed to be a waiver of any rights to recoup any amounts in dispute, if a written statement setting forth the nature of the dispute is sent along with payment to the PG&E Statements address in Attachment 3. Any rights to recoup such amounts may be treated as waived if said written statement is not sent within 6 months of the

date of the cashout, OFO or EFO Noncompliance Charge statement. If the cashout statement is determined to be incorrect after PG&E is notified hereunder, PG&E will issue a corrected statement. Neither PG&E nor the AA shall be obligated to pay interest on a corrected cashout statement.

ADJUSTMENTS

If an error is discovered in a Cumulative Imbalance Statement, cashout statement, or OFO or EFO Noncompliance Charge statement, then an appropriate correction shall be made by PG&E. Claims for errors by either Party shall be made promptly to the other Party, but in no event more than 6 months after the month in which the statement was issued. Notwithstanding the provisions of this paragraph, any adjustment resulting from the orders, rules, or regulations issued by any governmental agency having jurisdiction shall be made promptly by the appropriate Party, regardless of the 6-month time limitation stated in this paragraph.

Each Party shall have the right, during normal business hours, to receive copies of the records of the other Party, to the extent necessary to verify the accuracy of any statement, charge, computation, payment, refund, or demand, made under this CPBA.

CREDITWORTHINESS

If the AA fails to pay two (2) cashout amounts by the due date for payment within a twelve (12) month period, PG&E shall have the right to require the AA to establish creditworthiness pursuant to PG&E's tariff.

SUCCESSION

The AA acknowledges and agrees that the Producer(s) may appoint a successor AA from time to time, by mailing to PG&E an "Appointment of Authorized Agent" executed by the majority of Producer(s) pursuant to Attachment 1 to this CPBA. The effective date of such a succession of an AA shall be the first day of the month following the date on which PG&E confirms in writing its receipt of the new Appointment of Authorized Agent (Attachment 1). A succession of the AA, or an assignment or termination of this CPBA by either Party, shall not release the AA from any of its obligations or liabilities for costs, payments, and damages, due or incurred prior to the effective date of the succession, assignment or termination, or resulting from acts or omissions of the AA which occurred prior to that date. Payment of amounts that the previous AA owes PG&E as of such effective date shall be made no later than fifteen (15) days thereafter.

ASSIGNMENT

The respective rights or obligations under this CPBA shall not be assigned or delegated by either Party without the written consent of the other Party; provided, however, that only a notice is required if an assignment of PG&E's rights is made concurrently with a delegation of PG&E's obligations hereunder to a parent or affiliate of PG&E, or to an entity acquiring the business properties or the portion of PG&E's gathering system where the Receipt Point(s) specified in Attachment 2 is/are located. Any successor to or assignee of the rights of a Party, whether by voluntary transfer, judicial sale, foreclosure sale, or otherwise, shall be subject to and bound by all terms and conditions of this CPBA to the same extent as though such successor or assignee were an original Party. An assignment or delegation of rights or obligations under this CPBA which is not in conformance with the provisions of this paragraph shall be null and void.

TERMINATION

Either Party may terminate this CPBA upon thirty (30) days written notice, or immediately upon notice if: (1) the other Party is in breach of this CPBA; or (2) the CPUC or the FERC at any time asserts regulation that may prevent PG&E from complying with this CPBA. Upon termination of this CPBA, PG&E shall have the right to refuse nominations for deliveries of gas into the PG&E System.

INDEMNIFICATION

The AA shall indemnify and hold PG&E harmless from and against all losses, costs, damages, claims and liabilities, resulting from a breach of any of the representations or warranties set forth in this CPBA, and from and against any payments received from or owed to PG&E by the AA with respect to any gas nominated or delivered by the AA at the Receipt Point(s). The provisions of this paragraph shall survive the termination of this CPBA by either Party or the appointment of a successor AA, notwithstanding any other provision of this CPBA.

MISCELLANEOUS

With the exception of Commission-approved tariff and rule changes, no subsequent waiver, modification or amendment of this CPBA or of any of its provisions shall be of any effect unless in writing and signed by a duly authorized representative of each Party.

This CPBA does not change the obligations, restrictions or rights contained in other agreements between the Parties unless expressly indicated in this CPBA.

The waiver by either Party of any breach of any term, covenant or condition contained in this CPBA, or any default in the performance of any obligations under this CPBA, shall not be deemed to be a waiver of any other breach or default of the same or any other term, covenant, condition or obligation. Nor shall any waiver of any incident of breach or default constitute a continuing waiver of the same.

Neither Party shall be liable for any special, punitive, consequential, incidental, or indirect damages, whether arising in contract, tort, including negligence or otherwise, related to this CPBA.

This CPBA shall be interpreted under the laws of the State of California.

This CPBA and the obligations of the Parties are subject to all valid laws, orders, rules, and regulations of the authorities having jurisdiction over this CPBA (or the successors of those authorities).

PG&E shall have the right to terminate this CPBA immediately if the continued performance of this CPBA or of related services could reasonably be determined to jeopardize continuance of PG&E's Hinshaw Exemptions pursuant to Section 1 (c) of the Natural Gas Act.

Pacific Gas & Electric Company

Authorized Agent

Signature

Print Name

Title

Date

Company

Signature

Print Name

Title

Date

Attachments:

Attachment 1: "Appointment of Authorized Agent"

Attachment 2: "Receipt Points"

Attachment 3: "Communications and Operations Contact"

Gas Rule 14

Contract No. _____
Date _____

**ATTACHMENT 1
CALIFORNIA PRODUCTION BALANCING AGREEMENT**

APPOINTMENT OF AUTHORIZED AGENT

PURPOSE OF THIS DOCUMENT

The parties (party) who own(s) or control(s) gas produced from certain California production wells (Producer(s)) and who delivers that gas into the PG&E system (the PG&E System) for transport by PG&E, at the point(s) of interconnection where gas is measured before delivery into the PG&E System (Receipt Point(s)), wishes/wish to appoint an Authorized Agent (AA), of the Producer(s), to enter into a California Production Balancing Agreement (CPBA) with PG&E, and to act for and on behalf of the Producer(s) as its/their managing agent in matters relating to the delivery of gas into the PG&E System at certain Receipt Point(s).

AGENCY AUTHORIZATION

Each Producer who executes this document on behalf of itself and of its successors and assignees hereby appoint(s) and authorize(s) _____ to act as its exclusive agent, for all purposes stated in the CPBA with respect to the gas to be delivered at the Receipt Point(s) specified in Attachment 2 of the CPBA. The powers and authority to act for the Producer delegated to the AA hereunder shall include without limitation:

- (a) execution and performance of the CPBA and all other agreements and documents as may be necessary or desirable for purposes of or in connection with gas deliveries to the PG&E System for transportation and the administration thereof, including nominating volumes of gas under PG&E's standard nomination procedures; and
- (b) balancing, allocating and prorating the Producer's share of gas; and
- (c) any other act or function required to perform the obligations of the AA or the Producer set forth in the CPBA.

The aforesaid appointment and delegation of authority shall be irrevocable except as stated in the paragraph "APPOINTMENT OF SUCCESSOR AA" below.

REPRESENTATIONS AND OBLIGATIONS OF PRODUCER(S) TO PG&E

To the extent that obligations assumed by the AA pursuant to this document or the CPBA, or any other agreements of or executed by the AA in connection with the CPBA, are part of an existing contract between the Producer(s) and PG&E, the Producer(s) shall continue to be liable to PG&E for the performance of such obligations, and nothing contained in this document or the CPBA shall release the Producer(s) from its/their obligations under any contracts with PG&E.

Notwithstanding any other provision contained in this document, the Producer(s) agrees/agree that where an obligation, promise, responsibility, commitment, risk, liability, warranty, or representation of the AA is stated in the CPBA, the term "AA" shall mean the AA and the Producer(s) jointly.

Each of the undersigned Producers represents to PG&E that it has read and understood all of the provisions contained in the CPBA which is incorporated herein by this reference and agrees to be bound thereby.

The Producer(s) specifically authorizes PG&E to rely on the AA for nominations and allocations related to transport of gas by PG&E, and for all other purposes in connection with the CPBA, and to conclusively rely upon any and all information provided by the AA under the CPBA as correct. The Producer(s) will indemnify PG&E and hold it harmless, against all claims, suits, actions, liabilities, debts, accounts, damages, costs, losses and expenses, including attorney's fees, arising from or out of: PG&E's reliance upon or use of nominations or other information provided by the AA; any acts, omissions, performance or failure to perform of the AA under the CPBA or other agreements; any failure to comply with any federal, state or local reporting requirement or other laws or regulations; or the breach of any warranty or representation stated in the CPBA or herein.

PG&E'S RIGHT TO REFUSE ACCEPTANCE OF GAS

The Producer(s) agree(s) that PG&E, in its sole judgment, shall have the right, without incurring any liability to the Producer(s) to refuse acceptance of gas for transportation at the Receipt Point(s) when:

- (a) the AA fails to comply with a provision of the CPBA, becomes insolvent or subject to a bankruptcy proceeding, or fails to establish creditworthiness if requested by PG&E; or
- (b) any agreement required by PG&E in connection with the transportation of gas on PG&E's gas system has not been executed, has been terminated, or has expired; or
- (c) PG&E deems it necessary or desirable to curtail acceptance of the gas in order to operate, preserve, or protect the integrity and safety of PG&E's gas system including but not limited to, gas quality, gas supply, and /or gas system facilities. PG&E shall use reasonable efforts to give the AA advance notice of any curtailment.

In the event of any of the occurrences enumerated in items (a) through (c) above or in the event that at any given time there is no AA appointed and accepted pursuant to the conditions hereof, the Producer(s) shall, upon five (5) days' notice by PG&E, disconnect the flow into PG&E's gas system of all gas intended for transportation. In the event of such a notice, all gas flow into PG&E's gas system (through the Receipt Point(s) following the five (5) day period shall be deemed to be delivered to PG&E at the applicable Cash-Out price.

DAMAGES

The Producer who executes this document agrees on behalf of itself and of its successors and assignees that PG&E shall not be liable to the Producer or to its successors or assignees for any special, indirect, incidental or consequential damages arising out of or in connection with the CPBA or this Appointment of Authorized Agent, whether based in contract, tort (including negligence) or otherwise.

SUPERSEDING DOCUMENT

This document supersedes any previous appointment by the Producer(s) of an agent, for the purposes set forth herein or in the CPBA, and shall not be modified except by a written notice to PG&E, as described in the paragraph "APPOINTMENT OF SUCCESSOR AUTHORIZED AGENT" below, executed by the majority of the Producer(s) signatories to this Agreement. This document shall be binding on all successors and assigns of the interest(s) of the

Producer(s) in the gas wells(s) associated with the Receipt Point(s) listed in Attachment 2 of the CPBA.

APPOINTMENT OF SUCCESSOR AUTHORIZED AGENT

The Producer(s) may appoint a successor AA from time to time, by mailing to PG&E an Appointment of Authorized Agent (in the form of this document) executed by the majority of the Producers which are signatories to this document. The Producer(s) agree to be bound by any such majority appointment of a successor AA, regardless of whether each Producer supports the change of AA. Each Producer signatory to this Agreement hereby appoints the other Producer signatories to this Agreement as the Producer's agent with authority to appoint a successor AA by majority vote to act on behalf of the Producers as set forth in this document and in the CPBA. Each Producer agrees to be bound by such an appointment, if the majority of the other Producer signatories to this Agreement appoint a successor AA pursuant to these provisions. Such change (succession) shall not be effective until the newly appointed AA: (1) signed the new Appointment of Authorized Agent, whereby the new AA assumes all of the obligations of the AA set forth therein; and (2) has been approved by PG&E, which approval shall not be unreasonably withheld. When all of the aforesaid conditions have been met, the new (successor) AA shall succeed to and become vested with all the rights and obligations of the retiring AA.

ASSIGNMENT

The rights and obligations of a Producer under this Appointment of Authorized Agent may be assigned and delegated concurrently to a successor to the rights of the Producer in the gas delivered at the Receipt Point(s) set forth in Attachment 2 of the CPBA, provided that the assignment and delegation shall not become effective until PG&E has received from the Producer's successor a written acceptance of all of the obligations of the assignor Producer; and provided further that such an assignment and delegation shall not release the assignor Producer from its obligations under this Appointment of Authorized Agent, the CPBA, or any other agreements to which the assignor Producer and PG&E are parties, to the extent that the assignee Producer fails to perform such obligations. PG&E may assign its rights under this document to a parent or affiliate of PG&E or an entity acquiring the portion of PG&E's gathering system where the Receipt Point(s) specified in Attachment 2 are located.

THIRD PARTY BENEFICIARY

PG&E shall be a third party beneficiary of this Appointment of Authorized Agent.

AA'S AGREEMENT

By signing this document in the space titled "Acceptance by Authorized Agent," the AA accepts the terms and conditions hereof and agrees to act as the Producer(s) agent as set forth herein.

EFFECTIVE DATE

This Appointment of Authorized Agent shall become effective following execution by the Producer(s) and by the AA, and shall continue in effect for the term of the CPBA; provided that PG&E has accepted the AA by executing a CPBA with the AA and accepting the Appointment of Authorized Agent concurrently therewith.

COUNTERPARTS

This document may be executed in counterparts, and if executed in that manner shall have the same effect as if the Producer(s) and the AA had executed the same document. The AA and each other party executing a counterpart to this document shall deliver an executed copy of that counterpart to PG&E.

In Witness Whereof, The Producer(s) and the AA have executed this Appointment of Authorized Agent, and each signatory to this document represents that the person executing it is duly authorized to do so.

Producer: _____

By: _____

Signature

Full Name

Title

Date

Producer: _____

By: _____

Signature

Full Name

Title

Date

Producer: _____

By: _____

Signature

Full Name

Title

Date

Producer: _____

By: _____

Signature

Full Name

Title

Date

Accepted by Authorized Agent:
Company Name:

By: _____

Signature

Full Name

Title

Date

Accepted by PG&E:

By: _____

Signature

Full Name

Title

Date

Contract No _____
Date _____

**ATTACHMENT 3
CALIFORNIA PRODUCTION BALANCING AGREEMENT
COMMUNICATIONS AND OPERATIONS CONTACT**

Attachment 3 designates the formal contact names, mailing addresses, telephone and telecopier numbers for the Parties. Either Party may from time to time change or designate any other name or address for such purposes by providing the other Party with a revised Attachment 3. The revised Attachment 3 shall be effective upon receipt by the other Party. Any notice, request, demand, cashout, OFO or EFO Noncompliance Charge statement shall be in writing and shall be deemed to have been given when deposited in the United States, mail, postage prepaid, or transmitted and confirmed via telecopier. Routine operations may be exclusively communicated by facsimile or other electronic means.

	<u>To PG&E</u>	<u>To AA</u>
<u>Gas Nominations</u>		
Business Name:	Pacific Gas & Electric Company	_____
Mailing Address:	P. O. Box 770000, Mail Code B16A San Francisco, CA 94177	_____
Attention:	Gas Scheduling	_____
Telephone Number:	(415) 973-2424	() _____
Telecopy Number:	(415) 973-0649	() _____

<u>Notifications and Trades</u>		
Business Name:	Pacific Gas & Electric Company	_____
Mailing Address:	P. O. Box 770000, Mail Code B16A San Francisco, CA 94177	_____
Attention:	Balancing Coordinator	_____
Telephone Number:	(415) 972-5295	() _____
Telecopy Number:	(415) 973-0750	() _____

<u>Payments By Wire</u>	
Business Name:	Wells Fargo Bank, N.A.
Address:	San Francisco, CA 93177
ABA Routing Number:	121000248
Account Name:	Pacific Gas & Electric Co.
Account Number:	

<u>Payments By Check</u>	
Business Name:	Pacific Gas & Electric Company
Mailing Address:	P. O. Box 770000, Mail Code B5A San Francisco, CA 94177
Attention:	Customer Billing Department

For maximum protection of PG&E's system in case of operational conditions and emergencies, the AA shall notify PG&E's Gas System Operations in writing of its Physical Operator's name, telephone and facsimile numbers. Notification of physical operation of the Receipt Point by a Physical Operator shall not constitute a delegation of the AA's obligations and shall not in any way limit, diminish, or otherwise affect the AA's obligations under this Agreement, which the AA shall fully perform.

	Physical Operator
Business Name:	_____
Mailing Address:	_____
Attention:	_____
Telephone Number:	() _____
Telecopy Number:	() _____

Exhibit H
Form of Assignment of Easement
Pipeline Purchase and Sale Agreement
Dated July 31, 2009

RECORDING REQUESTED BY AND RETURN TO:

Location: City/Uninc _____

Recording Fee \$ _____

Document Transfer Tax \$ _____

- Computed on Full Value of Property Conveyed, or
 Computed on Full Value Less Liens & Encumbrances
Remaining at Time of Sale

Signature of declarant or agent determining tax _____

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD - -

ASSIGNMENT OF RIGHTS

JCN 22-00-041

Name of line, main or G/W

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby assigns to (PURCHASER), hereinafter called second party, all of PG&E's right, title and interest in and under that certain right of way and easement for gas transmission facilities, located within the County of _____, State of California, and more particularly described as follows:

(APN Number)

(Description of Deed Acquiring Rights)

This assignment shall not be deemed to be effective until (PURCHASER) has secured the consent of all surface owners of the lands traversed by the easements and permits assigned herein.

This deed is executed pursuant to authorization contained in the order of California Public Utilities Commission in Decision No. 89-12-016 dated December 9, 1989.

IN WITNESS WHEREOF the parties hereto have executed these presents this _____ day of _____, 200_.

PACIFIC GAS AND ELECTRIC COMPANY

By _____

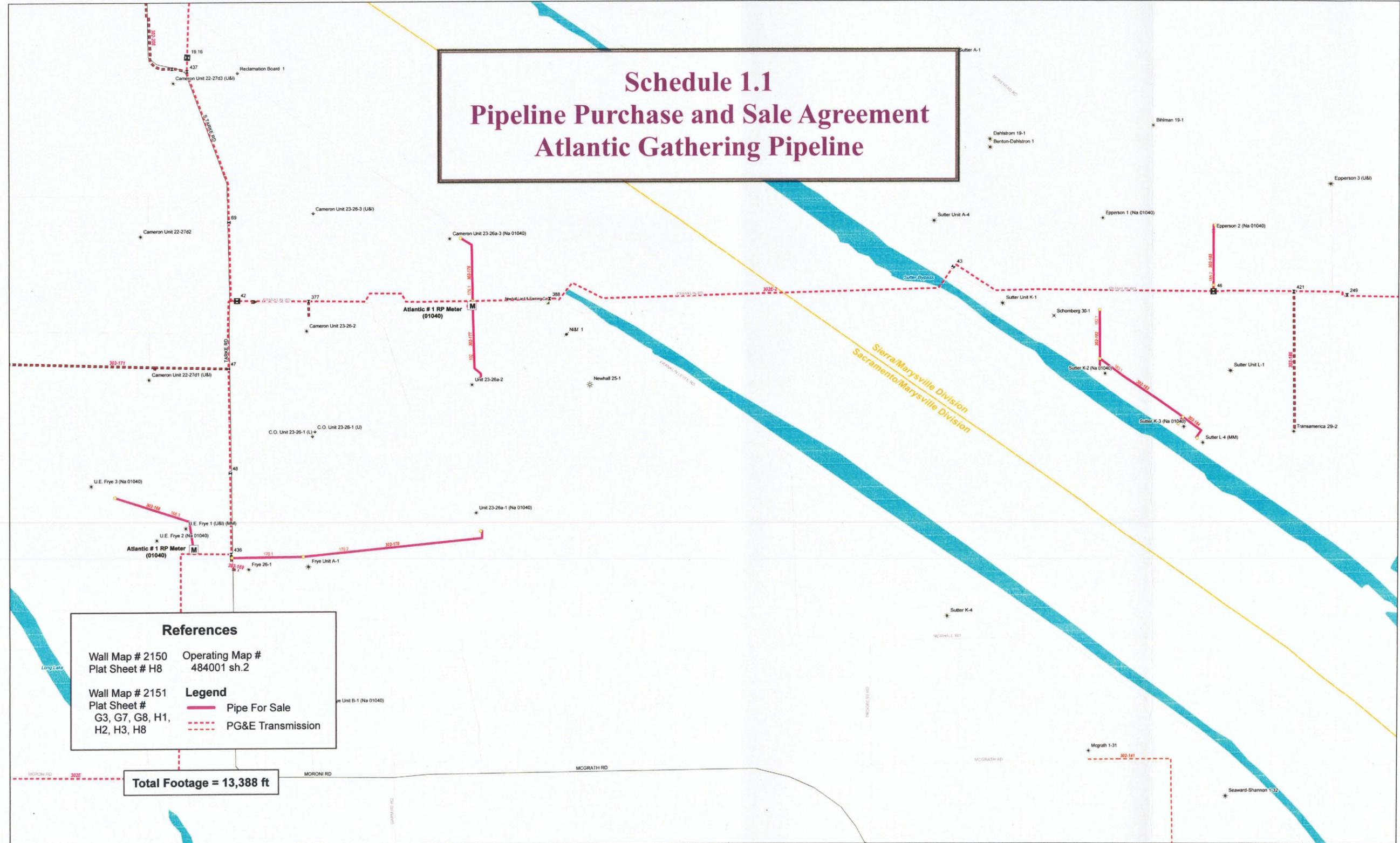
Name

Title

Advice 3109-G

Attachment 2

Schedule 1.1 Pipeline Purchase and Sale Agreement Atlantic Gathering Pipeline



References

Wall Map # 2150	Operating Map #
Plat Sheet # H8	484001 sh.2
Wall Map # 2151	Legend
Plat Sheet #	— Pipe For Sale
G3, G7, G8, H1,	- - - PG&E Transmission
H2, H3, H8	

Total Footage = 13,388 ft



Advice 3109-G

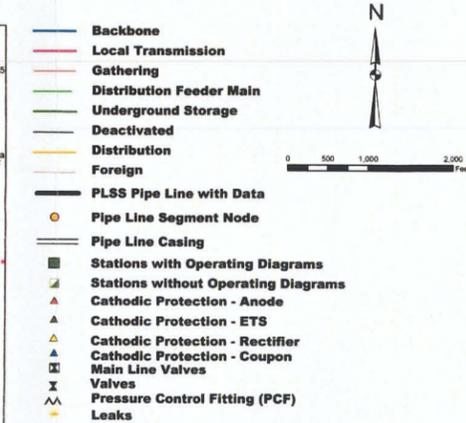
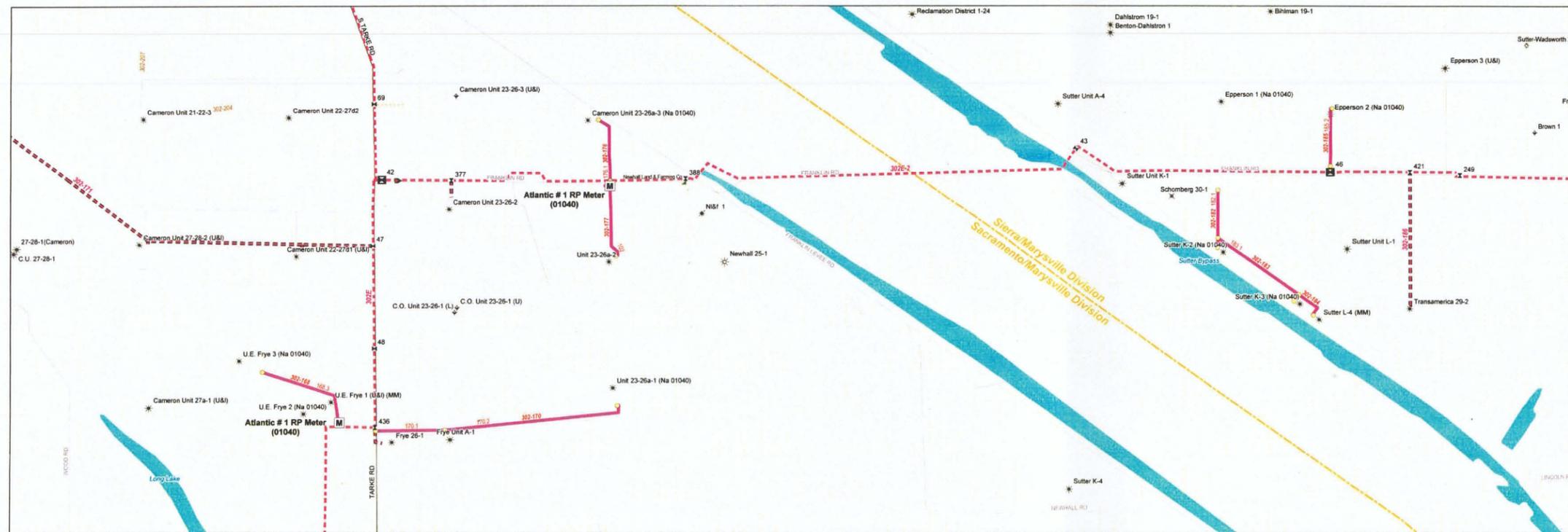
Attachment 3

PIPELINE SURVEY SHEET

Schedule 1.1 Pipeline Purchase and Sale Agreement Atlantic Gathering Pipeline

California Gas Transmission

PIPE DATA	JOINT EFFICIENCY	1.000	<=>	<=>	1.000	-1.000	<=>	-1.000	1.000	0.800	1.000	-1.000	-1.000	1.000	<=>	<=>	<=>	1.000
GIRTH WELDS	ARC	<=>	<=>	ARC	NA	NA	<=>	NA	ARC	<=>	ARC	NA	NA	ARC	<=>	<=>	<=>	ARC
LONG SEAMS	SMLS	ERW	<=>	<=>	<=>	<=>	<=>	ERW	SMLS	SMLS	ERW	<=>	<=>	<=>	<=>	<=>	<=>	ERW
JOINT TYPE	BUTT	<=>	<=>	BUTT	NA	NA	<=>	NA	BUTT	<=>	BUTT	NA	NA	BUTT	<=>	<=>	<=>	BUTT
S.M.Y.S. (PSI)	35000	42000	35000	42000	<=>	<=>	<=>	42000	35000	35000	42000	46000	46000	42000	46000	<=>	<=>	46000
GRADE	GRB	X42	GRB	X42	<=>	<=>	<=>	X42	GRB	GRB	X42	X46	X46	X42	X46	<=>	<=>	X46
WALL THICKNESS	0.1540	0.1880	<=>	<=>	<=>	<=>	<=>	0.1880	0.216	0.216	0.1880	<=>	<=>	<=>	<=>	<=>	<=>	0.1880
SIZE (OD)	2.375	6.625	4.5	6.625	6.625	6.625	6.625	6.625	3.5	3.5	6.625	6.625	6.625	6.625	<=>	<=>	<=>	6.625
MANUFACTURER	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	<=>	<=>	NA
*Design Pressure (PSIG)	1000	<=>	<=>	1000	0	0	NA	1000	<=>	1000	NA	1000	<=>	<=>	<=>	<=>	<=>	1000
TEST DATA	DATE	1/1/1982	1/1/1963	1/1/1963	NA	NA	NA	NA	7/19/1994	6/25/1991	NA	NA	1/1/1962	1/1/1962	1/1/1963	1/1/1962	1/1/1962	1/1/1962
PRESSURE (PSIG)	1800	NA	1300	1250	NA	NA	NA	1250	1750	1860	NA	NA	1500	1350	1350	1200	1200	1200
TEST MEDIUM	W	G	<=>	G	NA	NA	NA	G	W	W	NA	NA	W	G	G	W	W	W
TEST DURATION	1	NA	16	NA	NA	NA	NA	NA	1.42	2	NA	NA	3	2	<=>	<=>	<=>	2
DEPTH OF COVER	5	0	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	0
MAOP (PSIG)	975	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	<=>	975
OPERATING DATA	% SMYS AT MAOP	21.4808	40.9028	33.3397	40.9028	-40.9028	-53.2509	-40.9028	40.9028	28.2118	22.5694	-40.9028	-48.6203	48.6203	40.9028	37.3461	<=>	37.3461
MOP (PSIG)	NA	NA	NA	975	<=>	<=>	<=>	<=>	<=>	975	NA	NA	NA	NA	NA	NA	NA	NA
% SMYS AT MOP	NA	NA	NA	40.9028	-40.9028	-53.2509	-40.9028	40.9028	28.2118	22.5694	-40.9028	-48.6203	NA	NA	NA	NA	NA	NA
MAOP Dur. Welding	NA	NA	NA	858.1313	858.1313	659.1443	858.1313	858.1313	975	975	858.1313	721.9200	NA	NA	NA	NA	NA	NA
Gas Standard	NA	NA	NA	476.7396	476.7396	366.1913	476.7396	476.7396	691.2	864	476.7396	401.0667	NA	NA	NA	NA	NA	NA
PIPE Type	XTRUPL	HAA	<=>	HAA	NA	NA	NA	HAA	NA	NA	NA	NA	HAA	<=>	<=>	<=>	<=>	HAA
COATING Condition	E	G	<=>	G	NA	NA	NA	G	NA	NA	NA	NA	G	<=>	<=>	<=>	<=>	G
CLASS	1	NA	NA	NA	NA	NA	NA	NA	1	1	NA	NA	NA	NA	NA	NA	NA	NA
G. M. NUMBER	4324653	150698	153679	155975	4281-H	4281-H	4281H	155975	1998426	4854584	4281H	4281-H	152657	153679	153972	152657	152657	152657
YEAR INSTALLED	10/15/1982	1/1/1963	1/1/1962	1/1/1963	5/15/1969	<=>	5/15/1969	1/1/1963	7/21/1994	7/5/1991	5/15/1969	5/15/1969	1/1/1963	1/1/1962	1/1/1963	1/1/1962	1/1/1962	1/1/1962
UPGRADE JOB	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
FOOTAGE	1754	1183	3124	1160	16	97	9	1286	52	185	20	3	986	1817	546	129	1021	1021
LOCATION DATA	PIPE SEGMENT NO.	168.3	170.1	170.2	176.1	100.3	100.4	100.6	102	178.17	179.2	178.7	179.2	182.1	183.1	184.1	185.1	185.2
ROUTE NO.	302-168	302-170	302-170	302-176	302-177	302-177	302-177	302-177	302-178	302-178	302-178	302-178	302-178	302-182	302-183	302-184	302-185	302-185



**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Aglet	Day Carter Murphy	North Coast SolarResources
Alcantar & Kahl	Defense Energy Support Center	Occidental Energy Marketing, Inc.
Ameresco	Department of Water Resources	OnGrid Solar
Anderson & Poole	Department of the Army	Praxair
Arizona Public Service Company	Dept of General Services	R. W. Beck & Associates
BART	Division of Business Advisory Services	RCS, Inc.
BP Energy Company	Douglass & Liddell	Recon Research
Barkovich & Yap, Inc.	Downey & Brand	SCD Energy Solutions
Bartle Wells Associates	Duke Energy	SCE
Bloomberg New Energy Finance	Dutcher, John	SMUD
Boston Properties	Economic Sciences Corporation	SPURR
C & H Sugar Co.	Ellison Schneider & Harris LLP	Santa Fe Jets
CA Bldg Industry Association	Foster Farms	Seattle City Light
CAISO	G. A. Krause & Assoc.	Sempra Utilities
CLECA Law Office	GLJ Publications	Sierra Pacific Power Company
CSC Energy Services	Goodin, MacBride, Squeri, Schlotz & Ritchie	Silicon Valley Power
California Cotton Ginners & Growers Assn	Green Power Institute	Silo Energy LLC
California Energy Commission	Hanna & Morton	Southern California Edison Company
California League of Food Processors	International Power Technology	Sunshine Design
California Public Utilities Commission	Intestate Gas Services, Inc.	Sutherland, Asbill & Brennan
Calpine	Los Angeles Dept of Water & Power	Tabors Caramanis & Associates
Cameron McKenna	Luce, Forward, Hamilton & Scripps LLP	Tecogen, Inc.
Casner, Steve	MBMC, Inc.	Tiger Natural Gas, Inc.
Chris, King	MRW & Associates	Tioga Energy
City of Glendale	Manatt Phelps Phillips	TransCanada
City of Palo Alto	McKenzie & Associates	Turlock Irrigation District
Clean Energy Fuels	Merced Irrigation District	U S Borax, Inc.
Coast Economic Consulting	Mirant	United Cogen
Commerce Energy	Modesto Irrigation District	Utility Cost Management
Commercial Energy	Morgan Stanley	Utility Specialists
Consumer Federation of California	Morrison & Foerster	Verizon
Crossborder Energy	NRG West	Wellhead Electric Company
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	Western Manufactured Housing Communities Association (WMA)
	Norris & Wong Associates	eMeter Corporation