February 23, 2016

Pacific Gas and Electric Company
Attn: Erik Jacobson, Director, Regulatory Relations
Senior Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA  94177

SUBJECT:  Bundled Sale of Gas Gathering Pipeline Segments and Assignment of Land Rights in Sutter and Glenn Counties to California Resources Production Corporation under Section 851

Dear Mr. Jacobson:

Advice Letter 3658-G is effective as of January 14, 2016.

Sincerely,

Edward Randolph
Director, Energy Division
December 15, 2015

Advise 3658-G
(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Bundled Sale of Gas Gathering Pipeline Segments and Assignment of Land Rights in Sutter and Glenn Counties to California Resources Production Corporation under Section 851

Purpose

Pacific Gas and Electric Company (PG&E) requests approval under Public Utilities (P.U.) Code Section 851 and General Order (G.O.) 173, for the sale of bundled segments of gas gathering pipelines with associated appurtenances ("the Facilities"), and the assignment of associated land rights ("Assignment") in Sutter and Glenn Counties, to the California Resources Production Corporation ("CRPC"). Both the Facilities and Assignments are further described in the attached Pipeline Purchase and Sale Agreement ("Agreement") between PG&E and CRPC (See Attachment 1, Schedule 1.1, and Schedule 7).

Background

Since the 1930s, PG&E has installed and owned natural gas gathering facilities (pipelines, dehydration stations, odorization units, cathodic protection, meters, and other equipment). These facilities were constructed to extend PG&E’s system to individual gas wells, under procurement agreements for purchase of production gas at the well-head.

In Decision (D.) 89-12-016, the California Public Utilities Commission (Commission or CPUC) “strongly encourage[d] PG&E to sell [its] 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. . . ."¹ The Commission’s stated 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 successfully implemented the Commission’s directive having sold most of its gas

gathering assets. This sale will substantially reduce the remaining gas gathering pipelines in PG&E’s system.

In April 2011, PG&E initiated a bidding process for the bundled sale of segments of L-302 and L-169, which are portions of PG&E’s Sutter Buttes, Grimes, and Beehive-Willows Gas Fields. These Gas Fields are located near the towns of Willows to the north and West Buttes, California, to the south, respectively. The system segments included in this sale are mostly volunteered pipelines with a few local transmission pipelines that currently collect gas production from CRPC, exclusively.

In response to the April 2011, bidding process, PG&E accepted a bid from Venoco, Inc. (“Venoco”). Venoco planned to operate the Facilities as part of its Sacramento Basin gas gathering systems but sold certain of its California assets, including those serving the segments mentioned above, to Vintage Production California, LLC (“Vintage”) before the sale was consummated. Thereafter, Vintage changed its name to “California Resources Production Corporation” causing a further delay of the sale process. In January 2015, CRPC advised PG&E of their interest in completing the sale of the gas gathering Facilities initiated by Venoco.

PG&E respectfully requests that the CPUC approve this sale, which is similar to other CPUC-approved gas gathering facility sales and meets the long-established CPUC standard of not being adverse to the public interest. This sale involves gas gathering system segments that are of no current operational value to PG&E, and the 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.

2 Several prior CPUC Resolutions have to date, approved similar PG&E Section 851 requests for approval of gas gathering facility sales. Transactions approved by the CPUC in accordance with D.89-12-016 from 2006 through 2012 (most recent available) include: the sale of 26,207 feet of gas gathering pipelines 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 pipelines 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 pipelines located in San Joaquin County to Vintage Production for $16,500. (See Advice 2747-G, filed on May 4, 2007 and approved in Resolution G-3411 on December 6, 2007); and the sale of approximately 13,400 feet of gas gathering pipelines and appurtenances located in Butte County to Atlantic Oil Company for $35,483.64. (See Advice 3052-G, filed on October 9, 2009, as updated by Advice 3109-G, filed on April 7, 2010, and approved by Resolution G-3442, January 21, 2010 and Resolution G-3458, June 7, 2012, respectively).
In accordance with G.O. 173, PG&E provides the following information related to the proposed transaction:

(a) Identity of All Parties to the Proposed Transaction:

Pacific Gas and Electric Company
Attention: Jonathan Pendleton
Law Department
P.O. Box 7442
San Francisco, CA 94120
Telephone: (415) 973-2916
Facsimile: (415) 973-5520
Email: Jonathan.Pendleton@pge.com

California Resources Production Corporation:
Attention: Elizabeth J. Wright
Production Liaison
California Resources Corporation
111 W. Ocean Blvd., Suite 800
Long Beach, CA 90802
Telephone: (562) 283-2119
Email: Elizabeth.Wright@crc.com

(b) Complete Description of the Facilities and Property Including Present Location, Condition and Use:

The operating gas gathering segments PG&E proposes to sell are located due north and west of Sacramento in Sutter and Glenn Counties, California. The pipeline segments span a geographic area north of the town of Willows to the Sutter Buttes gas field, roughly 50 miles southeast of Willows, California. Gas gathering pipelines included in the sale range from 2 to 10 inches in diameter, with a total length (for all segments) of approximately 72,547 feet (roughly 13.7 miles). The pipelines are active and currently receive CRPC’s well production gas in the Grimes, Sutter Buttes and Beehive-Willows fields.

The said gas gathering pipelines and two master meters will be retired from PG&E’s system as a result of this sale. 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 systems have no operational value to PG&E for the delivery of service to its customers. Therefore, pipeline replacement is not justified. Additionally, PG&E’s available alternative to an active pipeline sale – deactivation and retirement of the gas gathering pipeline systems – would be costly to PG&E and rate payers due to requirements to clean liquids from the interior, remove numerous pipeline segments from private land, and/or slurry fill road crossings.

Schedule 1.1 of the Pipeline Purchase and Sale Agreement (Attachment 1) includes detailed maps of the sale Facilities and their locations.

PG&E’s land rights (easements) associated with the sale Facilities will be assigned or apportioned and assigned to CRPC. A listing and Legal
description of the land rights that are part of this transaction are included in the Agreement at Schedule 7, Assignment of Rights (Attachment 1).

(c) Intended Use of the Property and Facilities:

PG&E is not aware of any anticipated change in the use of the Facilities. The Facilities are currently used to receive CRPC gas well production, and upon completion of the sale, CRPC plans to operate the gas gathering pipeline segments and any associated appurtenances as private pipelines in their gathering systems. However, CRPC 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 segments 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.

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

As provided for in the Agreement (Attachment 1, Section 3.1 and Exhibit B), CRPC will pay One Hundred and Eight Thousand, Eight Hundred and Twenty Dollars and Fifty Cents ($108,820.50), for the Facilities included in this sale (and the associated land rights which are of nominal value, will be assigned). The net current book value of the sale Facilities is One Thousand, Five Hundred and Ninety-Three Dollars ($1,593.00). In addition, CRPC will reimburse PG&E for costs associated with operational activities necessary to conduct the sale in the amount of One Hundred and Eleven Thousand, One Hundred and Eighty-Eight Dollars ($111,188.00).

It is beneficial to PG&E and its rate payers to sell the Facilities and assign the associated land rights, given the significant maintenance and future replacement costs associated with the ownership of the Facilities.

The creditworthiness requirement under Section 12.9 of the Agreement (Attachment 1) was met by CRPC’s posting of an acceptable irrevocable standby Letter of Credit, in an amount that exceeds the requirement. Due to the sensitive nature of the Letter of Credit, it is not provided with this submission; however a substantially similar form of the instrument is included at Exhibit A.1 of the Agreement.

As background, CRPC’s predecessor, Venoco, was the sole auction bidder and PG&E accepted its offer of One Hundred Ten Thousand, and Twenty-Eight Dollars ($110,028.00). The offer was subsequently modified to One Hundred Twelve Thousand, Three Hundred and Ninety-Six Dollars and Fifty
Cents ($112,396.50) to correct a minor error in the pipeline footage used for calculating the bid price.

Given the protracted nature of this sale – which was complicated by buying party's internal restructuring - PG&E found it necessary to retire and therefore, remove one segment of pipeline from the original sale in the intervening period. Removal of the segment resulted in a change in the original footage allowance and a resulting change in the contract price for the Facilities.

(e) 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, and in 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 rate payers. CRPC will pay a total of $220,008.50 to PG&E, of which $111,188.00 will be removed for PG&E’s operational costs associated with actions necessary to complete the transaction pursuant to Sections 6.2 (c) (iv), 6.3 and 6.4 of the Agreement (Attachment 1). These costs 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 completed by PG&E. (See citations in footnote 2 above.)

PG&E will allocate one hundred percent of the actual Facilities sale proceeds of $108,820.50 to rate payers as a credit through Accumulated Depreciation, consistent with D.06-05-041. In addition, PG&E will reduce deferred tax liability by $37,867.00 in Rate Base when federal income tax payment is made. (See Attachment 2.)

(f) Statement on the Impact of the Transaction on Rate Base and Any Effect on the Ability of the Utility to Serve Customers and the Public:

One hundred percent of the net gain ($107,227.50) from the sale of the depreciable assets, that is, the Facilities, will be allocated to rate payers, and will have an immaterial impact on rate base. 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.³ Rather, the proposed transaction will serve

³ 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”
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.

(g) The Original Cost, Present Book Value, and Present Fair Market Value for Sales of Real Property and Depreciable Assets, and a Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):

The Original Cost of the Facilities was $1,527,671.00. The accumulated Depreciation is $1,526,078.00, resulting in a Net Book Value (NBV) of $1,593.00. (See Attachment 2.) The NBV represents the original facility costs less accumulated depreciation. Liability for the pipeline (including maintenance activities and possible replacement or retirement costs) will be transferred to CRPC as a result of the sale. Because of the significant maintenance and future replacement costs associated with the ownership of the Facilities, it will be financially beneficial to PG&E and its rate payers to sell the Facilities and assign the associated land rights. The sale of these Facilities will therefore result in reduced or avoided costs that PG&E rate payers would otherwise incur.

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 sole bidder's bid for the Facilities, reflecting the minimum bid price, and will sell said Facilities to CRPC for $108,820.50, which is greater than PG&E's current Net Book Value. The CPUC should find the agreed sale price to be reasonable.\(^4\)

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

Not Applicable.

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(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 the transaction would adversely affect the public or impair PG&E's ability to serve its customers. (D.04-07-023, mimeo, pp. 11-12.)

\(^4\) PG&E is also assigning land rights associated with the Facilities, as part of this sale. PG&E will not collect any fees associated with the Assignments since they have little or no economic value.
(i) **For Fair Market Rental Value of the Easement or Right-of-Way and a Detailed Description of How the Fair Market Rental Value Was Determined:**

Along with the sale of the Facilities, PG&E is also assigning land rights associated with the pipelines to CRPC. PG&E will not collect any fees associated with the assignment of these land rights as they have little or no economic value to PG&E.

(j) **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:**

**Recent Past Transactions (Within the Prior Two Years)**

Not Applicable.

**Anticipated Future Transactions**

In its on-going efforts to comply with D.89-12-016, PG&E plans to solicit bids for auctions for the few remaining sections of gas gathering Facilities, as market conditions (such as, natural gas prices) allow. The final miles of PG&E’s gas gathering system have an expansive geography and are not consolidated or concentrated in a specific area. Any additional sales would be governed by a standard Pipeline Purchase and Sale Agreement (Attachment 1), which was used for previous sales and is similar in form to the Agreement attached to this Advice Letter. Future Facility sales are expected to be similar, with the exception of the identity of the purchaser, description of the specific gas gathering Facility, and the purchase price.

(k) **Sufficient Information and Documentation (Including Environmental Review Information) to Indicate that All Criteria Set Forth in Rule 3 of G.O. 173 are Satisfied:**

PG&E has provided information in this Advice Letter to satisfy the eligibility criteria under G.O. 173 in that:

1. The transaction falls far below the “not to exceed $5 million” threshold, and thus, will not materially impact the rate base of PG&E;

2. The activity proposed in the transaction satisfies the California Environmental Quality Act (“CEQA”) provisions of G.O. 173 because it is a sale only, with no changes in use, thus, it is not a project under CEQA and will not require environmental review by the CPUC as a Lead Agency, as discussed in more detail in Section (m) below;
3. The proposed transaction will not have an adverse effect on the public interest or on the ability of PG&E to provide safe and reliable service to its customers at reasonable rates;

4. Rather, the proposed sale will serve the public interest by eliminating significant maintenance costs and potential replacement or deactivated pipe retirement costs associated with the ownership of the Facilities, as discussed above; and

5. The transaction does not warrant a more comprehensive review that would be provided through a formal Section 851 Application.

(l) 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 included in this sale. While these are deemed accurate, both PG&E and CRPC recognize the age and 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 Closing, pursuant to Sections 5 and 7 of the Agreement, during physical separation of the pipeline systems, or during future operational activities, without necessitating a subsequent filing and application under P.U. Code, Section 851.

(m) Environmental Information

Pursuant to G.O. 173, the Advice Letter program applies to proposed transactions that will not require environmental review by the CPUC as a Lead Agency under CEQA either because: (a) a statutory or categorical exemption applies, or (b) because the transaction is not a project under CEQA, or (c) because another public agency, acting as the Lead Agency under CEQA, has completed environmental review of the project, and the Commission is required to perform environmental review of the project only as a Responsible Agency 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.

(1) Exemption

a. Has the proposed transaction been found exempt from CEQA by a government agency?
i. If yes, please attach notice of exemption. Please provide name of agency, date of Notice of Exemption, and State Clearinghouse number.

Not Applicable.

ii. 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. 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-3442, issued January 21, 2010 at p. 6 and other citations at footnote 2, supra).

(2) Not a "Project" Under CEQA

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 CRPC after which the Facilities will be separated (severed) from the PG&E pipeline system at one or more locations. The Facilities being transferred to CRPC will be used in the same manner as previously, and neither Party to the Agreement 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

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5 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."
CEQA Guideline 15378, in addition to being exempt from, and not requiring CEQA review pursuant to CEQA Guideline 15061(b)(3), as discussed above.

For the above reasons, the Commission should approve this Section 851 request for the sale of gas gathering Facilities to CRPC, and find that doing so is not adverse to the public interest because it will not impair PG&E’s provision of utility service to its customers.

**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 January 4, 2016, which is 20 days after the date of this filing. Protests should be mailed to:

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

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-7226  
E-mail: PGETariffs@pge.com

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6 "The Commission has long recognized that the public interest is served when utility property is used for other productive purposes without inferring with the utility’s operations or the provision of utility services to the public."  (D.06-07-023, p. 1.)
Any person (including individuals, groups, or organizations) may protest or respond to an Advice Letter. (G.O. 96-B, Section 7.4.) The protest shall contain the following information: specification of the Advice Letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (G.O. 96-B, Section 3.11).

**Effective Date**

Pursuant to the review process outlined in General Order 173, PG&E requests that this advice filing become effective on January 14, 2016, which is 30 days from the date of filing. PG&E submits this Advice Letter as a Tier 2 filing.

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and/or via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission’s Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: [http://www.pge.com/tariffs](http://www.pge.com/tariffs).

/S/

Erik Jacobson

Director, Regulatory Relations

**Attachments:**

Attachment 1 – Pipeline Purchase and Sale Agreement Including Schedules and Exhibits

Attachment 2 – Sale Proceeds, Rate Base and Tax Effects
**********  STATE EMPLOYEE  **********

David M. Gamson  
Administrative Law Judge Division  
505 Van Ness Avenue  
San Francisco, CA 94102  
(415) 703-1232  
dmg@cpuc.ca.gov

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

Mary Jo Borak  
Energy Division  
505 Van Ness Avenue  
San Francisco, CA 94102  
(415) 703-1333  
bor@cpuc.ca.gov

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

Andrew Barnsdale  
Energy Division  
505 Van Ness Avenue  
San Francisco, CA 94102  
(415) 703-3221  
bc@cpuc.ca.gov

**********  AGENCY  **********

Attention: Donna M. Johnston  
Office of the Clerk-Recorder  
Sutter County, California  
433 Second Street  
Yuba City, CA 95991  
(530) 822-7134

Attention: Sheryl Thur  
Office of the Clerk-Recorder  
Glenn County, California  
516 West Sycamore Street, 2nd Floor,  
Willows, CA 95988  
(530) 934-6412

**********  3rd PARTY  **********

Attention: Elizabeth J. Wright  
California Resources Corporation  
111 W. Ocean Blvd., Suite 800  
Long Beach, CA 90802  
(562) 283-2119  
Elizabeth.Wright@crc.com
Company name/CPUC Utility No: Pacific Gas and Electric Company (ID U39 G)

<table>
<thead>
<tr>
<th>Utility type:</th>
<th>Contact Person: Shirley Wong</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ ELC</td>
<td>☑ GAS</td>
</tr>
<tr>
<td>□ PLC</td>
<td>☑ HEAT ☑ WATER</td>
</tr>
</tbody>
</table>

**Company Information**

- Contact Person: Shirley Wong
- Phone #: (415) 972-5505
- E-mail: slwb@pge.com and PGETariffs@pge.com

**Explanation of Utility Type**

<table>
<thead>
<tr>
<th>ELC = Electric</th>
<th>GAS = Gas</th>
<th>PLC = Pipeline</th>
<th>HEAT = Heat</th>
<th>WATER = Water</th>
</tr>
</thead>
</table>

**Advice Letter (AL) #:** 3658-G

**Subject of AL:** Bundled Sale of Gas Gathering Pipeline Segments and Assignment of Land Rights in Sutter and Glenn Counties to California Resources Production Corporation under Section 851

**Keywords (choose from CPUC listing):** Agreement, Compliance

**AL filing type:** ☑ One-Time

**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 AL:**

**Is AL requesting confidential treatment?** If so, what information is the utility seeking confidential treatment for: No

**Confidential information will be made available to those who have executed a nondisclosure agreement:** N/A

**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:** January 14, 2016

**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 proposed:** 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

Energy Division

ED Tariff Unit

505 Van Ness Ave., 4th Floor
San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Erik Jacobson, Director, Regulatory Relations

c/o Megan Lawson
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

E-mail: PGETariffs@pge.com
Attachment 1

Pipeline Purchase and Sale Agreement

Including Schedules and Exhibits
PIPEDLINE PURCHASE AND SALE AGREEMENT

This PIPELINE PURCHASE AND SALE AGREEMENT (this “Agreement”) is made by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and California Resources Production Corporation, a Delaware 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 and Exhibits 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 12.9.

“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 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.(p) “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 after Closing since the Subject Pipeline(s) consist of 15 miles or less.

“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 ASSIGNMENT AND APPORTIONMENT OF RIGHTS.” 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, or otherwise amended, 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 which accrue after Closing, 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 One Hundred Eight Thousand Eight-Hundred Twenty Dollars and Fifty Cents ($108,820.50) 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, after the Closing, 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 RECOUPRE.** 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, subcontractors, 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.

(n) **NO SECURED DEBT.** There are no liens, mortgages, security interests, deeds of trust or other encumbrances burdening the Subject Pipeline(s) securing debt instruments of PG&E or any of its Affiliates.

### 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 Delaware. 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) **Acknowledgement 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(h) “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, 9.1, 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 seventy-five (75) 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 notify PG&E pursuant to the provisions of this Section 5.4, Buyer shall be deemed to have given notice to PG&E pursuant to subparagraph (a) of this Section.

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) AND OPERATIONAL ACTIONS,” in Sections 6.4 “Modifications of PG&E’s System and/or the Subject Pipeline(s) and Operational Actions” 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) and Operational Actions.** PG&E will make modifications in or to PG&E’s gas plant, gas transmission system and/or the Subject Pipeline(s), and take other operational actions, as specifically set forth in Schedule 6 “MODIFICATIONS OF PG&E’S SYSTEM AND/OR THE SUBJECT PIPELINE(S) AND OPERATIONAL ACTIONS,” for the purpose of separating the Subject Pipeline(s) from PG&E’s gas plant physically and operationally (“Transition Modifications and Operational Actions”). All such Transition Modifications and Operational Actions, as specifically set forth in Schedule 6 hereof, will be performed by PG&E at Buyer’s expense (“Transition Modifications and Operational Actions”) after the Closing, subject to Buyer’s payment to PG&E of the total sum of One Hundred Eleven Thousand One Hundred Eighty-Eight Dollars ($111,188.00) at the Closing, which payment shall cover all Transition Modifications and Operational Actions specifically set forth in Schedule 6 “MODIFICATIONS OF PG&E’S SYSTEM AND/OR THE SUBJECT PIPELINE(S) AND OPERATIONAL ACTIONS,” on the Effective Date, but no other modifications or operational actions.
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) and Operational Actions,” 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 12.9; and, if requested by PG&E, has delivered security in a form and amount acceptable to PG&E in accordance with Section 12.9.

(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 12.9) 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 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) and Operational Actions,” Section 6.5 “Capital Expenditures,” and Section 6.6 “Risk of Loss.

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

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.

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.

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.

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 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.

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.

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.”

Buyer’s Responsibilities.

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.

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, assigns, 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 OR BUYER 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.

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 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: California Resources Production Corporation
C/O Jason Lim
Contracts Analyst
CRC Marketing, Inc.
111 W. Ocean Blvd Suite 800
Long Beach, CA 90802
Fax (310) 733-0611

with a copy to: California Resources Production Corporation
C/O Zabi Nowaid
Senior Counsel
CRC Marketing, Inc.
111 W. Ocean Blvd Suite 800
Long Beach, CA 90802
Fax (310) 733-0613
12.2 **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 12.9). 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.

12.3 **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.

12.4 **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.
12.5 **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.

12.6 **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.

12.7 **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.

12.8 **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.

12.9 **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 agrees to deliver to PG&E collateral to secure its obligations under this Agreement, which Buyer shall maintain in full force and effect for the period posted with PG&E, as follows: Buyer shall furnish to PG&E at Closing security in the amount of One Hundred Eight Thousand
Eight Hundred Twenty Dollars and Fifty Cents ($108,820.50) and in a form 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

Said security shall remain in place for two (2) years following Closing.

(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.

12.10 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, 12.2, 12.3, 12.4, 12.5, 12.6, 12.8, 12.9, 12.10, and 12.11, 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.

12.11 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.
12.12 Schedules and Exhibits. The following Schedules and Exhibits, as may be updated from time to time by PG&E and incorporated into this Agreement with notice to Buyer, are attached hereto and incorporated by reference into this Agreement:

SCHEDULES

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) AND OPERATIONAL ACTIONS"
Schedule 7 "LIST OF EASEMENTS"
Schedule 7.1 "LIST OF EASEMENTS TO BE PARTIALLY ASSIGNED"
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"
Schedule 15 "VOLUNTEERED PIPELINE(S)"

EXHIBITS

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

PG&E: Pacific Gas and Electric Company

By: _______ 
Name: Steven Whealon
Title: Director Wm&O
Date: 7/1/15

BUYER: California Resources Production Corporation

By: _______ 
Name: John Olana
Title: Operations Manager
Date: 10/1/15
Schedule 1
Description of Pipeline(s) to be Sold
Pipeline Purchase and Sale Agreement

Listing of Pipeline Routes and Segments to be sold
as shown in Schedule 1.1 Pipe Line Survey Sheets

Local Transmission Pipe

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**Legend:**
- **Backbone**
- **Local Transmission**
- **Underground Storage**
- **Distribution Feeder Main**
- **Gas Gathering**
- **Distribution**
- **Deactivated / Removed**
- **CP Rectifier**
- **Transmission Station**
- **District Reg Station**
- **Valve**
- **Coupon**
- **Electrolysis Test Station**
- **CP Rectifier**
- **Main Job Separator**
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## PIPELINE SURVEY SHEET

### Schedule 1.1

#### Pipeline Purchase and Sale Agreement
California Resources Production Corporation
Bundled Pipe Sale

#### Gas Transmission & Distribution

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<td>SECTION 60-6</td>
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### Diagram

- **Legend:**
  - Backbone
  - Local Transmission
  - Underground Storage
  - Distribution Feeder Main
  - Gas Gathering
  - Distribution
  - Foreign
  - Deactivated / Removed
  - Transm. Casing
  - Transmission Station
  - District Reg Station
  - Valve
  - Coupon
  - Electrolysis Test Station
  - CP Rectifier
  - Main Job Separator

- **Notes:**
  - 1 inch = 1,000 feet (approx.)

---

### Notes

- <--> indicates continuous data

---

*Image*
California Resources Production Corporation has no knowledge of any litigation involving the subject transaction or the subject matter thereof.
Upon execution of the Closing by Pacific Gas & Electric Company (PG&E), California Resources Production Corporation will pay the costs for Transition Modifications and Operational Actions and the Purchase Price to PG&E in accordance with PG&E's instructions per Sections 3.1 and 6.4.
All documentation pertaining to the sections of pipeline involved in this transaction will be provided to the Buyer, California Resources Production Corporation.
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.
**Bundled Active Gas Gathering Pipeline (& Appurtenances)**

**Sale & Easement Assignment**

Transition Modifications & Operational Actions Costs

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<td>Pipeline Services records research &amp; review, physical engineering, drafting &amp; design, site walk-downs with Buyer or Buyer's Agent, mapping (preparation of sale maps, GIS, mapping close out), estimating (development, review and approval of both capital- and expense-side estimates), data room preparation &amp; administration, compilation of job history, M&amp;O records, completion of required revisions, job processing.</td>
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**Grand Total** $111,188.00

* The Grand Total above represents expenses incurred by PG&E to prepare and execute the sale of the subject pipeline facilities to Venoco and subsequently, to Vintage and CRPC. This amount includes a $5000 credit for the initial bid offer payment made by Venoco with the submission of its bid. The Grand Total amount excludes the following costs, which PG&E has elected to cover: 1) capital and administrative costs associated with separating the relevant sale pipelines from PG&E's local system/s after the Closing, 2) costs for legal review, 3) submission of the Section 851 approval filing with the California Public Utilities Commission, and 4) administrative costs for contract management, credit services and other labor needed to manage and process the sale through the Closing, as defined in the Pipeline Purchase and Sale Agreement. The transactional and operational costs listed in the table above reimburse PG&E for the (engineering and land services related) closing costs necessary to complete the transaction pursuant to Sections 6.2 (c) (iv) and 6.4 of the Pipeline Purchase and Sale Agreement.
See attached list of easements in Sutter County & Glenn County pertaining to the segments of gas gathering pipe included as part of this sale.
PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby assigns to CALIFORNIA RESOURCES PRODUCTION CORPORATION, a Delaware corporation, all of PG&E’s right, title and interest in and under those certain rights of way and easements for gas transmission facilities granted by and described in the deeds set forth in Exhibit “A” attached hereto and made a part hereof, all of which are recorded in the Office of the County Recorder of the County of Sutter, State of California.

This deed is executed pursuant to the California Public Utilities Commission (CPUC) Resolution _______ dated ___________, authorizing the sale of PG&E’s gas transmission facilities described in PG&E’s Advice Letter ___________ filed with the CPUC on ___.

Dated ________________________, 20____.

PACIFIC GAS AND ELECTRIC COMPANY

By ____________________________
Sheryl Bilbrey
Director
Land Management
Attach to LD 2116-01-0118
Area 6, Sacramento/Sierra Division, Northern Region
Land Service Office: San Francisco
Operating Department: Gas Transmission
T16N, R1E, MDM
Sec. 17, S2
Sec. 18, N2ofSE4
Sec. 20, W2ofNW4, W2ofSW4
Sec. 28, SW4
Sec. 29, W2, SE4
Sec. 30, E2ofSE4
Sec. 32, SE4ofNW4, NE4
Sec. 33, NW4ofNW4, SE4ofNW4, SW4, S2ofSE4
Sec. 34, SW4, SWofSE4
T15N, R1E, MDM
Sec. 2, NW4ofNW4
Sec. 3, NE4ofNW4
Sec. 10, NE4ofSE4
Sec. 11, W2ofNW4, N2ofSW4
FERC License Number(s): N/A
PG&E Drawing Number(s): B-4806 Sh. 4-5, 7-11, 14-15, B-4846, B-4853, B-4888, B-4921, B-5488, B-5522, B-5770, B-5793 (Sh. 1 unless otherwise indicated)
PLAT NO.: Elec.: M15, M16, N15, N16, 016, O17; Gas: COL2089H2, COL2089H3,
LD of any Cross-referenced documents (if applicable): N/A
TYPE OF INTEREST: 5, 6, 52
SBE Parcel Number: N/A
(For Quitclaims, % being quitclaimed): N/A
Order # or PM #: 41073034/0170
JCN: 22-14-013
County: Sutter
Utility Notice Numbers (if applicable): N/A
851 Approval Application No.: N/A
Prepared By: DQT1
Checked By: TEP4
Revised By: DQT1 (4/9/15)
# Exhibit “A”

California Resources Production Corporation  
Active Gas Gathering Pipe Sale  
L-302 Sutter Buttes Field

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1. PG&E is assigning its rights under this document only insofar as they affect all of Strip 2 and the portion of Strip 1 described in this document which has a center line bearing of N. 4° 33’ E. and a center line length of 1955.6 feet to Point “A” and runs thence N. 4° 33’ E. 160.0 feet. PG&E is retaining its pipe line and rights within the remainder of Strip 1 of this document.

2. PG&E is assigning its rights under this document only insofar as they affect all of Strip 1. PG&E is retaining its pipe line and rights within Strip 2 of this document.

3. PG&E’s pipe line was installed under an Option for Right of Way. There is no record that an easement was granted for the facilities. PG&E is assigning its rights under this document only insofar as they affect the portion which lies northwesterly of the southwesterly prolongation of the northwesterly boundary line of the 20 foot wide strip of land described in the deed from Anthony E. Steidlmayer and others to PG&E dated January 3, 1963 and recorded in Book 616 of Official Records at page 377, Sutter County Records.

4. PG&E is assigning its right under this document only to the portion of the strip of land described in this document that lies 10 feet on each side of the portion of the center line of said strip of land that begins at a point referred to as Point “A” therein and runs thence S. 58° 45 ¼’ E. 346.1 feet; thence N. 31° 14 ½’ E. 19.0 feet. PG&E is retaining its pipe line and rights within the remainder of said strip of land of this document.
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Note: Unless noted in footnotes, assign all

E = Easement
O = Option
NOFD = Notice of Final Description

5 PG&E is assigning its rights under this document only insofar as they affect all of Strips 5, 6, 7, 8, 9, 10 and 11. PG&E is retaining its pipe line and rights within Strips 1, 2, 3 and 4 of this document.

6 PG&E is assigning its rights under this document only insofar as they affect all of Strip 2 and the portion of Strip 1 described in this document, being the last 600 feet of the course which has a center line bearing of south 25° 36' east and a center line length of 1500 feet. The remaining portion of Strip 1 was previously retired by PG&E and is now owned by California Resources Production Corporation.
PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby assigns to CALIFORNIA RESOURCES PRODUCTION CORPORATION, a Delaware corporation, all of PG&E’s right, title and interest in and under those certain rights of way and easements for gas transmission facilities granted by and described in the deeds set forth in Exhibit “A” attached hereto and made a part hereof, all of which are recorded in the Office of the County Recorder of the County of Sutter, State of California.

This deed is executed pursuant to the California Public Utilities Commission (CPUC) Resolution _______ dated __________, authorizing the sale of PG&E’s gas transmission facilities described in PG&E’s Advice Letter __________ filed with the CPUC on ____.

Dated ______________________, 20____.

PACIFIC GAS AND ELECTRIC COMPANY

By ___________________________

Sheryl Bilbrey
Director
Land Management
### Exhibit “A”

**California Resources Production Corporation**  
Active Gas Gathering Pipe Sale  
L-302 Grimes Field

<table>
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<tr>
<th>PG&amp;E L.D.</th>
<th>Grantor</th>
<th>Type</th>
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<td>2115-01-0401</td>
<td>Robert Carson Chesney and wife</td>
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<td>2115-01-0400</td>
<td>Francis H. Yates and wife, and others</td>
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<td>2115-01-0528</td>
<td>Francis H. Yates and wife</td>
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<td>11/08/1971</td>
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<td>2415-01-0279</td>
<td>Guy Harris</td>
<td>E</td>
<td>11/12/1969</td>
<td>Sutter 746 560</td>
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Note: Unless noted in footnotes, assign all  
E = Easement  
NOFD = Notice of Final Description

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1 PG&E is assigning its rights under this document only to the portion of the strip of land described in this document, being the last 138 feet of the course which has a center line bearing of south 4° 10’ east and a center line length of 238 feet. PG&E is retaining its pipe line and rights within the remainder of said strip of land.

2 PG&E is assigning its rights under this document only to the portion of the strip of land described in this document, being the last 10 feet of the course which has a center line bearing of north 0° 41’ west and a center line length of 753.0 feet and all of the course which has a center line bearing of north 4° 10’ west and a center line length of 25 feet. PG&E is retaining its pipe line and rights within the remainder of said strip of land.
PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby assigns to CALIFORNIA RESOURCES PRODUCTION CORPORATION, a Delaware corporation, all of PG&E’s right, title and interest in and under those certain rights of way and easements for gas transmission facilities granted by and described in the deeds set forth in Exhibit “A” attached hereto and made a part hereof, all of which are recorded in the Office of the County Recorder of the County of Glenn, State of California.

This deed is executed pursuant to the California Public Utilities Commission (CPUC) Resolution _______ dated ______________, authorizing the sale of PG&E’s gas transmission facilities described in PG&E’s Advice Letter __________ filed with the CPUC on ____.

Dated ______________________, 20____.

PACIFIC GAS AND ELECTRIC COMPANY

By ____________________________________

Sheryl Bilbrey
Director
Land Management
Attach to LD 2420-02-0358
Area 6, North Valley Division, Northern Region
Land Service Office: San Francisco
Operating Department: Gas Transmission
T19N, R2W, MDM
Sec. 2, S2ofNW4
Sec. 3, SE4ofNE4
T20N, R2W, MDM
Sec. 20, NW4ofSE4
Sec. 33, NE4ofNW4, W2ofNE4, N2ofSW4
FERC License Number(s): N/A
PG&E Drawing Number(s): B-4486, B-4490, B-4498 Sh. 5, B-4598, B-4543 Sh. 2, B-5507
(Sh. 1 unless otherwise indicated)
PLAT NO.: Elec.: Y22, X21, X22; Gas: 1838G8, 1839J1, 1839J2, 1839J3
LD of any affected documents: 2420-02-0037, 2420-02-0054, 2420-02-0282, 2420-02-0295, 2420-02-0296,
2420-02-0318, 2420-02-0319, 2419-02-0055, 2419-02-0054
LD of any Cross-referenced documents (if applicable): N/A
TYPE OF INTEREST: 5, 6, 52
SBE Parcel Number: N/A
(For Quitclaims, % being quitclaimed): N/A
Order # or PM #: 41073034/0170
JCN: 22-14-015
County: Glenn
Utility Notice Numbers (if applicable): N/A
851 Approval Application No.: N/A
Prepared By: DQT1
Checked By: TEP4
Revised By: DQT1 (4/9/15)
### Exhibit “A”

California Resources Production Corporation  
Active Gas Gathering Pipe Sale  
L-169 Beehive Bend – Willow Gas Field

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<th>PG&amp;E L.D.</th>
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<td>Kim Jones</td>
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Note: Unless noted in footnotes, assign all  
E = Easement

---

1 PG&E is assigning its rights under this document only to the portion of the strip of land described in this document which has a center line bearing of S. 86° 10’ W. and a center line length of 448 feet. PG&E is retaining its pipe line and rights within the remainder of said strip of land of this document.
Schedule 7.1
List of Easements to be Partially Assigned
Pipeline Purchase and Sale Agreement

NONE
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

NONE
Approval from the California Public Utilities Commission (CPUC) through a 851 Filing covering the sale of the subject pipeline in this Agreement is required.
Christopher Johns  
President  
Pacific Gas and Electric Company

Nickolas Stavropoulos  
Executive Vice President  
Gas Operations

Jesus Soto, Jr.  
Senior Vice President  
Gas Transmission Operations

Melvin Christopher  
Senior Director  
Gas System Operations

Steve Whelan  
Director  
Wholesale Marketing and Business Development

Roger Graham  
Senior Manager  
Product Management, Wholesale Marketing and Business Development
Schedule 13
Schedule of Buyer Officers and Employees
Pipeline Purchase and Sale Agreement

Todd A. Stevens
President

Marshall D. Smith
Senior Executive Vice President

Robert A. Barnes
Senior Executive Vice President

Shawn M. Kerns
Senior Executive Vice President

Frank E. Komin
Senior Executive Vice President

Roy Pineci
Senior Executive Vice President

Michael L. Preston
Senior Executive Vice President, Generation

Darren Williams
Senior Executive Vice President

Noelle M. Repetti
Vice President – Tax

Ivan Gaydarov
Treasurer

Jody L. Johnson
Assistant Secretary

Kendrick F. Royer
Assistant Secretary
Schedule 14
Compliance Exceptions
Pipeline Purchase and Sale Agreement

NONE
Listing of Volunteered Pipeline Routes and Segments to be sold
as shown in Schedule 1.1 Pipe Line Survey Sheets

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Exhibit A
Form of Guaranty
Pipeline Purchase and Sale Agreement

GUARANTY AGREEMENT

____________________________, a [corporation] organized under the laws of __________ (referred to herein as “Counterparty”) and PACIFIC GAS AND ELECTRIC COMPANY (referred to herein as “PG&E”) are entering into a [insert name of contract or agreement] [Contract] referred to herein as “the Contract”). The Counterparty is a [corporation] organized under the laws of ______________ (referred to herein as “Guarantor”). To induce PG&E to enter into the Contract with the Counterparty, or to comply with a Counterparty obligation under the Contract, and for valuable consideration, the Guarantor is entering into this Guaranty Agreement (referred to herein also as the “Guaranty”) and hereby agrees as follows:

(a) Guaranty and Obligations. The Guarantor irrevocably and unconditionally guarantees to PG&E, its successors, endorsees and assigns, the due and punctual performance and payment in full of all obligations and amounts owed by the Counterparty to PG&E under the Contract, whether due or to become due, secured or unsecured, absolute or contingent (all referred to herein as “Obligations”). The liability of the Guarantor hereunder is a continuing guaranty of payment and performance when any Obligation is owing or when the Counterparty is in default or breach under the Contract, without regard to whether recovery may be or has become barred by any statute of limitations or otherwise may be unenforceable. In case of the failure of the Counterparty to pay or perform the Obligations punctually, the Guarantor hereby agrees, upon written demand by PG&E, to perform the Obligations or pay or cause to be paid any such amounts punctually when and as the same shall become due and payable. The Guarantor hereby also agrees to reimburse PG&E for any reasonable attorneys’ fees and all other costs and expenses incurred by PG&E in enforcing this Guaranty. If at any time during the term of this Guaranty PG&E determines that the creditworthiness of the Guarantors has materially changed, PG&E may declare the Guarantor to be in default under this Guaranty.

(b) Guaranty of Payment. The Guarantor hereby agrees that its obligations under this Guaranty constitute a guaranty of payment when due and not of collection.

(c) Nature of Guaranty. The Guarantor hereby agrees that its obligations under this Guaranty shall be irrevocable and unconditional, irrespective of the validity, or enforceability of the Contract against the Counterparty (other than as a result of the unenforceability thereof against PG&E), the absence of any action or measure to enforce the Counterparty’s obligations under the Contract, any waiver or consent of PG&E with respect to any provisions thereof, the entry by the Counterparty and PG&E into amendments to the Contract for additional services under the Contract or otherwise, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor (excluding the defense of payment). The Guarantor agrees that the obligations of the Guarantor under this Guaranty will upon the execution of any such amendment by the Counterparty and PG&E extend to all such amendments without the taking of further action by the Guarantor, the Counterparty, or PG&E. The Guarantor agrees that the Counterparty and PG&E may, without prior written consent of the Guarantor, mutually agree to modify the Obligations or the Contract or any agreement between the Counterparty and PG&E, without in any way impairing or affecting this Guaranty.
(d) **Termination.** This Guaranty may not be terminated by the Guarantor and shall remain in full force and effect until all of the Obligations of the Counterparty under or arising out of the Contract have been fully performed.

(e) **Rescinded Payment; Independent Liability.** The Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time, payment, or any part thereof, of any Obligation or interest thereon is rescinded or must otherwise be restored or returned for any reason whatsoever, and the Guarantor shall remain liable hereunder in respect of such payments or obligations or interest thereon as if such payment had not been made. PG&E shall not be obligated to file any claim relating to the Obligations owing to it in the event that the Counterparty becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of PG&E to file shall not affect the Guarantor’s obligations hereunder. The Guarantor’s obligations hereunder are independent of the Obligations of the Counterparty. The liability of the Guarantor hereunder is independent of any security for or other guaranty of payment received by PG&E in connection with the Contract, is not affected or impaired by (a) any voluntary or involuntary liquidation, dissolution, receivership, attachment, injunction, restraint, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Counterparty or any of its assets, including but not limited to any rejection or other discharge of the Counterparty’s obligations imposed or asserted by any Court, trustee or custodian or any similar official or imposed by any law, statute or regulation in such event, or (b) the extension of time for the payment of any sum, in whole or in part, owing or payable to PG&E under the Contract or this Guaranty or the extension of the time for the performance of any other obligation under or arising out of or on account of the Contract or this Guaranty, or (c) any failure, omission or delay on the part of PG&E to enforce, assert or exercise any right, power or remedy conferred on PG&E in the Contract or this Guaranty or any action on PG&E’s part granting indulgence or extension in any form, or (d) the release, modification, waiver or failure to pursue or seek relief with respect to any other guaranty, pledge or security device whatsoever, or (e) any payment to PG&E by the Counterparty that PG&E subsequently returns to the Counterparty pursuant to court order in any bankruptcy or other debtor-relief proceeding, or (f) any amendment, modification or other alteration of the Contract, or (g) any indemnity agreement the Counterparty may have from any party, or (h) any insurance that may be available to cover any loss. The Guarantor waives any right to the deferral or modification of the Guarantor’s obligations hereunder by virtue of any such debtor-relief proceeding involving the Counterparty.

(f) **Guarantor Waivers.** The Guarantor hereby waives (i) promptness, diligence, presentment, demand of payment, protest, order and, except as set forth in paragraph (a) hereof, notice of any kind in connection with the Contract and this Guaranty; (ii) any requirement that PG&E exhaust any right to take any action against the Counterparty or any other person prior to or contemporaneously with proceeding to exercise any right against the Guarantor under this Guaranty; (iii) to the fullest extent permitted by law, the benefit of any statute of limitations affecting its liability under or the enforcement of this Guaranty; (iv) any right to require PG&E to (A) proceed against or exhaust any insurance or security held from the Counterparty or any other party, or (B) pursue any other remedy available to PG&E; (v) any defense based on or arising out of any defense of the Counterparty other than payment in full of the amount(s) owed, including without limitation any defense based on or arising out of the disability of the Counterparty, the unenforceability of the indebtedness from any cause, or the cessation from any cause of the liability of the Counterparty, other than payment in full of the amount(s) owed. The Guarantor agrees that 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 the
Guarantor under this Guaranty, except to the extent the amount(s) owed to PG&E by the Counterparty have been paid. The Guarantor further agrees that until all amounts owed by the Counterparty to PG&E are paid in full, even though such amounts may in total exceed the Guarantor’s liability hereunder, the Guarantor shall have no right of subrogation, waives any right to enforce any remedy that PG&E has or may have against the Counterparty, and waives any benefit of and any right to participation in any security from the Counterparty now or later held by the Guarantor. The Guarantor assumes all responsibility for keeping itself informed of the Counterparty’s financial condition and all other factors affecting the risks and liability assumed by the Guarantor hereunder, and PG&E shall have no duty to advise the Guarantor of information known to it regarding such risks.

(g) No Assignment of Guaranty Obligations Without Consent. The Guarantor may not assign or otherwise transfer its obligations under this Guaranty to any other party without the prior written consent of PG&E, the exercise of which shall be in PG&E’s sole discretion.

(h) Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine.

(i) Jurisdiction. With respect to any suit, action or proceedings (collectively “Proceedings”) relating to this Guaranty Agreement, Guarantor irrevocably: (i) submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City; and (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, and any claim of inconvenient forum, and any objection to the jurisdiction of any such court.

(j) Severability. In the event that any provision of this Guaranty conflicts with the law or if any such provision is held to be invalid, illegal or unenforceable, such provision shall be deemed to be restated to reflect as nearly as possible the original intention of the parties in accordance with applicable law or, if that is not possible, the provision shall be deleted, and the remainder of this Guaranty shall remain in full force and effect.

(k) Representations and Warranties. The Guarantor, through its undersigned officer, represents and warrants to PG&E that (i) the Counterparty is a subsidiary or other affiliate of the Guarantor, (ii) the Guarantor is a duly organized and validly existing corporation or other legal entity in good standing under the laws of the jurisdiction of its incorporation or formation, (iii) the Guarantor has the corporate power and legal authority to execute, deliver and perform the terms and provisions of this Guaranty and has taken all necessary corporate and other action to authorize the execution, delivery and performance by it of this Guaranty, (iv) the Guarantor has duly executed and delivered this Guaranty, and (v) this Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms.

(l) No Amendment; No PG&E Waiver. This Guaranty shall not be amended without the prior written consent of PG&E. Any amendment to this Guaranty made in violation of this provision shall be null and void. No right, power, remedy or privilege 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 any right, power, remedy or privilege, or by any delay in doing so, and every right, power, remedy or privilege of PG&E hereunder shall continue in full force and effect until specifically waived or released in a written document executed by PG&E. Any such written waiver or release of a right, power, remedy or privilege on any one occasion shall not be construed as a bar to any right, power, remedy or privilege which PG&E would otherwise have on any future occasion. No single or partial exercise of any right, power, remedy or privilege by
PG&E shall preclude any other or further exercise by PG&E of any other right, power, remedy or privilege. The rights and remedies provided in this Guaranty are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

(m) Notices. All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be delivered, mailed, or sent by facsimile transmission to the address and to the individuals indicated below. Either party may periodically change any address to which notice is to be given it by providing notice of such change as provided herein.

If to Guarantor:


If to PG&E: Pacific Gas and Electric Company


Any notice provided hereunder shall be effective upon actual receipt, if received during the recipient’s normal business hour; or it shall be effective at the beginning of the recipient’s next business day after receipt, if received after the recipient’s normal business hours. If notice is provided by facsimile, the sender shall be responsible for obtaining facsimile receipt confirmation.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed in its name by its duly authorized officer as of the date set forth below.

___________________________________
By: ______________________________
Name: _____________________________
Title: _____________________________
Date_______________________________
Exhibit A.1
Form of Letter of Credit
Pipeline Purchase and Sale Agreement

Issuing Bank Letterhead and Address

STANDBY LETTER OF CREDIT NO. XXXXXXXX

Date: [insert issue date]

Beneficiary: Pacific Gas and Electric Company

Applicant: [insert name of Applicant and address]

77 Beale Street, Mail Code B28L
San Francisco, CA 94105
Attention: Credit Risk Management

Letter of Credit Amount: [insert amount]

Expiry Date: [insert expiry date]

Ladies and Gentlemen:

By order of [insert name of Applicant] (“Applicant”), we hereby issue in favor of Pacific Gas and Electric Company (the “Beneficiary”) our irrevocable standby letter of credit No. [insert number of letter of credit] (“Letter of Credit”), for the account of Applicant, for drawings up to but not to exceed the aggregate sum of U.S. $ [insert amount in figures followed by (amount in words)] (“Letter of Credit Amount”). This Letter of Credit is available with [insert name of bank, and the city and state in which it is located] by sight payment, at our offices located at the address stated below, effective immediately, and it will expire at our close of business on [insert expiry date] (the “Expiry Date”).

Funds under this Letter of Credit are available to the Beneficiary against presentation of the following documents:

1. Beneficiary’s signed and dated sight draft in the form of Exhibit A hereto, referencing this Letter of Credit No. [insert number] and stating the amount of the demand; and

2. One of the following statements signed by an authorized representative or officer of Beneficiary:
A. “Pursuant to the terms of a that certain Pipeline Purchase and Sale Agreement, dated___________(the “Agreement”) between Beneficiary and [insert name of Beneficiary’s counterparty under the applicable Agreement], Beneficiary is owed the amount stated on the accompanying draft and is therefore entitled to draw under Letter of Credit No. [insert number] such amount owed by [insert name of Beneficiary’s counterparty under the Agreement]; or

B. “Letter of Credit No. [insert number] will expire in thirty (30) days or less and [insert name of Beneficiary’s counterparty under the applicable Agreement] has not provided replacement security acceptable to Beneficiary.”

Special Conditions:

1. Partial and multiple drawings under this Letter of Credit are allowed;
2. All banking charges associated with this Letter of Credit are for the account of the Applicant;
3. This Letter of Credit is not transferable;
4. A drawing for an amount greater than the Letter of Credit Amount is allowed, however, payment shall not exceed the Letter of Credit Amount; and
5. The Expiry Date of this Letter of Credit shall be automatically extended (without an amendment hereto) for a period of one (1) year from the Expiry Date or any future Expiry Date, unless at least sixty (60) days before the then current Expiry Date we notify you by courier or registered mail that we elect not to extend the Expiry Date of this Letter of Credit for such an additional period.

We engage with you that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored upon presentation, on or before the Expiry Date (or after the Expiry Date as provided below), at our offices at [insert issuing bank’s address for drawings].

All demands for payment shall be made by presentation of originals or copies of documents; or by facsimile transmission of documents to [insert fax number], Attention: [insert name of issuing bank’s receiving department], with originals or copies of documents to follow by overnight mail. If presentation is made by facsimile transmission, you may contact us at [insert phone number] to confirm our receipt of the transmission. Your failure to seek such a telephone confirmation does not affect our obligation to honor such a presentation.

Our payments against complying presentations under this Letter of Credit will be made no later than on the sixth (6th) banking day following a complying presentation.

Except as stated herein, this Letter of Credit is not subject to any condition or qualification. It is our individual obligation, which is not contingent upon reimbursement and is not affected by any agreement, document, or instrument between us and the Applicant or between the Beneficiary and the Applicant or any other party.
Except as otherwise specifically stated herein, this Letter of Credit is subject to and governed by the *Uniform Customs and Practice for Documentary Credits, 2007 Revision*, International Chamber of Commerce (ICC) Publication No. 600 (the “UCP 600”); provided that, if this Letter of Credit expires during an interruption of our business as described in Article 36 of the UCP 600, we will honor drafts presented in compliance with this Letter of Credit within thirty (30) days after the resumption of our business and effect payment accordingly.

The law of the State of New York shall apply to any matters not covered by the UCP 600.

For telephone assistance regarding this Letter of Credit, please contact us at [insert number and any other necessary details].

Very truly yours,

[insert name of issuing bank]

By: __________________________
   _____________________________
   Authorized Signature

Name: [print or type name]

Title: ___________________________
Exhibit A - SIGHT DRAFT

TO
[INSERT NAME AND ADDRESS OF PAYING BANK]

AMOUNT: $________________________ DATE:
________________________

AT SIGHT OF THIS DEMAND PAY TO THE ORDER OF PACIFIC GAS AND ELECTRIC COMPANY THE AMOUNT OF U.S.$______________________(U.S. DOLLARS)

DRAWN UNDER [INSERT NAME OF ISSUING BANK] LETTER OF CREDIT NO. XXXXX.

REMIT FUNDS AS FOLLOWS:

[INSERT PAYMENT INSTRUCTIONS]

DRAWER

BY:

_______________________________________ NAME AND TITLE
Exhibit A.2
Form of Evidence of Insurance
Pipeline Purchase and Sale Agreement

See Attached Example of Certificate of Liability Insurance
CERTIFICATE OF LIABILITY INSURANCE

This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not affirmatively or negatively amend, extend or alter the coverage afforded by the policies below. This certificate of insurance does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder.

IMPORTANT: If the certificate holder is an additional insured, the policy(ies) must be endorsed. 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).

PRODUCER:
Aon Risk Services Southwest, Inc.
Houston TX Office
5555 San Felipe
Suite 1500
Houston TX 77056 USA

CONTACT NAME:

CONTACT PHONE: (866) 283-7122
FAX (800) 363-0105
E-MAIL:
ADDRESS:

INSURER(S) AFFORDING COVERAGE
INSURER A: Starr Indemnity & Liability Company
NAIC #: 38118
INSURER B: National Fire & Marine Ins Co
NAIC #: 20079
INSURER C:
INSURER D:
INSURER E:
INSURER F:

COVERAGES

COVERAGE CERTIFICATE NUMBER: 570059634770 REVISION NUMBER:

THIS IS TO CERTIFY THAT 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. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Limits shown are as requested

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DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Sample Certificate provides for a gas gathering system acquisition. The cert shall be included in CPUC Approval Packet for Review. General Liability Policy shown above includes Sudden & Accidental Pollution Liability.

CERTIFICATE HOLDER

PC&E Corporation
851 Howard Street
San Francisco CA 94103 USA

AUTHORIZED REPRESENTATIVE

Aon Risk Services Southwest Inc.
See attached copy of the unexecuted Bill of Sale
Pacific Gas and Electric Company

Bill of Sale and Sale Agreement

Sales Order: 40928697
Disposition Number: 1000000697
Disposition Type: MSC
Customer Number: 1234523
Customer PO Number:

Seller:
Investment Recovery Group
245 Market Street, Mail Code N13V
San Francisco CA 94105

Payment Address:
Misc. Check Deposit Desk
855 Embarcadero Drive,
West Sacramento, CA 95605

Buyer:
California Resources Production Corporation -- Jason Lim
111 W. Ocean Blvd Suite 800
Long Beach CA 90802

Material | Quantity | Short Description of the Material | Purchase Price ($) | Tax amount ($) | Total ($) |
--- | --- | --- | --- | --- | --- |
S552021 | 1 | 10,8,6,4,3,2 INCH DIAM. STEEL PIPE | 108,820.5 | 0 | 108,820.5 |

Sub Total ($): 108,820.5
Tax ($): 0
Total ($): 108,820.5

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

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.
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]

MARK T. CAZON

(print name)

Title: Vice President

Date: 10/21/15
In connection with its purchase of the subject pipeline segment from Pacific Gas and Electric Company (PG&E), California Resources Production Corporation proposes to operate said pipeline segment as a non-regulated pipeline. California Resources Production Corporation 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 third party natural gas, California Resources Production Corporation 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. California Resources Production Corporation 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 he/she/it nominates. California Resources Production Corporation 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 California Resources Production Corporation.

b. Should the BTU content of such third party producer natural gas be of such quality that when blended with California Resources Production Corporation 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 his/her/its sole risk and expense to make his/her/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 throughput basis among the third party natural gas producers such that California Resources Production Corporation gas shall have a priority right to the pipeline capacity. In the event of any such constraint, California Resources Production Corporation shall not have any obligation to enlarge the lines, install compression, or do any other act to increase capacity. California Resources Production Corporation obligations shall be strictly limited to fairly allocating between the third party producers the gathering capacity remaining after California Resources Production Corporation 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. This statement of operation shall have no application to or create any obligation in California Resources Production Corporation with regard to any California Resources Production Corporation owned pipelines that have not been acquired from PG&E pursuant to this transaction to which this statement is a part.

f. California Resources Production Corporation 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

California Production Interconnection and Operating Agreement (CPIOA) example attached.
CALIFORNIA PRODUCTION

INTERCONNECTION AND OPERATING AGREEMENT

No. ____________________

between

PACIFIC GAS AND ELECTRIC COMPANY

and

________________________

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This Agreement, (hereafter "Agreement") dated xxxxx, 2015, is between xxxxxx “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 Glenn 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:
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 (BtuIT) 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.
“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.
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.
(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.
(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)
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
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.
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
6121 Bollinger Canyon Road
Building Z1, 5th Floor
San Ramon, CA 94583

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.
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.
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
(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
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.
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
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...
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.
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
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 a forestated 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.
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
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.
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)
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.
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.
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:

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<tr>
<th>Producer Address</th>
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<tr>
<td>Tel: (925) 244-3527</td>
</tr>
<tr>
<td>Attn.: Product Management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pacific Gas and Electric Company</th>
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<tbody>
<tr>
<td>6121 Bollinger Canyon Road</td>
</tr>
<tr>
<td>4th Floor</td>
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<tr>
<td>San Ramon, CA 94583</td>
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</tbody>
</table>

| Attn.: |
| Product Management |
| Tel: (925) 244-3527 |
| Facsimile: (925) 244-3544 |
| Telephone: (925) 244-3439 |
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:

Appendix A; Appendix B; Appendix D; Appendix F
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

By: ____________________________  By: ____________________________

Name: __________________________  Name: __________________________

Title: ____________________________  Title: ____________________________

Date: ________________  Date: ________________
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APPENDIX A – 1
Meter # – Meter Name

CALIFORNIA PRODUCTION
INTERCONNECTION AND OPERATING AGREEMENT
NUMBER________

APPOINTMENT OF PRODUCER’S PHYSICAL OPERATOR

Producer hereby designates, appoints and authorizes as Physical Operator for the above-referenced meter:

<table>
<thead>
<tr>
<th>Name:</th>
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<tbody>
<tr>
<td>Address:</td>
<td></td>
</tr>
<tr>
<td>City, State:</td>
<td>Zip Code:</td>
</tr>
<tr>
<td>Contact:</td>
<td>Telephone No.:</td>
</tr>
<tr>
<td>Cell or Emergency No.:</td>
<td>Telecopier:</td>
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</tbody>
</table>

In addition, the Operating Agent for the well(s) behind the meter is/are:

<table>
<thead>
<tr>
<th>Name:</th>
<th></th>
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<tbody>
<tr>
<td>Address:</td>
<td></td>
</tr>
<tr>
<td>City, State:</td>
<td>Zip Code:</td>
</tr>
<tr>
<td>Contact:</td>
<td>Telephone No.:</td>
</tr>
<tr>
<td>Cell or Emergency No.:</td>
<td>Telecopier:</td>
</tr>
<tr>
<td>Applicable Well(s) Behind Above-Referenced Meter:</td>
<td></td>
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</tbody>
</table>
APPENDIX B - 1
California Production Interconnection and Operating Agreement _____
Date – Meter # – Meter Name

APPOINTMENT OF PRODUCER’S NOMINATION AGENT

The undersigned Producer hereby designates, appoints and authorizes:

Name: ________________________________________________
Address: ________________________________________________
City, State: ____________________ Zip Code ____________________
Contact: ____________________ Phone No.: ____________
Alternate No.: _______________ Teletypewriter: ____________

as the Producer’s sole agent with exclusive authority to nominate gas deliveries to PG&E, from Producer’s well(s) specified on the reverse side hereof, on behalf of the Producer. Said agent shall hereafter be referred to as the “Producer’s Nominations Agent.”

PG&E may rely on, and the Producer shall be bound by, all nominations made by the Producer’s Nominations Agent. The Producer shall indemnify PG&E and hold PG&E harmless from all losses, damages, claims, and liabilities resulting from PG&E’s reliance upon nominations, actions, or omissions of the Producer’s Nominations Agent.

By signing this document, the Producer shall not be released from any of its obligations under the California Production Interconnection and Operating Agreement.

Producer represents that the person executing this document is duly authorized to do so.

Producer: __________________________ (Name of Producer)
By: ________________________________
Title: _______________________________
Signature: __________________________
Date: _______________________________
APPENDIX B - 1

California Production Interconnection and Operating Agreement _____
Date – Meter # – Meter Name

APPOINTMENT OF PRODUCER’S NOMINATION AGENT

Well(s) that are subject to the Appointment of Producer’s Nominations Agent on the reverse side hereof:

1. ________________________________________________
2. ________________________________________________
3. ________________________________________________
4. ________________________________________________
5. ________________________________________________
6. ________________________________________________
7. ________________________________________________
8. ________________________________________________
9. ________________________________________________
10. ________________________________________________
11. ________________________________________________
12. ________________________________________________
APPENDIX D

OPERATION AND MAINTENANCE FEE

As set forth in Article 3 of the Agreement, PG&E will calculate the Operation and Maintenance Fee based on PG&E's good faith estimate of PG&E's ongoing costs to operate, maintain, and modify PG&E's facilities, pipelines, and equipment necessary to accept Producer's Gas. Such Operation and Maintenance Fee shall include, but is not limited to, meter reading and calibration, gas sampling and analysis, pipeline maintenance, operation and protection, odorization, other pipeline and metering equipment operation, maintenance and calibrations direct and indirect expenses, and administrative and general office allocated costs.

Producer agrees to pay the Operating and Maintenance Fee as follows:

(a) Commencing in the month of first deliveries hereunder, Producer shall pay the amount stated for each of the Receipt Point(s) in Appendix D. If any of the Receipt Point(s) is shared with others, the applicable fee will be a pro rata portion of the total Operation and Maintenance Fee applicable to the Gas received by PG&E at such Receipt Point(s).
(b) The monthly Operation and Maintenance Fee may be redetermined by PG&E from time to time. PG&E shall in good faith establish the monthly Operation and Maintenance Fee which shall reasonably approximate the operation and maintenance costs incurred by PG&E to accept Producer's Gas deliveries into PG&E's Gas Plant. Such redetermination may, at PG&E's option, be calculated based on PG&E's estimated average expenses for gas received under comparable conditions and/or adjusted to reflect increased or decreased costs of operation and maintenance as described above.

(c) The redetermined monthly Operation and Maintenance Fee shall become the fee Producer shall pay PG&E, effective on the first Day of the Month following PG&E's written notice to Producer and shall remain in effect until PG&E determines, in its sole discretion, that redetermination of the monthly Operation and Maintenance Fee is again warranted.
<table>
<thead>
<tr>
<th>Position</th>
<th>Time Hrs.</th>
<th>Rate/HR</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas Well Team Leader</td>
<td>1.00</td>
<td>$106.09</td>
<td>106.09</td>
</tr>
<tr>
<td>Gas Producer Representative</td>
<td>2.00</td>
<td>$106.09</td>
<td>212.18</td>
</tr>
<tr>
<td>Gas Engineer/Planner</td>
<td>4.00</td>
<td>$106.09</td>
<td>424.36</td>
</tr>
<tr>
<td>Gas Reservoir Engineering</td>
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<td>$81.01</td>
<td>972.12</td>
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<tr>
<td>Gas Estimating</td>
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<td>$58.11</td>
<td>232.44</td>
</tr>
<tr>
<td>Gas Systems Operations</td>
<td>0.50</td>
<td>$73.23</td>
<td>36.615</td>
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<tr>
<td>Field Operations</td>
<td>1.00</td>
<td>$66.30</td>
<td>66.3</td>
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<tr>
<td>Legal</td>
<td>0.50</td>
<td>$127.31</td>
<td>63.655</td>
</tr>
<tr>
<td>Gas Quality Review</td>
<td>0.50</td>
<td>$81.38</td>
<td>40.69</td>
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</table>

Total $2,154.45

This Appendix is subject to the approval of the California Public Utility Commission. PG&E will submit this Appendix for approval by August 1, 1997.
## WELL CONNECTION HOURLY RATES SCHEDULE

<table>
<thead>
<tr>
<th>Position</th>
<th>Rate/hr</th>
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<tbody>
<tr>
<td>Gas Well Team Leader</td>
<td>$106.09</td>
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<tr>
<td>Gas Producer Representative</td>
<td>$106.09</td>
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<tr>
<td>Gas Engineer/Planner</td>
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<tr>
<td>Gas Reservoir Engineering</td>
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<tr>
<td>Gas Estimating</td>
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<tr>
<td>Gas Systems Operations</td>
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<tr>
<td>Field Operations</td>
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<td>Legal</td>
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<tr>
<td>System Standard Management (Gas quality, Mea</td>
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<tr>
<td>Station Engineering</td>
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<tr>
<td>Transmission &amp; System Planning</td>
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<td>Pipeline Corrosion</td>
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<tr>
<td>Environmental Services</td>
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<tr>
<td>Acquisition &amp; Litigation Services (Land)</td>
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<tr>
<td>GC Construction Services</td>
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<td>Capital Investment Support Mapping</td>
<td>$49.42</td>
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<tr>
<td>CES (Engineering, Planning, Marketing)</td>
<td>$80.13</td>
</tr>
<tr>
<td>Contract (Liquid Removal, Equipment Rental)</td>
<td>$250.00</td>
</tr>
</tbody>
</table>

This Appendix is subject to the approval of the California Public Utility Commission. PG&E will submit this Appendix for approval by August 1, 1997.
California Production Balancing Agreement (CPBA) example attached.
Gas Sample Form No. 79-944
California Production Balancing Agreement

Please Refer to Attached Sample Form
CALIFORNIA PRODUCTION BALANCING AGREEMENT

This California Production Balancing Agreement (CPBA) is made by and between Pacific Gas and Electric Company (PG&E), a California corporation, and Authorized Agent (AA), a(n) [insert full name here] hereafter referred to as Authorized Agent (AA), a(n) [insert full name here], and 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) 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
CALIFORNIA PRODUCTION BALANCING AGREEMENT

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.
   c) 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 Notifications 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 six (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 six-(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 California Public Utilities Commission (CPUC) or the Federal Energy Regulatory Commission (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.
CALIFORNIA PRODUCTION BALANCING AGREEMENT

Pacific Gas and Electric Company                      Authorized Agent

                                                                                                    Company
                                                                                                    
                                                                                                    Signature
                                                                                                    Signature
                                                                                                    
                                                                                                    Print Name
                                                                                                    Print Name
                                                                                                    
                                                                                                    Title
                                                                                                    Title
                                                                                                    
                                                                                                    Date
                                                                                                    Date

Attachments:

Attachment 1: “Appointment of Authorized Agent”
Attachment 2: “Receipt Point”
Attachment 3: “Communications and Operations Contact”
Gas Rule 14 is available at www.pge.com/tariffs
Please contact a CGT Account Manager at 1-800-343-4743 if you do not have access to a computer to view our Web Tariff Book or if you have difficulty opening the link
CALIFORNIA PRODUCTION BALANCING AGREEMENT

ATTACHMENT 1

APPOINTMENT OF AUTHORIZED AGENT

Contract No.____
Date: ___________

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 Pacific Gas and Electric Company (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 well(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) agrees 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
aforestated 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 “Accepted 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.
CALIFORNIA PRODUCTION BALANCING AGREEMENT
ATTACHMENT 1 - APPOINTMENT OF AUTHORIZED AGENT

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: ________________________  Producer: ________________________
By: _____________________________  By: _____________________________
Signature                              Signature
__________________________________  __________________________________
Print Name                             Print Name
__________________________________  __________________________________
Title                                 Title
__________________________________  __________________________________
Date                                  Date

Producer: ________________________  Producer: ________________________
By: _____________________________  By: _____________________________
Signature                              Signature
__________________________________  __________________________________
Print Name                             Print Name
__________________________________  __________________________________
Title                                 Title
__________________________________  __________________________________
Date                                  Date

Accepted by Authorized Agent:       Accepted by Pacific Gas and Electric Company
Company Name: ________________________
__________________________________  __________________________________
Signature                             Signature
__________________________________  __________________________________
Print Name                             Print Name
__________________________________  __________________________________
Title                                 Title
__________________________________  __________________________________
Date                                  Date
CALIFORNIA PRODUCTION BALANCING AGREEMENT

ATTACHMENT 2
RECEIPT POINTS

Contract No.____
Date: __________

<table>
<thead>
<tr>
<th>Receipt Point Meter Number</th>
<th>Producer Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<tr>
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</tbody>
</table>
ATTACHMENT 3
COMMUNICATIONS AND OPERATIONS CONTACT

Attachment 3 designates the formal contact names, mailing addresses, telephone, e-mail and facsimile 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, posted electronically on PG&E’s Website or transmitted and confirmed via facsimile. Routine operations may be exclusively communicated by facsimile or other electronic means.

**Gas Nominations**

<table>
<thead>
<tr>
<th>To PG&amp;E</th>
<th>To AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Name: Pacific Gas and Electric Company</td>
<td></td>
</tr>
<tr>
<td>Mailing Address: xxxxx</td>
<td></td>
</tr>
<tr>
<td>Attention: Gas Scheduling</td>
<td></td>
</tr>
<tr>
<td>Telephone Number: xxxxx</td>
<td></td>
</tr>
<tr>
<td>Facsimile Number: xxxxx</td>
<td></td>
</tr>
<tr>
<td>e-mail: <a href="mailto:pgescheduling@pge.com">pgescheduling@pge.com</a></td>
<td></td>
</tr>
</tbody>
</table>

**Notifications and Trades**

<table>
<thead>
<tr>
<th>To PG&amp;E</th>
<th>To AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Name: Pacific Gas and Electric Company</td>
<td></td>
</tr>
<tr>
<td>Mailing Address: xxxxx</td>
<td></td>
</tr>
<tr>
<td>Attention: Balancing Coordinator</td>
<td></td>
</tr>
<tr>
<td>Telephone Number: xxxxx</td>
<td></td>
</tr>
<tr>
<td>Facsimile Number: xxxxx</td>
<td></td>
</tr>
<tr>
<td>e-mail: <a href="mailto:pgescheduling@pge.com">pgescheduling@pge.com</a></td>
<td></td>
</tr>
</tbody>
</table>

**Payments By Wire**

<table>
<thead>
<tr>
<th>To PG&amp;E</th>
<th>To AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Name: CITIBANK NY DD</td>
<td></td>
</tr>
<tr>
<td>Address: New York, NY 10043</td>
<td></td>
</tr>
<tr>
<td>ABA Routing Number: ABA #021000089</td>
<td></td>
</tr>
<tr>
<td>Account Name: Credit to PG&amp;E</td>
<td></td>
</tr>
<tr>
<td>Account Number: Account #30871958</td>
<td></td>
</tr>
</tbody>
</table>

**Payments By Check**

<table>
<thead>
<tr>
<th>To PG&amp;E</th>
<th>To AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Name: Pacific Gas and Electric Company</td>
<td></td>
</tr>
<tr>
<td>Mailing Address: 885 Embarcadero Drive, West Sacramento, CA 95605-1503</td>
<td></td>
</tr>
<tr>
<td>Attention: Payment Processing Center, Non-CIS Desk</td>
<td></td>
</tr>
</tbody>
</table>

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, e-mail, 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.

<table>
<thead>
<tr>
<th>Physical Operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Name:</td>
</tr>
<tr>
<td>Mailing Address:</td>
</tr>
<tr>
<td>Attention:</td>
</tr>
<tr>
<td>Telephone Number:</td>
</tr>
<tr>
<td>Facsimile Number:</td>
</tr>
<tr>
<td>e-Mail:</td>
</tr>
</tbody>
</table>
PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby assigns to _______ all of PG&E’s right, title and interest in and under those certain rights of way and easements for gas transmission facilities granted by and described in the deeds set forth in Exhibit “A” attached hereto and made a part hereof, all of which are recorded in the Office of the County Recorder of the County of ____________, State of California.

This deed is executed pursuant to the California Public Utilities Commission (CPUC) Resolution ___________ dated ___________, authorizing the sale of PG&E’s gas transmission facilities described in PG&E’s Advice Letter ______ to the CPUC dated ____________.

Dated ________________________, 20__.

PACIFIC GAS AND ELECTRIC COMPANY
By ____________________________
Name __________________________
Title ____________________________
EXHIBIT H.1
List of Assigned Land Rights
On this __________ day of ______________________, 20__ (the effective date herein), PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby apportions and partially assigns to _________________, hereinafter called Assignee, PG&E’s right to operate, maintain, remove and reconstruct those certain gas transmission facilities specifically referred to and identified in that certain unrecorded Purchase and Sales Agreement between PG&E and _________________ dated ________________, 20__, incorporated herein by reference, which gas transmission facilities were installed by virtue of those certain rights of way and easements, located within the County of ________________, State of California, and more particularly described as follows:

The rights conveyed to PG&E by those certain deeds listed on Exhibit “A” attached hereto and made a part hereof.

In the event Assignee elects to replace its gas transmission pipeline located within said rights of way and easements, Assignee agrees that it shall remove and replace its gas transmission pipe line in the same alignment and same location as existed prior to any such replacement.
This deed is executed pursuant to the California Public Utilities Commission (CPUC) Resolution __________ dated ________________, authorizing the sale of PG&E’s gas transmission facilities described in PG&E’s Advice Letter _________ to the CPUC dated ________________.

PACIFIC GAS AND ELECTRIC COMPANY

By ______________________________
Name ____________________________
Title ______________________________
Dated ____________________________

ASSIGNEE

By ______________________________
Name ____________________________
Title ______________________________
Dated ____________________________
EXHIBIT I.1
List of Assigned and Apportioned Land Rights
Attachment 2

Sale Proceeds, Rate Base and Tax Effects
1 SALES PROCEEDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price</td>
<td>220,009</td>
</tr>
<tr>
<td>Less: Transaction Costs</td>
<td>(111,188)</td>
</tr>
<tr>
<td>Net Sale Proceeds</td>
<td>108,821</td>
</tr>
</tbody>
</table>

2 ALLOCATION OF SALES PROCEEDS BASED ON THE HISTORICAL COST OF PROPERTY

<table>
<thead>
<tr>
<th>Property</th>
<th>Historical Cost</th>
<th>Proportional %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciable Property</td>
<td>1,527,671</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

3 GROSS GAIN/(LOSS) ON SALE

<table>
<thead>
<tr>
<th>Property</th>
<th>Historical Cost</th>
<th>Net Book Value</th>
<th>Pre-Tax Sales Proceeds</th>
<th>Pre-Tax Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciable Property</td>
<td>1,527,671</td>
<td>1,593</td>
<td>108,821</td>
<td>107,228</td>
</tr>
</tbody>
</table>

4 TAXES ON PROPERTY

<table>
<thead>
<tr>
<th>Property</th>
<th>Tax Value</th>
<th>Sales Proceeds</th>
<th>Before Tax Gain/Loss</th>
<th>Tax @ Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciable Property</td>
<td>628</td>
<td>108,821</td>
<td>108,193</td>
<td>37,867</td>
</tr>
</tbody>
</table>

5 RATE BASE CHANGES

<table>
<thead>
<tr>
<th>Description</th>
<th>Plant</th>
<th>Income Tax</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Base Prior to Sale</td>
<td>1,593</td>
<td>(338)</td>
<td>1,255</td>
</tr>
<tr>
<td>Retirement of Plant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction to Gross Plant for Plant Sold</td>
<td>(1,527,671)</td>
<td>(1,527,671)</td>
<td></td>
</tr>
<tr>
<td>Reduction to Depreciation Reserve (depreciation reserve is reduced by the historical cost of depreciable property)</td>
<td>1,526,078</td>
<td>1,526,078</td>
<td></td>
</tr>
<tr>
<td>Reduction to book basis retirement</td>
<td>1,593</td>
<td></td>
<td>1,593</td>
</tr>
<tr>
<td>Reversal of Deferred Tax Liability &amp; Tax on Gain</td>
<td></td>
<td>37,867</td>
<td>37,867</td>
</tr>
<tr>
<td>Property Sale Proceeds credited to Depreciation Reserve (sales proceeds benefit to customers)</td>
<td>(108,821)</td>
<td>(108,821)</td>
<td></td>
</tr>
<tr>
<td>Total Rate Base Change</td>
<td>(108,821)</td>
<td>37,867</td>
<td>(70,953)</td>
</tr>
<tr>
<td>Total Reduction To Rate Base</td>
<td>(107,228)</td>
<td>37,530</td>
<td>(69,698)</td>
</tr>
</tbody>
</table>

6 AFTER-TAX GAIN ON SALE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Gain</td>
<td>107,228</td>
</tr>
<tr>
<td>Less Tax Liability (net of deferred taxes)</td>
<td>37,530</td>
</tr>
<tr>
<td>After-Tax Gain or (Loss)</td>
<td>69,698</td>
</tr>
</tbody>
</table>
AT&T
Albion Power Company
Alden & Kahl LLP
Anderson & Poole
Atlas ReFuel
BART
Barkovich & Yap, Inc.
Bartle Wells Associates
Braun Blasing McLaughlin & Smith, P.C.
Braun Blasing McLaughlin, P.C.
California Cotton Ginners & Growers Assn
California Energy Commission
California Public Utilities Commission
California State Association of Counties
Calpine
Casner, Steve
Cenergy Power
Center for Biological Diversity
City of Palo Alto
City of San Jose
Clean Power
Coast Economic Consulting
Commercial Energy
Cool Earth Solar, Inc.
County of Tehama - Department of Public Works
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Dept of General Services
Division of Ratepayer Advocates
Don Pickett & Associates, Inc.
Douglas & Liddell
Downey & Brand
Ellison Schneider & Harris LLP
G. A. Krause & Assoc.
GenOn Energy Inc.
GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
International Power Technology
Intestate Gas Services, Inc.
Kelly Group
Ken Bohn Consulting
Leviton Manufacturing Co., Inc.
Los Angeles County Integrated Waste Management Task Force
Los Angeles Dept of Water & Power
MRW & Associates
Manatt Phelps Phillips
Marin Energy Authority
McKenna Long & Aldridge LLP
McKenzie & Associates
Modesto Irrigation District
Morgan Stanley
NLine Energy, Inc.
NRG Solar
Nexant, Inc.
ORA
Office of Ratepayer Advocates
OnGrid Solar
Pacific Gas and Electric Company
Praxair
 Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions
SCE
SDG&E and SoCalGas
SPURR
San Francisco Water Power and Sewer
Seattle City Light
Sempra Energy (Socal Gas)
Sempra Utilities
SoCalGas
Southern California Edison Company
Spark Energy
Sun Light & Power
Sunshine Design
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Troutman Sanders LLP
Utility Cost Management
Utility Power Solutions
Utility Specialists
Verizon
Water and Energy Consulting
Wellhead Electric Company
Western Manufactured Housing
Communities Association (WMA)
YEP Energy