

OIL WELL ABANDONMENT AGREEMENT

(Arthur #4 Well at Former FORCO Property)

This Oil Well Abandonment Agreement (“**Agreement**”) is dated _____, 2023 (the “**Effective Date**”) and is between **COUNTY SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY**, a county sanitation district organized and existing pursuant to the County Sanitation District Act, California Health and Safety Code Section 4700 *et seq.* (the “**District**”), and **E&B NATURAL RESOURCES MANAGEMENT CORPORATION**, a California corporation (“**E&B**”). The District and E&B are each a “**Party**” and together are the “**Parties.**”

A. The District and County Sanitation District No. 2 of Los Angeles County (“**District No. 2**”), among others, are parties to a *Joint Outfall Agreement*, effective July 1, 2022, under which District No. 2 has been delegated authority to manage and operate the Joint Outfall System facilities, including the Property (as defined below). District No. 2 approves this Agreement and will administer it on behalf of the District.

B. The District owns approximately 36 acres of vacant property located at 24721 S. Main Street, City of Carson, California 90745, and identified as Los Angeles County Assessor’s Parcel Numbers 7406-026-916, -917, and -918 (the “**Property**”).

C. E&B is the holder of certain surface and subsurface rights at the south end of the Property for the exploration and extraction of oil and gas pursuant to that certain Oil and Gas Lease dated October 2, 1944, between Arthur L. Spring and Mary W. Spring and Cora S. Holland (“**Lessor**”) and E&B (as successor-in-interest to National Iron Works, Incorporated), recorded on December 19, 1944 in Book 21485, Page 260 of Official Records of the Recorder of Los Angeles County, as amended by (i) that certain Surface Quitclaim dated October 3, 1979, and recorded on October 22, 1979, as Instrument No. 79-1183893 in the Official Records of the Recorder of Los Angeles County and (ii) that certain Quitclaim Deed, dated November 8, 2022, and recorded on December 15, 2022, as Instrument No. 20221172236 in the Official Records of the Recorder of Los Angeles County (collectively, the “**Lease**”). E&B owns and maintains an idle oil and gas production well, known as “Arthur #4”, and certain ancillary improvements within the Property that is the subject of the Lease (the “**Leased Premises**”), such as an oil derrick, pipelines, fencing, and tanks, among other things (collectively, the “**Oil Well**”). The location of the Leased Premises and Oil Well at the Property are shown on Exhibit A.

D. Due to low production, increased expenses, and regulatory restrictions, it is no longer prudent for E&B to return the Oil Well back to production, and E&B is willing to plug and abandon the Oil Well and quitclaim to the District certain rights in connection with the Lease as such rights relate to the Oil Well as more particularly set forth in this Agreement.

E. The District is currently remediating the Property and preparing it for the possible construction of the Pure Water Southern California Project in partnership with the Metropolitan Water District of Southern California. Removal of the Oil Well and quitclaim of certain rights of E&B under the Lease would facilitate redevelopment of the Property.

F. The Parties intend by this Agreement to provide for (a) E&B to plug and abandon the Oil Well, including removal and disposal of all ancillary facilities (the “**Oil Well Abandonment**”), (b) E&B to quitclaim to the District certain right, title, and interest in and to the Lease as such rights relate to the Oil Well as more particularly set forth in this Agreement, and (c) the District to reimburse E&B for the actual cost of the Oil Well Abandonment, all subject to the terms and conditions of this Agreement.

The District and E&B therefore agree as follows:

1. Abandonment of Oil Well.
 - a) Plans and Specifications; Work. E&B shall prepare the necessary plans and specifications for the Oil Well Abandonment in accordance with all applicable local, state, and federal laws and regulations (“**Laws**”), including, without limitation, the requirements of the State of California Department of Conservation Geologic Energy Management Division (“**CalGEM**”). E&B shall cut, plug and abandon the Oil Well at a depth of eight (8) feet below the ground surface. Additionally, E&B shall remove and dispose of all above-ground improvements, including, without limitation, the oil derrick, tanks, concrete foundations, pipes, and fencing, shall restore the surface of the ground to a level grade, and shall leave the Property in a clean condition free of debris subject to the reasonable satisfaction of the District. Further, E&B shall abandon all underground pipelines in place with all hydrocarbons flushed and disposed of in accordance with applicable laws, regulations, codes, and ordinances.
 - b) Permits. E&B shall obtain all permits and approvals necessary from CalGEM, the City of Carson, and all other applicable regulatory agencies prior to commencing the Oil Well Abandonment and shall maintain such permits and approvals until the Oil Well Abandonment is complete.
 - c) Contractor. E&B shall retain a reputable, licensed, bonded, and insured contractor with a valid California Contractor’s License C-61/D09 to perform the Oil Well Abandonment.
 - d) Timing and Notice. E&B shall begin the Oil Well Abandonment, which shall include, without limitation, the work described in Section 1(a) above (the “**Oil Well Abandonment Work**”) within 60 days after the Effective Date. E&B shall provide the District with written notice of intent to commence the Oil Well Abandonment Work (the “**Work Commencement Notice**”) at least 14 days prior to the start of the Oil Well Abandonment Work (the “**Work Commencement Date**”). E&B shall complete the Oil Well Abandonment Work no later than 45 calendar days after the Work Commencement Date.
 - e) Access, Construction Area, and Inspection. In the performance of the Oil Well Abandonment Work, E&B shall enter the Property using the existing manual swing gate off of Lomita Boulevard, as shown on Exhibit A. E&B may daisy-chain its own padlock onto the gate. E&B shall remain within the Leased Premises during the Oil Well Abandonment Work and shall be solely responsible for the security of its equipment and operations. The District may inspect the Oil Well Abandonment Work at any time.
 - f) Evidence of Completion. E&B shall provide the District with a copy of the written, final, unconditional notice of completion from CalGEM, evidencing the satisfactory unconditional completion of the Oil Well Abandonment (the “**Completion Notice**”).
 - g) Final Cost. Subsequent to the delivery of the Completion Notice to the District, E&B shall provide the District with a copy of a final invoice detailing the total cost of the Oil Well Abandonment (the “**Final Invoice**”). The Final Invoice shall include such supporting documentation and detail as may be reasonably required by the District.

2. Reimbursement for Cost of Oil Well Abandonment. Subsequent to its receipt of the Completion Notice and the Final Invoice, the District shall reimburse E&B for its actual costs to perform the Oil Well Abandonment Work as set forth in the Final Invoice; provided, however, notwithstanding anything to the contrary in this Agreement, in no event and under no circumstances shall the District be obligated to pay to E&B an amount in excess of \$285,000 (the “**Cost Cap**”) in accordance with the terms and conditions set forth below:

a) Following receipt of the Completion Notice and Final Invoice, and subject to approval of the restoration of the Property by the District, which approval will not be unreasonably withheld or delayed, the District shall pay to E&B the lesser of (a) the Cost Cap, or (b) an amount equal to the total cost on the Final Invoice (the “**Final Payment**”).

3. Quitclaim. Within 14 days after receipt of the Final Payment, E&B shall execute, cause to be notarized, and deliver to the District, the quitclaim deed in the form attached hereto as Exhibit B (the “**Quitclaim Deed**”). The District shall have the right to record the Quitclaim Deed in the Official Records of Los Angeles County at any time. E&B shall cooperate with the District in connection with the quitclaim and surrender of certain right, title, and interest in and to the Leased Premises (as more particularly described in the Quitclaim Deed) to the District.

4. Insurance. E&B shall obtain general liability, automobile, and worker’s compensation insurance with limits of at least \$1,000,000 per occurrence, and \$2,000,000 in aggregate, naming the District, District No. 2, and their respective elected officials, officers, employees, boards of directors, and agents as additional insureds with respect to any claims or occurrences arising out of the Oil Well Abandonment. The additional insured endorsement shall state the additional insurance coverage is primary and non-contributory and shall include a Waiver of Subrogation. Before entering the Property to perform the Oil Well Abandonment Work, E&B shall provide the District a Certificate of Insurance or, at the request of the District, the insurance policy itself certifying the coverage above. E&B shall maintain the insurance coverage required under this Section 4 until the Completion Notice is delivered to the District.

5. Indemnity. E&B shall indemnify and hold harmless the District, all other County Sanitation Districts of Los Angeles County and their respective directors, officers, agents, representatives, and employees (collectively, the “**District Parties**”) from and against all liabilities, causes of action, claims, demands, losses, costs and expenses (including but not limited to reasonable attorneys’ fees and costs and reasonable engineering or other professional or expert costs of defense), arising out of or relating to operation and maintenance of the Oil Well, all Oil Well Abandonment Work, the Lease, the Leased Premises, and/or any misrepresentation, breach, or default, on the part of E&B under this Agreement, the Lease, or the Quitclaim Deed. The foregoing indemnity survives the termination of this Agreement and/or the delivery and recordation of the Quitclaim Deed.

6. Compliance with Laws. E&B shall comply with all applicable Federal, state, and local laws, regulations, codes, and ordinances, including, without limitation, prevailing wage laws, in operating and maintaining the Oil Well and performing its obligations under this Agreement, including, without limitation, performing all Oil Well Abandonment Work.

7. Environmental Compliance. E&B shall comply with all requirements of the California Environmental Quality Act, California Public Resources Code Section 21000 *et. seq.* and Title 14 of the California Code of Regulations Section 15000 *et. seq.*(collectively, “CEQA”). E&B shall prepare any studies and related environmental documents necessary for the Oil Well Abandonment. E&B is also responsible for securing all other environmental permits and clearances as may be required for the Oil Well Abandonment including, without limitation, any necessary permits from the California Department of Fish and Wildlife, the United States Fish and Wildlife Service, the Los Angeles Regional Water Quality Control Board, and the United States Army Corps of Engineers. E&B shall indemnify, defend and hold harmless the District and all District Parties from and against all claims relating to any CEQA challenges or CEQA proceedings involving the Oil Well Abandonment. The foregoing indemnity survives the termination of this Agreement and/or the delivery and recordation of the Quitclaim Deed.

8. Representations. E&B represents and warrants for the benefit and reliance of the District as follows: (a) E&B is the sole owner of all right, title, and interest in and to the Leased Premises (subject to the terms and conditions of the Lease) and the Oil Well, free and clear of all liens, encumbrances, claims, demands, easements, covenants, conditions, hypothecations, restrictions and encroachments of any kind or nature; (b) E&B has not has not assigned, sold, conveyed, or otherwise transferred any of its right, title, or interest in or to all or any portion of any of its right, title, or interest in or to the Leased Premises, the Lease, or the Oil Well; (c) there exists no breach or default, nor state of facts, nor condition which with notice, the passage of time, or both, would result in a breach or default on the part of either E&B or Lessor under the Lease; (d) the Lease is in full force and effect and has not been modified; (e) E&B has not entered into any existing agreement to lease, sell, mortgage, hypothecate, or otherwise encumber or dispose of its interest in the Leased Premises or any part thereof, except for this Agreement; and (f) E&B has the sole right, power, and authority to enter into this Agreement and to execute and deliver the Quitclaim Deed to the District, and no consent of any director, officer, shareholder, creditor, investor, judicial or administrative body, governmental authority, individual or entity is required for E&B to consummate the transactions contemplated in this Agreement. The foregoing representations and warranties survive the termination of this Agreement and/or the delivery and recordation of the Quitclaim Deed.

9. District’s Delegation of Authority. The District hereby delegates to its Chief Engineer and General Manager (the “**Chief Engineer**”), or his/her designee, authority to act on behalf of the District in carrying out the terms of this Agreement, including authority to accept the Quitclaim Deed from E&B and make other determinations and approvals on behalf of the District to fulfill all responsibilities of the District under this Agreement.

10. General Provisions.

a) The Parties shall cooperate and do additional acts as may be deemed reasonably necessary by E&B and/or the District to carry out the intent and purpose of this Agreement.

b) This Agreement contains the entire agreement between the Parties concerning the Oil Well Abandonment and supersedes any prior agreements between the Parties with respect to the Oil Well Abandonment. Any subsequent representations or modifications will be of no force or effect, except for a subsequent modification in writing executed by both Parties.

c) If any term or provision of this Agreement is held to any extent to be invalid or unenforceable, the remainder of this Agreement will not be affected.

d) Each Party has participated in negotiating and drafting this Agreement, so if an ambiguity or a question of intent or interpretation arises, this Agreement is to be construed as if the Parties had drafted it jointly.

e) A waiver of any breach of any provision of this Agreement or of any failure to comply with any requirement of this Agreement will not be deemed a waiver of any other provision or requirement of this Agreement, and no waiver will be valid unless in writing and executed by the waiving Party. An extension of time for performance of any obligation or act will not be deemed an extension of time for performance of any other obligation or act.

f) This Agreement is to be executed in duplicate originals to be retained by each Party. This Agreement may be executed in one or more counterparts, which when taken together, shall constitute one and the same original.

g) E&B shall not transfer, assign, convey, or sell any of its obligations under this Agreement without the prior written consent of the District which consent may be withheld in the District's sole and absolute discretion. This Agreement will inure to the benefit of and will be binding upon the Parties and their respective successors and permitted assigns.

h) This Agreement is to be governed and construed in accordance with California law.

i) Each Party shall execute and deliver any instruments, and perform any actions that may be necessary, or reasonably requested, in order to give full effect to this Agreement.

j) In the event any action is instituted by a Party to interpret or enforce this Agreement, the prevailing Party in such action (as determined by the court, agency or other authority before which such suit or proceeding is commenced), shall be entitled to such reasonable attorneys' fees, costs and expenses as may be fixed by the decision maker.

k) Time is of the essence with respect to the performance of all obligations under this Agreement.

l) The Parties hereto hereby represent and warrant to one another that each of them has had the full opportunity of consulting counsel of their own choosing in connection with the preparation of this Agreement, that each of them has read and understood the provisions of this Agreement and is fully aware of the contents and legal effect thereof.

m) Each individual signing this Agreement warrants and represents that he or she has the full authority to execute the Agreement on behalf of the Party on whose behalf he or she so signs, that he or she is acting within the scope of such authority, and that this Agreement shall be binding upon and enforceable against the Party on whose behalf he or she so signs by virtue of such signature.

[Signatures appear on following page]

The Parties are signing this Agreement as of the Effective Date.

**COUNTY SANITATION DISTRICT NO. 8
OF LOS ANGELES COUNTY**

By: _____
Chairperson, Board of Directors

ATTEST:

Secretary to the Board

APPROVED BY:

**COUNTY SANITATION DISTRICT NO. 2
OF LOS ANGELES COUNTY**

By: _____
Chairperson, Board of Directors

ATTEST:

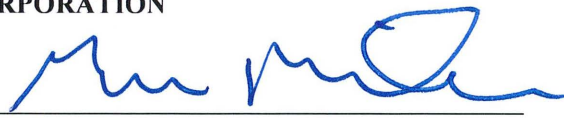
Secretary to the Board

APPROVED AS TO FORM:

Lewis Brisbois Bisgaard & Smith, LLP

By: _____
District Counsel

**E&B NATURAL RESOURCES MANAGEMENT
CORPORATION**

By: 





Gary Richardson
Vice President Business Development

District's Property

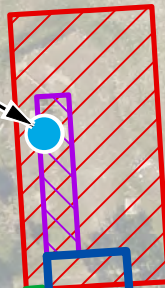
(Former FORCO Site)

APN 7406-026-918

E & B Leased Premises

-  89' x 172' Area for Oil Well and Pipeline
-  20' x 100' Area for Oil Well and Pipeline
-  50' x 50.36' Area for Ingress and Egress
-  10' Wide Strip for Pipeline

OIL WELL



PROPERTY BOUNDARY

Lomita Blvd

City of Carson
City Los Angeles

Frigate Ave



Sources: LA County Parcel Landbase,
LA County Buildings Layer,
LA County CAMS-Streets,

EXHIBIT A

Exhibit B

Quitclaim Deed

[see next page]

**RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:**

E&B Natural Resources Management Corporation
1608 Norris Road
Bakersfield, CA 93308

**PLEASE SEND TAX STATEMENTS
AND RELATED MATERIALS TO:**

SAME AS ABOVE

Exempt from Doc. Transfer Tax per R & T C. § 11922
Exempt from Recording Fee per Gov. C. §§ 6103 & 27383

SPACE ABOVE FOR RECORDER'S USE ONLY

QUITCLAIM DEED

{Confirming Termination of Oil and Gas Lease Well Site Rights}

The undersigned declares that no Documentary Transfer Tax is due in connection with the recordation of the within instrument because it is given to confirm the termination of specific surface rights under the hereinafter described oil and gas lease and the consideration and value is less than \$100. (R&T 11911)

AFFECTS ASSESSOR'S PARCEL NO. 7406-026-918

E&B NATURAL RESOURCES MANAGEMENT CORPORATION, a California corporation, (the "Grantor," and hereinafter referred to as "**E&B**") makes this conveyance to **COUNTY SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY**, a county sanitation district organized and existing under provisions of the County Sanitation District Act, California Health & Safety Code Section 4700, *et seq.*, (the "**Grantee**," and hereinafter referred to as the "**District**"), effective as of the date set forth in the attached acknowledgement of execution of this conveyance on behalf of E&B.

E&B claims and represents to the District that it is the sole present successor-in-interest to National Iron Works, Incorporated in, to and under that certain Oil and Gas Lease dated October 2, 1944, between Arthur L. Spring and Mary W. Spring and Cora S. Holland (as "**Lessor**" therein) and National Iron Works, Incorporated ("**Lessee**" therein), and recorded on December 19, 1944 in Book 21485, Page 260 of Official Records of the Recorder of Los Angeles County (hereinafter referred to as the "**Lease**"). E&B further claims and represents to the District that it is the sole present successor-in-interest to Exxon Company, U.S.A., in, to and under that certain Surface Quitclaim dated October 3, 1979, between Exxon Company, U.S.A., successor Lessee, and Fletcher Oil & Refining Company, successor Lessor, both to the Oil and Gas Lease mentioned above, and recorded on October 22, 1979, as Instrument No. 79-1183893 of Official Records of the Recorder of Los Angeles County (the "**1979 Surface Quitclaim**"). Additionally, E&B executed that certain Quitclaim Deed dated November 8, 2022, in favor of the District, and recorded on December 15, 2022, as Instrument No. 20221172236 of Official Records of the Recorder of Los Angeles County, concerning termination of E&B's rights under the Lease and the 1979 Surface Quitclaim to oil and gas well "Arthur #2" (API No. 0403717359), amongst other things (the "**2022 Surface Quitclaim**"). References to the "Lease" herein shall include the 1979 Surface Quitclaim and the 2022 Surface Quitclaim.

E&B shall indemnify, defend, and hold harmless the District, the other County Sanitation Districts of Los Angeles County, and each of their directors, officers, employees, agents, successors, and assigns (together the "**District Parties**") from and against all liabilities, injuries, causes of action, claims, demands, losses, fees, costs and expenses (including but not limited to reasonable attorneys' fees and costs and reasonable engineering or other professional or expert costs of defense) suffered by the District Parties arising out of or relating to: (i)

any third party's claim to have an interest in the Lease in conflict with the interest hereinabove claimed and represented by E&B, (ii) E&B's lack of authority to execute this quitclaim deed, (iii) E&B's business, assets, or operations under the Lease or ownership of oil and gas well "Arthur #4" (API No. 0403717361) ("Arthur #4"), or (iv) the operation of Arthur #4 and/or occupancy of the Surrendered Well Site by E&B or any of its predecessors-in-interest.

Now, therefore, in consideration of the acceptance hereof by the District, and for other consideration the receipt and sufficiency of which are hereby mutually acknowledged, and having plugged and abandoned Arthur #4 within the land that is subject to the Lease (the "**Surrendered Well Site**") in _____ 20____, E&B does hereby remise, surrender and quitclaim to the District, E&B's entire right, title and interest of E&B in, to, and under the Lease (including, without limitation, all easement and access rights thereunder) and the Surrendered Well Site insofar, and only insofar, as concerns the drilling, access to and from, maintenance, repair, replacement, and/or operation of Arthur #4 on the surface of the Surrendered Well Site or to a depth of five hundred (500) feet from the surface of the Surrendered Well Site, all situated in the City of Carson, County of Los Angeles, State of California, excepting and reserving, however, to E&B: (a) all rights within the Surrendered Well Site to depths below five hundred (500) feet from the surface, (b) all other existing right, title and interest in, to and under the Lease and throughout the Surrendered Well Site (except only as expressly surrendered as provided above), and (c) all liability of E&B and its predecessors-in-interest to the State of California or any other entity or person as the record operator of Arthur #4 and occupant of the Surrendered Well Site. The Surrendered Well Site acreage is further described in Exhibit 1 and depicted in a map as shown on Exhibit 2, both attached hereto and made a part hereof.

Notice Respecting Oil Field Operations and Improvements:

The property affected by this quitclaim deed, and by the rights that are the subject of this quitclaim deed, are situated in an area that has been subject to oil and gas operations. Oil wells and/or related oil field facilities, fixtures and improvements have been abandoned in place within or in the vicinity of this property in accordance with State of California Department of Conservation Geologic Energy Management Division (CalGEM) oversight. Details concerning the location and condition of these facilities, fixtures and improvements can be obtained from the CalGEM. Construction in the vicinity of such facilities, fixtures and improvements may be subject to special requirements or restrictions under regulations published by Los Angeles County or other governmental agencies.

IN WITNESS OF WHICH, E&B Natural Resources Management Corporation, has caused this instrument to be executed and delivered effective as of the date set forth in the attached acknowledgment of signature on its behalf.

DATED: _____

GRANTOR:

E&B Natural Resources Management Corporation,
a California corporation

By: _____

Gary Richardson
Vice President Business Development

Acknowledgment

A notary public or other officer completing the certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of Kern)

On _____, 20____, before me, _____, Notary Public, personally appeared Gary Richardson who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public for the
State of California
My Commission expires on
_____, 20_____