

2010

**TRANQUILLON RIDGE OIL & GAS PROJECT AND
LAND CONSERVATION AGREEMENT**

Comment [LK1]: ANNOTATED
VERSION

between Plains Exploration & Production Company, a Delaware corporation
("PXP"), and Citizens Planning Association of Santa Barbara County, and
Get Oil Out! (collectively, "Environmental Parties").

Dated: _____, 2010

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EXHIBITS

- A. Legal Description of Gaviota Lands
- B. Legal Description of Lompoc Lands
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2010
TRANQUILLON RIDGE OIL & GAS PROJECT AND
LAND CONSERVATION AGREEMENT

This 2010 Tranquillon Ridge Oil & Gas Project and Land Conservation Agreement (“Agreement”) is entered into at Santa Barbara, California, this _____ day of _____ 2010, by and between Plains Exploration & Production Company, a Delaware corporation (“PXP”), and Citizens Planning Association of Santa Barbara County (“CPA”), and Get Oil Out! (“GOO!”) (CPA and GOO! are hereafter collectively referred to as the “Environmental Parties”). The parties hereto are hereafter collectively referred to as the “Parties.”

Recitals

A. The Environmental Parties are public interest organizations whose missions include the preservation and enhancement of the environment. CPA is a non-profit corporation formed in 1960 dedicated to defending the County’s natural resources and upholding the County’s planning policies and objectives. GOO! is a non-profit corporation whose mission is to protect the natural environment and beauty of the Santa Barbara Channel from the adverse effects of oil development.

B. In 1997, EDC, GOO! and CPA opposed a proposal by Torch and Nuevo to develop the Tranquillon Ridge Field. This opposition led to the proposal’s defeat in 2002. In 2004, PXP submitted applications for the “Tranquillon Ridge Oil & Gas Development Project.” The objective of this project is to develop, with existing infrastructure, oil and gas reserves in portions of the Tranquillon Ridge Field located beneath the ocean floor within state lands, offshore Lompoc, California. In 2006, the Environmental Parties submitted comments in opposition to the project on the grounds that it would extend the life of the existing facilities.

C. In response to the Environmental Parties’ opposition, PXP offered to cease production from the Tranquillon Ridge Project by a predetermined date so that the project would not extend the expected life of the existing facilities. The Environmental Parties rejected this offer, believing that it did not provide sufficient benefits to the community or state. PXP then offered, not only to cease Tranquillon Ridge Project production by a predetermined date, but also to accept end dates for all of PXP’s existing oil and gas production operations located offshore northern Santa Barbara County.

Comment [LK2]: We added more background information that explains why the Environmental Parties originally opposed the TR project, why we entered into negotiations, and why we decided to reach a settlement agreement.

Comment [LK3]: This agreement provides for the cessation of existing oil production from four platforms offshore northern Santa Barbara County. Without this agreement, production can continue indefinitely. Other platforms off our coast have been operating for more than 40 years, and have no termination in sight. Significantly, PXP has agreed to end dates for three platforms and related onshore facilities that have nothing to do with the Tranquillon Ridge Project.

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D. The federal oil leasing moratorium ended during the Fall of 2008. The Environmental Parties are concerned that the expiration of the moratorium increases the threat of new leasing and drilling offshore California. The main threat of new leasing is associated with PXP's four Pt. Arguello and Pt. Pedernales platforms. This threat stems from the facts that there are known oil and gas reserves that can be directionally ("slant") drilled from these four platforms, and that there are existing pipelines and onshore processing and support facilities in place and available to process and transport the oil and gas. The Environmental Parties believe that shutting down these offshore platforms and removing the surface support facilities located onshore will help prevent new federal leasing from occurring offshore California.

Comment [LK4]: Besides the fact that the agreement provides an unprecedented opportunity to shut down existing offshore oil production, the agreement will help prevent new leasing offshore CA because any new leasing is most likely to occur where slant drilling is feasible – which is the case from the four platforms that are the subject of this agreement. There is no other place in the state that is more vulnerable to new leasing than the area surrounding these platforms. This area contains known reserves and can be developed using the existing platforms and onshore support facilities.

E. The Parties recognize that a federal OCS lessee, such as PXP, has the legal right to surrender its federal oil and gas leases at any time. The Parties also recognize that the federal government cannot force an OCS lessee to continue producing if the lessee elects to permanently cease production operations and surrender the lease.

F. The Environmental Parties believe that an agreement that would impose end dates on production from all of the Pt. Arguello Project platforms (Hidalgo, Harvest and Hermosa) and the Pt. Pedernales Project platform (Irene), and that would require the removal of all of the onshore surface processing and support facilities for these operations, would be in the best interests of the state because it would (i) secure absolute end dates for production from these platforms which otherwise do not exist, and (ii) prevent the use of these platforms and associated onshore facilities to support new leasing or expanded drilling in the future.

Comment [LK5]: See comments above regarding the benefits provided by shutting down existing oil infrastructure and reducing the risk of new leasing.

G. PXP and the Environmental Parties have discussed the terms of a settlement agreement that would allow the Environmental Parties to support the Tranquillon Ridge Project, provided there are pre-determined and absolute end-dates for oil and gas production operations in several offshore producing fields, including the Tranquillon Ridge Field, the Pt. Arguello Unit and the Pt. Pedernales Project, full mitigation and/or offset of the Tranquillon Ridge Project's greenhouse gas emissions, permanent cessation of production from Platforms Irene, Harvest, Hermosa and Hidalgo, removal of the Lompoc Oil and Gas Plant and the Gaviota Oil Heating and Metering Facility, and the clean-up, donation and permanent preservation of substantial land holdings in the Lompoc and Gaviota Coast areas. These lands ("Subject Lands," defined below) have considerable conservation value to the citizens of Santa Barbara County and People of the State of California.

H. On April 9, 2008, the parties entered into the Tranquillon Ridge Oil & Gas Project and Land Conservation Agreement ("2008 Agreement") to accomplish these

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goals. As of the date hereof, the County of Santa Barbara has approved the Tranquillon Ridge Project, but no other agency has done so. The Parties desire to continue to seek approval of the project and its substantial public benefits.

I. The County of Santa Barbara certified the EIR for the Tranquillon Ridge Project on October 7, 2008. No one filed a legal challenge to the adequacy of the environmental document within the time provided. The Tranquillon Ridge Project EIR therefore satisfies the requirements of the California Environmental Quality Act as a matter of law. In approving the project, the County correctly found, among other things, that the project is environmentally superior to any alternative of developing the Tranquillon Ridge Field from an onshore location.

J. In entering into this Agreement, the Parties intend to make certain that the Tranquillon Ridge Project complies with the California Coastal Sanctuary Act of 1994 (Pub. Res. Code §§ 6240, *et. seq.*). The Act provides that the State Lands Commission may enter into a lease for the extraction of oil or gas from state-owned tide and submerged lands in the California Coastal Sanctuary if oil or gas deposits are being drained by means of producing wells upon adjacent federal lands and the lease is in the best interests of the state. (Pub. Res. Code § 6244.)

K. The State Lands Commission has conducted two studies that confirm that oil or gas deposits are being drained from the Tranquillon Ridge Field in state-owned tide and submerged lands by means of producing wells drilled from Platform Irene, which is located upon adjacent federal lands. There are no other locations in the state where this occurs.

Comment [LK6]: The purpose of the "drainage" exception to the ban on leasing in state waters is to account for instances wherein oil and/or gas deposits are being drained from the state's jurisdiction and yet the state is not receiving its share of the royalties. The exception only applies if such draining is occurring, and authorizes the state to issue a lease in order to ensure recovery of royalties for such production. The TR field is the only field in the state that is being drained from a federal platform, and thus will not set a precedent for additional leasing in the state.

L. The Parties desire by this Agreement to update and enhance features of the 2008 Agreement, including: i) the process for PXP to seek project approval; ii) the dates for PXP's permanent cessation of offshore production operations, and the resultant reduction in the risk of oil spills impacting the marine environment; iii) the surrender of PXP's federal and state oil and gas leases; iv) PXP's greenhouse gas emission mitigations; v) ensuring that the Subject Lands will be conveyed for the benefit of the public; vi) providing additional enforcement mechanisms, including giving the State of California the ability to enforce this Agreement; and vii) making complete copies of this Agreement available to the public. These revisions are designed in part to address and resolve the concerns raised in the State Lands Commission's Staff Report for the January 29, 2009 hearing on the Tranquillon Ridge Project.

M. The Trust for Public Land ("TPL"), which is the designated Grantee of the Subject Lands, has provided written confirmation to the Parties that TPL has completed its due diligence with respect to the title to and physical condition of the Subject Lands,

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and that TPL does not believe there are any remaining title or physical condition issues that would prevent TPL from accepting title to these lands to be donated by PXP.

Agreement

Subject to the terms and conditions hereinafter set forth, PXP and the Environmental Parties agree as follows:

Comment [LK7]: See section 5.0 regarding enforcement of this agreement. The Environmental Parties can bring an action in court to enforce the terms of this agreement. Section 5.1 gives the State of California the ability to also enforce the terms of this agreement. In addition, the Trust for Public Land can enforce the terms of its agreement to require compliance with the end dates and land conveyances. Finally, any approving agency can enforce its conditions of approval.

2008 Agreement Superseded

This Agreement entirely replaces and supersedes the 2008 Agreement, which is of no further force or effect.

Term of this Agreement

The term of this Agreement shall begin the date first appearing above and continue until the Parties have fully performed or are legally excused from performing their obligations under this Agreement. Provided, however, at any time prior to Initial Production, either of the Parties shall have the right to terminate this Agreement by delivering ten (10) days advance written notice thereof to the other party. Any such termination shall terminate all of the rights and obligations of the Parties under this Agreement. Provided further, however, if PXP elects to exercise its right under this paragraph to terminate this Agreement other than due to a breach of this Agreement by the Environmental Parties, PXP shall apply to any and all agencies that grant approvals for the Tranquillon Ridge Project after the date of this Agreement, but prior to the date of PXP's notice of termination, to modify such approvals to exclude authorization for the Tranquillon Ridge Project, and PXP shall tender quitclaims of any Tranquillon Ridge Project leases approved by the State and accepted by PXP prior to the date of PXP's notice of termination. Notwithstanding the preceding sentence, in the case of any such approval by the County of Santa Barbara, PXP's application to modify shall only be required to seek to exclude the County's approval of a revised Lompoc End Date consistent with Section 1.1 of this Agreement, and shall not be required to seek any other modification of the County's October 2008 approval of the Tranquillon Ridge Project.

Comment [LK8]: We added a mutual termination provision.

Comment [LK9]: This provision ensures that PXP cannot start producing from the TR field and then terminate the agreement and avoid its obligations (ceasing production, etc.). Accordingly, PXP can only terminate the agreement prior to Initial Production. Once PXP begins producing, the company cannot avoid its obligations under the agreement. If PXP does choose to terminate the agreement prior to Initial Production, the company must relinquish any TR leases and approvals.

Definitions

As used in this Agreement:

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“Charitable Donation Agreement” refers to the contract entered into between PXP and TPL which provides the mechanisms for PXP’s conveyance of the Subject Lands pursuant to this Agreement.

“Gaviota Lands” means the lands described in Exhibit “A” hereto. The Gaviota Lands consist of three separate parcels: “Smith Fee” (A/P # 081-140-024); “Sunburst Fee” (A/P # 081-130-076); and “Gaviota Oil Heating and Metering Facility site” (A/P # 081-130-070).

“Gaviota Oil Heating and Metering Facility” means the onshore facilities that heat and meter oil and gas produced by the Pt. Arguello Project.

“Grantee” means an entity, such as TPL, which is a “qualified organization” under I.R.C. Regs. § 1.170 A-14(c), including a local, state or federal agency, or a charitable organization described in I.R.C. § 501(c)(3). There may be more than one Grantee of the Subject Lands. Each proposed Grantee shall be subject to the prior written approval of the Parties, which approval shall not be unreasonably withheld or delayed.

“Initial Production” means when all of the following have occurred: i) PXP has received and accepted all discretionary and ministerial entitlements and approvals of every kind necessary to develop the Tranquillon Ridge Project; ii) there is no administrative, judicial or referendum challenge thereto pending, and all time periods within which to bring any such challenges have expired; and iii) PXP has produced commercial quantities of oil and/or gas for thirty (30) consecutive days from a new well drilled as part of the Tranquillon Ridge Project.

“Lompoc Oil and Gas Plant” (“LOGP”) means the onshore facilities that handle and process oil and gas produced by the Pt. Pedernales Project.

“LOGP Lands” means the lands described in Exhibit “C” hereto.

“Lompoc End Date” means the earlier of i) Permanent Cessation of Production of all the following projects: the Pt. Pedernales Project, Tranquillon Ridge Project and Lompoc Oil Field Project; or ii) fourteen (14) years after Initial Production is achieved. After Initial Production is achieved, should all production of the Tranquillon Ridge state leases cease for a period of ninety (90) consecutive days or more due to circumstances beyond PXP’s reasonable control, the date certain component of the Lompoc End Date shall automatically be extended by a like period of time. PXP shall provide written notice to the Environmental Parties within thirty (30) days of any extension pursuant to this provision, along with a statement of the reasons therefore. In accepting the state leases for the Tranquillon Ridge Project, PXP shall unconditionally waive any and all

Comment [LK10]: This provision ensures an end date for production not only from TR, but also from the existing Pt. Pedernales project (including Platform Irene and the Lompoc Oil and Gas Plant) and the existing Lompoc onshore oil and gas wells. Without this agreement, these existing projects can continue indefinitely.

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right to apply for an extension of the term of the leases beyond that provided for in this definition.

“Lompoc Lands” means the lands described in Exhibit “B” hereto, which includes the LOGP Lands.

“Lompoc Oil Field Project” means the onshore oil and gas production operations conducted by PXP on the Lompoc Lands.

“Permanent Cessation of Production” means the permanent cessation of oil and gas production operations of an entire project without the intent on the part of the project operator to resume production at a later date.

“Pt. Arguello End Date” means the earlier of i) Permanent Cessation of Production of the Pt. Arguello Project; or ii) a date certain which does not exceed nine (9) years after the State Lands Commission’s final approval and PXP’s written acceptance of all leases necessary for the Tranquillon Ridge Project.

Comment [LK11]: This provision ensures an end date for the three Pt. Arguello platforms and the Gaviota onshore facilities. These facilities are owned and operated by PXP but are not in any way related to the TR project. To ensure an adequate benefit to the public, the Environmental Parties insisted on the closure of these facilities as well. Without this agreement, these projects can continue indefinitely.

“Pt. Arguello Project” means the oil and gas project located in federal waters of the Outer Continental Shelf (“OCS”), offshore Santa Barbara County, including Platforms Hermosa, Harvest and Hidalgo, together with the associated pipelines, and Gaviota Oil Heating and Metering Facility. This project is more particularly described in Santa Barbara County’s Pt. Arguello FDP No.85-DP-32cz.

“Pt. Pedernales Project” means the oil and gas project located in federal waters of the OCS, offshore Lompoc, Santa Barbara County, together with Platform Irene and the associated pipelines, and onshore processing and handling facilities, including the LOGP. This project is more particularly described in Santa Barbara County’s Pt. Pedernales FDP No. 94-DP-027.

“Purisima Hills Project” means PXP’s proposed 804 acre residential housing project further described in the City of Lompoc’s Planning Division File Annexation No. 75.

“Subject Lands” means the Lompoc Lands and the Gaviota Lands.

“Subject Projects” means the Pt. Pedernales Project, the Tranquillon Ridge Project, the Lompoc Oil Field Project, and the Pt. Arguello Project.

“Tranquillon Ridge Project” means PXP’s proposed oil and gas development project as described in Section 2.0 (Project Description) of Final EIR 06-EIR-00000-00005, as certified by the County of Santa Barbara on October, 7, 2008 (“FEIR”),

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together with the Lompoc End Date and the mitigation measures for the project's Class I, II and III environmental impacts as summarized in the FEIR and as set forth in this Agreement.

1.0 Covenants of PXP.

1.1 End Dates and Permanent Cessation of Production. Upon the Lompoc End Date, PXP shall permanently cease all oil and gas production operations of the Lompoc Oil Field Project and the Pt. Pedernales Project, including the Tranquillon Ridge Project, Platform Irene and the LOGP. Upon the Pt. Arguello End Date, PXP shall permanently cease all oil and gas production operations of the Pt. Arguello Project, including Platforms Hermosa, Harvest and Hidalgo, and the Gaviota Oil Heating and Metering Facility. Pursuant to the 2008 Agreement, PXP applied for and accepted an end date condition in the Santa Barbara County Final Development Plan permit for the Tranquillon Ridge Project. In accordance with section 3.1 below, PXP shall apply to the County for and, if approved, accept a Lompoc End Date condition consistent with this Agreement for the Tranquillon Ridge Project. PXP shall also apply to the other appropriate agencies for and, if approved, accept a) a Lompoc End Date for all oil and gas production operations of the Pt. Pedernales Project, Tranquillon Ridge Project, and the Lompoc Oil Field Project, and b) a Pt. Arguello End Date for all oil and gas production operations of the Pt. Arguello Project (collectively, "End Dates"). PXP shall ensure compliance with the End Dates in accordance with section 3.0 below. The End Dates shall be irrevocable and non-modifiable without the express written consent of the Parties.

Comment [LK12]: As noted above, without this Agreement all of these operations may continue indefinitely.

1.2 Purisima Hills Project. Pursuant to the 2008 Agreement, PXP has suspended its pursuit of entitlements for the Purisima Hills Project, including its application for annexation to the City of Lompoc, and has provided the Environmental Parties with written confirmation thereof. This suspension shall continue while this Agreement is in effect. Upon the State Lands Commission's final approval and PXP's written acceptance of all of the leases necessary for the Tranquillon Ridge Project, PXP shall withdraw, without prejudice, its applications for these entitlements and provide the Environmental Parties with written confirmation within thirty (30) days thereafter. PXP shall convey fee title to the Purisima Hills Project lands to a Grantee as part of the conveyance of the Lompoc Lands as provided in section 1.3 below. If this Agreement is terminated, PXP

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shall be entitled to resubmit its applications for and resume its pursuit of entitlements for the Purisima Hills Project.

1.3 Conveyance of Subject Lands in Separate Phases. In accordance with section 3.0 below, and subject to the terms and conditions of this Agreement and the Charitable Donation Agreement, PXP shall convey to a Grantee all of PXP's right, title and interest in and to the Subject Lands in phases which have been defined in the Charitable Donation Agreement with Grantee as follows.

- (A) Phase One shall consist of the following: all of PXP's right, title and interest in and to those portions of the Gaviota Lands identified as the "Smith Fee" and the "Sunburst Fee," and conveyance of fee title to or a conservation easement on approximately 1,000 acres of the Lompoc Lands.
- (B) Phase Two shall consist of all of PXP's right, title and interest in and to the Gaviota Oil Heating and Metering Facility site.
- (C) Phase Three shall consist of all of PXP's right, title and interest in and to the balance of the Lompoc Lands not conveyed in fee to Grantee under Phase One.

Comment [LK13]: The Charitable Donation Agreement provides The Trust for Public Land with independent authority to enforce the end dates, as they are tied to the decommissioning of the onshore facilities, remediation of the sites, and conveyance of the lands underlying such facilities. The Charitable Donation Agreement is also posted on EDC's website (www.environmentaldefensecenter.org). See section 3.0 below for more details about the conveyances.

It is the desire of the Parties hereto, but not a condition of this Agreement, that the Smith Fee be conveyed to or for the benefit of the California Department of Fish & Game, and that the Sunburst Fee and Gaviota Oil Heating and Metering Facility site be conveyed to or for the benefit of the California Department of Parks and Recreation.

It is the desire of the Parties hereto, but not a condition of this Agreement, that the Lompoc Lands be conveyed to the State of California, added to the Burton Mesa Ecological Reserve, and managed and administered by the Department of Fish & Game.

1.4 Pt. Arguello Project and Gaviota Lands.

1.4.1. Pt. Arguello Plan and End Date. PXP hereby affirms that it has obtained Pt. Arguello partner approval of the "Pt. Arguello Plan." A copy of the Notice of Approval thereof is attached as Exhibit "D" hereto. The Pt. Arguello Plan provides for production operations at the Pt. Arguello

Comment [LK14]: We obtained PXP's consent to disclose and attach the Notice of Approval of the Pt. Arguello Plan and End Date.

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Project to cease permanently on or before the Pt. Arguello End Date as defined in this Agreement. Thus, by securing approval of the Pt. Arguello Plan, PXP has provided assurance that, on or before the Pt. Arguello End Date, all oil and gas production operations will cease permanently from the Pt. Arguello Project, including the three Pt. Arguello platforms (Hermosa, Harvest and Hidalgo), the onshore and offshore pipelines, and the onshore Gaviota Oil Heating and Metering Facility. PXP also hereby affirms that PXP holds an approximate 70% interest in the Pt. Arguello Project and that PXP's vote is necessary to change the existing partner approved Pt. Arguello Plan. PXP agrees not to vote to make any change in the Pt. Arguello Plan that would extend the end of the Pt. Arguello Plan beyond the Pt. Arguello End Date. PXP also agrees not to transfer any of its federal oil and gas leasehold interests in the Pt. Arguello Project unless PXP obtains and furnishes Environmental Parties with a copy of a written agreement by the transferee to be bound by the provisions of this section 1.4.1 to the same extent as PXP. This provision ensures that production at the Point Arguello Project will cease permanently on or before the Pt. Arguello End Date.

Comment [LK15]: We obtained PXP's consent to publicly disclose its interest in the Pt. Arguello Project. PXP's 70% interest is critical because it holds a majority interest that cannot be diluted or transferred without binding any transferees.

1.4.2 Gaviota Onshore Facility Site. PXP holds an approximate 70% interest in each of the two Pt. Arguello partnerships that own the Gaviota Oil Heating and Metering Facility site (Gaviota Gas Plant Company and Pt. Arguello Pipeline Company). PXP agrees to vote to convey fee title to this site to a Grantee in accordance with section 3.2.1 below. PXP shall not transfer any of its interests in either of these Pt. Arguello partnerships unless PXP obtains and furnishes Environmental Parties with a copy of a written agreement by the transferee to be bound by the provisions of this section 1.4.2 to the same extent as PXP.

Comment [LK16]: See comment above.

1.4.3 Facility Use. If anyone seeks Pt. Arguello partner approval to use any of the Pt. Arguello Project facilities for any offshore oil or gas production operations to be conducted after the Pt. Arguello End Date, PXP shall exercise its approximate 70% interest in the Pt. Arguello Project and vote against such proposal.

Comment [LK17]: See comment above.

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1.5 Greenhouse Gas Emissions. Santa Barbara County estimates that the total peak annual greenhouse gas (“GHG”) emissions from Tranquillon Ridge Project operations will be 14,925.35 tons per year of CO₂ and methane. PXP does not believe that this volume necessarily constitutes an actual net emission increase in GHG emissions, or a significant environmental effect within the meaning of CEQA. The Environmental Parties believe that the emissions constitute a significant effect under CEQA. To resolve this disagreement, upon achieving Initial Production, PXP agrees to do each of the following:

1.5.1 PXP shall arrange for a facility-wide greenhouse gas (GHG) emissions audit of Platform Irene and the LOGP, to be completed within six months following Initial Production. The audit shall be conducted by an independent consultant approved by the Parties and shall identify measures that improve energy efficiency, reduce energy consumption and otherwise reduce GHG emissions. Such measures may include, but are not limited to, consideration of the following: reductions in the heater treater emissions, reductions in vehicle and vessel emissions, extension of fugitive hydrocarbon inspection and maintenance programs to components that are in methane and ethane service, and the assessment of CO₂ capture and liquefaction. The independent consultant shall use criteria and protocols approved by the California Air Resources Board (CARB), the California Climate Action Registry (CCAR), or the Santa Barbara County Air Pollution Control District (SBCAPCD) to quantify the reduction in emissions that can be achieved by such measures, and the cost to implement such measures. PXP shall implement any of those measures that, collectively, can be implemented at a total one-time cost to PXP not to exceed \$298,507 (based upon a cost of \$20/ton to mitigate the 14,925.35 tons of emissions). PXP shall initiate implementation of any such measures within six months following the completion of the audit, shall diligently pursue implementation of those measures to completion, and shall properly maintain those measures thereafter. The implementation and effectiveness

Comment [LK18]: We updated the agreement to reflect the fact that the State now has established programs and protocols for handling GHG offsets, and will continue to develop such programs. Because the SBCAPCD may also have its own offset program within the timeframe of this agreement, we added this agency.

Comment [LK19]: We added this explanation of the basis for the amount to be paid to reduce project emissions.

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of these measures shall be assessed on an annual basis by an independent consultant approved by the Parties.

Comment [LK20]: We added this provision at the request of CCC staff.

1.5.2 On or before March 1 following PXP's implementation of the measures described above, and on or before each March 1 thereafter until the Lompoc End Date, an independent consultant approved by the Parties shall calculate the actual amount, if any, of net emissions that remain after implementation of the measures identified in section 1.5.1 above. This calculation shall be verified by an independent consultant approved by the Parties. PXP shall report the annual net GHG emissions to the SBCAPCD as part of PXP's annual reporting requirements. The SBCAPCD shall verify the emissions accounting each year and make any necessary corrections. Based upon the SBCAPCD's final accounting, PXP shall annually pay for any actual net GHG emissions from Tranquillon Ridge Project operations at the rate of \$10 per ton thereof (in 2010 dollars) until the Lompoc End Date (this exceeds the rate identified by the Climate Action Reserve which was \$6.35/ton as of May 2009). The funds shall be used to fund emission reduction measures approved by CARB, CCAR, or the SBCAPCD, or as approved by other entities meeting criteria and protocols similar to those used by CARB, CCAR, or the SBCAPCD.

Comment [LK21]: We added this provision at the request of CCC staff.

Comment [LK22]: We added this reference to current offset costs.

Comment [LK23]: See comment above; we updated the agreement to require compliance with criteria and protocols used by these state and local agencies.

1.5.3 PXP will partially offset non-direct emissions as set forth in this section. PXP does not believe that these emissions constitute an actual net emission increase in GHG emissions, or a significant environmental effect within the meaning of CEQA. The Environmental Parties believe that these emissions represent a significant indirect effect of the Project, and that at least a portion of this volume should be mitigated by PXP. To resolve these differing views, upon achieving Initial Production, PXP agrees to pay a total of \$1,500,000, payable in annual installments of \$107,143 each year for 14 years to the SBCAPCD to administer a transit bus technology program within Santa Barbara County to reduce GHG emissions. The foregoing sum includes any and all fees to be assessed by the SBCAPCD for the cost of

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administering the program, which shall not exceed 10% thereof. The Environmental Parties will execute a Memorandum of Understanding with the SBCAPCD regarding the implementation of this program.

1.5.4 PXP may apply for offset and/or credit status for reductions in emissions of any and all contaminants achieved through the projects and activities funded pursuant to this Agreement to the extent allowed under AB 32 (the California "Global Warming Solutions Act of 2006") or any applicable local district, state or federal statute or regulation. The Parties agree that PXP's contractual obligations under this Section 1.5 do not change the character of any such emission reductions that otherwise qualify as "Surplus" within the meaning of the Rules and Regulations of the SBCAPCD.

1.6 Reimbursement of Environmental Parties' Expenses. PXP agrees to reimburse the Environmental Parties for their reasonable and necessary attorneys' fees, professional costs and expenses incurred in the negotiation and implementation of this Agreement. If this Agreement is terminated, PXP shall provide reimbursement for any unpaid fees and costs incurred up to the date of termination.

Comment [LK24]: We revised this section to be consistent with settlement agreements by other environmental law firms.

1.7 Project Approval Process. In view of the significant change of circumstances since the State Lands Commission hearing on January 29, 2009, including the enhanced features of this Agreement, the Parties recognize that it would be in the best interests of the State of California for the State Lands Commission to approve leases for the Tranquillon Ridge Project. Accordingly, PXP agrees not to actively support, promote or encourage the introduction or enactment of any State legislation or budget proposal that would allow State oil and gas leases for the Tranquillon Ridge Project to be approved other than by the State Lands Commission pursuant to Pub. Res. Code § 6244. This covenant does not preclude PXP from educating or otherwise communicating with anyone about the merits of the Tranquillon Ridge Project. If such a communication is made directly to any elected or appointed State official, it shall also include a statement to the effect that PXP desires the leases for the project to be approved by the State Lands Commission.

Comment [LK25]: We added this provision to ensure that PXP refrains from supporting any legislation that would circumvent the CSLC process. We required their consent of this provision before we agreed to negotiate a new agreement.

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1.8 Working Date and Initial Production. PXP agrees to use commercially reasonable efforts to spud the first Tranquillon Ridge Project well within six (6) months after the last of the following occurs:

i) PXP has received and accepted all final discretionary and ministerial entitlements and approvals of every kind necessary to develop the Tranquillon Ridge Project, and

ii) there is no administrative, judicial or referendum challenge thereto (collectively, "Project Challenge") pending, and all time periods within which to bring any Project Challenge have expired.

For purposes of this section 1.8, the last day of said six (6) month period is the "Working Date." If within eighteen (18) months after the Working Date PXP has not achieved Initial Production, PXP shall tender quitclaims of the Tranquillon Ridge leases to the state and shall apply to all agencies that have approved the Tranquillon Ridge Project to exclude authorization for the Tranquillon Ridge Project. Provided, however, in the event any Project Challenge is brought during either the six (6) month or eighteen (18) month period above, but before PXP achieves Initial Production, said six (6) and eighteen (18) month time periods shall be tolled and cease to run a) for so long as the Project Challenge is pending, and b) for so long thereafter as there is any legal prohibition against PXP conducting Tranquillon Ridge Project operations.

2.0 Covenants of Environmental Parties.

2.1 The Environmental Parties recognize that without agency approval of the Tranquillon Ridge Project, the substantial public benefits of this Agreement will not occur. Therefore, the Environmental Parties will in a timely manner communicate to the governmental agencies identified below and to other interested public interest organizations the Environmental Parties' support for the granting of all approvals required for the Tranquillon Ridge Project pursuant to the Agreement. These communications shall be in writing (with copies contemporaneously delivered to PXP), and shall include oral testimony at public hearings of Santa Barbara County, the State Lands Commission, and California Coastal Commission. EDC shall be entitled to provide oral testimony on behalf of the Environmental Parties at any public hearings held outside of the tri-counties. In the event PXP requests the Environmental Parties to communicate their support for the Tranquillon Ridge Project to any other

Comment [LK26]: When we changed the Lompoc End Date to 14 years (consistent with our original 2008 Agreement, which gave PXP from 2008 to 2022 to produce from the Tranquillon Ridge Project), we wanted to make sure that PXP could not delay Initial Production. The timeframes set forth in this section are consistent with the 24-month period allowed under PXP's draft 2008 lease with the State Lands Commission for PXP to commence commercial production.

Comment [LK27]: This section acknowledges the fact that unless the leasing and permitting agencies approve the Tranquillon Ridge project, all of the benefits – most notably the end dates – will not occur. EDC's expression of support for the TR Project is on behalf of the Environmental Parties, to ensure the successful realization of their goals and objectives.

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elected or appointed government officials, or other governmental agencies with entitlement jurisdiction, the Environmental Parties and/or EDC may do so.

Comment [LK28]: We changed this word from "shall" to "may."

2.2 The Environmental Parties shall not take any action, directly or indirectly, either alone or in concert with any other person or organization, to oppose approval of the Tranquillon Ridge Project or the commencement of project operations. This covenant does not preclude any of the Environmental Parties or any of their members from taking any lawful action a) to oppose any State legislation that would allow State leases for the Tranquillon Ridge Project to be approved other than by the State Lands Commission pursuant to Pub. Res. Code § 6244, or b) to ensure that, as approved and implemented, the Tranquillon Ridge Project is consistent with the terms of this Agreement. In the event an application for approval of State oil and gas leases for the Tranquillon Ridge field is considered by an administrative entity other than the State Lands Commission, the Environmental Parties reserve the right to oppose the application.

Comment [LK29]: We added this provision, which clarifies that the Environmental Parties can (and will) continue to oppose any legislation that would circumvent the SLC authority over new leases. In addition, this provision ensures that the Environmental Parties may oppose the TR Project should the leases be considered by any entity other than the SLC.

2.3 The Environmental Parties shall, if and as requested, assist PXP in identifying and pursuing authority for the Grantee(s) to accept title to the Subject Lands.

3.0 Procedures.

3.1 Implementing the End Dates. Prior to commencing Tranquillon Ridge Project operations, PXP shall apply for and, if approved by the agency(ies), shall accept an appropriately worded end date condition in each of the major non-federal governmental entitlements for the Subject Projects. These entitlements include, without limitation, each of the Santa Barbara County Final Development Plans, Santa Barbara County APCD Permits to Operate, California Coastal Commission coastal development permit(s), and the State Lands Commission leases for the Tranquillon Ridge Project. None of the end date conditions for the Subject Projects shall become effective unless and until PXP achieves Initial Production. The failure of a governmental agency to approve inclusion of an end date, as defined herein, in an entitlement for any of the Subject Projects or in an abandonment plan (such as a federal Approval for Permit to Modify), shall not otherwise affect the rights or obligations of the Parties under this Agreement, and this Agreement shall nevertheless remain in

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full force and effect, and the end dates shall still be enforceable by the Environmental Parties.

Comment [LK30]: This provision, that ensures that the end dates are still enforceable between the parties even if a governmental agency does not approve them as part of Project approval, was in the original agreement; we added the express reference to federal approvals of an abandonment plan to address the concerns we heard that MMS might interfere with the end dates. This provision binds PXP to comply with the end dates even if they are not approved by MMS. See additional new language requiring PXP to surrender its federal leases on or before the end dates, and the requirement that PXP disgorge any profits obtained if the end dates are violated.

3.2 Subject Lands.

3.2.1 PXP has entered into a Charitable Donation Agreement with TPL with respect to the Subject Lands, including the Purisima Hills Project lands. The Environmental Parties acknowledge that they have received separate assurances from TPL that the Charitable Donation Agreement is in full force and effect. TPL has also provided written confirmation to the Parties that TPL has completed its due diligence with respect to the title to and physical condition of the Subject Lands, and that TPL does not believe there are any remaining title or physical condition issues that would prevent TPL from accepting title to these Lands. See Exhibit "E" hereto.

Comment [LK31]: In response to concerns about the viability of title to the lands to be conveyed to TPL (which include the lands containing the onshore support and processing facilities, as well as hundreds of acres containing onshore oil and gas wells), we asked TPL to confirm that there are no title issues that would interfere with the required conveyances. We attach TPL's letter as Exhibit E.

The Charitable Donation Agreement provides for the conveyance of the Subject Lands as follows:

Comment [LK32]: As noted above, the Charitable Donation Agreement is posted on the EDC website.

Phase One shall consist of the following: all of PXP's right, title and interest in and to the Sunburst Fee (approx. 94 acres) and the Smith Fee (approx. 46 acres), and approximately 1,000 acres of the Lompoc Lands. The actual portion of the Lompoc Lands to be included in Phase One shall be as designated by PXP and agreed to by a Grantee upon PXP's determination, in PXP's sole discretion, which of the legal parcels of the Lompoc Lands are not needed in connection with foreseeable oil and gas related operations, including transportation and abandonment. In the event it is not feasible to convey fee title to all or part of the Phase One portion of the Lompoc Lands during Phase One, for example due to Subdivision Map Act impediment, the Grantee shall have the right to elect to receive instead donation of a conservation easement covering such portion of the Lompoc Lands. Any such conservation easement shall restrict the use of said lands to uses consistent with open space preservation, management and restoration of the natural resources located thereon, as well as passive recreation, education and research. The provisions of the conservation

Comment [LK33]: This provision reflects the fact that we are trying to achieve immediate conveyance of "unencumbered lands" (those lands not used for oil and gas development during the 9 and 14-yr periods of the agreement) so that they can be conveyed upon project approval and initial production. Because some of those lands may not be severable from encumbered lands (e.g., they may be located on a parcel that also includes facilities), it may not be feasible to obtain full conveyance during Phase One, in which case the lands will be conveyed in Phase Three and an easement will be required in Phase One.

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easement shall be subject to the reasonable approval of PXP, the Grantee and the Environmental Parties. In the event the Grantee elects to receive such a conservation easement during Phase One, fee title to the lands covered thereby shall be conveyed to the Grantee, along with the balance of the Lompoc Lands, as part of Phase Three.

Phase One shall be conveyed to a Grantee after all contingencies for this phase stipulated in the Charitable Donation Agreement and in this Agreement have been met, including but not limited to the condition that PXP has achieved Initial Production. With respect to the Smith Fee, it is understood that a third party, Chevron, currently holds record title to the Smith Fee and has an obligation to convey a portion thereof to the California Department of Fish & Game ("DF&G") for a Tar Plant Reserve. Chevron holds record title to the balance of the Smith Fee for the benefit of PXP. PXP agrees to work with Chevron and DF&G in an effort to achieve the Parties' intent that, ultimately, the entire Smith Fee will be conveyed to or for the benefit of DF&G consistent with the land conservation purposes of this Agreement and the Charitable Donation Agreement.

Phase Two shall consist of the conveyance of the approximately 56 acre Gaviota Oil Heating and Metering Facility site, subject to all of the terms and conditions of this Agreement and the Charitable Donation Agreement. In an effort to make this conveyance, PXP shall prior to the Pt. Arguello End Date seek approval of the Pt. Arguello partnerships that own the property (Pt. Arguello Pipeline Company and Gaviota Gas Plant Company) to convey the Gaviota Oil Heating and Metering Facility site to a Grantee. PXP agrees to exercise its approximate 70% interest in the Pt. Arguello partnerships to vote in favor thereof. The Environmental Parties understand that despite PXP's vote, the necessary approval may not be obtained. If such approval is obtained, the conveyance shall occur after the Pt. Arguello End Date, once the Pt. Arguello Project facilities that are located on the Gaviota Oil Heating and Metering Facility site have been abandoned and any necessary assessment and remediation work has been completed in

Comment [LK34]: The required conveyance of the Tar Plant Reserve is a condition related to Chevron's Pt. Arguello project (for a water line) and the All American Pipeline project. Oil from the Pt. Arguello Project is transported through the All American Pipeline.

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accordance with the requirements of the governmental entities with jurisdiction. Even if approval to convey the site to a Grantee as provided in this Agreement is not obtained, the surface facilities will be removed, the necessary assessment and remediation work will be completed as required, and the lands will not be used to support further offshore oil and gas development. To ensure that these protections occur, PXP also agrees to exercise its approximate 70% interest in the Pt. Arguello partnerships to vote against any proposal made to the Pt. Arguello partnerships to use the Gaviota Oil Heating and Metering Facility site for any offshore oil or gas production operations that may be proposed to be conducted after the Pt. Arguello End Date. PXP further agrees not to vote to approve the conveyance of the Gaviota Oil Heating and Metering Facility site other than to a Grantee for purposes consistent with the land conservation goals of this Agreement and the Charitable Donation Agreement. PXP also agrees not to sell or otherwise transfer any of its interests in either of the two Pt. Arguello partnerships unless PXP obtains and furnishes Environmental Parties with a copy of a written agreement by the transferee to be bound by the provisions of this section 3.2.1 to the same extent as PXP. In addition, subject to the provisions of the immediately preceding sentence, PXP agrees not to vote to take any action that will result in the dilution of PXP's approximate 70% interest in either of the two Pt. Arguello partnerships.

Phase Three shall consist of the conveyance of the balance of the Lompoc Lands not previously conveyed under Phase One (approximately 2,700 acres), plus fee title to any of the Lompoc Lands subject to a conservation easement as part of Phase One above. Phase Three is to be conveyed to a Grantee after all contingencies for this phase stipulated in the Charitable Donation Agreement and in this Agreement have been met. These include, but are not limited to, occurrence of the "Lompoc End Date," and completion of any necessary assessment and remediation work in accordance with the requirements of the governmental

Comment [LK35]: As we have stated previously, the decision regarding conveyance of the 56-acre Gaviota site will not be made until production ceases and an abandonment plan is submitted. At that time, PXP will exercise its 70% interest to vote for conveyance to TPL. It is possible that more than a 70% vote will be required as part of the conveyance decision. If the necessary vote is not obtained, the property could still be acquired through negotiations with the remaining owners. In any case, the property will still be protected because as part of the Abandonment Plan, all of the support facilities will be removed, the site will be remediated and cleaned up, and the future uses of the site will be restricted.

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entities with jurisdiction over the Pt. Pedernales, Tranquillon Ridge and Lompoc Oil Field Projects.

3.2.2 At the election of the Grantee, the Lompoc Oil Field Project's fresh water facilities and any other facilities or structures then existing shall be included as part of the conveyance of Phase Three. Such conveyance shall be on an "AS IS" basis, without any warranty, express or implied. Environmental Parties shall have no responsibility for any fees associated with the Charitable Donation Agreement.

3.2.3 The deeds transferring the Subject Lands shall identify the purposes of the transfer as the open space preservation, management and restoration of the natural resources located on such lands, as well as passive recreation, education and research.

Comment [LK36]: This section sets forth the allowed future uses of the subject properties.

3.3. Conveyances. It is understood that for purposes of corporate convenience, the various conveyances of the Subject Lands under this Agreement may be made directly from PXP, from an affiliate of PXP, from another third party, or from a combination of the foregoing.

3.4 Project Abandonment and Surrender of Leases.

3.4.1 Promptly after the Lompoc End Date, PXP shall commence and diligently pursue compliance with applicable governmental agency requirements for abandonment and restoration of the Lompoc Oil Field Project, the Pt. Pedernales Project, including the Tranquillon Ridge Project, Platform Irene, the LOGP and associated pipelines and onshore facilities. PXP shall also commence and diligently pursue implementation of the Pt. Arguello Plan and compliance with applicable governmental agency requirements for abandonment of all of the Pt. Arguello offshore oil and gas wells and the associated facilities for which PXP and PXP's Pt. Arguello partners have abandonment responsibility.

3.4.2 Decisions concerning the timing and details of the decommissioning, abandonment and removal of OCS platforms are made after production ceases, and are the

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responsibility of the lessee and various governmental agencies. PXP is lessee, operates and is responsible for the decommissioning and abandonment of Platform Irene. PXP agrees to apply for and in good faith pursue authority for the complete removal of Platform Irene in accordance with the terms of this Agreement. PXP agrees not to take any action to oppose the complete and timely removal of any of the Pt. Arguello platforms in accordance with the terms of this Agreement. While the decommissioning and abandonment responsibility of the three Pt. Arguello platforms rests with third parties, the decision to permanently cease production from these platforms rests with the Pt. Arguello partners which have already approved the Pt. Arguello Plan which provides for production at the Pt. Arguello Project to cease permanently on or before the Pt. Arguello End Date (section 1.4.1 above). Under the terms of this Agreement, the Pt. Arguello End Date cannot be extended.

Comment [LK37]: The decision regarding disposition of a platform following the cessation of production rests with the Minerals Management Service. The parties to this agreement cannot dictate the result of a decision that lies within the discretion of a public agency. This agreement, however, does require PXP to apply for complete removal of Platform Irene, and to pursue such application in good faith. Although PXP does not have decommissioning responsibility for the three Pt. Arguello platforms, PXP has agreed not to interfere with our efforts to seek complete removal. As stated below, in comment LK33, even if the platforms are not completely removed, they cannot be used for oil and gas production after the end dates.

3.4.3 Pursuant to the terms of PXP's federal leases and the federal regulations (30 CFR 256.76), PXP has the right to surrender its federal leases at any time. PXP agrees to exercise this right and promptly: a) surrender the federal oil and gas leases for the Pt. Pedernales Project after the Lompoc End Date; and b) cause the surrender of the federal oil and gas leases for the Pt. Arguello Project after the Pt. Arguello End Date.

Comment [LK38]: We added this provision to explain the difference between abandonment (which includes decommissioning facilities and cleaning up any contamination) and the "end dates" in the agreement that require PXP to cease production. Accordingly, even if abandonment responsibilities rest with third parties, the facilities at issue cannot be used for oil and gas development purposes.

3.4.4 PXP shall promptly surrender the State oil and gas leases for the Tranquillon Ridge Project following PXP's compliance with all of its obligations related to the proper abandonment of all portions of that project.

Comment [LK39]: We added this provision to address the concern that MMS could force PXP to continue producing after the end dates. On the contrary, the law (and PXP's federal leases) allows PXP to surrender its leases at any time. By its own regulations, MMS cannot force a lessee to keep its lease and continue producing. This provision, which obligates PXP to surrender its federal leases, ensures that MMS cannot force continued production.

3.5 Contamination. PXP shall indemnify and hold harmless the Grantee(s) and PXP shall be responsible for the assessment and remediation of any surface or subsurface contamination which is present on the Lompoc Lands or the Gaviota Lands when title is transferred pursuant to this Agreement and the Charitable Donation Agreement, but only to the extent that such contamination violates governmental standards applicable to lands used for open space in Santa Barbara County in effect on the date that title is transferred ("Remediation Standard"). PXP's obligation under this section shall be deemed fully

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discharged when any such required remediation has been completed to the Remediation Standard. Nothing in this Agreement is intended to relieve or discharge any third party from its obligations for abandonment or assessment and remediation of any facilities or lands referred to in this Agreement.

3.6 Grantee Breach. The Environmental Parties have designated TPL to be the initial Grantee under this Agreement. In the event that TPL or other mutually approved Grantee breaches its obligations under the Charitable Donation Agreement, PXP shall not be deemed to be in default under this Agreement, provided that PXP is otherwise in compliance with its obligations under this Agreement. In the event of such Grantee breach and termination of the Charitable Donation Agreement, PXP shall work with the Environmental Parties to identify another Grantee and enter into a charitable donation agreement that is substantially similar to the Charitable Donation Agreement with TPL.

4.0 Conditions Precedent.

4.1 The Environmental Parties shall have no obligation under this Agreement unless PXP performs its obligations under the Agreement.

4.2 PXP shall have no obligation under this Agreement unless the Environmental Parties perform their obligations under the Agreement.

5.0 Enforcement of this Agreement.

5.1 The Parties agree that this Agreement involves matters affecting the public interest. Effective upon Initial Production, the State of California, including the State Lands Commission, shall be deemed to be an intended third party beneficiary of this Agreement. The Parties further agree that in any litigation initiated after Initial Production to enforce this Agreement, State counsel, including the California Attorney General, shall have the right to intervene and participate in the litigation. In any litigation to enforce this Agreement, the State and its counsel shall have no greater claims, defenses, rights or remedies than the Environmental Parties.

5.2 Because of the unique nature of the public interests preserved and advanced by this Agreement, the Parties agree that monetary damages are inadequate as a remedy for a breach of this Agreement, that a breach of this Agreement would cause irreparable harm to the Parties and to the public interest, and that the sole and exclusive remedy

Comment [LK40]: We responded to the concern that the SLC could not enforce the agreement by making the State a third party beneficiary. As such, the State (including the SLC) can bring an action to enforce the agreement. In addition, we give the State the right to intervene in an action brought by a party to the agreement.

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available to the Parties shall be an action for injunctive relief and/or specific performance. The primary reasons that the Environmental Parties have entered into this Agreement are because this Agreement will result in a) the permanent cessation of production from the four existing Pt. Arguello and Pt. Pedernales offshore oil platforms; and b) the removal of the related onshore surface support facilities, thereby eliminating any potential for their use after the End Dates. Accordingly, the provisions of this Agreement shall be specifically enforceable by the Parties. The Parties shall also be entitled to seek preliminary and permanent injunctive relief without the requirement of a bond. The Parties further agree that as part of any final judgment entered in favor of the Environmental Parties in which the court finds that PXP breached this Agreement by failing to cease oil and gas production operations upon the Lompoc End Date or the Pt. Arguello End Date, PXP shall be required to pay over any and all net profits received by PXP on account of any such failure to cease production to the extent any such profits are attributable to oil and gas production operations occurring after the End Dates. Such profits shall be paid to an entity approved by the Environmental Parties and shall be used for purposes of preservation, management and/or restoration of open space and/or natural resources in Santa Barbara County. An order to pay over any such profits shall be in addition to, and not a substitute for, specific performance or injunctive relief, which are the only remedies that will effectuate a central purpose of this Agreement, which is to ensure the permanent cessation of oil production operations from the facilities as and when required by this Agreement. As used in this Section 5.2, the term "net profits" means as the term is customarily defined by the oil and gas industry. Any judicial action taken to enforce this Agreement shall be brought in Santa Barbara County Superior Court, and the Parties hereby consent to said jurisdiction and venue.

Comment [LK41]: In response to concerns about enforceability of the agreement (specifically, whether a court would order specific performance), we strengthened this provision to (1) explain the unique nature of the public interests and purposes involved; (2) point out that irreparable harm that will occur if specific performance is not ordered; and (3) reinforce that the sole and exclusive remedy for breach of the agreement shall be specific performance and/or injunctive relief. These are all factors that a court would have to consider in issuing a remedy for a breach. We also added injunctive relief as a separate remedy, so that a court could either direct PXP to comply with the agreement, and/or the court could direct PXP to stop producing consistent with the terms of the agreement. This provision is consistent with other agreements negotiated by environmental groups. In addition, we added a provision requiring PXP to disgorge any profits in the event the end dates are violated and production continues. This disgorgement discourages and disincentivizes continued production.

6.0 Notice of Breach. Either party hereto shall give the other written notice stating with reasonable particularity any alleged breach of this Agreement before commencing any judicial proceedings to enforce this Agreement. The recipient of the notice shall have thirty (30) days after receipt within which to cure without being deemed to be in breach of this Agreement. If the nature of the alleged breach reasonably takes longer than thirty (30) days to cure, the recipient of the notice shall not be deemed to be in breach of this Agreement if it commences to cure within said thirty (30) day period and thereafter diligently pursues the same to completion.

7.0 Other Provisions.

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7.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their successors and assigns, and each of their respective directors, officers, agents, employees, representatives, beneficiaries, and persons that they represent.

7.2 Notices, Consents and Approvals. All notices shall be in writing and delivered as follows:

To PXP:

Plains Exploration & Production, Inc.
700 Milam, Suite 3100
Houston, TX 77002-2815
Attention: General Counsel

To Environmental Parties:

Environmental Defense Center
906 Garden St.
Santa Barbara, CA 93101
Attention: Chief Counsel

A notice shall be deemed received when delivered by any lawful means accompanied by written proof of delivery. Delivery to EDC constitutes delivery to all of the Environmental Parties.

Whenever the consent or approval of the Environmental Parties is required under this Agreement, the consent or approval of EDC shall constitute the consent or approval, as the case may be, of all of the Environmental Parties.

7.3 Attorney's Fees and Certain Damages. In the event that any party hereto commences legal proceedings to enforce this Agreement, the prevailing party shall also be entitled to recover its reasonable attorney's fees. The foregoing attorney's fees provision does not apply to the State of California, which under no circumstances shall be required to pay any of the Parties' attorney's fees in any legal proceedings involving this Agreement. The Parties shall not be entitled to seek or recover any special, incidental, consequential or punitive damages in any such proceedings, except as may otherwise be provided in Section 5.2.

Comment [LK42]: We added this provision at the request of the SLC and AG, to ensure that the state will not hesitate to bring an enforcement action if it so desires.

7.4 Time is of the Essence. Time is of the essence of this Agreement.

7.5 Memorandum of Agreement. Upon execution of this Agreement, a short form Memorandum of Agreement shall be executed by PXP and by EDC on behalf of the Environmental Parties and recorded in the Official Records of Santa Barbara County to serve as constructive notice of this Agreement to any purchaser of the Lompoc Lands or the

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Gaviota Lands. PXP shall also deliver a copy of this Agreement to any prospective purchaser, encumbrancer or transferee of any or all of the Lompoc Lands or of PXP's interest in the Pt. Pedernales, Tranquillon Ridge, Lompoc Oil Field or Pt. Arguello Projects, so that any such purchaser, encumbrancer or transferee will be made fully aware of the obligations of this Agreement. In the event that this Agreement is terminated, either pursuant to its express provisions or as a result of a breach of this Agreement by a party, PXP and EDC on behalf of the Environmental Parties shall promptly execute and record an instrument sufficient to expunge the Memorandum of Agreement and remove any cloud on the title to the Lompoc Lands or the Gaviota Lands created thereby.

7.6 Applicable Law. California law applies to this Agreement.

7.7 Entireties and Amendments. This Agreement contains the entire agreement between the Parties concerning its subject matter. This Agreement may be amended at any time by the Parties alone without the consent of any third party, but only by a writing signed by the party to be charged. Effective upon Initial Production, and except where the urgency of the situation does not permit, the Parties shall give the Executive Director of the State Lands Commission at least thirty (30) days advance written notice of any proposed amendment to this Agreement. The Parties further agree to consider in good faith any written comments received from the Executive Director within said thirty (30) day period.

Comment [LK43]: We added this provision in response to the request by the SLC and AG that the state be given notice of any proposed amendments to the agreement.

7.8 Counterparts. This Agreement may be signed in counterparts.

7.9 No Partnership or Agency. Nothing contained herein shall be construed as creating the relationship of principal and agent, partnership, joint venture, or any other form of legal association which would impose liability upon one party for the act or failure to act of another party.

7.10 Interpretation. Each party has reviewed and participated in the drafting of this Agreement. Any question of interpretation shall not be resolved by any rule of interpretation providing for interpretation against the drafting party.

7.11 Waiver. No waiver of any provision of this Agreement shall be binding unless executed in writing by the party being charged with the

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waiver. No waiver shall be deemed to include a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

7.12 Severability. In case any one or more of the provisions of this Agreement is invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.13 Third Party Beneficiaries. Except as provided in Section 5.1 above, nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the Parties to it and their respective successors and permitted assigns, if any, nor shall any provision give any third parties any right of subrogation or action against any party to this Agreement.

7.14 Authority to Enter Agreement. Each of the signatories represents and warrants that he or she has the right, power, legal capacity and authority to execute this Agreement and to bind the entity on whose behalf he or she executes this Agreement.

7.15 Further Assurances. The Parties agree promptly upon request to execute such other instruments and perform such other acts as may be reasonably necessary or useful in carrying out the purposes and intent of this Agreement.

7.16 Indemnify and Hold Harmless. Provided that the Environmental Parties have complied with their obligations under this Agreement, PXP shall indemnify and hold the Environmental Parties harmless from any third party claims for damages for personal injury or property damage arising out of Environmental Parties' good faith performance of their obligations under this Agreement.

8.0 Alternative Dispute Resolution.

8.1 Matters Covered. Any controversy between the Parties arising out of this Agreement, or breach thereof, shall be subject to the procedure described below.

8.2 Notice of Breach. Notice of any alleged breach shall be handled in accordance with the provisions set forth in section 6.0 above.

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8.3 Meeting Between Parties. If a dispute remains after the Notice of Breach, a meeting shall be held promptly between the Parties, attended by individuals with decision-making authority to attempt in good faith to negotiate a final resolution of the dispute.

8.4 Dispute Resolution Process. If within sixty (60) days after the issuance of a notice under section 6.0 and 8.2 the Parties have not succeeded in resolving the dispute, they may mutually agree to submit the dispute to a mutually acceptable third party mediator for non-binding mediation, in which case the Parties shall participate in good faith in the mediation and the mediation process. Nothing in this section shall require the parties to submit to mediation prior to pursuing their legal remedies as provided in this Agreement.

9.0 Public Dissemination of this Agreement. When this Agreement has been fully executed by the Parties, complete copies may be disseminated to the public.

Comment [LK44]: In response to concerns about the confidentiality of the 2008 Agreement, we have agreed to make this 2010 Agreement public. It is posted on our website.

This Agreement is executed and made effective the date first appearing above.

PXP:

Environmental Parties:

Plains Exploration & Production Company

Citizens Planning Association

By _____

By _____

Its _____

Its _____

Hollister & Brace
Attorneys for PXP
Approved as to Form

Get Oil Out!

By _____

By _____

Its _____

Its _____

Environmental Defense Center
Attorney for Environmental Parties
Approved as to Form

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By _____

Its _____