

RESOLUTION NO. 8155

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHITTIER, CALIFORNIA, OF INTENTION TO LEASE PROPERTY FOR PRODUCTION OF OIL, GAS AND OTHER HYDROCARBONS

THE CITY COUNCIL OF THE CITY OF WHITTIER, CALIFORNIA, DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council of the City of Whittier that said Council hereby finds that the public use of the property hereinafter described will not be substantially interfered with by a lease for a production of oil, gas and other hydrocarbons in the form herein provided for. The property comprises, approximately, 1,280 acres situated in the County of Los Angeles, State of California, and is described in Exhibit "A" attached hereto (the "Property"). A complete legal description of the Property is attached to the form of oil and gas lease on file and available for inspection as set forth below.

SECTION 2. The Council on behalf of the City intends to lease all or any part of the property hereinafter described for the production of oil, gas and other hydrocarbons for the term and at the rental hereinafter stated, and at the royalty specified in the prevailing bid. The lease to be executed shall be substantially in the form of the proposed oil and gas lease on deposit and available for inspection at the office of the City at 13230 Penn Street, Whittier, California 90602, to which form reference is hereby made. The primary term of the lease shall be three (3) years with a secondary term so long thereafter as operations are continuously conducted or there is production in paying quantities as provided in the form of lease on file; the rental to be paid shall be Ten Dollars (\$10.00) per acre for the first year of the primary term, with the second and third years rental to be paid together in the total amount of One Hundred Forty Dollars (\$140.00) per acre of land still subject to the lease at the earlier to occur of the first anniversary of the lease or prior to entry on the leased land to commence operations pursuant to any Conditional Use Permit which may be applied for by the Lessee and issued by the City of Whittier therefore in the City's discretion; and Lessor's royalty shall not be less than Twenty percent (20%) on the first \$1,500,000.00 in market price (if leased substances are produced but not sold) or gross proceeds of sale of leased substances produced in any calendar month ("Initial Royalty"), plus an additional One and One-Quarter percent of One Hundred percent (1.25% of 100%) on each incremental \$250,000.00 in market price (if leased substances are produced but not sold) or gross proceeds of sale of leased substances produced in any calendar month ("Incremental Royalty"), but the highest total royalty need not be in excess of Fifty percent (50%). The lease shall continue for a period in no event in excess of three (3) years and as long thereafter as drilling or producing operations are conducted on the property. The one variable, biddable factor on which bids will be received shall be royalty. Each bidder must stipulate in its bid the royalty to be paid, which shall not be less than as stated above. A variable royalty of not less than the herein stated minimum

royalty may be bid, with a higher Initial Royalty, a higher Incremental Royalty, or both. The increments in market price or gross proceeds of sale (\$250,000.00) which trigger Incremental Royalties may not be altered. The City reserves complete discretion to determine which is the highest and best royalty bid, but will apply at least the following assumptions in evaluating bids: production at the rate of 30,000 barrels of oil or equivalent per month and a price of \$100.00 per barrel.

SECTION 3. Prospective bidders should note that the form of oil and gas lease to be utilized prohibits any entry on the surface of the property, other than for visual inspection and surveying in support of an application for a Conditional Use Permit, until such time, if any, as: (i) the successful bidder/lessee has applied for a Conditional Use Permit to conduct operations; (ii) Environmental Review therefore under the provisions of the California Environmental Quality Act and applicable guidelines has been conducted at the expense of the successful bidder/lessee, considered by the City of Whittier, adopted and becomes final, (iii) a Conditional Use Permit therefore has been issued by the City of Whittier, in its sole discretion, and (iv) the City will not issue a Conditional Use Permit until the City has obtained a release from protected area status of that portion of the leased land upon which surface operations are allowed under an issued Conditional Use Permit from the "Los Angeles County Proposition A District." Prospective bidders should also note that: (i) the City contemplates that it may put in place an open space/conservation easement encompassing any portion of the property which does not become permitted for oil and gas operations pursuant to any Conditional Use Permit which may be issued therefore; (ii) the City maintains on file and available for inspection with the form of lease a statement of potential mitigation measures which, subject to modification through the Environmental Review and CUP Issuance Process, which must be followed in commencing and conducting operations on the property; and (iii) the form of lease provides for lessee's direct payment to the Puente Hills Landfill Native Habitat Preservation Authority of (i) a Management Fee of \$5,000.00 per month upon issuance of a Conditional Use Permit to conduct operations and acceptance thereof by lessee, increasing to \$7,000.00 per month upon commencement of drilling operations, and (ii) a habitat enhancement fee of \$100,000.00 per year upon commencement of drilling operations.

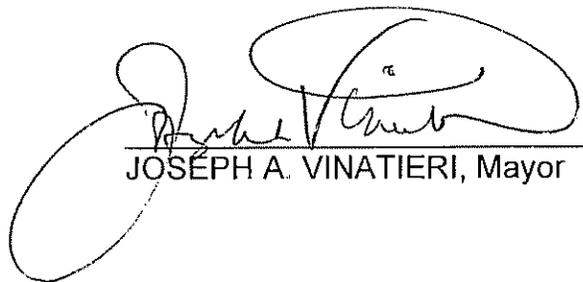
SECTION 4. October 2, 2008, at the hour of 2:00 p.m. in the office of the City at City Council Chambers at 13230 Penn Street, Whittier, California, 90602, is hereby fixed as the time and place where all sealed proposals received shall be opened in public session, will become public documents and will be examined and recorded by City staff, and the property leased to the highest responsive, responsible bidder with appropriate operational capability, in the sole judgment of the Council, at a later public session to be noticed at such public opening. No oral bids will be received. The Council reserves the right to reject any and all bids, to withdraw any and all of the property from lease, and to determine the financial and other responsibility and operational capability of all bidders. Each bidder shall provide a statement of qualifications in accordance with the requirements set forth on Exhibit "B" attached

hereto with the financial qualifications to be placed in a separate sealed envelope (which financials the City will assert are confidential under the California Public Records Act) within their sealed bid package.

SECTION 5. This Resolution be published once a week for four (4) successive weeks in the Whittier Daily News, a newspaper of general circulation in the County where the property is situated. A condition to the award shall be the commitment of the successful bidder to reimburse the City for the cost of publishing this Resolution and for the attorneys' and other consultants' fees incurred by the City in connection with the proceedings leading up to the execution of the Lease (herein, "Costs"). All bids must be accompanied by a check in the amount of \$400,000.00 payable to the City, which check for the selected bidder will be cashed and must clear as a condition of award to the selected bidder and will be held as a deposit by the City and applied by the City toward the successful bidder's commitment to reimburse the City for its Costs and the first year delay rental under the Lease, and will be applied toward the successful bidder's responsibility for application fees and environmental review costs, if and as incurred, ("Review Costs") in connection with an application for a Conditional Use Permit for the conduct of operations under the Lease. Any portion of the successful bidders' deposit not expended for Costs, the first year delay rental and Review Costs at the time of Lease expiration or surrender shall be returned to the Lessee. To the extent that Costs, first year delay rental and Review Costs exceed the sum of \$360,000.00, the successful bidder will be required to make a further deposit in an amount to be reasonably determined by the City, subject to refund as above provided.

SECTION 6. The City Clerk-Treasurer shall certify to the passage and adoption hereof.

APPROVED AND ADOPTED this 26th day of August 2008.



JOSEPH A. VINATIERI, Mayor

ATTEST:



KATHRYN A. MARSHALL
City Clerk-Treasurer

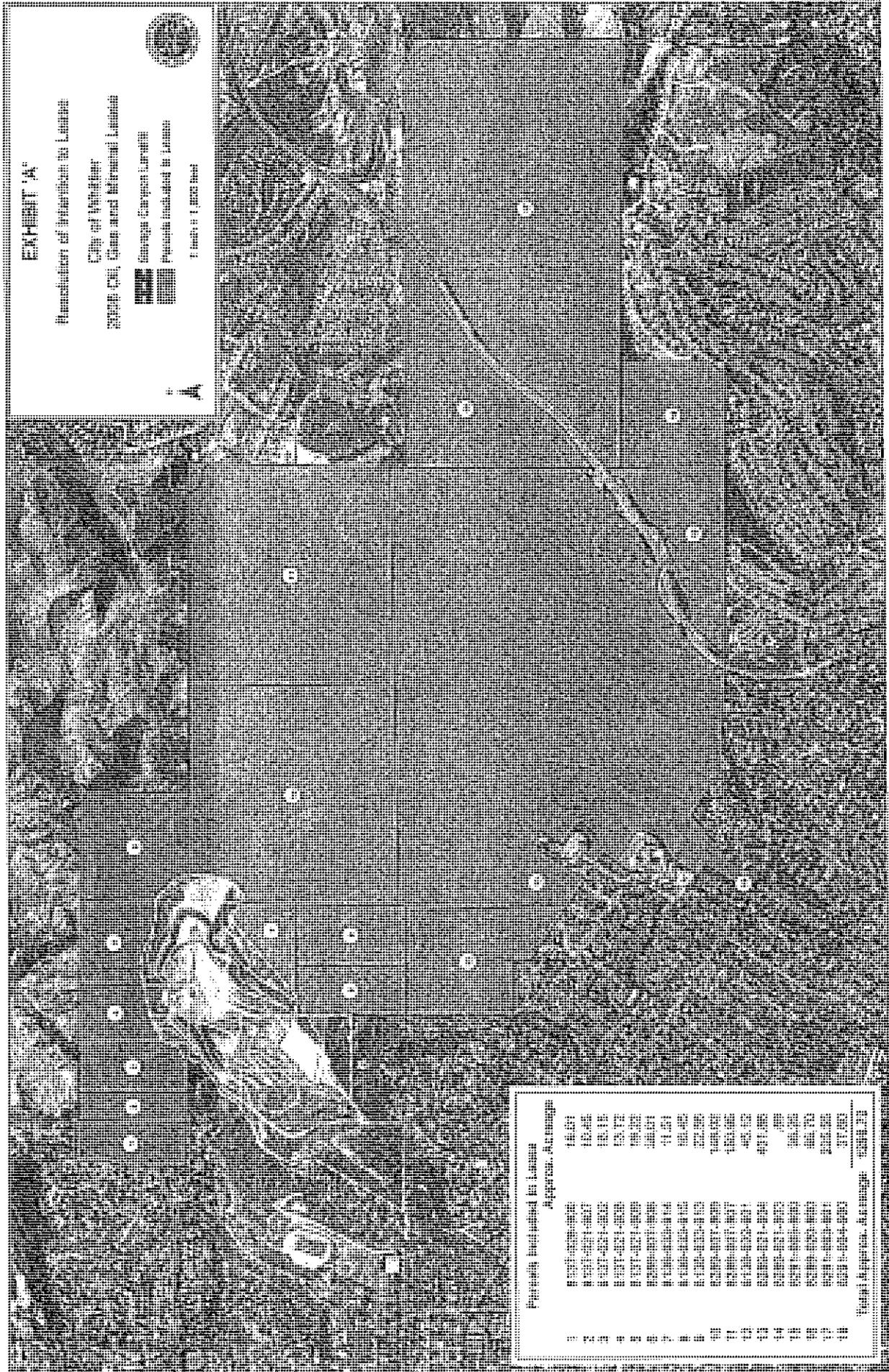


EXHIBIT 'A'

Municipality of Issaquah in Lewis

City of Vashon

2000 City, County and Municipal Land Use

George Canyon Lagoon

Projects Included in Lewis

1 inch = 1,000 feet

**Proposed Parcel Number for Lewis
Approximate Acreage**

1	001-001-001	14.01
2	001-001-002	12.04
3	001-001-003	12.15
4	001-001-004	12.12
5	001-001-005	12.12
6	001-001-006	12.12
7	001-001-007	12.12
8	001-001-008	12.12
9	001-001-009	12.12
10	001-001-010	12.12
11	001-001-011	12.12
12	001-001-012	12.12
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31	001-001-031	12.12
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**EXHIBIT B TO RESOLUTION OF INTENTION
Minimum Qualifications and Submittal Requirements**

I. Introduction

This Exhibit B presents the City's Minimum Qualifications and Submittal Requirements for all Bidders wishing to pursue the Whittier Main 2008 Mineral Extraction Project by submitting a bid to the City for an Oil, Gas, and Mineral Lease.

The City has established certain Minimum Qualifications and Submittal Requirements in order to ensure a level playing field among respondents and to protect the interests of the City, its residents and its stakeholders.

II. Minimum Qualifications

A. Single-entity Project Guarantor

If the Bidder is unable to demonstrate to the reasonable satisfaction of the City through the below described financial submittals a positive net worth of not less than \$50,000,000.00 U.S. Dollars, the Bidder must identify a single-entity Project Guarantor that will unconditionally guarantee performance of all obligations and compliance with all requirements of the Oil, Gas, and Mineral Lease to be issued by the City of Whittier. The Project Guarantor must possess and demonstrate adequate financial resources to meet its contractual requirements, as reflected in criteria further described below.

B. Compliance with California Public Resources Code

The Bidder must agree to comply with the blanket indemnity bonding provisions as described in California Public Resources Code Division 3, Chapter 1, Article 4, Section 3205.

C. Experience of principals

The Bidder's Principals must possess and demonstrate at least twenty-five (25) years of combined experience in the exploration and development and production of oil resources.

D. California experience

The Bidder must possess and demonstrate experience in operating oil extraction facilities in the State of California within the last five (5) years.

E. No felony convictions

No principal member on the Bidder team may have a felony conviction.

F. No bankruptcy filings

No Bidder or Project Guarantor may have filed for bankruptcy within the last twenty (20) years.

G. Profitability

The Bidder and Project Guarantor, if applicable, must demonstrate at least 5 continuous years of profitability.

H. Positive and minimum net worth

The Bidder and Project Guarantor, if applicable, must possess and demonstrate a positive net worth for the last five (5) years, and either the Bidder or, if applicable, the Project Guarantor must possess and demonstrate a current positive net worth of at least \$50,000,000.00 U.S. Dollars.

I. Access to credit

The Bidder or, if applicable, the Project Guarantor must demonstrate its ability to access at least a ten million U.S. dollars (\$10M) line of credit.

III. Submittal Requirements

It is the Bidder's responsibility to demonstrate compliance with each of the Minimum Qualifications presented above. The City reserves the right to request additional information should any Bidder's response lack adequate information.

Any information that Bidders or Project Guarantors consider confidential must be submitted in a sealed envelope identified as such. While the City will use its best efforts to protect the confidentiality of this information, it is the Bidder's or Project Guarantor's responsibility to defend any legal challenges to the confidentiality protection of the information.

At a minimum, Bidders are requested to provide the following information:

A. Team organizational structure

Bidders shall provide an organization chart and narrative discussion that describes the overall team structure, responsibilities, Principal reporting relationships and subcontractor relationships (if applicable). The Project Guarantor, if applicable, must also be identified and a Project Guarantor Acknowledgement Form must be signed and returned with the Bidder's submittal (see below for sample form).

PROJECT GUARANTOR ACKNOWLEDGMENT
(to be typed on Project Guarantor's Letterhead)

_____ ("Bidder") has submitted
herewith a
Bid in response to the City of Whittier, California ("City") to
provide services under the Whittier Main 2008 Oil Extraction
Project and the City's Oil, Gas, and Mineral Lease.

The Project Guarantor hereby certifies that it will irrevocably,
absolutely and unconditionally guarantee the performance of all of
the Bidder's obligations under the Oil, Gas, and Mineral Lease
negotiated by the parties.

Name of Guarantor: _____

Name of Authorized Signatory:

Signature: _____

Title: _____

B. Team qualifications and experience

Bidders shall provide information to adequately demonstrate the qualifications of the team (including subcontractors, if applicable) in the exploration, development, production and operation of oil resource facilities. This information should include applicable project descriptions.

As reflected above, California-specific operations experience shall also be provided.

C. Team Principals qualifications and experience

In addition to the team qualifications and experience information provided, Bidders must also provide information reflecting the relevant experience of individual Principals and other team members in the exploration, development, production and operation of oil resource facilities. This information should include individual resumes for key project personnel. California-specific operations experience shall also be provided.

D. Financial statements and disclosures

Each Bidder (**and** its Project Guarantor, if applicable,) must demonstrate their financial strength and ability to meet the Minimum Requirements described above.

If applicable, three (3) years of annual SEC filings (10K / 10Q) must be provided.

If the Bidder and/or Project Guarantor, if applicable, are not required to make periodic filings with the SEC, three (3) years of the most recent audited financial statements for both the Bidder and its Project Guarantor (if a separate entity) must be provided. Financial statements must include, at a minimum, balance sheets, income statements and statements of changes in financial position.

Bidders must also disclose any outstanding litigation that could materially and adversely affect its financial condition if judgment is brought against the Bidder. Such information shall also be provided for the Project Guarantor if applicable.

Bidders must also disclose past or current bankruptcies, felony convictions, debarments, and material financial changes of Principals and/or the Project Guarantor, if applicable, since the date reflected in the submitted financial statements

E. Financial institution letters of intent

Bidders must provide preliminary letters of intent from established financial institutions reflecting the Bidder's or, if applicable, the Project Guarantor's ability to secure credit as required by the Minimum Qualifications.

CITY OF WHITTIER)
) SS
 STATE OF CALIFORNIA)

I, Kathryn A. Marshall, City Clerk-Treasurer in and for the City of Whittier, California, hereby certify that the foregoing resolution was duly introduced and adopted at a regular meeting of the City Council of said City held on the 26th day of August 2008, by the following roll call vote:

AYES: J. G. Nordbak C. Warner O. Newcomer
 R. L. Henderson

NOES: None

ABSENT: J. A. Vinatieri

WITNESS my hand and the official seal of the City of Whittier, California, this
24th day of September 2008.

Kathryn A. Marshall, Asst. for
 KATHRYN A. MARSHALL
 City Clerk-Treasurer

I HEREBY CERTIFY THIS TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL DOCUMENT ON FILE WITH THE CITY OF WHITTIER. WITNESS MY HAND AND THE OFFICIAL SEAL OF THE CITY OF WHITTIER THIS 22nd DAY OF October, 2010.

Marcos A. Morales
 DEPUTY CITY CLERK

THE UNIVERSITY OF CHICAGO
DEPARTMENT OF CHEMISTRY
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