

STAFF REPORT

58

A 70, 72, 74

S 33, 34, 37

08/23/19
PRC 5636.1
L. Pino

REVISION OF RENT AND BONDING

LESSEE:

San Pedro Bay Pipeline Company, a California corporation

AREA, LAND TYPE, AND LOCATION:

10.72 acres, more or less, of sovereign land in the Pacific Ocean, San Pedro Bay, offshore of Seal Beach and Huntington Beach, Orange County.

AUTHORIZED USE:

Operation and maintenance of an existing 23,347-foot-long portion of a 16-inch-diameter crude oil pipeline serving federal oil and gas leases within the Outer Continental Shelf in the Beta Unit Oil Field.

LEASE TERM:

20 years, beginning March 25, 2008.

CONSIDERATION:

This lease provides that the Commission may modify the rent periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent under this lease and recommends that rent be revised from \$205,050 per year to \$104,958 per year, effective March 25, 2019.

BONDING:

This lease provides that the Commission may modify the required bonding or surety during the lease term. Pursuant to this provision, staff has conducted a review of the current bonding under this lease and recommends that the current Surety Bond of \$3 million be increased to \$8.9 million, effective August 23, 2019; and also include the addition of a parent guaranty (Guaranty) from Amplify Energy Operating LLC (Amplify).

STAFF ANALYSIS AND RECOMMENDATION:

Authority:

Public Resource Code sections 6005, 6216, 6301, 6501.1, and 6503;
California Code of Regulations, title 2, sections 2000 and 2003.

STAFF REPORT NO. **58** (CONT'D)

Public Trust and State's Best Interests Analysis:

On March 25, 2008, the Commission authorized a 20-year General Lease – Right-of-Way Use (Lease No. PRC 5636.1) for the continued operation and maintenance of an existing crude oil pipeline to San Pedro Bay Pipeline Company (SPBPC), a Wholly-Owned Managed and Controlled Subsidiary of Pacific Energy Resources Ltd. (PERL) ([Item C68, March 25, 2008](#)).

On August 20, 2010, the Commission authorized an assignment of the Lease to memorialize the change in SPBPC's ownership from PERL to Rise Energy Beta, LLC (Rise), and SP Beta Properties, LLC (Silver Point). The Commission also authorized an amendment of the Lease to increase the insurance requirement from \$10 million to \$50 million per occurrence, and required the Lessee to maintain the Sinking Fund Trust Agreement (Agreement) ([Item C42, August 20, 2010](#)).

In 2013, Rise became a subsidiary of Memorial Production Partners LP (Memorial). In 2015, Rise also acquired Silver Point's interest in SPBPC. In 2017, Memorial and its subsidiaries filed for Chapter 11 bankruptcy. After the bankruptcy, Memorial merged with Amplify, and Rise merged with Beta Operating Company, LLC (Beta). Amplify and Beta are the surviving entities in the mergers.

Rent:

Where the exact location of a buried pipeline is known and verified, current staff practice is to apply the appraised land value to the pipeline's footprint, plus a 1-foot buffer on either side to account for any potential minor pipeline movement within the overall Lease area. The previous rental rate was calculated by applying the appraised land value to the pipeline footprint plus a 5-foot buffer on either side of the pipeline. In the present case, the exact location of the buried pipeline is known and it is unlikely to move in any appreciable manner. Staff calculated the revised rental rate for the Lease by updating the appraised land value (which increased from \$8 per square foot as assessed in 2008, to \$15 per square per staff appraisal dated October 26, 2018) and applying it to the pipeline's footprint plus a 1-foot buffer, which more accurately reflects Lessees actual use and occupation of state land. As such, the proposed revision of rent would reduce the annual rent from \$205,050 per year to \$104,958 per year, effective March 25, 2019. The reduction in total rent due is solely from the reduced buffer area.

STAFF REPORT NO. 58 (CONT'D)

Liability Protection:

The Agreement associated with Lease No. PRC 5636.1 established a sinking fund to pay for pipeline abandonment obligations, including decommissioning, abandonment, and site clearance. The Agreement covers the portion of the pipeline in the Commission's jurisdiction, along with the portion of the pipeline in the Legislative Grant to the City of Long Beach (granted under Chapter 676, Statutes of 1911 and as amended; Chapter 102, Statutes of 1925 and as amended; and Chapter 158, Statutes of 1935), and a 10,000-barrel oil storage tank located on the upland in the Port of Long Beach.

The Agreement requires PERL (the original Lessee's parent company) and its successors-in-interest to make monthly deposits of \$0.25 per barrel of oil and other liquid hydrocarbons from the Beta Unit Oil Field into the sinking fund, until the fund reaches \$4.3 million. As of January 1, 2019, the balance of the sinking fund was \$4.3 million, and deposits have ceased.

On June 25, 2010, Rise assumed all of PERL's obligations under the Agreement through an amendment. Beta, as the successor-in-interest to Rise, must maintain the sinking fund for the term of the Lease.

The Lease originally required the Lessee to maintain a \$3 million bond along with the sinking fund of \$4.3 million. But the sinking fund is for all decommissioning within state waters and must account for both the portion under lease with the Commission and the portion within the Long Beach grant. The pipeline under the Commission's jurisdiction represents 39 percent of its total length. Therefore, 39 percent of the sinking fund, or \$1.6 million, should be available for decommissioning costs for the portion of the pipeline subject to the Commission's leasing jurisdiction.

Engineering staff estimates that the pipeline removal cost would be between \$10 and \$11 million. The current \$3 million bond combined with the \$1.6 million in the sinking fund leaves a deficit of between \$6.3 million and \$7.3 million.

Staff recommends revising the required bonding from \$3 million to \$8.9 million, bringing the total coverage to \$10.6 million, including the portion of the sinking fund. Additionally, Amplify has provided a Parental Guaranty to the Commission, guarantying the full performance by SPBPC of its obligations under the Lease. Staff believes the combination of the Parental Guaranty, sinking fund, and increased bond are enough to insure

STAFF REPORT NO. 58 (CONT'D)

performance of the Lease obligations, as well as the end-of-life decommissioning, removal, and restoration liability if the Lessee or any other responsible party is unable to perform. Ensuring that the State is adequately protected from bearing any end-of-life decommissioning liability for the facilities authorized under the Lease.

Staff is working with Amplify and other parties to authorize direct access to the sinking fund by the Commission. If amendment of the Agreement is not possible, then staff will work with Amplify and other parties to ensure the Commission's access to the sinking fund to fulfill the end-of-life decommissioning obligations under the lease. Staff is also recommending a delegation to the Executive Officer or her designee to enter into an agreement ensuring the Commission's right to access the sinking fund account.

The proposed revisions of rent and bonding for the Lease will not result in a change in the nature or intensity of use within the Lease Premises, or result in any impacts to or impairment of Public Trust resources at this location, at this time or for the foreseeable term of term of the Lease. The proposed revision of rent is a more accurate reflection of the Lessee's actual use and occupation of State sovereign land, and the reduction of the buffer area will not result in a change of the nature or scope of the Lessee's responsibility for the Lease Premises or obligations to insure the Lease Premises and indemnify the State against any liability incurred as a result of the Lessee's use of the Lease Premises, as required by the Lease. The proposed revision of bonding more accurately reflects the currently estimated liability for end-of-life decommissioning for the portion of the pipeline under lease with the Commission, and therefore, better protects the State against end-of-life decommissioning liability should any of the responsible parties fail to fulfill any of their obligations under the Lease.

Climate Change:

Climate change impacts, including sea-level rise, more frequent and intense storm events, and increased flooding and erosion, affect both open coastal areas and inland waterways in California. The lease area is located near Seal Beach, which is a tidally influenced site. By 2030, the region could see up to 1 foot of sea-level rise (from year 2000 levels), 2 feet by 2050, and possibly over 5 feet by 2100 (National Research Council 2012). Rising sea levels can lead to increased flooding through regular inundation and larger flooding events when combined with tidal events and storm surges. These climate change and sea-level rise impacts can also affect erosion and sedimentation rates through increased wave action

STAFF REPORT NO. 58 (CONT'D)

and scour, which in turn can lead to decreased shoreline stability and structure.

The lease area will be vulnerable to the impacts from sea-level rise and more frequent and intense storms that are the result of climate change; however, the existing 16-inch-diameter crude oil pipeline is unlikely to be significantly impacted by increased wave action, storm surge, or higher total water levels due to sea-level rise.

Conclusion:

For the reasons above, staff believes approval of the proposed revision of rent and bonding will not result in a change in the use of Public Trust resources or the impacts to them; and is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the rent and bonding revisions are discretionary actions by the Commission. Each time the Commission approves or rejects a rent or bonding revision, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law. Upon expiration or prior termination of the lease, the lessee also has no right to a new lease or to renewal of any previous lease.
2. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation, and responsible economic use of the lands and resources under the Commission's jurisdiction and Strategy 1.5 of the Commission's Strategic Plan to ensure the highest level of environmental protection and public safety in the production and transportation of oil and gas resources.
3. The revision of rent and bonding are not projects as defined by the California Environmental Quality Act because they are administrative actions that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

EXHIBITS:

- A. Site and Location Map
- B. Sinking Fund Trust Agreement and First Amendment
- C. Guaranty

STAFF REPORT NO. 58 (CONT'D)

RECOMMENDED ACTION:

It is recommended that the Commission:

PUBLIC TRUST AND STATE'S BEST INTERESTS:

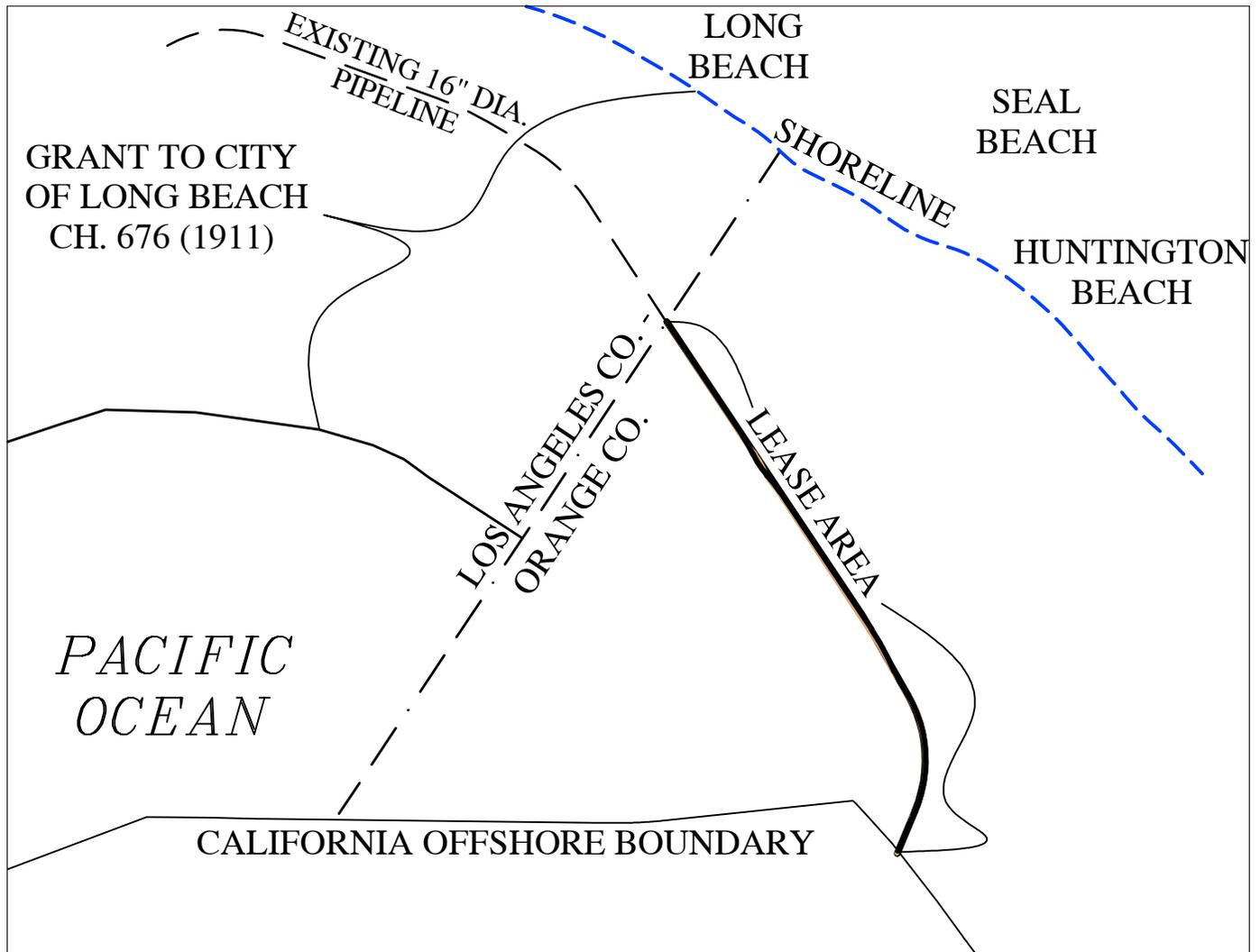
Find that the approval of the proposed revision of rent and bonding will not result in a change in the use of Public Trust resources or the impacts to them; and is in the best interests of the State.

AUTHORIZATION:

1. Approve the revision of rent for Lease No. PRC 5636.1 from \$205,050 per year to \$104,958 per year, effective March 25, 2019.
2. Approve the revision of bonding associated with Lease No. PRC 5636.1 from \$3 million to \$8.9 million, effective August 23, 2019.
3. Approve the acceptance of a Guaranty from Amplify Energy Operating LLC to cover decommissioning costs in excess of the current surety associated with Lease No. PRC 5636.1, effective August 23, 2019.
4. Authorize the Executive Officer or her designee to enter into an agreement ensuring the Commission's right to access the sinking fund account established by the Sinking Fund Trust Agreement, dated November 1, 2006, to perform Lessee's abandonment obligations in the event that the other parties to the Agreement are unable to fulfill their obligations under the Lease.

NO SCALE

SITE



Offshore of the Cities of Seal Beach and Huntington Beach

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit A

PRC 5636.1
 SAN PEDRO BAY
 PIPELINE CO.
 GENERAL LEASE -
 RIGHT-OF-WAY USE
 ORANGE COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT B
SINKING FUND TRUST AGREEMENT:

B-1: Sinking Fund Trust Agreement,
dated November 1, 2006 (6 pages).

B-2: First Amendment to Sinking Fund Trust Agreement,
dated June 25, 2010 (6 pages).

**B-1: Sinking Fund Trust Agreement,
dated November 1, 2006 (6 pages).**

SINKING FUND TRUST AGREEMENT

This Sinking Fund Trust Agreement (this "**Trust Agreement**"), dated as of November 1, 2006 (the "**Agreement Date**"), is by and between PACIFIC ENERGY RESOURCES LTD., a Delaware corporation ("**PERL**"), and AERA ENERGY LLC, a California limited liability company ("**Aera**"). Aera and PERL are sometimes referred to as a "**Party**" and jointly as the "**Parties**." Capitalized terms not otherwise defined herein shall have the respective meanings assigned to them in that certain Amended and Restated Purchase and Sale Agreement dated as of November 1, 2006, between the Parties (the "**PSA**").

In consideration of the mutual promises made herein between PERL and Aera, the Parties agree as follows:

1. **DECLARATION OF TRUST.** PERL hereby declares that the principal and interest of the sinking fund account established hereby is held in trust to accomplish the purpose of the sinking fund specified herein in accordance with the provisions, terms, and conditions contained in this Trust Agreement.

2. **SINKING FUND PURPOSE.** Pursuant to Article 11 of the PSA, PERL and Aera have agreed that PERL will undertake the Abandonment Obligations, including the obligations of decommissioning, abandonment and site clearance of (i) the portion of the San Pedro Bay Pipeline that lies within that certain right-of-way granted by the California State Lands Commission (the "**SLC**") under Agreement No. PRC 5636.1 (the "**Lease**") pursuant to the terms and conditions of the Lease and Applicable Laws and (ii) any other SPBP Tangible Assets not located in federal waters (the "**Non-Federal Abandonment Obligations**"). The purpose of the sinking fund account created hereunder is to secure, in favor of Aera, the timely and faithful performance of the Non-Federal Abandonment Obligations by PERL.

3. **ESTABLISHMENT OF ACCOUNT.** PERL shall, before the Closing Date, establish an interest-bearing checking account or federally insured brokerage account (the "**Account**") at a bank or savings and loan institution located in California that is acceptable to Aera (such bank or savings and loan institution, the "**Institution**"), incorporating into the terms and conditions of its agreement with such Institution the terms, conditions, and provisions of this Trust Agreement (including but not limited to Sections 4 and 6) which are necessary to give effect to this Trust Agreement.

4. **DEPOSITS BY PERL TO ACCOUNT.** At Closing, PERL shall initially deposit in the Account, in immediately-available funds, the sum of One Hundred Thousand Dollars (\$100,000.00), which shall be the initial principal of the Account (the "**Initial Deposit**"). Thereafter, PERL shall make additional deposits to the Account each month in the amount equal to \$0.25 per barrel of oil and other liquid hydrocarbons produced from the Beta Unit and attributable to the Beta Interests and Beta Interests (as defined in that certain Purchase and Sale Agreement dated as of November __, 2006, by and between SWEPI LP, as seller and Pacific Energy Resources Ltd., as buyer) (commencing as of the first day of the first month following the Closing). All interest

earned on funds in the Account shall remain in the Account until the Account is finally terminated pursuant to the provisions of this Trust Agreement. PERL shall promptly provide to Aera a copy of each periodic statement which PERL receives from the Institution showing deposits to and withdrawals from the Account and any interest or charges credited or debited to the Account. If PERL fails to promptly provide to Aera any such periodic statement, Aera, upon its request to the Institution, shall be entitled to receive such periodic statement directly from the Institution. Once the aggregate value of the Account reaches Four Million, Three Hundred Thousand Dollars (\$4,300,000.00), PERL's obligation to make additional deposits shall cease. After such time when deposits of principal into the Account have ceased, interest accruing on the principal in the Account shall continue to be deposited in and remain in the Account.

5. REDUCTION IN REQUIRED AGGREGATE ACCOUNT PRINCIPAL. The aggregate principal required by Section 4 to be deposited in the Account, plus all interest thereon, shall be retained in the Account until withdrawn pursuant to Section 6. The amount retained in the Account shall be reduced upon completion of the performance of activities satisfying the Non-Federal Abandonment Obligations ("Abandonment Activities") and receipt by Aera from PERL of an executed copy of the final written statement from the SLC indicating that the requirements of the SLC in respect of the Abandonment Activities have been fulfilled.

6. WITHDRAWALS FROM THE ACCOUNT.

(a) Except as otherwise directed herein, any withdrawals from the Account shall require the signatures of both an officer of PERL and a designated representative of Aera.

(b) When funds from the Account are desired by PERL to make payment in respect of an Abandonment Activity, PERL shall do the following:

(i) In the event that Aera, as operator of the pipeline, or a contractor hired by Aera, is conducting such Abandonment Activity, then upon completion of the Abandonment Activity, Aera shall, in accordance with the Pipeline Operating Agreement charge PERL for such abandonment-related work. PERL shall then, within thirty (30) days after receipt of an invoice from Aera with respect to such Abandonment Activity, deliver to Aera a check drawn on the Account and signed by an officer of PERL, made payable to Aera, in the amount of the invoice received from Aera for the total cost of the Abandonment Activity.

(ii) In the event that a person other than Aera, or a contractor hired by Aera, is conducting such Abandonment Activity, then PERL shall submit a proposal to Aera describing the Abandonment Activity proposed to be done, including in such proposal the estimated cost of such work, along with (i) copies of all relevant permits, approvals and other authorizations from applicable Governmental Entities, including the SLC for the Abandonment Activity and (ii) an unexecuted check drawn on the Account in favor of PERL for the amount of the Abandonment Activity specified in the proposal. Aera shall review such

proposal and respond to PERL within thirty (30) days of receipt of the proposal. If Aera is in agreement with the SLC-permitted Abandonment Activity plan and believes that the proposed costs are reasonable, Aera shall evidence its approval of the proposal by signing and returning to PERL the check included with PERL's proposal drawn on the Account in favor of PERL in the amount required for the PERL proposal. If Aera believes that the costs for such plan and proposal are excessive, then Aera shall set forth in writing its reasons for disagreeing with the proposal, and PERL, after review of Aera's comments, may revise and resubmit the proposal. Upon receipt of the check signed by Aera, PERL shall deposit the check in a special PERL operating account established solely to accomplish the Abandonment Activity specified in the proposal and shall utilize these funds to pay contractors and to pay other expenses of the proposed Abandonment Activity as the proposed Abandonment Activity proceeds.

(c) In the event that the actual amount of the cost of an Abandonment Activity exceeds the amount of the initial check drawn on the Account for that activity, then PERL shall additionally deliver to Aera an executed check or checks drawn on the Account in the aggregate amount equal to the balance of the actual Abandonment Activity costs, together with a written explanation of the purpose for such additional check. Aera shall process such request and check in the same manner as the foregoing Section 6(b).

(d) In the event that the actual cost of all Non-Federal Abandonment Obligations exceeds the amount available in the Account, then PERL shall additionally deliver to Aera an executed check or checks drawn from other accounts in the aggregate amount equal to the unpaid balance of the cost of the remaining Non-Federal Abandonment Obligations.

7. ADDITIONAL ACCOUNTS. At such time as an initial Account reaches a balance of One Hundred Thousand and No Hundredths Dollars (\$100,000.00), upon the written request of Aera, a second Account shall be established on the same or substantially similar terms as the initial Account at a second California Institution in order to maintain federal deposit insurance protection. Each such subsequent Account shall be subject to this Trust Agreement in the same manner as the initial Account. For purposes of this Trust Agreement, all such Accounts shall be considered and treated cumulatively as one Account.

8. OWNERSHIP OF THE ACCOUNT; TERM OF THE ACCOUNT. The Account shall be the sole property of PERL, subject to PERL's declaration of trust set forth in Section 1 and except as hereinafter provided. The Account shall terminate when all Non-Federal Abandonment Obligations have been fulfilled to the satisfaction of the SLC or applicable successor Governmental Entity. If PERL fails to satisfy all of the requirements of the preceding sentence, the Account shall be amended to allow withdrawals by Aera with only the signature of Aera of the entire remaining Account balance to compensate Aera for all costs, expenses, interruptions, and inconvenience in connection with assuring PERL's compliance with its obligations hereunder. Such amendment and withdrawals by Aera shall in no way relieve PERL of any of the

abandonment, remediation, or restoration requirements set forth either in this Trust Agreement or in the PSA. Upon termination of the Account, any remaining funds in the Account, including any interest income earned on the principal balance in the Account, shall be paid to PERL, unless Aera, at the time of such termination, has the right, in accordance with the foregoing provisions of this Section 8, to withdraw the entire Account balance, in which case the remaining funds, including interest income, shall be paid to Aera.

9. **CHOICE OF LAW.** THIS TRUST AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO RULES CONCERNING CONFLICTS OF LAWS.

10. **NOTICE.** All notices and communications hereunder shall be in writing, delivered to or sent by U. S. Mail or nationally recognized commercial courier service, postage or delivery charges prepaid, or by telecopy addressed as follows (or such other address as may be specified by ten (10) days prior written notice to the other Party):

If to PERL:

Pacific Energy Resources Ltd.
1065 West Pier "E" Street
Long Beach, CA 90254
Fax: (562) 436-8474
Phone: (562) 436-6566
Attention: Vladimir Katic

If to Aera:

Aera Energy LLC
10000 Ming Avenue
Bakersfield, California 93311
Fax: (661) 665-5490
Phone: (661) 665-5200
Attention: Senior Vice President, Strategic Development & Innovation

Notice shall be deemed to have been duly given when delivered to or sent to the other Party in the manner prescribed herein and actually received by the Party to whom the notice is given.

11. **TAXES AND COST OF ADMINISTRATION.** Any Institution holding the Account or any portion thereof shall be directed to the extent permitted by law to indicate in any reports it makes to the Internal Revenue Service of the United States of America and to the Franchise Tax Board of the State of California that all income earned by the Account is earned by PERL. All taxes attributable to the income of the Account or related to the Account in any way and all costs of administration shall not be

paid from Account funds, but shall be paid by PERL out of PERL's separate funds. PERL shall indemnify and hold Aera harmless from any taxes and administration costs.

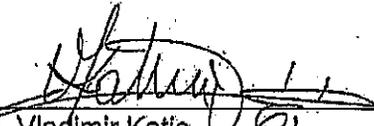
12. SUCCESSORS. This Trust Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither the rights nor the obligations of PERL under this Trust Agreement may be assigned or delegated without the prior written consent of Aera.

13. AMENDMENTS. This Trust Agreement may not be amended except by an instrument in writing signed by the Parties.

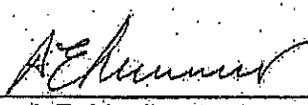
14. SAVINGS CLAUSE. In case any one or more of the provisions contained in this Trust Agreement shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Trust Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

EXECUTED by the Parties as indicated in their respective acknowledgment; however, for identification purposes, this Trust Agreement shall be deemed to be dated as of the date the last party hereto signed this Trust Agreement.

PACIFIC ENERGY RESOURCES LTD.

By: 
Title: Vladimir Katic
Date: Chairman and Chief Executive Officer

AERA ENERGY LLC

By: 
Title: A.E. Mueller
Date: Vice President

STATE OF CALIFORNIA :
 : SS
COUNTY OF LOS ANGELES :

On NOV. 1, 2006, before me, DIONNE DOUGLAS, personally appeared Vladimir Katic, ~~personally known to me~~ (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

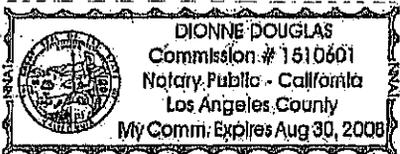


Dionne Douglas
Notary Public

STATE OF CALIFORNIA :
 : SS
COUNTY OF LOS ANGELES :

On NOV. 1, 2006, before me, DIONNE DOUGLAS, personally appeared A.E. Mueller, ~~personally known to me~~ (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Dionne Douglas
Notary Public

**B-2: First Amendment to
Sinking Fund Trust Agreement,
dated June 25, 2010 (6 pages).**

**FIRST AMENDMENT TO SINKING FUND
TRUST AGREEMENT**

This **FIRST AMENDMENT TO SINKING FUND TRUST AGREEMENT** (this "First Amendment"), dated as of June 25, 2010, but effective as of December 30, 2009 (the "Amendment Date"), is by and among **RISE ENERGY BETA, LLC**, a Delaware limited liability company ("Rise"), **SP BETA PROPERTIES, LLC**, a Delaware limited liability company ("SP Beta"), **SAN PEDRO BAY PIPELINE COMPANY**, a California corporation ("SPBP" and together with Rise and SP Beta, the "Successors"), and **AERA ENERGY LLC**, a California limited liability company ("Aera"). Rise, SP Beta, SPBP and Aera are sometimes referred to as a "Party" and jointly as the "Parties." Capitalized terms not otherwise defined herein shall have the respective meanings assigned to them in that certain Sinking Fund Trust Agreement (as the same may have been amended from time to time, the "Trust Agreement"), dated as of November 1, 2006, between Aera and Pacific Energy Resources Ltd. ("PERL").

WHEREAS, PERL had previously established the Account at U.S. Bank National Association (the "Trustee") and funded the Account, all in accordance with the terms and conditions of the Trust Agreement;

WHEREAS, as of May 31, 2010, the balance in the Account was \$1,005,894.92.

WHEREAS, the Rise and SP Beta are successors-in-interest to PERL pursuant to those certain Assignments and Bills of Sale from PERL, as assignor, to each of Rise and SP Beta, as assignees, effective December 30, 2009, including, without limitation, to PERL's right, title and interest in all of the outstanding common stock, \$1.00 par value per share, of SPBP and to PERL's rights and obligations under the Trust Agreement;

WHEREAS, in accordance with the terms of that certain Settlement Agreement dated as of December 30, 2009, by and among the Rise, SP Beta, PERL and Aera, amongst others, Rise and SP Beta expressly agreed to assume the obligations of PERL under the Trust Agreement.

WHEREAS, the Parties desire to enter into this First Amendment in order to replace PERL with the Successors and the other matters set forth herein:

NOW, THEREFORE, the Trust Agreement is amended as follows:

1. **Replacement of PERL.** The Parties hereby amend the Trust Agreement such that each and every reference to "PERL" in the Trust Agreement shall be deemed to be a reference to the "Successors."

2. **Change of Notice Address.** Section 10 of the Trust Agreement is hereby amended to remove PERL as a notice recipient and to add the Successors as notice recipients and provide that the address to which notices to each of the Successors should be given is as follows:

IF to Rise:

Rise Energy Beta, LLC
Attention: Dickie D. Hunter
201 E. John Carpenter Freeway, Suite 610
Irving, Texas 75062
Telephone: (972) 556-2950
Facsimile: (972) 556-2953

With a copy to:

Haynes and Boone, LLP
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
Attention: Janice V. Sharry
Telephone: (214) 651-5562
Facsimile: (214) 200-0620

IF to SP Beta:

SP Beta Properties, LLC
Attention: Harris Sheikh
2 Greenwich Plaza, First Floor
Greenwich, CT 06830
Telephone: (203) 542-4420
Facsimile: (203) 542-4520

IF to SPBP:

San Pedro Bay Pipeline Company
Attention: Treasurer
P. O. Box 11164
Bakersfield, CA 93389-1164
Telephone: (972) 556-2950
Facsimile: (972) 556-2953

3. **Consent from Aera.** Pursuant to Section 12 of the Trust Agreement, Aera hereby confirms that it has consented to the assignment of the Trust Agreement by PERL to the Successors.

4. **Replacement Lease Included.** The Successors acknowledge and agree that the term "Lease" as used in the Trust Agreement also includes that certain Lease PRC 5636.1 from the State of California in favor of San Pedro Bay Pipeline Company with term beginning March 25, 2008, for the San Pedro Bay Pipeline.

5. **No Further Amendments.** Except for the foregoing, no other terms or

provisions of the Trust Agreement have been modified as a result of this First Amendment, and those terms and provisions shall continue in full force and effect.

6. **Counterparts.** This First Amendment may be executed in two or more counterparts, including facsimiles, PDF copies or other forms of electronics transmission where a manual signature is reproduced, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank.]
[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

SUCCESSORS:

RISE ENERGY BETA, LLC

By: 
Printed Name: Dickie D. Hunter
Title: CFO, Secretary and Treasurer

SP BETA PROPERTIES, LLC

By: _____
Printed Name: _____
Title: _____

SAN PEDRO BAY PIPELINE COMPANY

By: 
Printed Name: Dickie D. Hunter
Title: CFO, Secretary and Treasurer

AERA:

AERA ENERGY LLC

By: _____
Printed Name: _____
Title: _____

*Signature Page to First Amendment to Sinking Fund
Trust Agreement*

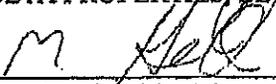
IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

SUCCESSORS:

RISE ENERGY BETA, LLC

By: _____
Printed Name: Dickie D. Hunter
Title: CFO, Secretary and Treasurer

SP BETA PROPERTIES, LLC

By:  _____
Printed Name: Michael Gatto
Title: Authorized Signatory

SAN PEDRO BAY PIPELINE COMPANY

By: _____
Printed Name: Dickie D. Hunter
Title: CFO, Secretary and Treasurer

AERA:

AERA ENERGY LLC

By: _____
Printed Name: _____
Title: _____

*Signature Page to First Amendment to Sinking Fund
Trust Agreement*

IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

SUCCESSORS:

RISE ENERGY BETA, LLC

By: _____

Printed Name: Dickie D. Hunter

Title: CFO, Secretary and Treasurer

SP BETA PROPERTIES, LLC

By: _____

Printed Name: _____

Title: _____

SAN PEDRO BAY PIPELINE COMPANY

By: _____

Printed Name: Dickie D. Hunter

Title: CFO, Secretary and Treasurer

AERA:

AERA ENERGY LLC

By: _____

Printed Name: _____

Title: _____

*Signature Page to First Amendment to Sinking Fund
Trust Agreement*

GUARANTY

For valuable consideration, the receipt of which is hereby acknowledged, Amplify Energy Operating LLC, a Delaware corporation (“Amplify”), unconditionally guarantees (the “Guaranty”) to the State of California, acting by and through the State Lands Commission (“State”), the full performance by San Pedro Bay Pipeline Company, a California corporation (“SPBPC”), of all of SPBPC’s obligations under Lease No. PRC 5636.1 (the “Lease”).

The rights afforded the State under this Guaranty are personal and not transferable by State.

This Guaranty shall be construed under and governed by the laws of the State of California.

Amplify represents and warrants that this Guaranty is a legal, valid and binding obligation of Amplify, enforceable against Amplify in accordance with its terms except as limited by bankruptcy or other laws of general application.

Amplify agrees that any amendments, modifications, alterations or changes made in the Lease covered by this Guaranty or the giving by the State of any extension of time for the performance of any of the Lease terms, or the giving of any other forbearance on the part of the State or SPBPC, to the other, shall not in any way release Amplify, its successors or assigns, from any liability arising hereunder.

This Guaranty shall automatically terminate when 1) the Lease terminates and SPBPC has been released from its obligations under the Lease by the State or 2) when the Lease has been assigned from SPBPC to a party approved by the State and, as part of the assignment, SPBPC has been released from its obligations under the Lease by the State or 3) Amplify sells, assigns or conveys a majority of its interest in SPBPC to an unaffiliated third party approved by the State.

IN WITNESS WHEREOF, Amplify has executed this Guaranty as of this 7th day of November, 2017.

Amplify Energy Operating LLC

By: Marty Wilsher

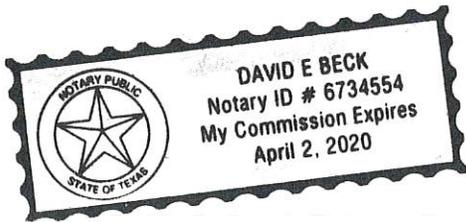
Name: Martyn Wilsher

Title: VP & Treasurer

NOTARIZATION OF SIGNATURE TO BE ATTACHED

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on November 7, 2017 by Martyn Willsher , as
Vice President & Treasurer of Amplify Energy Operating LLC, a Delaware corporation.



A handwritten signature in blue ink, appearing to read "David E. Beck", written over a horizontal line.

Notary Public