

SETTLEMENT AGREEMENT

This Settlement Agreement (hereinafter “Agreement”) is entered into as of December 7, 2023 (the “Effective Date”) by and between the City of Culver City, a California municipal corporation and charter city (the “City”) and Sentinel Peak Resources California LLC, a Delaware limited liability company (“Sentinel”). The City and Sentinel are sometimes individually referred to herein as a “Party” and jointly referred to herein as the “Parties.”

RECITALS

- A. WHEREAS, on October 25, 2021, the City, by and through the Culver City City Council (the “City Council”), took the following actions which took effect on or about November 24, 2021 and remain in effect (collectively, the “City Oil Termination Actions”): adopted Ordinance No. 2021-016 approving Zoning Code Amendment P2021-0036-ZCA, amending Culver City Municipal Code (“CCMC”), Title 17: Zoning Code; Section 17.610.010.D – Nonconforming Oil Use (the “Oil Termination Ordinance”), including, without limitation, the Zoning Code Amendment text as set forth in Exhibit “A” attached to the Oil Termination Ordinance (“Subsection D”) and the findings made under CCMC Section 17.620.030.A (collectively, the “Findings” and individually, a “Finding”), including the Finding that the City Oil Termination Actions, including the Oil Termination Ordinance and Subsection D, are in compliance with the provisions of the California Environmental Quality Act (“CEQA”) and are exempt from CEQA review (the “CEQA Determination”);
- B. WHEREAS, Subsection D supersedes CCMC Chapter 11.12 (“Chapter 11.12”), Sections

11.12.005, 11.12.010, 11.12.040, 11.12.300, 11.12.305, and 11.12.310 to the extent they allow drilling, re-drilling, or deepening of wells;

- C. WHEREAS, Sentinel is the operator of record of the Inglewood Oil Field (“IOF”), including the portion of the IOF located within the City (the “City IOF”) and owns certain real property and other property interests within or related to the City IOF;
- D. WHEREAS, the City contends that the City IOF is among the existing nonconforming oil uses within the City, all of which are subject to the City Oil Termination Actions;
- E. WHEREAS, Sentinel asserts that it possesses claims or causes of action against the City and the City Council that arise out of or are related to or connected with the City Oil Termination Actions, including without limitation, the City Council’s adoption of the Oil Termination Ordinance, the approval of Subsection D and the CEQA Determination (collectively, the “City Actions Claims”), which City Actions Claims the City denies; and
- F. WHEREAS, the Parties desire to resolve and settle fully and finally the City Actions Claims by way of compromise.

NOW, THEREFORE, in consideration of the facts recited above and the covenants, conditions, and promises contained herein, the Parties agree as follows:

TERMS OF SETTLEMENT

1. **City IOF Oil Termination Ordinance Implementation.**

1.1 Sentinel as the operator of the City IOF (sometimes referred to herein as the “Operator”) shall comply with the provisions of Subsection D, subject to this

Agreement, which serves to clarify the implementation and application of Subsection D with respect to the City IOF and Sentinel as the Operator.

1.2 This Agreement shall serve as the City's implementation of the application of Subsection D to the City IOF oil use premises (as defined in Subsection D.1.c) and to Sentinel as the Operator of the City IOF under Subsection D.

1.3 This Agreement solely applies to Sentinel and to the City IOF to implement the Oil Termination Ordinance, including Subsection D, and does not and shall not affect in any manner, or have any application to, any other oil uses within the City or to any other operator of oil uses within the City under the Oil Termination Ordinance, including Subsection D.

2. **Termination Program and Schedule.** The following Termination Program and Schedule for the City IOF (the "Termination Program and Schedule") shall be deemed to comply with each and all of the requirements for a Termination Program and Schedule under Subsection D as set forth in Subsection D.2.a, D.2.b, including (i)-(v), D.2.c and D.2.d, and has been determined by the City to be adequate, complete and to demonstrate Sentinel's ability to comply with Subsection D by the Termination Completion Deadline (as hereinafter defined), and is as follows:

2.1 Termination Completion Deadline. All oil uses within the City IOF shall Terminate and be discontinued by December 31, 2029, subject to Section 2.6 (the "Termination Completion Deadline"). For purposes of this Agreement, "Terminate" and "Termination" shall have the meaning set forth in Subsection D.1.d and shall be in accordance with all applicable requirements set forth in Cal.

Code of Regulations, Title 14 (Natural Resources), Division 2 (Department of Conservation), Chapter 4 (Development, Regulation, and Conservation of Oil and Gas Resources), Subchapter 2 (Environmental Protection), Article 3 (Requirements), Section 1775 (Oilfield Wastes and Refuse) and Section 1776 (Well Site and Lease Restoration), and all on-site activities in connection with Termination of the City IOF shall be referred to collectively, as the “Termination Activities” or, individually, as a “Termination Activity”. Such Termination Activities shall include the discontinuance and termination of oil uses on the surface of property located within the boundaries of the City even though the surface of the well, associated with such oil uses is located outside the City’s boundary.

2.2 Initial Well Closures. Plug and Abandonment (as defined below) of a minimum of fifteen (15) wells (the “Initial Well Closures”) shall be completed by Sentinel by December 31, 2027 (the “Initial Well Closures Deadline”), at a rate of a minimum of three (3) wells per calendar year (the “Annual Initial Well Closures”) completed by December 31st of each such calendar year (each an “Annual Initial Well Closures Deadline”) over the five-calendar year period between January 1, 2023 and December 31, 2027. For purposes of the Agreement, “Plug and Abandonment” shall mean the plugging and abandonment of a well in accordance with California Geologic Management Division or its successor agency (“CalGEM”) requirements and in full compliance with state law evidenced by the issuance by CalGEM of a Letter of Final Well Abandonment or an equivalent as determined by CalGEM as described in Section 2.5.

- 2.3 Remaining Well Closures and Termination Completion. Plug and Abandonment of all wells on the Well List (as hereinafter defined) remaining after the completion of the Initial Well Closures (the “Remaining Well Closures”) and the Termination Activities of the City IOF (the “Termination Completion”) (jointly, the “Remaining Well Closures and Termination Completion”) shall be completed by Sentinel by the Termination Completion Deadline.
- 2.4 Well List. The wells within the City IOF as of the Effective Date are identified and described in Exhibit A (the “Well List”).
- 2.5 Completion of Termination Activities.
- (a) The timely completion of each of the Annual Initial Well Closures by the applicable Annual Initial Well Closures Deadline and of the Remaining Well Closures and Termination Completion by the Termination Completion Deadline (each a “Termination Deadline”) shall be evidenced by the delivery by Sentinel to the City not later than the first business day following the applicable Termination Deadline of the following (the “Completion Documentation”): (i) as to each Initial Well Closure or Remaining Well Closure (each, a “Well Closure”), a Letter of Final Well Abandonment issued by CalGEM or an equivalent as determined by CalGEM (the “Well Closure Documentation”) and (ii) as to Termination Completion, written confirmation from CalGEM that Termination Activities as described in Section 2.1 have been completed, (the “Termination Completion Documentation”).

- (b) To the extent that the Completion Documentation for a Well Closure or for Termination Completion has not yet been issued by CalGEM to Sentinel as of the applicable Termination Deadline, Sentinel shall deliver a written declaration to the City made under penalty of perjury that Sentinel has completed the applicable Annual Initial Well Closures by the applicable Annual Initial Well Closures Deadline or has completed the Remaining Well Closures and Termination Completion by the Termination Completion Deadline together with the following: (i) for Well Closures a copy of all documents that were submitted to CalGEM documenting such Well Closure to obtain a Letter of Final Well Abandonment, including a copy of the Well Location Survey showing the location of each Well Closure and a photograph of the stamped steel tip plate marker evidencing such Well Closure, each dated to validate timely completion of the Plug and Abandonment (collectively referred to as “Sentinel Well Closure Documentation”); and (ii) for Termination Completion copies of all documents that were submitted to CalGEM and/or any other governing regulatory body documenting such Termination Completion, each dated to validate timely completion of the Termination Activities, (“Sentinel Termination Documentation”, and together with the Sentinel Well Closure Documentation, the “Sentinel Documentation”.)
- (c) Such Completion Documentation or Sentinel Documentation shall serve to satisfy the applicable Termination Deadline, subject to Section 7. If Sentinel provides Sentinel Documentation to comply with this Section 2.5,

Sentinel shall provide Completion Documentation, consisting of the Well Closure Documentation or Termination Completion Documentation, to the City within thirty (30) days after it is received from CalGEM or any other regulatory body.

2.6 Force Majeure.

- (a) Notwithstanding anything to the contrary contained in this Agreement and subject to Section 7, provided that Sentinel has timely completed each and all of the Annual Initial Well Closures by the applicable Annual Initial Well Closures Deadline, and provided that Sentinel is otherwise in compliance with the Agreement, in the event of a Force Majeure Termination Activity Delay, the Termination Completion Deadline shall be extended for the Force Majeure Period, as provided herein.
- (b) For purposes of this Agreement, the following terms shall be defined as follows:
 - (i) “Force Majeure Termination Activity Delay” means a significant prevention, delay or stoppage in the performance by Sentinel of a Remaining Well Closure or other Termination Activity required for the Remaining Well Closures and Termination Completion (a “Remaining Termination Activity”) for which inadequate time remains to accommodate and adjust for such disruption prior to the Termination Completion Deadline, which is demonstrably and directly caused by a Force Majeure Event.

- (ii) “Force Majeure Event” means significant acts or circumstances beyond Sentinel’s control, that are unforeseen and unavoidable , and that directly impact the Remaining Well Closures and Termination Completion, including, without limitation, acts of God, acts of government, acts of public enemies or terrorists, acts of civil or military authority, war, riots, civil strife, terrorism, blockades, sabotage, rationing, embargoes, earthquakes, fires or flood that result in catastrophic damage to area-wide infrastructure, credible industry-wide labor disputes or strikes, supply shortages, public health emergencies, court order obtained by a third party (other than Sentinel) affecting performance by Sentinel of the Remaining Well Closures and Termination Completion, and delays caused solely by a public agency in its processing of permits or other required approvals for the Remaining Well Closures and Termination Completion.
 - (iii) “Force Majeure Period” means a reasonable and substantiated period of time equal to the Force Majeure Termination Activity Delay.
- (c) Within thirty (30) days of Sentinel’s knowledge of a Force Majeure Event, Sentinel shall deliver to the City written notice of a Force Majeure Event documenting the facts and circumstances demonstrating the basis for such extension request (“Force Majeure Event Notice”). The Force Majeure Termination Activity Delay shall continue from the date of such Force

Majeure Event until the date that such Force Majeure Termination Activity Delay ends. Sentinel shall provide written notice (the “Force Majeure Event End Notice”) to the City within thirty (30) days of the cessation of the Force Majeure Event. For any Force Majeure Event extending beyond thirty (30) days in duration, Sentinel shall deliver to the City periodic, at least every sixty (60) days, updates of the Force Majeure Event Notice documenting the facts and circumstances demonstrating and substantiating such continuation of the Force Majeure Termination Delay until the date that such Force Majeure Activity Delay ends (each a “Force Majeure Event Update Notice”). The extension of the Termination Deadline by any Force Majeure Period shall be conditioned upon the City’s substantiation of the Force Majeure Termination Activity Delay and of the Force Majeure Period documented in the Force Majeure Event Notice or any successive Update Notice with such review and confirmation not to (i) extend beyond thirty (30) days following the City’s receipt of the Force Majeure Event End Notice, and (ii) be unreasonably withheld, conditioned or delayed.

- (d) Subject to Section 7, in no event shall the Termination Completion Deadline be extended beyond December 31, 2032.

2.7 The Initial Well Closures, as provided in Section 2.2, the Remaining Well Closures and Termination Completion as provided in Section 2.3, and the Completion Documentation, as provided in Section 2.5, satisfy the requirements for quarterly updates pursuant to Subsection D.2.c.

2.8 The termination fee per well under Subsection D.2.d of the Oil Termination Ordinance is satisfied by the payment of the City's Well Abandonment fees, consistent with Section 11.12.035.D of Chapter 11.12, for Well Closures, as provided in Section 4.6.

3. **Insurance and Bond Requirements.**

3.1 In accordance with Subsection D.3, the City Council has established the following insurance requirements for the City IOF, and Sentinel shall comply with all such requirements as hereinafter provided which have been determined by the City to demonstrate Sentinel's compliance with Subsection D.3 and CCMC Section 11.12.035:

(a) Sentinel shall obtain and maintain the following insurance during the periods set forth in this Section 3.1 and shall submit duly executed certificates of insurance coverage ("Certificates") and endorsements for the following (the "Required Policies"):

(i) *An occurrence based Comprehensive General Liability ("CGL")* policy under the ISO (Insurance Services Office, Inc.) Form CG 0001 or general equivalent, in the minimum amount of Ten Million Dollars (\$10,000,000) each occurrence, with not less than Twenty Million Dollars (\$20,000,000) in annual general aggregate and Twenty Million Dollars (\$20,000,000) in products and completed operations aggregate coverage. Required occurrence and aggregate limits may be met by a reasonable combination of primary and

excess limits as provided in subsection (iii) below. The CGL policy shall be scheduled under the Excess or Umbrella policy identified in subsection (iii), below. For clarity, an Excess or Umbrella policy or policies of Fifty Million Dollars (\$50,000,000) as required in subsection (iii) below would be sufficient to satisfy the occurrence and aggregate limits set forth above. The CGL policy shall have the following requirements:

- (A) The policy shall provide liability coverage for bodily injury, including death, property damage and personal and advertising injury as defined in a CGL policy. The coverage shall be utilized in place of Sentinel's self-insured retention, if Sentinel is otherwise self-insured under any other Required Policies. The coverage shall be primary with respect to the City's self-insurance, commercial liability insurance, or any pooled risk arrangements, if applicable;
- (B) The policy shall not exclude coverage for Completed Operations Hazards or Hazards commonly referred to as "XCU," including explosion, collapse and underground property damage; and
- (C) The policy shall include coverage for contractual liability to the maximum extent permitted by law.

- (ii) *Business Automobile Liability Insurance* (providing scope of coverage equivalent to ISO policy form CA 0001) in the amount of not less than Three Million Dollars (\$3,000,000), providing coverage for use of mobile equipment (i.e., heavy mobile equipment or vehicles primarily for use in an off-road environment), to the extent that (1) such mobile equipment will be used within the City limits, and (2) coverage for mobile equipment is not otherwise covered by the CGL policy listed in subsection (i), above. Required limits may be met by a reasonable combination of primary and excess limits provided that any Excess or Umbrella policy shall not have any exclusions or limitations that diminish the Primary policy.
- (iii) *Excess or Umbrella Liability Insurance* coverage at least as broad as specified above for the CGL policy listed in subsection (i), above, and the Business Automobile Liability policy listed in subsection (ii), above, and Sudden & Accidental Pollution policy, with total limits of not less than Fifty Million Dollars (\$50,000,000) per occurrence and in the aggregate or not less than the total of all combination-with-primary utilization amounts plus Fifty Million Dollars (\$50,000,000), also per occurrence and in aggregate, whichever is greater. Such policy or policies shall include the following terms and conditions:
- (A) “Pay on behalf of” wording, as opposed to “reimbursement”;

- (B) Concurrency of effective dates with primary policies;
 - (C) Policies shall be excess to the underlying primary policies;
and
 - (D) Insureds under primary policies shall also be insureds under the umbrella or excess policies.
- (iv) *Pollution Legal Liability, and Asbestos Pollution Legal Liability Insurance* coverage appropriate to the work being performed, including coverage for bodily injury, personal injury, death, property damages and environmental damage, with limits of not less than Ten Million Dollars (\$10,000,000) per occurrence and Eleven Million Dollars (\$11,000,000) per annual aggregate. Required limits may be met by a reasonable combination of primary and excess limits provided that any comprehensive Excess or Excess Pollution Liability policy shall not have any exclusions or limitations that diminish the Primary policy. The policy shall also include, but not be limited to, coverage for any and all remediation costs, including, but not limited to, brownfield restoration and clean-up costs and coverage for the removal, handling, and disposal costs. This policy shall specifically provide for a duty to defend on the part of the insurer. Coverage shall be included on behalf of the insured for covered claims arising out of the actions of independent contractors. If the insured is using subcontractors, the policy must

include work performed “by or on behalf” of the insured.

(v) *Control of Well Insurance (“COW”)* policy covering liability related to operation of active and potentially active wells (including producing, shut-in and injection wells), insured for all interests necessary to regain control of the well and cover clean-up of pollution not otherwise covered under separate sudden accidental pollution insurance, with limits of not less than Two-Hundred Fifty Thousand Dollars (\$250,000) per any single occurrence, which shall be maintained until submission of the Well Closure Documentation or Sentinel Well Closure Documentation for Remaining Well Closures.

(vi) *Workers’ Compensation Insurance.* If the Agreement will have Sentinel employees working within the City limits, Sentinel shall maintain Workers’ Compensation Insurance (Statutory Limits) and Employer’s Liability Insurance with limits of at least One Million Dollars (\$1,000,000) per accident.

(b) The minimum limits for the Required Policies provided in this Section 3.1 are not limiting on coverage under the terms of this Agreement. If Sentinel maintains higher limits than the minimums for the Required Policies, the City requires and shall be entitled to coverage for the higher limits maintained by Sentinel. The City shall not accept any additional insured endorsement or policy provision that attempts to limit the amount of the

additional insureds' protection under the Required Policies.

(c) The following provisions shall be included in an endorsement to the Required Policies, which shall be provided to the City and approved by the City Attorney:

(i) *Additional Insured Status*: The City, members of its City Council, its boards and commissions, officers, officials, agents, volunteers and employees (collectively, "City and its Agents") shall be covered as additional insureds on the CGL, Excess or Umbrella, and Pollution liability policies. Sentinel shall ensure that the additional insured's status remains current on subsequent annual policies for as long as the insurance requirements remain in effect as set forth in this Section 3.1.

(ii) *Primary Coverage (all Required Policies)*: For any claims related to the activities performed in completion of Termination as provided in this Agreement, Sentinel's insurance shall be primary as respects to the City and its Agents. Any insurance or self-insurance maintained by the City or its Agents, shall be in excess of Sentinel's insurance and shall not contribute with it.

(iii) *Notice of Cancellation (all Required Policies)*: Sentinel shall provide City with at least thirty (30) days prior written notice of any material modification, reduction or cancellation of any of the Required Policies.

(iv) *Waiver of Right of Recovery and Subrogation (all Required Policies):* All Required Policies shall allow or shall be endorsed to allow Sentinel to waive its right of recovery prior to loss. Sentinel shall waive its right to recovery with respect to the City and its Agents. If any policy does not have a provision whereby the insurer's right of subrogation is deemed waived by the insured's pre-loss waiver of recovery, Sentinel shall obtain an endorsement waiving Sentinel's right of subrogation against the City and its Agents. The waiver provisions of this Subsection (iv) shall apply whether or not City has received a waiver of subrogation endorsement from Sentinel's insurer.

(v) *Bankruptcy or Insolvency of the Insured (all Required Policies):* All Required Policies shall provide that bankruptcy or insolvency of the insured shall not relieve the insurer of its obligations under the policy.

(vi) *Cross-Liability Coverage:* All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO separation of insureds provision with no insured versus insured exclusions or limitations.

(d) Requirements of specific coverage features or limits contained in this Section 3.1 are not intended as a limitation on coverage, limits or other requirements. Specific reference to a given coverage feature is for purposes

of clarification only as it pertains to a given issue and is not intended to be all inclusive, or to the exclusion of other coverage, or a waiver of any type.

- (e) Any deductibles or self-insured retentions above Two Hundred Fifty Thousand Dollars (\$250,000) must be declared to and approved by the City and supported by satisfactory proof of Sentinel's ability to pay losses and related investigations, claim administration and defense expenses within the retention.
- (f) If the CGL policy, pollution and asbestos policy and/or COW policy is written on a claims-made form, then said policy or policies shall also comply with all of the following requirements:
 - (i) The retroactive date must be shown on the policy and must be prior to the commencement of any Termination Activities as provided in this Agreement;

Insurance except for COW coverage must be maintained and evidence of insurance must be provided from the Effective Date until the submission of Termination Completion Documentation or four (4) years after the submission of Sentinel Termination Documentation, whichever is earlier, as provided in Section 2.5 of this Agreement;
 - (ii) If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the

date of commencement of any Termination Activities as provided in this Agreement, then Sentinel shall purchase an extended period coverage which shall remain in place until the submission of Termination Completion Documentation or four (4) years after the submission of Sentinel Termination Documentation, whichever is earlier, as provided in Section 2.5 of this Agreement, except for COW coverage; and

- (iii) A copy of the claims reporting requirements must be submitted to the City.
- (g) All Required Policies shall be issued by companies licensed to do business in the State of California, with a claims paying ability rating of "BBB" or better by S&P (and the equivalent by any other Rating Agency) and a rating of A-VIII or better in the current Best's Insurance Reports.
- (h) Sentinel shall give City reasonably prompt and timely notice of claims made or suits instituted that arise out of or result from Sentinel's performance of Termination Activities as provided in this Agreement, and that involve or may involve coverage under any of the Required Policies.
- (i) Sentinel shall furnish the City with the original Certificates and endorsements required hereunder. All Certificates and endorsements in form satisfactory to the City are to be delivered to the City by Sentinel on the earlier of thirty (30) days after the Effective Date or before any work commences related to the performance of Termination Activities as

provided in this Agreement. However, failure to obtain required Certificates and endorsements prior to such work beginning shall not waive Sentinel's obligation to provide them. Certificates shall identify all Required Policies coverage types and limits specified herein, reference this Agreement by name or number, and be signed by an authorized representative of the insurer(s). The insured party named on the Certificate shall match the name identified as the contracting party in this Agreement. Certificates shall provide the full name of each insurer providing coverage, its National Association of Insurance Commissioners identification number, and its financial rating and shall list any City required endorsement forms. Neither the City's actual or alleged failure to obtain, nor the City's receipt of, or the actual or alleged failure by the City to object to a non-complying Certificate or endorsement, or any other insurance documentation or information provided by Sentinel, its insurance broker(s) and/or insurer(s), shall impose any additional obligations on the City or shall be construed as a waiver of any of the provisions of this Section 3.1.

- (j) The Required Policies, except for COW coverage, shall be procured and maintained in full force and effect at Sentinel's expense and Sentinel shall otherwise meet the insurance requirements set forth in this Section 3.1 from the Effective Date until the submission of Termination Completion Documentation or four (4) years after submission of Sentinel Termination Documentation, whichever is earlier, as provided in Section 2.5. Sentinel shall require that any of its subcontractors performing work related to

activities covered under this Agreement, shall maintain applicable coverage consistent with this Agreement. Sentinel shall require that all subcontractors provide Sentinel with proof of required insurance prior to commencing work in the IOF.

3.2 Bond Requirements. In accordance with Subsection D.3, the City Council has established the following bond requirements for the City IOF, and Sentinel shall comply with all such requirements from the Effective Date until the submission of Termination Completion Documentation or three (3) years after submission of Sentinel Termination Documentation, whichever is earlier, and fulfillment of such requirements shall be determined by the City to constitute Sentinel's compliance with Subsection D.3:

- (a) Consistent with Subsection D.2.b.v, Sentinel shall deliver to the City within sixty (60) days after the Effective Date, at Sentinel's expense, a Cost Study of the costs for the performance and completion of all Termination Activities, including well plugging and abandonment, demolition and remediation activities ("Cost Study Activities") (the "Cost Study") prepared by a mutually agreed upon third-party consultant, contracted through Sentinel. The scope of work for the Cost Study has been approved by the City (the "Approved Scope, attached as Exhibit B) and, at a minimum, shall include: (i) cost estimates for Cost Study Activities; (ii) the estimated costs for a public agency or a third party on behalf of a public agency, to complete the Cost Study Activities and documentation supporting and substantiating the validity of the values used in the Cost Study to calculate costs for the

Cost Study Activities, including provisions for the payment of prevailing wages and similar contractual and other considerations applicable to the City as a public agency; and (iii) an estimate of the City's administrative costs with supporting detail. The Cost Study shall be reviewed for completeness by the City.

- (b) Initial Performance Bond. Within thirty (30) days after the Effective Date, Sentinel shall deliver written proof of the issuance of an initial performance bond (the "Initial Bond") in favor of the City for completion of the Termination of the City IOF in the amount of Ten Million Dollars (\$10,000,000) (the "Initial Bond Amount").
- (c) Adjusted Performance Bond. Following the City's review of the Cost Study, the City shall adjust the Initial Bond Amount, either upward or downward, to reflect validated cost data compiled and substantiated in the Cost Study which shall equal the amount for the adjusted performance bond (the "Adjusted Bond Amount") in favor of the City (the "Adjusted Bond") for which written proof of issuance shall be delivered by Sentinel to the City within thirty (30) days after the City's delivery to Sentinel of written notice of the Adjusted Bond Amount.
- (d) Subsequent Adjusted Bond Amount. Upon successful and timely completion of the Initial Well Closures by Sentinel in compliance with all applicable Annual Initial Well Closures Deadlines by the Initial Well Closures Deadline, subject to Section 7, and provided that Sentinel is not in

default of any obligation under the Agreement, Sentinel may, at its option and sole cost, prepare and deliver to the City an update to the Cost Study which shall present then-current cost data and information equivalent to the Approved Scope (an “Updated Cost Study”) addressing each and all Termination Activities for the Remaining Well Closures and Termination Completion. The Updated Cost Study shall be prepared using the same methodology as the Cost Study and then-current cost data. Following review of such Updated Cost Study for completeness, the City shall adjust the required Adjusted Bond Amount for the Adjusted Bond which amount shall equal that of the Updated Cost Study.

- (e) Surety Bond for Operational Compliance. Within thirty (30) days after the Effective Date, Sentinel shall deliver to the City written proof of the issuance of a surety bond in the amount of Ten Thousand Dollars (\$10,000) for each well on the Well List or a blanket bond in the amount of One Hundred Thousand Dollars (\$100,000) for ten or more wells or cash-in-lieu deposits of such amounts in order to ensure compliance with the Fire Code, the CCMC and City compliance requirements for the City IOF Authorized Interim Operations as defined in Section 4.2.
- (f) Bond Specifications. Sentinel shall post a performance bond payable to the City and executed by a corporate surety licensed to transact business as a surety in the State of California. Such performance bond shall guarantee Sentinel’s full and faithful performance of all Termination Activities in satisfaction of the requirements set forth in Sections 2.1 through 2.3 and

shall continue to be held by Sentinel, subject to Section 6, pursuant to the provisions of this Agreement.

- (g) Other Bond Requirements. Any bonds or bond requirements established for Sentinel to meet obligations to the State (i.e., CalGEM) or to the County of Los Angeles (the “County”) or to any other third party shall not be applied or utilized to meet Sentinel’s bond obligations to the City under this Agreement.

4. **City IOF Authorized Interim Operations.**

- 4.1 Prohibition of New or Expanded Oil and Gas Activity Within the City IOF. Subject to this Agreement, no new or expanded oil and gas activity, such as drilling of new wells, re-drilling or deepening of existing wells, or the erection or installation of any derrick, structure, facilities or equipment related to oil and gas production, excepting those existing oil and gas activities and operations as described in Subsection D.4., or as required to facilitate Termination, have been or will be allowed within the City IOF (collectively, the “Oil Activity Prohibition”) after November 24, 2021, as provided in Subsection D. The Parties expressly acknowledge and agree that well stimulation activities, including without limitation acidization for purposes other than routine maintenance, are prohibited within the City IOF under the Oil Activity Prohibition. Sentinel shall comply with the Oil Activity Prohibition at all times, including without limitation, during the Interim Period (as hereinafter defined).

4.2 Authorized Interim Operations. During the period from November 24, 2021 until the Termination Completion (the “Interim Period”), existing oil and gas activities and operations, such as production from existing oil wells, water injection to existing injection wells and permissible routine maintenance of existing wells and other facilities (the “Authorized Interim Operations”) shall be allowed to continue within the City IOF, as provided in Subsection D.4. The Parties disagree regarding whether Sentinel has underlying vested rights to operate the IOF in the City; however, the City agrees that, solely for the purposes of implementing this Agreement and until the Termination Completion Deadline, Sentinel shall have a vested right to conduct the Authorized Interim Operations and all other activities necessary to comply with this Agreement during the Interim Period. Sentinel shall operate in the City IOF in compliance with the Authorized Interim Operations and Chapter 11.12, at all times, including without limitation, during the Interim Period, except where Chapter 11.12 has been superseded by Subsection D and as further described in this Agreement. All operational requirements listed in Subchapter 11.12.100 (Sections 11.12.100-11.12.175) and Sections 11.12.030, 11.12.050, 11.12.315, 11.12.325, 11.12.330, 11.12.335 remain in effect and apply to the Authorized Interim Operations.

4.3 Interim Operations Approvals. Sentinel shall apply for and obtain the issuance of any and all permits and other authorizations and approvals required by any regulatory agency prior to commencing any applicable work, including without limitation CalGEM and the City in connection with the Authorized Interim Operations and as required to facilitate Termination, including Termination

Activities (collectively the “Interim Operations Approvals”), in accordance with all applicable laws, regulations and requirements. Interim Operations Approvals by the City are limited to ministerial permits required pursuant to Section 11.12.045 under Chapter 11.12 and other City-issued building permits, demolition permits, and grading permits.

4.4 Payment of Outstanding Fees. Within 30 days of the Effective Date, Sentinel shall pay in full to the City all outstanding fees for years 2019, 2020, 2021, 2022 and 2023 due to the City, including without limitation Annual Well Renewal fees and Well Abandonment fees, for active oil and gas wells, in accordance with Chapter 11.12 in the amount of Ninety-Five Thousand Three Hundred Twenty-Six Dollars and Forty Cents (\$95,326.40).

4.5 Annual Fees. Annual Well Renewal fees and Annual (Fire) Inspection fees (“Annual Fee”) shall continue to be collected by the City and shall be timely paid by Sentinel in accordance with Section 11.12.015 under Chapter 11.12, for the Authorized Interim Operations within the City IOF and will be charged based upon the City’s then-effective adopted Fee Schedule and the posted Fire Inspection fees. Each year, for purposes of calculating each such Annual Fee, the number of wells subject to such Annual Fee shall be based on the Well List. A penalty as described in Section 11.12.020 under Chapter 11.12 shall be imposed on any Annual Fee not paid on or before July 15th of each fiscal year.

4.6 Well Abandonment Fees. Well Abandonment fees shall continue to be collected by the City and shall be timely paid by Sentinel in accordance with Section

11.12.035.D under Chapter 11.12 for each Well Closure and will be charged based upon the City's then-effective adopted Fee Schedule.

5. **Covenant Not to Sue.** Effective upon the Effective Date, Sentinel on behalf of itself and each of its directors, officers, shareholders, members, parent, subsidiary and affiliate entities (collectively, "Covenantors") hereby agree and covenant that they will refrain and forbear forever from bringing, filing, pursuing, commencing or prosecuting any action, lawsuit, litigation or other judicial proceeding, or any administrative or regulatory challenge, action, claim or other proceeding of any kind against the City under any federal, state or local law, rule or regulation, relating to the City Oil Termination Actions. Notwithstanding the foregoing, each Party may pursue available remedies against the other Party under Section 12 of this Agreement. Each Party agrees and covenants that they will not assert any claim, right or defense that this Agreement was improperly adopted or is illegal, invalid, void or unenforceable and irrevocably waives any such claim, right or defense.

6. **Assignment.**

6.1 Assignment of Sentinel's rights and obligations under this Agreement, including, without limitation, through any sale, transfer, or assignment or other change of the Operator of the City IOF is prohibited without prior written City approval of Sentinel's request for assignment (the "Request for Assignment"), which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding anything contained herein to the contrary, this Section shall not apply to a change of control of Sentinel and/or its parent company, Sentinel Peak Resources LLC, or an

acquisition by another entity of all or substantially all of Sentinel's assets in the Inglewood Oil Field.

6.2 In the case of any assignment of the Agreement obligations, the Assignee must also be the Operator of the City IOF.

6.3 The Request for Assignment shall include:

- (a) Representation of assignee's ability to meet all requirements applicable to the Authorized Interim Operations requirements per applicable provisions of Chapter 11.12.
- (b) Representation of assignee's ability to meet all requirements of the Agreement.
- (c) Sentinel's agreement to reimburse City for City's reasonable costs and attorney's fees, incurred in connection with the processing, evaluation, documentation and the City's determination ("Processing Costs") of the Request for Assignment.
- (d) Upon the submittal of the Request for Assignment, Sentinel shall make an initial deposit with the City of no less than Ten Thousand Dollars (\$10,000) to be applied toward such Processing Costs with any unused portion of the initial deposit returned to Sentinel within five days of processing the Request for Assignment.

6.4 City's written determination of whether to approve the Request for Assignment shall be made within thirty (30) days of receipt of a completed Request for Assignment.

Upon City approval of a Request for Assignment, Sentinel and Assignee shall execute an Assignment and Assumption Agreement in form reasonably satisfactory to the City Attorney whereby Assignee agrees to meet all requirements and obligations of the Agreement.

6.5 City written approval of a Request for Assignment shall satisfy requirements for an assignment or transfer of ownership pursuant to Chapter 11.12, including Sections 11.12.015 – Permit Application Fees, 11.12.025—Conditions on Assignment of Permit, and 11.12.320—Change of Ownership Notice.

6.6 On or before the effective date of any Assignment, Assignee shall procure all Bonds and Insurance required pursuant to Section 3.

6.7 Provided Assignee meets the requirements under Sections 6.1-6.6, Sentinel shall be released from all duties and obligations under this Agreement as of the effective date of the Assignment.

7. **Termination Deadline Default.** Sentinel's failure to meet any Termination Deadline, as same may be extended under Section 2.6 hereunder, shall constitute a default under this Agreement (a "Termination Deadline Default"), except as hereinafter provided.

7.1 In the event that the Termination Deadline Default is solely due to Sentinel's failure to timely submit the Completion Documentation and provided that Sentinel has

timely delivered Sentinel Documentation and has otherwise fully complied with the applicable Termination Deadline, then such Termination Deadline Default shall be deemed not to have occurred. Sentinel shall have until thirty (30) days after receipt by Sentinel of Completion Documentation to deliver the applicable Completion Documentation to the City.

7.2 Notwithstanding anything contained herein to the contrary, provided Sentinel has submitted to CalGEM the applications for permits to proceed with the Annual Well Closures six months prior to the applicable deadline, and CalGEM has not issued the applicable permits to proceed within sufficient time to meet any Termination Deadline, Sentinel shall not be held in default for failing to meet any Termination Deadline, provided that Sentinel performs the Annual Well Closures, as applicable, within four months following Sentinel's receipt of the applicable permits from CalGEM.

7.3 Notwithstanding anything contained herein to the contrary, Sentinel shall not be held in default for failing to meet any Termination Deadline pertaining to Remaining Well Closures and Termination Activities, provided that:

- (a) Sentinel has submitted to CalGEM the applications to proceed with the Remaining Well Closures and any Termination Activities (other than the Annual Well Closures) on or before January 1, 2029;
- (b) Sentinel has commenced work within two months of receiving such CalGEM permits (or any other required permits, including City ministerial

permits) and has proceeded diligently and in good faith to complete such Remaining Well Closures and any Termination Activities; and

- (c) Such work is completed by December 31, 2029, unless that deadline is extended pursuant to Section 2.6, Force Majeure Event, in which case any remaining wells not previously abandoned will be idled no later than December 31, 2032 and will not be returned to active production.

7.4 If it is determined through the dispute resolution process in Section 9 that Sentinel prepared the Sentinel Documentation in a grossly negligent or fraudulent manner, then the arbitrator may award the City appropriate liquidated damages as would have been assessed for a delay in performance, but only up until the time that the dispute resolution process was commenced.

7.5 If Sentinel is compelled by court order to continue to produce oil resources from the wells located in the City IOF beyond December 31, 2032, the Termination Completion Deadline will be extended beyond December 31, 2032, consistent with the court order. Sentinel shall provide the City with written notification of such litigation within 10 days of being served and shall not oppose a joinder or intervention by the City.

8. **Liquidated Damages Remedy.**

8.1 **Liquidated Damages Account and Deposit.**

- (a) Within ten (10) days after the occurrence of the first Termination Deadline Default under this Agreement (subject to Section 7), Sentinel shall initiate

the opening of an escrow account (the “Liquidated Damages Account”) with an escrow holder acceptable to the City (“Escrow Holder”) and by no later than thirty (30) days after the occurrence of the first Termination Deadline Default shall deposit funds in the amount of One Hundred Fifty Thousand Dollars (\$150,000) (the “Liquidated Damages Amount”). Except as otherwise provided in this Agreement, the Liquidated Damages Account shall remain open and funded until the submission of Termination Completion Documentation. Sentinel shall deposit funds to replenish the Liquidated Damages Account to the Liquidated Damages Amount within ten (10) days after Sentinel’s receipt of notification by the Escrow Holder that the Liquidated Damages Account balance has fallen to Fifty Thousand Dollars (\$50,000) or less. Sentinel shall be responsible for all escrow costs and all administrative costs to the City relating to the Liquidated Damages Account.

- (b) Notwithstanding the foregoing, in the event Sentinel disputes a Deadline Default and pursues dispute resolution, pursuant to Section 9, Sentinel shall deposit Fifty Thousand Dollars (\$50,000) in the Liquidated Damages Account, instead of the One Hundred Fifty Thousand Dollars (\$150,000), within 30 days of the notice of the dispute, consistent with timing in Section 8.1(a), pending the outcome of the dispute. In the event the arbitrator determines a Deadline Default occurred, then Sentinel shall immediately fulfill its obligations pursuant to Section 8.1(a). In the event the arbitrator determines a Deadline Default did not occur, then Sentinel may close the

Liquidated Damages Account provided that Sentinel is not otherwise obligated under Section 8.1(a) to maintain the account. Nothing in this Section 8.1(b) relieves Sentinel from its obligation to subsequently open an account pursuant to Section 8.1(a).

8.2 LIQUIDATED DAMAGES. IN THE EVENT OF A TERMINATION DEADLINE DEFAULT BY SENTINEL UNDER THIS AGREEMENT, THE SOLE AND EXCLUSIVE REMEDY BY REASON OF THE DELAY BY SENTINEL IN COMPLETING THE APPLICABLE ANNUAL WELL CLOSURES OR THE REMAINING WELL CLOSURES AND TERMINATION COMPLETION (THE “PERFORMANCE DELAY”) SHALL BE THE “DELAY PAYMENT AMOUNT”, AS HEREINAFTER DEFINED, WHICH SHALL BE PAID TO AND RETAINED BY THE CITY AS LIQUIDATED DAMAGES.

THE DELAY PAYMENT AMOUNT FOR EACH SUCH TERMINATION DEADLINE DEFAULT SHALL ACCRUE FOR A PERIOD (THE “DELAY PERIOD”) FROM THE APPLICABLE TERMINATION DEADLINE UNTIL THE DATE OF COMPLETION OF THE DELAYED PERFORMANCE (THE “DELAYED PERFORMANCE COMPLETION”), AS EVIDENCED BY WRITTEN NOTICE FROM THE CITY TO SENTINEL AND ESCROW HOLDER OF SUCH DELAYED PERFORMANCE COMPLETION (THE “COMPLETION NOTIFICATION”). THE DELAY PAYMENT AMOUNT SHALL BE CALCULATED AT THE RATE OF FIVE THOUSAND DOLLARS (\$5,000) PER WELL PER DAY (THE “DAILY WELL RATE”) FOR EACH DAY OF DELAYED PERFORMANCE COMPLETION OF A WELL CLOSURE

AND, IN ADDITION, AT THE RATE OF FIVE THOUSAND DOLLARS (\$5,000) PER DAY FOR EACH DAY OF DELAYED PERFORMANCE COMPLETION OF THE TERMINATION (THE "DAILY TERMINATION RATE"). UPON WRITTEN NOTICE FROM THE CITY OF A TERMINATION DEADLINE DEFAULT, ESCROW HOLDER SHALL DELIVER TO THE CITY THE THEN-ACCRUED DELAY PAYMENT AMOUNT AND, EVERY FIFTEEN (15) DAYS THEREAFTER DURING THE DELAY PERIOD, SHALL DELIVER TO THE CITY THE THEN ACCRUED DELAYED PAYMENT AMOUNT.

THE PARTIES ACKNOWLEDGE THAT, IN THE EVENT OF A PERFORMANCE DELAY DUE TO A TERMINATION DEADLINE DEFAULT UNDER THIS AGREEMENT BY SENTINEL, THE CITY'S ACTUAL DAMAGES BY REASON OF SUCH DELAYED PERFORMANCE FOR THE DELAY PERIOD WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THE DELAY PAYMENT AMOUNT AND THE CALCULATION OF THE DELAY PAYMENT AMOUNT HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF THE CITY'S PERFORMANCE DELAY DAMAGES IN THE EVENT OF A TERMINATION DEADLINE DEFAULT BY SENTINEL UNDER THIS AGREEMENT.



City



Sentinel

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THIS SECTION 8.2 SHALL IN ALL CASES BE SUBJECT TO SECTION 7.

THE PARTIES ACKNOWLEDGE AND AGREE THAT, NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS SECTION 8.2, THIS SECTION 8.2 SOLELY ADDRESSES THE CITY'S REMEDY AS TO DAMAGES DUE TO SENTINEL'S PERFORMANCE DELAYS; THAT THIS SECTION 8.2 DOES NOT IN ANY MANNER ADDRESS SENTINEL'S FAILURE TO PERFORM THE ACTUAL WORK TO COMPLETE THE ANNUAL INITIAL WELL CLOSURES OR THE REMAINING WELL CLOSURES AND TERMINATION COMPLETION UPON ANY TERMINATION DEADLINE DEFAULT (THE "COMPLETION WORK"); THAT THIS SECTION 8.2 DOES NOT IN ANY MANNER PROVIDE A REMEDY FOR SUCH COMPLETION WORK; THAT THE REMEDIES FOR COMPLETION WORK ARE PROVIDED IN SECTION 12; THAT THE PARTIES HAVE NEGOTIATED THE REMEDIES PROVIDED HEREIN FOR PERFORMANCE DELAY ; THAT THE CITY WOULD NOT HAVE ENTERED INTO THIS AGREEMENT WITHOUT THE AVAILABILITY OF SUCH SEPARATE REMEDIES.

9. **Dispute Resolution.**

9.1 The Parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between decision-makers who

have authority to settle the controversy, prior to initiating any arbitration as set forth in Section 9.3 below. Any Party may give the other Party written notice of any dispute not resolved in the normal course of business. Within 15 days after delivery of the notice, the receiving Party shall submit to the other a written response. The notice and response shall include with reasonable particularity (a) a statement of each Party's position and a summary of arguments supporting that position, and (b) the name and title of the decision-maker who will represent that Party and of any other person who will accompany the decision-maker. Within 30 days after delivery of the notice, the decision-makers of both Parties shall meet at a mutually acceptable time and place.

9.2 All offers, promises, conduct and statements, whether oral or written, made in the course of the negotiation by any of the Parties, their agents, employees, experts and attorneys are confidential, privileged and inadmissible for any purpose, including impeachment, in arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the negotiation.

9.3 If the matter is not resolved by negotiation pursuant to Sections 9.1 – 9.2 above, then any such dispute, controversy or claim arising out of or relating in any way to this Agreement or the breach thereof shall be subject to private and confidential arbitration in Los Angeles County in accordance with the laws of California. The arbitration shall be conducted in accordance with the applicable rules of Judicial and Arbitration and Mediation Services (“JAMS”), and specifically the Expedited Procedures in Rule 16.1 (collectively, “Rules”). In accordance with the Rules, the

arbitration shall be conducted in a procedurally fair manner by the mutually agreed upon arbitrator selected, or if none can be mutually agreed upon, then by one arbitrator appointed pursuant to the Rules; the arbitration shall be conducted confidentially in accordance with the Rules; each Party shall have the right to conduct reasonable discovery as permitted under the Rules or ordered by the arbitrator; the arbitrator's authority to render an award is limited to the remedies expressly set forth in Section 12 for the claims presented and shall have the authority to award reasonable attorneys' fees to the prevailing Party in accordance with applicable law; the decision of the arbitrator shall be final and binding on all Parties and shall be the exclusive remedy of the Parties; and the award shall be in writing in accordance with the Rules, and shall be subject to judicial enforcement and review in accordance with California law.

9.4 Notwithstanding anything to the contrary in Sections 9.1 through 9.3, and subject to any determination by the arbitrator, the following time limits are to apply to any arbitration arising out of or related to this Agreement:

- (a) Discovery is to be completed within 30 days of the service of the arbitration demand.
- (b) The evidentiary hearing on the merits ("Hearing") is to commence within 45 days of the service of the arbitration demand.
- (c) At the Hearing, each side is to be allotted one day for presentation of direct evidence and for cross examination.
- (d) A brief, reasoned award is to be rendered within 45 days of the close of the Hearing or within 45 days of service of post-hearing briefs if the arbitrator(s) direct the service of such briefs.

The arbitrator(s) must agree to the foregoing deadlines before accepting appointment. Failure to meet any of the foregoing deadlines will not render the award invalid, unenforceable or subject to being vacated. The arbitrator(s), however, may impose appropriate sanctions and draw appropriate adverse inferences against the party primarily responsible for the failure to meet any such deadlines.

10. **Special Indemnity Provision.**

10.1 To the fullest extent permitted by law, Sentinel shall indemnify, defend and hold harmless the City, its elected and appointed officials, officers, employees, agents, and successors and assigns (collectively, "City Indemnitees") from and against any and all claims, lawsuits, judgments, proceedings, causes of action, alternative dispute resolution procedures, demands, liabilities, injuries, losses, costs, expenses, allegations, penalties or damage of any kind or nature whatsoever (the "Legal Proceeding") asserted by a third party, including, without limitation, reasonable attorney, consultant and expert fees, which may at any time arise out of, are a direct or indirect result of, or are caused by or in any way related to or connected with any and all actions, suits, claims, or proceedings to attack, oppose, challenge, set aside, void, review, delay, impede or otherwise attempt to enjoin, modify or annul the: (a) Agreement, (b) any approval, permit, decision, or other action by the City under the Agreement relating to Sentinel, including the application of Subsection D or Chapter 11.12 as they apply to Sentinel or the City IOF as described in this Agreement; or (c) Sentinel's compliance or failure to comply with the Agreement (collectively, "Third Party Claims" and individually, a "Third Party Claim"),

including, without limitation any attorneys' fees and court and litigation costs and expenses that may be awarded in any such Legal Proceeding and required to be paid by the City.

- 10.2 The City shall have the sole right to choose its legal counsel, including any combination of the City Attorney's office and/or outside counsel, to represent the City's interests in the defense of any such Third Party Claims.
- 10.3 The City shall promptly notify Sentinel of its receipt of written notice of any Third Party Claim. The City shall reasonably cooperate with Sentinel in defending against any such Third Party Claim for which a Legal Proceeding is instituted.
- 10.4 At its sole discretion, the City may participate in the defense of any Third Party Claim, but such participation shall not relieve Sentinel of any obligation imposed by this Section 10.
- 10.5 Sentinel shall reimburse the City for reasonable and direct costs and expenses incurred in defense of any Third Party Claims, including without limitation, court costs, mediation costs, arbitration costs, attorney's fees, consultant costs, settlement costs, damages, and costs of any judgments or awards against the City (including attorney's fees) (collectively, the "Defense Costs").
- 10.6 Sentinel shall submit an initial deposit to the City for application to the City's Defense Costs within ten (10) calendar days after receipt of the City's written notice of tendering defense of a Third Party Claim to Sentinel and request for an initial deposit. The initial deposit shall be in the amount of Twenty-Five Thousand

Dollars (\$25,000) (the “Indemnity Deposit Amount”). The City’s failure to provide notice of or to collect the Indemnity Deposit Amount shall not relieve Sentinel from responsibility to reimburse the City for any and all Defense Costs pursuant to Section 10.5 hereof.

10.7 Sentinel shall make a supplemental deposit in the amount necessary to fully replenish the Indemnity Deposit Amount any time that the remaining balance held by the City falls below Ten Thousand Dollars (\$10,000). Sentinel shall submit supplemental deposits to the City within five (5) calendar days after receipt of written notice from the City requesting a supplemental deposit. The City’s failure to provide notice of or to collect a supplemental deposit shall not relieve Sentinel from responsibility to reimburse the City for any and all Defense Costs pursuant to Section 10.5 hereof.

10.8 The City retains the right to make all decisions with respect to its representation or participation in any Legal Proceeding, including its inherent right to abandon or settle a Legal Proceeding. The City agrees to consider in its sole discretion any concerns presented to the City Attorney’s Office in writing by Sentinel regarding any decision by the City as it pertains to any Legal Proceeding, including any decision to abandon or settle a Legal Proceeding. Upon Sentinel’s written request, the City agrees to provide periodic updates to Sentinel as to the general status of any Legal Proceeding relating to a Third Party Claim in which Sentinel is not a party.

10.9 The indemnity provisions set forth in this Section 10 shall survive the expiration or termination of this Agreement. The survival of this indemnity is in addition to any other rights or remedies which the City Indemnitees may have under the law.

11. **Release.**

11.1 **Release By Sentinel.** Effective upon the Effective Date, Sentinel, on behalf of itself and each of its directors, officers, shareholders, members, parent, subsidiary and affiliate entities, hereby releases, remises, and forever discharges the City, former and present members of its City Council, its boards and commissions, officers, agents, attorneys, and employees from any and all of the following: claims, debts, demands, claims for relief, City Actions Claims, causes of action, writ proceedings, loss, and liability of every type and nature whatsoever arising prior to the Effective Date under federal, state, or local law or regulation (including, but not limited to, CEQA), whether direct, indirect, fixed, contingent or consequential, known or unknown, suspected or unsuspected, relating to or arising out of, or in any way stemming from the City Oil Termination Actions or the City IOF (collectively, the "Sentinel Released Claims").

11.2 **Release By City.** Effective upon the Effective Date, the City, on behalf of itself, former and present members of its City Council, its boards and commissions, officers, agents, attorneys and employees, hereby releases, remises, and forever discharges Sentinel and its parent, subsidiary and affiliate entities and its and their past and present directors, managers, officers, shareholders and members from any and all of the following: claims, debts, demands, claims for relief, causes of action,

writ proceedings, loss, and liability of every type and nature whatsoever arising prior to the Effective Date under federal, state, or local law or regulation (including, but not limited to, CEQA), whether direct, indirect, fixed, contingent or consequential, known or unknown, suspected or unsuspected, relating to or arising out of, or in any way stemming from the City IOF (collectively, the “City Released Claims”).

11.3 No Assigned Claims. Sentinel hereby warrants and represents to the City that Sentinel as of the Effective Date has not heretofore assigned or transferred or purported to assign or transfer to any individual, firm, corporation or entity (nor is any lien, claim or interest held by any such third party) any portion of any of the Sentinel Released Claims or any interest therein and shall not do any of the foregoing in the future. City hereby warrants and represents to Sentinel that the City as of the Effective Date has not heretofore assigned or transferred or purported to assign or transfer to any individual, firm, corporation or entity (nor is any lien, claim or interest held by any such third party) any portion of any of the City Released Claims or any interest therein and shall not do any of the foregoing in the future.

11.4 Waiver of Civil Code Section 1542. Each Party hereby warrants and represents that such Party is familiar with the provisions of California Civil Code Section 1542 and expressly and knowingly waives and relinquishes any and all rights and benefits related to the Sentinel Released Claims or the City Released Claims, as appropriate, that the Party has or may have under California Civil Code Section 1542 (and under any and all state or federal statutes or common law principles of

similar effect), which reads as follows:

SECTION 1542: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASED PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Each Party acknowledges that it is aware of and assumes the risk that it may hereafter discover facts in addition to, different from or contrary to those which such Party now knows or believes to be true with respect to the subject matter of the each Party's release, and that it is its intention hereby to fully, finally and forever settle and release any and all released matters, disputes and differences, known and unknown, suspected and unsuspected, which do now exist, or heretofore have existed and that, in furtherance of such intention, the releases herein given shall be and remain in effect as full and complete general releases notwithstanding the discovery or existence of any such additional, different or contrary facts.

12. **Remedies.**

12.1 City Remedies. Other than the remedies provided in Section 3 (Insurance and Bond Requirements) and 8 (Liquidated Damages), the City's remedies in the event of a default by Sentinel of any duty or obligation required to be performed under this Agreement shall be limited to specific performance, provided that the City has

provided written notice to Sentinel of the default and that such default continues uncured for thirty (30) days following such written notice. The City's failure or delay in giving any such written notice shall not constitute a waiver of the default, including the Termination Deadline Default, nor shall it change the time of the occurrence of such default, including the Termination Deadline Default.

12.2 Sentinel Remedies. Sentinel's remedies in the event of a default by the City of any duty or obligation required to be performed under this Agreement shall be limited to specific performance, and an extension of time on any specific deadline applicable to Sentinel under this Agreement equal to the time that the City failed to perform its duties or obligations to the extent that the City's default relates to that specific deadline, provided that Sentinel has provided written notice to the City of the default and such default continues uncured for thirty (30) days following such written notice. Sentinel's failure or delay in giving any such written notice shall not constitute a waiver of the default, nor shall it change the time of the occurrence of such default.

13. **City Police Power and Authority**. Sentinel acknowledges and agrees that this Agreement constitutes implementation by the City of Subsection D as applied to the City IOF and to Sentinel as Operator of the City IOF, and that the City retains its police powers and authority for the protection of the health, safety and welfare of the City and its residents, including without limitation as to Sentinel as Operator of the City IOF and as to the City IOF. The City acknowledges and agrees that this Agreement reflects the City's exercise of its discretion under its police powers specific to implementation by the City of Subsection D as applied to the City IOF and to Sentinel as the Operator of the City IOF

and that the Agreement constitutes a legal obligation of the City that shall be considered in any exercise of the City's police powers.

14. **Miscellaneous.**

14.1 **Legal Capacity; Execution Authority.** The Parties each acknowledge, warrant, and represent to the other Party that they are legally competent and authorized to execute this Agreement; that they do not require any additional approval, permission, or consent from any person, public authority; or entity to enter into this Agreement and that each natural person who executes this Agreement on behalf of such Party has the authority to execute this Agreement on behalf of such Party.

14.2 **No Duress.** The Parties each acknowledge, warrant and represent to the other Party that they have executed this Agreement voluntarily, with full knowledge of this Agreement and its contents, and without duress or undue influence on the part of or on behalf of the other Party or any other person or entity.

14.3 **Independent Investigation.** The Parties each acknowledge, warrant and represent to the other Party that they have made their own independent investigation, in the manner deemed necessary and appropriate by them, of the facts and circumstances surrounding this Agreement and the settlement contained herein, and that through such independent investigation, each Party has satisfied itself that the execution of this Agreement and entry into the settlement contained herein is in their best interest.

- 14.4 General Indemnification. Pursuant to Section 11.12.040 under Chapter 11.12, Sentinel shall indemnify, defend and hold harmless the City from and against any and all claims, demands, actions, judgments, damages and liability, including court costs and attorney's fees "arising from the drilling, or any activity related, thereto" from and after the Effective Date until one (1) year after the submission of Termination Completion Documentation or four (4) years after the submission of Sentinel Termination Documentation, whichever is earlier.
- 14.5 Entire Agreement. This Agreement is the entire understanding between the Parties respecting the subject matter discussed herein and supersedes any prior understandings of the Parties, whether oral or written, respecting the subject matter hereof.
- 14.6 Amendments and Modifications. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both Parties.
- 14.7 Survival. Except as otherwise provided in this Agreement, all covenants, representations, and warranties contained herein shall terminate upon submission of Termination Completion Documentation.
- 14.8 No Waiver. No waiver of any of the provisions of this Agreement shall be deemed a waiver of, nor shall it constitute a waiver of, any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.
- 14.9 Denial of Liability. This Agreement is the result of a compromise of a disputed claim, and nothing contained in this Agreement shall at any time for any purpose

be construed by the Parties, their attorneys, or by anyone else as an admission by any Party of any liability.

14.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute one and the same agreement. Signatures of this Agreement may be transmitted via electronic means (including facsimile or emailed PDF scan) and shall be considered an original and binding against the Party that executed and delivered such signature via electronic means.

14.11 Construction of Agreement. Each of the Parties and its legal counsel has taken part in the drafting and preparation of this Agreement and, therefore, any construction of this Agreement or the intent of the Parties or the language of the Agreement shall not be construed against either Party or its attorneys.

14.12 Notice. All notices shall be in writing and shall be addressed to the affected Parties at the addresses set forth below. Notices shall be: (a) hand delivered to the addresses set forth below, in which case they shall be deemed delivered on the date of delivery; (b) sent by nationally recognized overnight courier (e.g., Federal Express or UPS), return receipt requested, in which case they shall be deemed delivered upon delivery; (c) sent by certified mail, return receipt requested, in which case they shall be deemed delivered three (3) business days after deposit in the United States mail; or (d) transmitted by email transmission in which case they shall be deemed delivered the first business day after delivery has been electronically confirmed by the recipient's email. Any Party may change its notice

address by giving notice thereof in compliance with this Agreement. Notice of such change shall be effective only upon actual delivery. Notice given on behalf of a Party by any attorney purporting to represent a Party shall constitute notice by such Party if the attorney is, in fact, authorized to represent such Party. The respective notice addresses of the Parties are:

Sentinel

Erin Gleaton
Vice President and General Counsel
Sentinel Peak Resources California LLC
6501 East Belleview Avenue, Suite 400
Englewood, CO 90111
egleaton@sentinelpeakresources.com

City

Heather Baker
City Attorney
City of Culver City
9770 Culver Boulevard
Culver City, CA 90232-2703
heather.baker@culvercity.org

- 14.13 Governing Law. The laws of the State of California, without giving effect to choice of law or conflict of law principles, shall govern the validity, construction, performance and effect of this Agreement.
- 14.14 Captions. Captions, numbering, and headings in this Agreement are for convenience of reference only and shall not be considered in the interpretation of this Agreement.
- 14.15 Binding Effect. This Agreement is binding on and inures to the benefit of the Parties and their respective heirs, executors, administrators, successors, officers, employees, and permitted assigns.
- 14.16 Good Faith and Fair Dealing. The Parties agree to perform all of their duties, obligations, and acts under this Agreement pursuant to a standard of conduct of good faith and fair dealing.

14.17 Additional Documents and Actions. Each Party shall execute such additional documents and take such actions as are reasonably necessary to implement the provisions of this Agreement, and consistent with Section 14.16.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement as of the Effective Date.


“CITY”

City of Culver City,
a chartered municipal corporation


By: 
Name: John Nachbar
Title: City Manager

“SENTINEL”

Sentinel Peak Resources California LLC,
a Delaware limited liability company

By: 
Name: Michael Duginski
Title: President and Chief Executive Officer

APPROVED AS TO FORM:


Heather Baker, City Attorney

APPROVED AS TO FORM:



Erin Gleaton, Vice President and General Counsel

Exhibit A
to
Settlement Agreement

WELL LIST

Well	Culver City Verified Place	API
Block 22	Culver City	403707468
Block 23	Culver City	403707469
Block 26	Culver City	403707472
Block 29	Culver City	403707475
Block 30	Culver City	403707476
Block 31	Culver City	403707477
Machado 1	Culver City	403707867
Machado 3-A	Culver City	403707873
Machado 5	Culver City	403707876
Machado 7-A	Culver City	403707881
TVIC 5	Culver City	403709097
TVIC 11	Culver City	403709101
TVIC 25	Culver City	403709113
TVIC 30	Culver City	403709118
TVIC 54	Culver City	403720069
TVIC 55	Culver City	403709139
TVIC 56	Culver City	403709140
TVIC 59	Culver City	403700248
TVIC 62	Culver City	403709145
TVIC 63	Culver City	403700249
TVIC 64	Culver City	403720042
TVIC 69	Culver City	403720462
TVIC 74	Culver City	403709149
TVIC 100	Culver City	403725342
TVIC 101A	Culver City	403725375
TVIC 268	Culver City	403725079
VRU 105	Culver City	403708129
VRU 110	Culver City	403709080
VRU 111	Culver City	403709090
VRU 113A	Culver City	403709082
VRU 114	Culver City	403709083
VRU 115A	Culver City	403709084
VRU 116	Culver City	403709086
VRU 117	Culver City	403709087
VRU 118	Culver City	403709088
VRU 254	Culver City	403722541
VRU 261	Culver City	403723170
VRU 284	Culver City	403725221

Exhibit B
to
Settlement Agreement

APPROVED SCOPE FOR COST STUDY

Cost Study Scope of Work

Consistent with Section 3.2(a) of the Agreement, the Parties mutually agree that the Scope of Work for the Cost Study is as follows:

1. Cost estimates for all required abandonment and remediation activities, including well plugging as required by the Oil Termination Ordinance, to include, at minimum, the specific activities for well plugging and abandonment, and site remediation as clarified below;
2. The estimated costs for a third party to complete the work and provide documentation supporting the validity of the values used to calculate the cost estimate, including provisions for prevailing wages and similar contractor considerations;
3. An estimate of the City's administrative costs; and
4. An estimate for completing a Site Assessment.

Well Plugging and Abandonment – For the total estimated thirty-eight (38) wells remaining in the City IOF to-date, include cost information for all site work related to well plug and abandonment, including activities tied to locating a rig to commence well plugging and abandonment operations and through completion of all subsurface work required to permanently abandon and end oil and gas operations at any given well site (i.e., per California Code of Regulations, Title 14, Section 1723.5). Also include costs information for local well site remediation activities, including, but is not limited to, the removal and disposal, as applicable, of:

- Tanks - wash, produced water, storage
- Vessels - separators, free-water knockout, heater-treaters
- Above-ground pipelines – transmission, flowline, injection, gathering lines, vent, process piping
- Buried pipelines
- Electrical equipment – poles, transformers, switchgear, cables, wires, conduit, switches, monitoring equipment
- Asphalt and concrete – concrete pads, asphalt
- Well cellars
- Pumps and compressors
- Buildings

Site Remediation – Include cost estimates for all site remediation and restoration activities that are required related to decommissioning the City IOF lease area, following plugging and abandonment activities, such as to restore the land back to its natural state as near as practicable in accordance with the requirements of California Code of Regulations, Title 14, Section 1776. Provide costs including, but not necessarily limited to, the following activities:

- Soil excavation and disposal. *[Note: In the event that the City is required to finish the work, it is unlikely that disposal of contaminated soils through bioremediation at the adjacent IOF facility would be feasible. The cost estimate should address off-site disposal.]*

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APPROVED SCOPE FOR COST STUDY

- Secondary Containment - Remove all secondary containment including earthen berms, catch basins, leak pans, retaining walls.
- Site Restoration – Backfill of any sumps and auxiliary holes with earthen materials and compacted. Fill of any excavations to the level of the surrounding surface and compacted to prevent excessive settling. Mitigate slopes to prevent slope collapse. Restore site to as near a natural state as practicable.
- Refuse removal - Remove and dispose of all refuse, trash, debris, construction materials, production pads, piers, fencing.
- Access roads - Access roads that create a hazard to public safety, property or causes interference with natural drainage shall be restored to as near a natural state as practicable.