### SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release ("Agreement") is entered into by and between Mountains Recreation and Conservation Authority ("MRCA"), City of Whittier and the City Council of the City of Whittier (collectively, the "City"), and Matrix Oil Corporation and Clayton Williams Energy, Inc. (collectively, "Matrix") (all together, the "Parties" and individually, the "Party").

### **RECITALS**

- A. On February 24, 2012, MRCA initiated a lawsuit entitled *Mountains Recreation* and Conservation Authority v. City of Whittier, et al., Los Angeles County Superior Court Case No. BS136211; and on August 3, 2012, MRCA filed a first amended petition for writ of mandate and complaint (the "MRCA Lawsuit").
- B. The MRCA Lawsuit challenged a 2008 lease entered into between the City and Matrix (the "Lease") for an oil and gas exploration and production project (the "Project") proposed by Matrix and approved by the City through the issuance of a conditional use permit ("CUP") and certification of a final environmental impact report ("EIR") for the Project on November 28, 2011. The Lease authorized the production of oil and gas from approximately 1,290 acres of property located in the Whittier Hills (the "Property"). The MRCA Lawsuit alleges that the Project violates Los Angeles County Proposition A, a ballot measure approved by the voters in 1992 ("Proposition A"), and further alleges that it is entitled to enforce Proposition A pursuant to the public trust doctrine. The MRCA Lawsuit also contends that MRCA is entitled to enforce an instrument recorded and executed in 1995 (the "Chevron Declaration") in connection with the City's acquisition of a portion of the Property on which portions of the Project are located, and further alleges that the Chevron Declaration prohibits the Project. The MRCA Lawsuit also challenges actions taken by the City in May 2012 and June 2012 to amend the Lease and to remove restrictions related to the Chevron Declaration.
- C. On June 6, 2013, the Court (the Hon. James C. Chalfant) held a hearing on the merits of the MRCA Lawsuit, as well as a cross-action in the MRCA Lawsuit filed by the Los Angeles County Regional Park and Open Space District (the "District"), the County of Los Angeles, and the Los Angeles County Board of Supervisors (collectively, the "County") and the consolidated and related action filed by the Santa Monica Mountains Conservancy (Los Angeles County Superior Court Case No. BS138796), both of which also challenge the Project. At the conclusion of this hearing, and as set forth in its written ruling, the Court found:
  - 1. MRCA is entitled to a writ of mandate on its claim that the City violated Proposition A, and an injunction would issue suspending the Project.
  - 2. MRCA is entitled to a permanent injunction arising from the Chevron Declaration, unless and until MRCA consents to the release of restrictions on the use of property governed by the Chevron Declaration and on which portions of the Project are located.

- D. On June 13, 2013, the Court entered an order for a preliminary injunction prohibiting the Project from proceeding pending the entry of final judgment ("Preliminary Injunction").
- E. The Parties now wish to avoid the risk and expense of further litigation, and desire fully and finally to resolve any and all claims by and between them arising from or related to the MRCA Lawsuit.

### SETTLEMENT AND MUTUAL RELEASE

NOW, THEREFORE, in consideration of the foregoing Recitals, all of which are incorporated by reference, and the following provisions and covenants, the Parties hereto agree to the following terms:

- 1. <u>Share of City's Portion of Project Royalties</u>: The City agrees to share with MRCA its portion of any royalties or equivalent share of the revenues realized from the production of any oil, gas or other substance from the Project, the Lease, the Property and/or any portion of the Property, including any subsurface rights of the Property (the "Royalties"), as follows:
  - a. Of the first \$15,000,000 of any Royalties in any calendar year that are required to be paid to the City under the terms of the Lease, the City shall be paid fifty percent (50%) and MRCA shall be paid fifty percent (50%) (the "First Tranche"). Accordingly, MRCA may realize up to a maximum of \$7,500,000 in royalties under the First Tranche. Matrix shall pay MRCA its share of the royalties in the First Tranche at the same time that Matrix pays the City its share pursuant to the Lease and shall pay such royalties in a manner as directed by MRCA.
  - b. For any Royalties between \$15,000,000 and \$30,000,000 in any calendar year that are required to be paid to the City under the terms of the Lease, the City shall be paid seventy-five percent (75%) and MRCA shall be paid twenty-five percent (25%) (the "Second Tranche"). Accordingly, MRCA may realize up to a maximum of \$3,725,000 in royalties under the Second Tranche. Matrix shall pay MRCA its share of the royalties in the Second Tranche at the same time that Matrix pays the City its share pursuant to the Lease and shall pay such royalties in a manner as directed by MRCA.
  - c. For any Royalties above \$30,000,000 in any calendar year that are paid to the City under the terms of the Lease, the City shall retain one hundred percent (100%) of the Royalties, with the following exception:
    - i. Subject to the provisions of subparagraph 1.c.ii and 1.c.iii below, twenty-five percent (25%) of Royalties received by the City in any calendar year totaling more than \$30,000,000 and up to \$50,000,000 shall be held in a separate account (the "Make-Up Payment Account") and shall be paid by the City to MRCA to the extent needed to eliminate the difference between the amount of any First Tranche

- payment made in a calendar year and the sum of \$7,500,000 (the "Make-Up Payment").
- ii. The Make-Up Payment obligation specified in subparagraph 1.c.i above shall not apply to deficiencies in First Tranche payments made to MRCA during the first five (5) years of oil and gas production from the Project. For purposes of the calculation of this five-year period, if production begins before July 1 in any given year, the entire calendar year shall be considered as the first year in which no Make-Up Payment is required. If production begins after July 1 in any given year, the following calendar year, beginning on January 1, shall be construed as commencing the five-year period during which no Make-Up Payment is required.
- iii. The Make-Up Payment obligation shall not apply to deficiencies in First Tranche payments made to MRCA during any calendar year subsequent to the 20 calendar years immediately following the expiration of the 5 year period referred to in subparagraph 1.c.ii above.
- iv. City shall pay any outstanding Make-Up Payment obligation to MRCA within 30 days of the City's receipt of Royalties which are subject to the Make-Up obligation and in a manner as directed by MRCA.
- v. Matrix may request a joint instruction from the City and MRCA concerning payment of the royalty at any time, and is entitled to receive such joint instruction from the City and MRCA, and if it does not receive such joint instruction it shall pay the entire royalty into an escrow account. Thereafter, the City and MRCA shall arbitrate their dispute over how that royalty payment shall be divided. Matrix shall not be a party to such arbitration and will pay the royalty out of the escrow pursuant to the arbitrator's award.
- d. MRCA is entitled to its share of the Royalties from the production of any oil, gas or other substance from the Property by any means and by any individual or entity and regardless of where the production facilities are located. In the case of Royalties not subject to the Lease, MRCA shall receive the equivalent to MRCA's share of the Royalties as described in subparagraphs 1(a), 1(b), and 1(c) from the City or an entity MRCA has agreed to in writing. Such payments shall be paid in a manner as directed by MRCA.
- e. The Parties understand that MRCA's share of the City's Royalties is based on entire production and shall not be reduced by any obligations or commitments to other entities. Neither the City, Matrix nor their Successors and Assigns (as that term is defined below) shall amend the Lease, the CUP, the rights to the Property or any portion thereof or the legal structure of operations, including a modification to City self operations, in any way which reduces or limits the

amount of MRCA's share of the Royalties without obtaining MRCA's consent. An assignment of the Matrix's rights under the Lease and the CUP shall not be considered a change in the legal structure of operations. In addition, Matrix and the City agree that MRCA has the same rights to receive statements and other information from Matrix and to inspect records and conduct audits as provided to the City under Sections 7.6, 23.2, 23.3 and 23.5 of the Lease. In addition, the City shall provide MRCA financial statements for the Make-Up Account on a monthly basis and MRCA shall have the right to inspect such records and others information concerning such Make-Up Account. Matrix and the City agree that MRCA has the right to challenge the calculation of its Royalties by either Matrix or the City pursuant to this Agreement even though it is not a party to the Lease.

- f. MRCA agrees to use any Royalties received by it under this Agreement for park, recreation, open space, conservation and educational interpretation purposes. The provision does not apply to the Attorneys' Fees paid pursuant to Paragraph 2 below.
- g. Nothing contained in this Agreement shall eliminate any obligation that the Parties have under California Public Resources Code Section 7055.
- 2. Attorneys' Fees: Matrix shall pay MRCA a total of \$650,000 towards its attorneys' fees and costs incurred in the prosecution of the MRCA Lawsuit. This payment shall be made pursuant to the wire instructions provided by MRCA upon the receipt of the executed Agreement. Matrix shall debit fifty percent (50%) from any Royalties to be paid to and retained by the City (not paid to and retained by MRCA), until such time as the full \$650,000 is debited by and therefore repaid to Matrix. Except as set forth above and except as between the City and Matrix, all Parties will bear their own attorneys' fees and costs.
- 3. <u>Dismissal of Lawsuit With Prejudice</u>: Concurrent with the execution of this Agreement, MRCA shall provide Matrix with an executed dismissal with prejudice of the MRCA Lawsuit for Matrix to file after the wiring of the Attorneys' Fees set forth above in Paragraph 2.
- 4. <u>Further Assurances</u>: Each of the Parties agree to take any and all further actions that may be reasonably requested by any other Party for purposes of effectuating the intent of the Parties, as reflected herein. In particular, upon request of the City or Matrix, MRCA will request the Court in the MRCA Lawsuit to dissolve the Preliminary Injunction insofar is it benefits MRCA. All Parties agree that this Agreement is not conditioned upon the Court granting the request or upon the dissolution of the Preliminary Injunction.
- 5. MRCA's Consent: MRCA hereby consents to the City's June 2012 action to remove restrictions related to the Chevron Declaration. Except as provided specifically in this paragraph, MRCA's rights under the Chevron Declaration shall in no way be modified, amended, released, discharged or supplemented by this Agreement.

- 6. Prohibited Method of Extraction: High volume, high pressure hydraulic fracturing, defined as an oil or gas well stimulation treatment that, in whole or in part, includes the highly-pressurized injection of high-volumes of hydraulic fracturing fluid or fluids into the geologic hydrocarbon-bearing formations located under the City of Whittier Lease (1,290 acres) in order to fracture or with the intent to fracture those formations shall not be employed in the project.
- 7. <u>Press Release</u>: On an agreed date and time, the City and MRCA shall jointly issue the press release mutually acceptable to all Parties regarding the resolution of the MRCA Lawsuit that is attached hereto as Exhibit A.
- 8. <u>Resolution of Dispute</u>: The Parties agree and understand that this Agreement resolves all disputes between them relating to the MRCA Lawsuit and that the terms of this Agreement shall in no way be construed to be an admission of fault or liability, whatsoever.
- 9. Release and Discharge: In consideration of these mutually dependent promises and representations, and except for the obligations created by this Agreement, the Parties hereby fully release and forever discharge each other and each other's respective successors, assigns, boards, councils, officials, officers, directors, employees, agents, representatives, and attorneys from and against any and all claims, demands, actions, causes of action, proceedings, obligations, liabilities, damages, losses, costs, and expenses of any nature whatsoever, in law or in equity, known or unknown, foreseen or unforeseen, contingent or non-contingent, that the Parties now have or may at any time hold based upon or in any way arising out of or in connection with the matters set forth in the MRCA Lawsuit.
- 10. <u>Subsequent Discovery of Additional or Different Facts</u>: The Parties acknowledge that they are aware that they may hereafter discover facts different from or in addition to those they now know or believe to be true with respect to the claims, causes of action, rights, obligations, debts, liabilities, accounts, liens, damages, losses, and expenses herein released, and each agrees that the within release shall be and remain in effect in all respects as a complete and general release as to all matters released herein, notwithstanding any such different or additional facts.
- 11. <u>Civil Code § 1542</u>: The Parties recognize that the releases set forth in paragraphs 8 and 9 above, shall extend to claims whether known or unknown to them and that the release is made with the understanding that it shall include unknown claims contemplated by Civil Code § 1542, which provides as follows:
  - "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

The waiver of Civil Code section 1542 shall only apply to the scope of the release described in this Agreement.

12. <u>Payment and Notices:</u> All notices, demands, or requests required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to

have been properly given or served if by (i) hand delivery, (ii) reputable national overnight courier service, or (iii) prepaid, certified U.S. Mail, return receipt requested, and shall be effective upon delivery. Any such notice, demand or request shall be addressed to the applicable Party as follows:

**MRCA** 

Attention: Chief Staff Counsel 570 West Avenue 26, Suite 100 Los Angeles, CA 90065

with a copy to:

Pircher, Nichols & Meeks Attention: James Goldman/J. Michelle Hickey 1925 Century Park East, Suite 1700 Los Angeles, CA 90067

City of Whittier
Attention: City Manager
13230 Penn Street
Whittier, CA 90602

with a copy to:

Richards, Watson & Gershon Attention: James L. Markman and Ginetta L. Giovinco 355 S. Grand Avenue, 40th Floor Los Angeles, CA 90071

Matrix Oil Corporation
Attention: Michael McCaskey
104 W. Anapamu Street, Suite C
Santa Barbara, CA 93101

with a copy to: The Law Offices of Woosley & Porter Attention: Jordan Porter 1602 State Street Santa Barbara, CA 93101

Clayton Williams Energy, Inc. Attention: T. Mark Tisdale Six Desta Drive, Suite 6500 Midland, TX 79705

with a copy to:

The Law Offices of Woosley & Porter Attention: Jordan Porter 1602 State Street Santa Barbara, CA 93101

In the event that any Party wishes to revise this information directing delivery of notices, they shall provide written notice of any such proposed revision to the other Parties.

- 13. <u>Successors and Assigns</u>: This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective officers, officials, employees, agents, attorneys, successors, devises, executors, administrators, assigns, and insurance carriers (the "Successors and Assigns"). MRCA is entitled to record a memorandum of this agreement and the City agrees to execute such memorandum of agreement upon MRCA's request.
- 14. <u>Litigation Related to this Agreement</u>: In the event of any dispute or disputes resulting in litigation between two or more of the Parties to this Agreement or their Successors and Assigns arising from, or concerning the terms of, this Agreement, the prevailing Party is entitled to reasonable attorneys' fees and costs.
- 15. Parties in Interest: Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or arising by reason of this Agreement on any persons other than the Parties to it and their respective successors and permitted assignees. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.
- 16. Entire Agreement: This Agreement constitutes the entire agreement between the Parties hereto. The Parties expressly understand that any prior written or oral negotiations not contained in this Agreement are of no force or effect whatsoever, and further expressly understand that this Agreement may not be altered, amended, modified, or otherwise changed in any respect except by a writing duly executed and authorized by each of the Parties.
- 17. <u>Interpretation</u>: The provisions of this Agreement shall be liberally construed to effectuate its purpose. The title headings of the respective paragraphs of this Agreement are inserted for convenience only, and shall not be deemed to be part of this Agreement or considered in construing this Agreement. In the event of any dispute concerning this Agreement, the prevailing party shall be entitled to recover its court costs and attorneys' fees. The "prevailing party" means the party determined by the court to have most nearly prevailed, even if such party did not prevail in all matters, not necessarily the one in whose favor a judgment is rendered. If the court fails or refuses to make a determination of the prevailing party, the party who is awarded costs of suit shall also be deemed to be the prevailing party for purposes of awarding attorneys' fees.
- 18. <u>Arbitration</u>: Any claim or dispute arising from or relating to this Agreement shall be resolved by final and binding arbitration administered by JAMS under its rules and practices in place at the time when the claim or dispute is submitted to JAMS for resolution. The arbitration shall be conducted in Los Angeles, California. Unless the parties agree upon an

arbitrator when the claim or dispute is submitted to JAMS, JAMS shall furnish the parties with the names of names of five arbitrators, each party shall have the right to strike one name from the list, and JAMS shall designate one of those not stricken as the arbitrator. As soon as possible after the arbitrator is appointed, the arbitrator shall schedule a status conference to set a hearing date for the arbitration, which shall occur as soon as reasonably practical. The parties shall be entitled to discovery as permitted under the provisions in the California Code of Civil Procedure relating to arbitrations, although the arbitrator shall have the power to limit or expand the scope, type and extent of discovery on good cause shown, and to set a schedule for taking, propounding, responding to, and completing discovery. Neither the parties nor the arbitrator may disclose the existence, content or results of the arbitration to any non-parties without the consent of all parties, except insofar as may be necessary to have the award confirmed. The arbitrator shall have the power to grant any remedy or relief that he or she deems just and equitable, including interim awards, provisional remedies, and equitable relief. The arbitrator shall issue an award, including a reasoned opinion, as soon as possible after the matter has been submitted, but in no event more than 30 days after such submission. Any fees or costs of the arbitrator shall be advanced in equal amounts by the parties. The award shall designate the prevailing party, who shall be entitled to recover all of its attorney fees, costs, and advances for the arbitrator's fees and costs. Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction, but no motion or petition to confirm the award may be filed until after 30 days from date of the award and unless the party against whom the award is issued has failed to comply with the award.

- 19. <u>California Law</u>: This Agreement shall be deemed to have been executed and delivered within the State of California, and the rights and obligations of the Parties shall be governed by, and construed and enforced in accordance with, the laws of the State of California. The Parties agree that any legal proceedings regarding this Agreement shall only be instituted in the state courts of the State of California for Los Angeles County.
- 20. <u>Legal Representation</u>: Each Party acknowledges that it has been represented by counsel, or has had counsel available to them, throughout the pendency of the negotiations of this Agreement. The Parties each agree that they are to be considered mutual authors of this Agreement.
- 21. <u>Authority to Execute</u>: Each individual executing this Agreement represents and warrants that he or she is duly authorized to execute this Agreement and that it is binding in accordance with its terms. Each of the Parties warrants that they are the true holders of all rights and remedies which they purport to release, and that they have not assigned or transferred any of those rights or remedies to any other individuals and/or entities.

22. <u>Execution</u>: This Agreement may be executed in counterparts which, when taken together, shall constitute one original agreement. An electronic or facsimile signature shall be deemed the same as, and valid as if it were, an original signature.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, effective as of the last date indicated below.

DATED: August <u>13</u> , 2013	MOUNTAINS RECREATION AND CONSERVATION AUTHORITY  By:
DATED: August, 2013	CITY OF WHITTIER AND CITY COUNCIL OF THE CITY OF WHITTIER
	Ву:
	Name:
	Title:
DATED: August, 2013	MATRIX OIL CORPORATION
	Ву:
	Name:
	Title:
DATED: August, 2013	CLAYTON WILLIAMS ENERGY, INC.
	Ву:
	Name:
	Title:
	[SIGNATURES CONTINUE NEXT PAGE]

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DATED: August, 2013	MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
	By:
	Name:
	Title:
DATED: August, 2013	CITY OF WHITTIER AND CITY COUNCIL OF THE CITY OF WHITTIER
	By: Det Herokeson
	Name: Bob Henderson
	Title: Mayor
DATED: August, 2013	MATRIX OIL CORPORATION
	By:
	Name:
	Title:
DATED: August, 2013	CLAYTON WILLIAMS ENERGY, INC.
	By:
	Name:
	Title:
	[SIGNATURES CONTINUE NEXT PAGE]

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, effective as of the last date indicated below.

DATED: August, 2013	MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
	Ву:
•	Name:
	Title:
DATED: August2013	CITY OF WHITTIER AND CITY COUNCIL OF THE CITY OF WHITTIER
	Ву:
	Name:
	Title:
DATED: August 15, 2013	MATRIX OIL CORPORATION
	By: Jay Jorda
	Name: Johny Jordan
	Title: President
DATED: August 15 . 2013	CLAYTON WILLIAMS ENERGY, INC.
DATE, August <u>10. 5</u> 2013	By: Amel As Cole
	Name: V. Mark Tiodale
	Title: Vice President & General Course
	[SIGNATURES CONTINUE NEXT PAGE]

## APPROVED AS TO FORM

DATED: August 15 2013	By:  JAMES L. GOLDMAN  Attorneys for Petitioner/Plaintiff  MOUNTAINS RECREATION AND  CONSERVATION AUTHORITY
DATED: August, 2013	RICHARDS, WATSON & GERSHON A Professional Corporation
	By:  JAMES L. MARKMAN  Attorneys for Respondent/Defendant  CITY OF WHITTIER and CITY COUNCIL OF THE  CITY OF WHITTIER
DATED: August, 2013	LAW OFFICES OF WOOSLEY & PORTER
	By:  JORDAN T. PORTER  Attorneys for Real Party in Interest  MATRIX OIL CORPORATION
DATED: August, 2013	LAW OFFICES OF WOOSLEY & PORTER
	By:  JORDAN T. PORTER  Attorneys for Real Party in Interest CLAYTON WILLIAMS ENERGY, INC.

# APPROVED AS TO FORM

DATED: August, 2013	PIRCHER, NICHOLS & MEEKS
	By:  JAMES L. GOLDMAN  Attorneys for Petitioner/Plaintiff  MOUNTAINS RECREATION AND  CONSERVATION AUTHORITY
DATED: August <u>/</u> 5, 2013	RICHARDS, WATSON & GERSHON A Professional Corporation
	By: Jame J. Markman  JAMES L. MARKMAN  Attorneys for Respondent/Defendant  CITY OF WHITTIER and CITY COUNCIL OF THE  CITY OF WHITTIER
DATED: August, 2013	LAW OFFICES OF WOOSLEY & PORTER
•	By:  JORDAN T. PORTER  Attorneys for Real Party in Interest  MATRIX OIL CORPORATION
DATED: August, 2013	LAW OFFICES OF WOOSLEY & PORTER
	By:  JORDAN T. PORTER  Attorneys for Real Party in Interest CLAYTON WILLIAMS ENERGY, INC.

## APPROVED AS TO FORM

DATED: August, 2013	PIRCHER, NICHOLS & MEEKS
	By:  JAMES L. GOLDMAN  Attorneys for Petitioner/Plaintiff  MOUNTAINS RECREATION AND  CONSERVATION AUTHORITY
DATED: August, 2013	RICHARDS, WATSON & GERSHON A Professional Corporation
	By:  JAMES L. MARKMAN  Attorneys for Respondent/Defendant CITY OF WHITTIER and CITY COUNCIL OF THE CITY OF WHITTIER
DATED: August <u>/5</u> , 2013	LAW OFFICES OF WOOSLEY & PORTER
	By:  JORDAN T. PORTER  Attorneys for Real Party in Interest  MATRIX OIL CORPORATION
DATED: August <u>15</u> , 2013	LAW OFFICES OF WOOSLEY & PORTER
	By:  JORDAN T. PORTER  Attorneys for Real Party in Interest  CLAYTON WILLIAMS ENERGY, INC.

#### **EXHIBIT A: JOINT PRESS RELEASE**

The City of Whittier and the Mountains Recreation and Conservation Authority (MRCA), have announced a settlement of the litigation concerning the City's lease of property located within the Whittier Hills to Matrix Oil for anticipated oil production.

In early 2012, the MRCA initiated a lawsuit challenging a 2008 lease between the City of Whittier and Matrix Oil for an oil and gas exploration project at a site used for oil drilling until the 1990s within the Whittier Hills. The lawsuit alleged the project violated, among other things, Los Angeles County Proposition A, a ballot measure approved by the voters in 1992 to increase the safety of neighborhood parks, plant trees and acquire, restore and preserve park, wildlife, and open space resources. The matter was heard before the Los Angeles Superior Court on June 6, 2013 pursuant to which Judge James Chalfant entered an order for a preliminary injunction prohibiting the oil project from proceeding pending the entry of final judgment. This settlement resolves the claims raised by the MRCA regarding this project.

Under the terms of the settlement, the MRCA will share project royalties with the City and will receive up to \$11.25 million annually for park, recreation, open space, conservation and educational interpretation purposes. The funding will effectively extend the benefits of Proposition A countywide—which would otherwise expire in the next few years—for another generation.

The settlement further provides environmental safeguards for the public and assures that high volume, high pressure hydraulic fracturing (commonly referred to as "hydraulic fracking") will not be used as part of the oil project.

Whittier Mayor Bob Henderson, who also Chairs the Puente Hills Habitat Preservation Authority, is pleased with the settlement and stated, "As the City Council has expressed from the beginning, we felt it was appropriate to share a significant portion of the proceeds from our oil royalties with the environmental community in Los Angeles County to allow for greater preservation of native habitat and the public's enjoyment of our nature environment. The settlement with the MRCA will allow benefits to flow to County residents through the stewardship of this well-respected public park agency that manages some 69,000 acres of environmentally sensitive lands."

Commenting on the settlement, George Lange, Chairman of the Mountains Recreation and Conservation Authority, stated "This is a significant win for the preservation and protection of urban open space and for maintaining safe and accessible parks for the public. The settlement avoids costly and unpredictable legal outcomes on appeal. It includes provisions to protect the Whittier Hills and it provides reliable funding to maintain and improve thousands of acres of public parkland well into the future which is most important."

**EXHIBIT A: JOINT PRESS RELEASE** 

Whittier's stated goal was and is to maintain the open space assets available to the public while generating a stable income stream which would support City services without tax increases into the future as well as provide funding for infrastructure replacement.

The project, as approved by the City, incorporates significant investment in habitat enhancement within the Whittier Hills. The project's surface footprint will be limited to only approximately 2% of the 1,280-acre former oil field. The remainder of the open space will be left untouched--preserving this habitat resource while maintaining access and enjoyment to recreational users. There will be no net loss of protected open space, as the City will provide 17.1 acres of biologically contiguous land to replace the land taken out of use by the project. The agreement will ultimately allow the extraction of oil and natural gas, again, from Whittier Hills. However, with approximately 200 operating and monitoring conditions imposed by the Whittier City Council, both the residents and the environment will be fully protected. The parties believe their efforts and goals are now best served through the consummation of this settlement.

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