

**Pacific Gas and Electric Company**

245 Market Street  
San Francisco, CA 94105

*Mailing Address*

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P.O. Box 770000  
San Francisco, CA 94177  
415/973-7000

February 26, 1996



Mr. Andre Peterhans  
Chevron Pipe Line Company  
4000 Executive Parkway  
Bishop Ranch 8  
San Ramon, CA 94583-0959

Dear Mr. Peterhans:

PG&E, Chevron Pipe Line Company and Chevron U.S.A., Inc. (Chevron) have been negotiating the terms and conditions of a replacement agreement for the various existing agreements that relate to our respective companies relationship(s) with Standard Pacific Gas Line, Inc. (Stanpac). As a result of these negotiations, PG&E, Stanpac and Chevron have reached agreement on issues related specifically to Stanpac.

PG&E, Stanpac and Chevron have agreed to memorialize the consideration(s) provided by each party to conclude these negotiations in the following Principles of Agreement provisions. Accordingly, PG&E and Chevron agree to carry out the following provisions:

1. Chevron and PG&E agree to raise the operating pressure in the Stanpac #3 pipeline between [Redacted] Station and [Redacted] Station from three hundred fifteen pounds per square inch (315 psi) to four hundred pounds per square inch (400 psi) upon notice by PG&E of completion of its pipeline upgrade work.
2. Effective upon PG&E's upgrade work described in Paragraph 1 above, PG&E, Chevron and Stanpac agree that Chevron's one-seventh (1/7) share of Carrying Capacity on the Stanpac pipeline shall be equal to the greater of (1) 30.7 MMcf/day, or (2) Chevron's one-seventh (1/7) share of Carrying Capacity as calculated pursuant to Paragraph 6.1 of the Stanpac System Management and Operating Agreement. Once effective, this provision shall amend Paragraph 6.1 of the Stanpac System Management and Operating Agreement.
3. Chevron has requested that PG&E accept its share of Union Island gas field production into the Stanpac pipeline at Chevron's Ryer Island delivery point. PG&E agrees to deem Chevron's Union Island gas delivered to the Stanpac pipeline system at the Ryer Island delivery point but, for PG&E to accommodate the lower heating value of the Union Island gas on a more consistent basis, Chevron agrees to physically deliver, as requested by PG&E, the Union Island production into PG&E's existing

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master meter location at Union Island or at other mutually agreed to location(s). If either Owner brings California gas production to the Stanpac pipeline system in the future that meets the provisions of the Stanpac System Management and Operating Agreement but may cause operational and/or utilization problems for PG&E, PG&E will make a best efforts attempt to relocate physical delivery of such production to a pipeline within PG&E's pipeline system that can accommodate such deliveries as provided for in subparagraph 7.5 of the Stanpac System Management and Operating Agreement. Chevron's position on shared liability as an owner of Stanpac, should utilization problems occur as a result of lower Btu gas being introduced into the Stanpac system, is not in agreement with PG&E's position on this issue.

4. PG&E and Chevron agree to renegotiate the applicable Rio Vista area compression and gathering charges as set forth in those certain agreements, as amended, dated January 1, 1956.

If you agree to the foregoing, please have the four (4) copies of this letter agreement executed on behalf of Chevron Pipeline Company and Chevron U.S.A. Inc. and return all copies to PG&E. PG&E will have the documents executed on behalf of Stanpac and PG&E, and will return two (2) copies to Chevron.

ACCEPTED AND AGREED TO:

CHEVRON PIPE LINE COMPANY

By

Title: BUS. DEV. COORDINATOR

Date: 3-6-96

CHEVRON U.S.A. INC.

By

Title: Manager Transportation

Date: March 12, 1996

PACIFIC GAS AND ELECTRIC COMPANY

By

Title: Manager, Business Projects

Date: 3/20/96

STANDARD PACIFIC GAS LINES, INC.

By

Title: VP Gas Service & Operation

Date: 3/20/96