

Amendment No. 1 to the Stanpac System
Management and Operating Agreement

This Amendment (hereinafter Amendment) is entered into this 5 day of Jan, 1997 by and between Standard Pacific Gas Lines, Inc. (Stanpac), Pacific Gas & Electric Company (PG&E), and Chevron Pipe Line Company (Chevron), parties to the Stanpac System Management and Operating Agreement (Agreement), dated March 28, 1996, and to the Principles of Agreement Letter (Letter) dated February 26, 1996.

The pipeline upgrade work on a section of SP-3 of the Stanpac System, as provided in Paragraph 1 of the Letter has been completed, and the maximum operating pressure has been increased to four hundred pounds per square inch (400 psi). The increased operating pressure for SP-3 of the Stanpac System increases the capacity of throughput available on that section of the Stanpac System.

As provided in Paragraph 2 of the Letter, the parties have agreed to modify the Agreement to increase Chevron's share of capacity on the Stanpac System upon completion of the upgrade work.

The parties intend, by this Amendment to modify the Agreement to conform to the agreement reached by the parties in paragraphs 1 and 2 of the letter. This Amendment shall supercede the Letter as to paragraphs 1 and 2. This Amendment shall not, nor do the parties intend for it to modify paragraphs 3 and 4 of the Letter and those provisions shall continue to apply in full force and effect between the parties thereto.

Accordingly, the Agreement is amended as follows:

1. Paragraph 6.1 shall be deleted in its entirety and the following substituted therefore:

"The Carrying Capacity of the Stanpac System ", herein defined as the throughput capacity of the Stanpac System as limited by the most capacity-constrained pipeline section of the Stanpac System, will be calculated utilizing the methodology outlined in Exhibit "C" hereof. Stanpac shall set aside and reserve for the exclusive transportation of Chevron, "Chevron's Carrying Capacity", which shall be the greater of either (1) 30.7 MMcf/day or (2) 1/7 of the Carrying Capacity of the Stanpac System as calculated pursuant to Exhibit "C" hereof. Stanpac shall set aside and reserve for the exclusive transportation of PG&E, "PG&E's Carrying Capacity", which shall be the difference between the Carrying Capacity of the Stanpac system as calculated pursuant to Exhibit "C" hereof and Chevron's Carrying Capacity. Stanpac shall, if, when and as requested so to do, accept from, transport for, and (with adjustment for metering differences and fuel and line losses) redeliver to PG&E and to Chevron or their designated nominees such quantity of natural gas as they shall from time to time deliver or cause to be delivered into the Stanpac System for transportation hereunder up to a volume equivalent to their respective Carrying Capacities. Stanpac may designate PG&E to calculate the Carrying Capacity of the Stanpac System. Any disputes regarding the methodology for calculating the Carrying Capacity of the Stanpac System or allocation of the Carrying Capacity shall be referred to the Management Committee for investigation, study, recommendation, and necessary action."

2. Paragraph 6.2 shall be deleted in its entirety, and the following substituted therefore:

"Chevron's one-seventh (1/7th) share in Stanpac shall entitle Chevron to deliver and have redelivered to it by Stanpac, after bearing Chevron's share of Unaccounted For Gas (UFG), a volume of gas up to Chevron's Carrying Capacity as indicated in Subparagraph 6.1. PG&E's six-sevenths (6/7) ownership share in Stanpac shall entitle PG&E to the use of the remainder of any available capacity of the Stanpac System, including any of Chevron's Carrying Capacity not being

used by Chevron. It is recognized that due to operating conditions, the quantities of gas received for the account of Chevron hereunder may vary during any month above or below Chevron's Carrying Capacity. It is agreed that quantities of gas transported for the account of Chevron may vary 10% above Chevron's Carrying Capacity in the Stanpac System during any month; provided that Chevron must increase or reduce transported quantities in future months, not to exceed six months, to compensate for such transportation under deliveries or over deliveries. Stanpac, or its designee, shall determine and confirm in writing within 30 days of the end of each month the quantities of transportation under deliveries or over deliveries."

3. Paragraph 6.5 shall be modified as follows:
 - A. In the third sentence delete the words "carrying capacities for the line section set forth in Exhibit "C" of the Agreement" and insert the word "ownership".
 - B. In the seventh sentence delete the words "Carrying Capacity in the line section set forth in Exhibit "C", as amended, of the Agreement" and insert the word "ownership".
4. Exhibit "C" of the Agreement shall be deleted in its entirety and the attached Exhibit "C", Revision #1, added and made a part thereof.

ACCEPTED AND AGREED TO:

CHEVRON PIPE LINE COMPANY

By: Redacted

Title: Comptroller

Date: 1/5/98

STANDARD PACIFIC GAS LINES, INC.

By: Redacted

Title: President

Date: 2/28/98

PACIFIC GAS & ELECTRIC COMPANY

By: Redacted

Title: VP-Gas and Electric Transmission

Date: 2/28/98

Executed by all parties
hereto and in full force and
effect on 2/28/98

Exhibit "C" - Revision #1

Calculation of Carrying Capacity

Carrying Capacity shall be calculated based upon the theoretical operation of the Stanpac System as a continuous pipeline, beginning at a single point of receipt on SP-4 in the [Redacted] and continuing to a single point of delivery on SP-3 at the [Redacted]. The capacity calculated for each individual section of the Stanpac System shall be based upon the maximum available pressure at the upstream end of the section and the minimum required pressure at the downstream end of the section, taking into account the pressure drop across each station. The total Carrying Capacity of the Stanpac System shall not exceed the capacity of the most capacity-constrained pipeline section of the Stanpac System.

Chevron's share of Carrying Capacity (Chevron's Carrying Capacity) shall be equal to the greater of (1) thirty million, seven hundred thousand cubic feet per day (30.7 Mmcf/d), or (2) one-seventh (1/7th) of the Carrying Capacity. PG&E's share of carrying Capacity (PG&E's Carrying Capacity) shall be equal to the remaining Carrying Capacity.

SECTION	MAXIMUM UPSTREAM PRESSURE PSIG	MINIMUM DOWNSTREAM PRESSURE PSIG	SECTION CAPACITY MMCFD	6/7 SHARE MMCFD	1/7 SHARE MMCFD
I. [Redacted]	630 ¹	400 ²	188.0	161.1	26.9
II. [Redacted]	390 ³	259 ⁴	236.0	202.3	33.7
III. [Redacted]	249 ⁵	165 ⁶	233.2	199.9	33.3

Notes:

1. Assumed average delivery pressure from the [Redacted]
2. Minimum pressure required to meet the 390 psig MAOP of SP-5 section from [Redacted] plus the 10 psig pressure drop across [Redacted]
3. MAOP of SP-5 and SP-3 sections from [Redacted]
4. Minimum pressure required to meet the 250 psig MAOP of SP-3 on the west side of [Redacted] plus the 10 psig pressure drop across [Redacted]
5. MAOP of SP-3 section from [Redacted] to [Redacted] minus 1 psig for elevation difference.
6. Minimum pressure required to meet the 150 psig downstream pressure requirement plus the 15 psig pressure drop across [Redacted]