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Santa Barbara, CA 93101

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November 27, 2007

City of Whittier  
Department of Public Works  
13230 Penn Street  
Whittier CA, 90602  
Attn: Mr. Steve Helvey

Re: **LETTER OF INTENT**  
**WHITTIER MAIN FIELD PROJECT**  
**WHITTIER, CA**

Dear Steve:

Matrix Oil Corporation ("Matrix") sincerely appreciates the opportunity to work with the City of Whittier ("City") to negotiate a contract to test and redevelop the acreage associated with the Whittier Main Oil Field ("The Project"). The area of interest is attached as Exhibit #1 and defined as an Area of Mutual Interest ("AMI").

Per our discussion in the meeting held on November 7, the purpose of this letter of intent is to describe certain key phases, which when implemented, will lead to the execution of a contract for the development of The Project.

1. Matrix submits this letter of intent, which includes a confidentiality and non-disclosure clause that will be enforced during the initial negotiation phase of the contract.
2. In connection with the Project, Matrix will provide to the City confidential databases to include legal and land interpretative reports and certain land and engineering maps relative to the Whittier Main Oil Field designated as the AMI. Data not in the public domain, not owned by the City of Whittier and/or proprietary or interpretive data generated by Matrix will be maintained as confidential by the City to the full extent permitted by the law. The parties agree and understand that reasonable efforts shall be made to maintain the confidentiality of such data both during and following the negotiation of the proposed Project. If a public records request or subpoena or other written demand or order is made to City for the release of the information, City shall promptly notify Matrix of the demand so that Matrix may take whatever legal steps it deems necessary to protect the confidentiality of the data. Nothing herein shall be deemed to require the City of Whittier to disobey any legal order for the release of the data. City will not duplicate the data except as may be reasonably necessary to accomplish the negotiations and any resulting contractual obligations relating to the Project. City shall return any confidential data to Matrix except as may be required to meet the City's legal obligations.

3. In an expeditious manner, Matrix agrees to submit to the City for its review a proposed oil and gas lease including all key deal terms such as lease bonus, annual rentals, royalty and lease operating provisions.
4. Matrix agrees to review its current Unconditional Use Permit ("U.U.P.") for its West Whittier Field Honolulu Terrace production site for modifications that may be submitted to the City for use as a framework to guide in the drafting of a similar document for use with the Project.
5. Matrix agrees to submit to the City for its review, a letter of qualification to include verification of business in good standing, proof of insurance, proof of financial capability and a statement of qualifications with regard to any partners.
6. Matrix' goal is to execute an agreement for the development of The Project with the City as soon as possible.

Should you have any questions or concerns, please do not hesitate to call me at 805.884.9624 or Mac McFarland at 562.696.1662. I anticipate having several meetings a month with your staff to achieve key action items stated above.

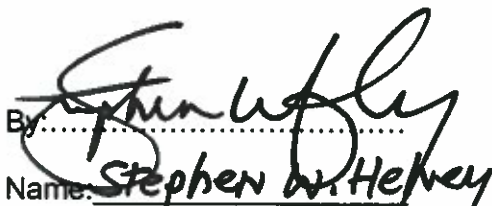
Sincerely,



Michael McCaskey  
Vice President and Secretary  
Matrix Oil Corporation

cc: Mel Ehrlich  
Mark Tisdale  
Kimberly Hall Barlow

Accepted and Agreed to this 3<sup>RD</sup> day of DECEMBER ~~November~~, 2007.

By:   
Name: Stephen W. Healey  
Title: City Mgr

# AMI

24

25

LA HABRA AREA

EXHIBIT 1

T2S  
R11W

CENTRAL AREA

WHITTIER OIL FIELD

23

22

27

EAST  
FOURTH

WHITTIER

