

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
FORMS* S-3, S-1 AND F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CHEVRON CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

94-0890210
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

225 BUSH STREET
SAN FRANCISCO, CALIFORNIA 94104
(415) 894-7700
(ADDRESS, INCLUDING ZIP CODE, AND
TELEPHONE NUMBER, INCLUDING AREA CODE,
OF REGISTRANT'S PRINCIPAL EXECUTIVE
OFFICES)

M.J. MCAULEY
225 BUSH STREET
SAN FRANCISCO, CALIFORNIA 94104
(415) 894-7700
(NAME, ADDRESS, INCLUDING ZIP CODE, AND
TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

CHEVRON TRANSPORT CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

REPUBLIC OF LIBERIA
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

94-2280244
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

CHEVRON HOUSE
11 CHURCH STREET
HAMILTON, BERMUDA HM11
(809) 295-1774
(ADDRESS AND TELEPHONE NUMBER OF
REGISTRANT'S PRINCIPAL EXECUTIVE
OFFICES)

M.J. MCAULEY
225 BUSH STREET
SAN FRANCISCO, CALIFORNIA 94104
(415) 894-7700
(NAME, ADDRESS, INCLUDING ZIP CODE,
AND TELEPHONE NUMBER, INCLUDING
AREA CODE, OF AGENT FOR SERVICE)

SEE TABLE OF ADDITIONAL REGISTRANTS

COPIES TO:

BLAIR W. WHITE, ESQ.
PILLSBURY MADISON &
SUTRO
P.O. BOX 7880
SAN FRANCISCO,
CALIFORNIA 94120
(415) 983-1000

CHARLES A. DIETZGEN,
ESQ.
THACHER PROFFITT & WOOD
2 WORLD TRADE CENTER
NEW YORK, N.Y. 10048
(212) 912-7443

JAMES D. PHYFE, ESQ.
DAVIS POLK & WARDWELL
450 LEXINGTON AVENUE
NEW YORK, N.Y. 10017
(212) 450-4598

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box:

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

* This Registration Statement constitutes a filing on Form S-3 by Chevron Corporation and Chevron Transport Corporation, a filing on Form S-1 by California Petroleum Transport Corporation and a filing on Form F-1 by the other Additional Registrants.

ADDITIONAL REGISTRANTS

CALIFORNIA PETROLEUM TRANSPORT CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	6159 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	04-3232976 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)	
<p>C/O JH MANAGEMENT CORPORATION ROOM 6/9 ONE INTERNATIONAL PLACE BOSTON, M.A. 02110-2624 (617) 951-7727</p> <p>(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)</p>		<p>CT CORPORATION SYSTEM 1633 BROADWAY NEW YORK, N.Y. 10019 (212) 664-1666</p> <p>(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)</p>	
<p>CALPETRO TANKERS (BAHAMAS I) LIMITED</p>	<p>THE BAHAMAS</p>	<p>NOT APPLICABLE 4412</p>	
<p>CALPETRO TANKERS (BAHAMAS II) LIMITED</p>	<p>THE BAHAMAS</p>	<p>NOT APPLICABLE 4412</p>	
<p>CALPETRO TANKERS (BAHAMAS III) LIMITED</p>	<p>THE BAHAMAS</p>	<p>NOT APPLICABLE 4412</p>	
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)	(STATE OR OTHER JURISDICTION OR INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)
<p>MAREVA HOUSE 4 GEORGE STREET NASSAU, BAHAMAS (809) 322-4195</p> <p>(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES OF CALPETRO TANKERS (BAHAMAS I) LIMITED, CALPETRO TANKERS (BAHAMAS II) LIMITED, AND CALPETRO TANKERS (BAHAMAS III) LIMITED)</p>		<p>CT CORPORATION SYSTEM 1633 BROADWAY NEW YORK, N.Y. 10019 (212) 664-1666</p> <p>(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, OF AGENT FOR SERVICE)</p>	
<p>CALPETRO TANKERS (IOM) LIMITED</p>	<p>ISLE OF MAN</p>	<p>NOT APPLICABLE 4412</p>	
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)	(STATE OR OTHER JURISDICTION OR INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)
<p>UNITED HOUSE 14-16 NELSON STREET DOUGLAS, ISLE OF MAN BRITISH ISLES 011-44-624-623422</p> <p>(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES OF CALPETRO TANKERS (IOM)</p>		<p>CT CORPORATION SYSTEM 1633 BROADWAY NEW YORK, N.Y. 10019 (212) 664-1666</p> <p>(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, OF AGENT FOR SERVICE)</p>	

CROSS REFERENCE SHEET

(PURSUANT TO ITEM 501(b) OF REGULATION S-K)

ITEM NO. AND CAPTION

CAPTION IN PROSPECTUS

1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus.....	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page of Prospectus, Available Information, Enforceability of Civil Liabilities
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary, Investment Considerations, Management's Discussion and Analysis of Financial Condition
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Outside Front Cover Page of Prospectus, Underwriting
6. Dilution.....	*
7. Selling Security Holders.....	*
8. Plan of Distribution.....	Underwriting
9. Description of Securities to be Registered.....	Description of the Notes
10. Interests of Named Experts and Counsel.....	*
11. Information with Respect to the Registrants	
(a)(1) Description of Business.....	Prospectus Summary, Investment Considerations, California Petroleum and the Owners, Management's Discussion and Analysis of Financial Condition
(2) Description of Property.....	California Petroleum and the Owners
(3) Legal Proceedings.....	*
(4) Control of Registrant.....	Prospectus Summary, California Petroleum and the Owners
(5) Nature of Trading Market.....	*
(6) Exchange Controls and Other Limitations Affecting Security Holders.....	*
(7) Taxation.....	*
(8) Selected Financial Data.....	Selected Financial Data, Index to Financial Statements
(9) Management's Discussion and Analysis of Financial Condition and Results of Operations.....	Management's Discussion and Analysis of Financial Condition
(10) Directors and Officers of Registrants.....	Management
(11) Compensation of Directors and Officers.....	Management
(12) Options to Purchase Securities from Registrant or Subsidiaries.....	*
(13) Interest of Management in Certain Transactions.....	Certain Transactions with Related Parties
(b) Financial Statements.....	Index to Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	*

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 * Indicates that item is omitted from Prospectus because it is not applicable or the answer is in the negative.

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 +INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
 +REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
 +SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
 +OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
 +BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
 +THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
 +SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +
 +UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
 +ANY SUCH STATE. +
 +-----+

SUBJECT TO COMPLETION, DATED MARCH 10, 1995
 PROSPECTUS

, 1995

\$167,500,000
 CALIFORNIA PETROLEUM TRANSPORT CORPORATION
 SERIAL FIRST PREFERRED MORTGAGE NOTES

MATURING SERIALLY FROM 1996 TO 2006

Payable from Charterhire Payments by
 CHEVRON TRANSPORT CORPORATION

CHEVRON
LOGO

Whose Charter Obligations are Guaranteed by

CHEVRON CORPORATION

The Serial First Preferred Mortgage Notes designated below in the aggregate principal amount of \$167,500,000 (the "Serial Mortgage Notes") are being issued as full recourse obligations of California Petroleum Transport Corporation, a Delaware corporation ("California Petroleum"), by California Petroleum as agent on behalf of the Owners named below. Interest on the Serial Mortgage Notes will be payable semi-annually on and of each year, commencing on , 1995, at the rates per annum set forth below. Principal will be payable on the Serial Mortgage Notes on their respective maturity dates (each, a "Maturity Date"). Concurrent with this offering, % First Preferred Mortgage Notes Due 2015 in an aggregate principal amount of \$117,900,000 (the "Term Mortgage Notes" and, together with the Serial Mortgage Notes, the "Notes"), are being offered pursuant to a separate prospectus. The consummation of the sale of the Serial Mortgage Notes is dependent on the consummation of the sale of the Term Mortgage Notes.

The proceeds from the sale of the Serial Mortgage Notes, together with the proceeds from the sale of the Term Mortgage Notes, will be loaned by California Petroleum to CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, CalPetro Tankers (Bahamas III) Limited and CalPetro Tankers (IOM) Limited (each, an "Owner") on a non-recourse basis, secured jointly and severally by the collateral discussed

(continued on next page)

SEE "INVESTMENT CONSIDERATIONS" FOR A DISCUSSION OF CERTAIN FACTORS WHICH INVESTORS SHOULD CONSIDER IN CONNECTION WITH AN INVESTMENT IN THE SERIAL MORTGAGE NOTES.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	INTEREST RATE	AGGREGATE AMOUNT	PRICE TO PUBLIC(1)	UNDERWRITING DISCOUNTS AND COMMISSIONS(2)	PROCEEDS TO CALIFORNIA PETROLEUM(1)(3)
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1996 Serial Mortgage Notes	%	\$ 17,160,000	100%	%	%
1997 Serial Mortgage Notes		18,160,000	100%		
1998 Serial Mortgage Notes		18,160,000	100%		
1999 Serial					

Mortgage Notes	18,160,000	100%		
2000 Serial Mortgage Notes	18,160,000	100%		
2001 Serial Mortgage Notes	18,160,000	100%		
2002 Serial Mortgage Notes	18,160,000	100%		
2003 Serial Mortgage Notes	18,160,000	100%		
2004 Serial Mortgage Notes	12,950,000	100%		
2005 Serial Mortgage Notes	7,740,000	100%		
2006 Serial Mortgage Notes	2,530,000	100%		
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Total	\$167,500,000	\$167,500,000	\$	\$

- (1) Plus accrued interest, if any, from the date of issuance.
- (2) See "Underwriting" for compensation and indemnity arrangements with the Underwriter.
- (3) Before deducting expenses payable from the proceeds of the offering estimated at \$300,000. Expenses payable in connection with the concurrent offering of the Term Mortgage Notes are estimated at \$211,000.

The Serial Mortgage Notes are offered by the Underwriter, when, as and if delivered to and accepted by the Underwriter, and subject to various prior conditions, including its right to reject orders in whole or in part. It is expected that delivery of the Serial Mortgage Notes will be made through the facilities of The Depository Trust Company upon payment therefor in immediately available funds in New York, New York on or about , 1995.

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

[insert tanker picture]

(cover page continued)

below, to fund, after paying certain fees and expenses, the acquisition by each Owner of a recently constructed oil tanker (each, a "Vessel") from Chevron Transport Corporation ("Chevron Transport"). The Vessels consist of one double-hulled, 130,000 deadweight tonne oil tanker, two double-hulled, 150,000 deadweight tonne oil tankers and one single-hulled, 150,000 deadweight tonne oil tanker, each of which was constructed to the specifications of Chevron Transport. Initially, each Owner will enter into a bareboat charter (each, an "Initial Charter") with Chevron Transport with a term expiring on , 2015, subject to earlier termination at the option of Chevron Transport. The obligations of Chevron Transport under each Initial Charter will be guaranteed by Chevron Corporation ("Chevron"). Chevron Transport is an indirect, wholly-owned subsidiary of Chevron. The Serial Mortgage Notes will not be obligations of, or guaranteed by, Chevron Transport or Chevron, although California Petroleum and the Owners expect that the amounts payable by Chevron Transport, and guaranteed by Chevron, under the Initial Charters (whether or not the termination options are exercised), together with an allocable amount of anticipated earnings on the Permitted Investments (as defined herein), will be sufficient to pay in full when due all principal of and interest on the Serial Mortgage Notes. See "Investment Considerations--Certain Risks Not Related to Chevron Transport or Chevron." The Serial Mortgage Notes will be obligations of California Petroleum and will be secured, equally and ratably with the Term Mortgage Notes, by an assignment of a first preferred ship mortgage on each Vessel, an assignment of each Initial Charter, as well as by certain other collateral. Upon payment in full of the Allocated Principal Amount of Serial Mortgage Notes (as defined herein) with respect to a Vessel, the collateral relating to such Vessel will be released from the Lien of the Serial Indenture. California Petroleum has agreed not to incur any indebtedness other than its obligations under the Notes and the related Indentures and the Owners have agreed not to incur any indebtedness other than Permitted Indebtedness so long as any Serial Mortgage Notes are outstanding. See "Description of the Notes--Certain Covenants" and "The Mortgages--Certain Covenants" for a discussion of Permitted Indebtedness.

The Serial Mortgage Notes will not be subject to optional redemption prior to their respective maturity dates. If certain casualty or other events occur with respect to a Vessel, the Serial Mortgage Notes will be subject to mandatory redemption in part, equally and ratably with any Term Mortgage Notes then outstanding, in an aggregate principal amount equal to the Allocated Principal Amount of Serial Mortgage Notes then outstanding and allocable to such Vessel. See "Description of the Notes--Redemption." The Term Mortgage Notes may be redeemed, in whole or in part, at the direction of California Petroleum on any Payment Date on or after , 2006, the final Maturity Date for any Serial Mortgage Notes.

The Serial Mortgage Notes will be debt obligations of California Petroleum secured solely by the Collateral and will not be share capital, debentures or general obligations of any Owner or the Owners and this Prospectus does not constitute an offering of any such security of any Owner or the Owners. Recourse under the Serial Indenture against the incorporators, directors, officers and stockholders of California Petroleum and its stockholders has been expressly waived by the Indenture Trustee, on behalf of all Holders of the Serial Mortgage Notes and, accordingly, the incorporators, directors, officers and stockholders of California Petroleum and its stockholders will not be liable for any payments of debt service on the Serial Mortgage Notes. California Petroleum's capitalization is nominal and it has no source of income other than payments to it by the Owners.

No action has been or will be taken in any jurisdiction by California Petroleum, Chevron Transport, Chevron, any Owner or the Underwriter that would permit a public offering of the Serial Mortgage Notes or possession or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than the United States of America.

All references in this Prospectus to "\$" or "Dollars" shall be to the currency of the United States of America.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIAL MORTGAGE NOTES OFFERED HEREBY AND THE TERM MORTGAGE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

California Petroleum, Chevron Transport, Chevron and the Owners have filed with the Securities and Exchange Commission (the "Commission") a combined registration statement under the Securities Act of 1933, as amended (the "Securities Act") with respect to the securities offered hereby (the "Registration Statement"). This Prospectus, which constitutes a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to California Petroleum, Chevron Transport, Chevron and the Owners and the securities offered hereby, reference is made to the Registration Statement, including the exhibits thereto, and the financial statements and notes filed as a part thereof. All of these documents may be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Offices of the Commission located at 7 World Trade Center, New York, New York 10048, and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

Chevron is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Commission. All of the reports, proxy statements and other documents filed by Chevron with the Commission, including the documents incorporated by reference herein, may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the Commission: 7 World Trade Center, New York, New York 10048; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of all such reports, proxy statements and other documents can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, certain reports, proxy statements and other information concerning Chevron may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10015; the Chicago Stock Exchange, 440 South LaSalle Street, Chicago, Illinois 60605; and The Pacific Stock Exchange, Inc., 301 Pine Street, San Francisco, California 94104 and 618 South Spring Street, Los Angeles, California 90014. Chevron is not required to, and will not, provide annual reports to Holders of the Serial Mortgage Notes unless specifically requested to do so by such a Holder.

Chevron Transport is currently not subject to the informational requirements of the Exchange Act. Chevron Transport will not be subject to such requirements upon effectiveness of the Registration Statement pursuant to an exemption therefrom.

Upon written or oral request, Chevron will provide, without charge, to each person to whom a copy of this Prospectus has been delivered a copy of any or all of the documents (without exhibits other than exhibits specifically incorporated by reference into such documents) incorporated by reference into this Prospectus. Requests for such copies should be directed to: Chevron Corporation, 225 Bush Street, San Francisco, California 94104, Attention: Office of the Comptroller (telephone: (415) 894-7700).

Neither California Petroleum nor any of the Owners is currently subject to the informational requirements of the Exchange Act. California Petroleum and each Owner will be subject to such requirements upon effectiveness of the Registration Statement and will provide copies of reports filed under the Exchange Act to the Holders of the Serial Mortgage Notes upon request. During any time that California Petroleum or any Owner is not subject to the reporting and informational requirements of the Exchange Act, under the terms of the Serial Indenture and the Mortgages, California Petroleum and the Owners have agreed that, so long as the Serial Mortgage Notes remain outstanding, they will file with the Indenture Trustee and the Commission and distribute to Holders of the Serial Mortgage Notes, upon request, copies of the financial and other information that would have been contained in such annual reports and periodic reports that California Petroleum and the Owners would have been required to file with the Commission pursuant to the Exchange Act.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by Chevron with the Commission are incorporated by reference in this Prospectus:

- (1) Chevron's Annual Report on Form 10-K for the year ended December 31, 1993.
- (2) Chevron's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994.
- (3) Chevron's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.
- (4) Chevron's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994.
- (5) Chevron's Current Report on Form 8-K, dated July 26, 1994.
- (6) Chevron's Current Report on Form 8-K, dated August 1, 1994.
- (7) Chevron's Current Report on Form 8-K/A, dated August 1, 1994.
- (8) Chevron's Current Report on Form 8-K, dated August 3, 1994.
- (9) Chevron's Current Report on Form 8-K, dated October 25, 1994.
- (10) Chevron's Current Report on Form 8-K, dated October 28, 1994.
- (11) Chevron's Current Report on Form 8-K, dated January 24, 1995.
- (12) Chevron's Current Report on Form 8-K, dated February 27, 1995.
- (13) Chevron's Current Report on Form 8-K, dated March 10, 1995.
- (14) Chevron's Current Report on Form 8-K, dated March 10, 1995.

All documents filed by Chevron pursuant to Sections 13, 14 or 15(d) of the Exchange Act after the date hereof and prior to the termination of the distribution of the Serial Mortgage Notes shall also be deemed to be incorporated by reference herein and be a part hereof from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

ENFORCEABILITY OF CIVIL LIABILITIES

Each of CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited and CalPetro Tankers (Bahamas III) Limited is a special purpose company organized under the laws of the Commonwealth of the Bahamas (the "Bahamas"). CalPetro Tankers (IOM) Limited is organized under the laws of the Isle of Man. A substantial portion of the assets of each Owner is or may be located outside the United States. As a result, it may be difficult for investors to enforce outside the United States judgments against each such Owner obtained in the United States in any actions, including actions predicated on the civil liability provisions of the federal securities laws of the United States. Certain directors of each such Owner are residents of jurisdictions other than the United States, and all or a significant portion of the assets of such persons are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to enforce against them in United States courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is currently no treaty between the United States and the Bahamas or between the United States and the Isle of Man providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws, would, therefore, not be automatically enforceable in the Bahamas or in the Isle of Man. Each Owner has irrevocably submitted to the jurisdiction of the federal and state courts in The City of New York for the purpose of any legal suit, action or proceeding against each such Owner in connection with the offering and sale of the Serial Mortgage Notes.

The foregoing discussion is based on the advice of McKinney, Bancroft & Hughes, counsel to CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, and CalPetro Tankers (Bahamas III) Limited with respect to matters of Bahamian law, and Cains, counsel to CalPetro Tankers (IOM) Limited with respect to matters of Isle of Man law.

Chevron Transport is organized under the laws of the Republic of Liberia ("Liberia") and a substantial portion of its assets are or may be located outside the United States. Certain directors of Chevron Transport are residents of jurisdictions other than the United States, and all or a significant portion of the assets of these directors of Chevron Transport may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or against Chevron Transport in the United States judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is currently no treaty between the United States and Liberia providing for reciprocal recognition and enforcement of judgments in civil and commercial matters, and a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicted solely upon the federal securities laws, would, therefore, not be automatically enforceable in Liberia. However, such judgment would be admissible in evidence and would be enforceable by the courts of Liberia without re-trial or examination of the merits of the case if the court which rendered the judgment had jurisdiction over the parties and subject matter, the judgment was for a fixed or definite sum, the judgment was not a default judgment and if enforcement of the judgment is not contrary to the public policy of Liberia. Chevron Transport has irrevocably submitted to the jurisdiction of the federal and state courts in New York City for the purpose of any legal suit, action or proceeding against Chevron Transport in connection with the offering and sale of the Serial Mortgage Notes.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Definitions of certain shipping terms and a glossary of certain other significant terms used in this Prospectus are included as Appendix A hereto.

CHEVRON AND CHEVRON TRANSPORT

Chevron Transport Corporation, a Liberian corporation ("Chevron Transport"), is principally engaged in the marine transportation of oil and refined petroleum products. As of December 31, 1994, Chevron Transport operated 30 internationally flagged vessels which it owned or bareboat chartered. In addition, at any given time, Chevron Transport typically has an additional 35 to 45 ships on time or single-voyage charters. Chevron Transport's primary transportation routes are from the Middle East, Indonesia, Mexico, West Africa and the North Sea to ports in the United States, Europe, the United Kingdom and Asia. Refined petroleum products are transported worldwide. Chevron Transport expects to use each Vessel worldwide as permitted under the Initial Charters.

Chevron Corporation, a Delaware corporation ("Chevron"), a major international oil company, will guarantee the payment and performance obligations of Chevron Transport under each Initial Charter. Chevron provides administrative, financial and management support for, and manages its investment in, domestic and foreign subsidiaries and affiliates, which engage in fully integrated petroleum operations, chemical operations, real estate development and other mineral and energy related activities in the United States and approximately 100 other countries. Petroleum operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil, natural gas and petroleum products by pipelines, marine vessels and motor equipment; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and the many products derived from petroleum. Chemical operations include the manufacture and marketing of a wide range of chemicals primarily for industrial uses. Chevron Transport is an indirect, wholly-owned subsidiary of Chevron.

Chevron's executive offices are located at 225 Bush Street, San Francisco, California 94104. Chevron's telephone number is (415) 894-7700. Chevron Transport's executive offices are located at Chevron House, 11 Church Street, Hamilton, Bermuda HM11, and its telephone number is (809) 295-1774.

CALIFORNIA PETROLEUM

California Petroleum Transport Corporation, a Delaware corporation ("California Petroleum"), is a special purpose corporation that has been recently organized solely for the purpose of issuing, as agent on behalf of the Owners, the Serial Mortgage Notes and the Term Mortgage Notes as full recourse obligations of California Petroleum and loaning the proceeds of the sale of the Notes to the Owners to facilitate the funding of the acquisition of the four Vessels described below from Chevron Transport. Recourse under the Serial Indenture against the incorporators, directors, officers and stockholders of California Petroleum and its stockholders has been expressly waived by the Indenture Trustee, on behalf of all Holders of the Serial Mortgage Notes and, accordingly, the incorporators, directors, officers and stockholders of California Petroleum and its stockholders will not be liable for any payments of debt service on the Serial Mortgage Notes. California Petroleum's capitalization is nominal and it has no source of income other than payments to it by the Owners. All the shares of California Petroleum are held by The California Trust, a Massachusetts charitable lead trust formed by JH Holdings, a Massachusetts corporation, for the benefit of certain charitable institutions in Massachusetts.

California Petroleum's executive offices are located at Room 6/9, One International Place, Boston, Massachusetts 02110-2624, and its telephone number is (617) 951-7727.

THE OWNERS

Each of CalPetro Tankers (Bahamas I) Limited ("CalPetro Bahamas I"), CalPetro Tankers (Bahamas II) Limited ("CalPetro Bahamas II") and CalPetro Tankers (Bahamas III) Limited ("CalPetro Bahamas III"), has been recently organized as a special purpose company under the laws of the Bahamas for the purpose of acquiring and chartering one of the Vessels. Similarly, CalPetro Tankers (IOM) Limited ("CalPetro IOM") has been recently organized as a special purpose company organized under the laws of the Isle of Man for the purpose of acquiring and chartering one of the Vessels. Each of the foregoing companies also is referred to in this Prospectus as an "Owner." Each Owner, either pursuant to the terms of its Memorandum of Association and/or pursuant to the terms of the related Mortgage, will engage in no business other than the ownership and chartering of its Vessel and activities resulting from or incidental to such ownership and chartering. Each Owner is wholly-owned by California Tankers Investments Limited, a company organized under the laws of the Bahamas, which is a wholly-owned subsidiary of CalPetro Holdings Limited, an Isle of Man company. None of the Owners is owned by or is an affiliate of California Petroleum and none of California Petroleum or any Owner is owned by or is an affiliate of Chevron Transport or Chevron.

Each of CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III has executive offices located at Mareva House, 4 George Street, Nassau, Bahamas, and each such Owner's telephone number is (809) 322-4195.

CalPetro IOM's executive offices are located at United House, 14-16 Nelson Street, Douglas, Isle of Man, British Isles and its telephone number is 011-44-624-623422.

THE VESSELS

Each Vessel to be acquired by the respective Owner listed below is a Suezmax oil tanker, which is currently owned and operated by Chevron Transport. Suezmax-size tankers are medium-sized vessels ranging from approximately 120,000 to 200,000 deadweight tonnes ("dwt"), and of maximum length, breadth and draft capable of passing fully loaded through the Suez Canal.

VESSEL NAME	OWNER	APPROXIMATE DEADWEIGHT TONNES	CONSTRUCTION	DELIVERY DATE
Samuel Ginn ("S. Ginn")	CalPetro Bahamas I	150,000	Double Hull	March 1993
Condoleezza Rice ("C. Rice")	CalPetro Bahamas II	130,000	Double Hull	August 1993
Chevron Mariner ("Chevron Mariner")	CalPetro IOM	150,000	Double Hull	October 1994
William E. Crain ("W.E. Crain")	CalPetro Bahamas III	150,000	Single Hull	February 1992

Each Vessel has been constructed under the supervision of Chevron Transport and has been designed to Chevron Transport's specifications to enhance safety and reduce operating and maintenance costs, including such features as high performance rudders, extra steel (minimal use of high tensile steels), additional fire safety equipment, redundant power generation equipment, extra coating and electrolytic corrosion monitoring and protection systems, additional crew quarters to facilitate added manning and, for three of the Vessels, a double-hull design patented by one of Chevron's subsidiaries. The builder of three of the Vessels, C. Rice, Chevron Mariner and W.E. Crain, was Ishikawajima do Brasil Estaleiros S.A. ("Ishibras"), and the builder of S. Ginn was Ishikawajima-Harima Heavy Industries Co., Ltd. ("IHI").

VESSEL TECHNICAL INFORMATION

VESSEL	BUILDER	REGISTRATION	LENGTH (METERS)	BEAM (METERS)	DRAFT (METERS)
S. Ginn	IHI	Bahamas	274.50	50.00	17.205
C. Rice	Ishibras	Bahamas	258.90	48.30	16.79
Chevron Mariner	Ishibras	Liberia	274.50	50.00	17.205
W.E. Crain	Ishibras	Liberia	274.50	50.00	16.79

THE OFFERING

Securities Offered..... \$167,500,000 aggregate principal amount of Serial First Preferred Mortgage Notes issued under an indenture (the "Serial Indenture") in the principal amounts and maturities stated below:

- \$17,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 1996(the "1996 Serial Mortgage Notes").
- \$18,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 1997(the "1997 Serial Mortgage Notes").
- \$18,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 1998(the "1998 Serial Mortgage Notes").
- \$18,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 1999(the "1999 Serial Mortgage Notes").
- \$18,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 2000(the "2000 Serial Mortgage Notes").
- \$18,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 2001(the "2001 Serial Mortgage Notes").
- \$18,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 2002(the "2002 Serial Mortgage Notes").

- \$18,160,000 principal amount of %
Serial First Preferred Mortgage Notes Due 2003(the "2003 Serial Mortgage Notes").

- \$12,950,000 principal amount of %
Serial First Preferred Mortgage Notes Due 2004(the "2004 Serial Mortgage Notes").

- \$7,740,000 principal amount of %
Serial First Preferred Mortgage Notes Due 2005(the "2005 Serial Mortgage Notes").

- \$2,530,000 principal amount of %

Serial First Preferred Mortgage Notes Due 2006(the "2006 Serial Mortgage Notes").

The foregoing are collectively referred to in this Prospectus as the "Serial Mortgage Notes."

Scheduled Principal

Payment Dates..... The principal amount of each Serial Mortgage Note will be payable in full on the maturity date for such Serial Mortgage Note, which will be of the respective year of maturity (each, a "Maturity Date").

Interest Payment Dates.. and , commencing , 1995.

Denominations..... The Serial Mortgage Notes will be issued in minimum denominations of \$100,000 and multiples of \$1,000 in excess thereof.

Form..... The Serial Mortgage Notes will be issued in the form of one or more fully registered global notes (each, a "Global Note") which will be issued to The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. The Indenture Trustee will act as custodian of each Global Note for DTC. Except as otherwise described herein, the Serial Mortgage Notes will be available for purchase in book-entry form only and each person owning a beneficial interest in a Global Note must rely on the procedures of the institutions having accounts with DTC to exercise or be entitled to any of the rights of a registered holder of any Serial Mortgage Notes (a "Holder").

Concurrent Offering.... Concurrent with the offering of the Serial Mortgage Notes, California Petroleum is offering for sale to the public pursuant to a separate prospectus \$117,900,000 aggregate principal amount of % First Preferred Mortgage Notes Due 2015 (the "Term Mortgage Notes") issued under a separate indenture (the "Term Indenture"). The consummation of the sale of the Serial Mortgage Notes is dependent on the consummation of the sale of the Term Mortgage Notes.

Purchase of Vessels.... The Vessels are currently owned by Chevron Transport. The sale of the Vessels to the respective Owners and the commencement of the Initial Charters with respect to the Vessels will occur on the closing date (the "Closing Date") for the offering of the Notes.

The Initial Charters and Chevron Guarantees..... On the Closing Date, the Vessels will be purchased by their respective Owner and will be chartered to Chevron Transport. The bareboat charter for each Vessel (each, an "Initial Charter") will have a term expiring on , 2015, subject to Chevron Transport's right to terminate each of the Initial Charters on specified dates commencing on the date that the Allocated Principal Amount of Serial Mortgage Notes relating to such Vessel is scheduled to have been paid in full. The obligations of Chevron Transport under each Initial Charter will be guaranteed by Chevron pursuant to a guarantee (each, a "Chevron Guarantee"). See "The Initial Charters--Termination Options."

Security..... The obligations of California Petroleum under the Serial Mortgage Notes will be secured, equally and ratably with the Term Mortgage Notes (except as described under "Description of the Notes--Security--After First Optional Termination Date"), by the assignment of a first preferred ship mortgage (each, a "Mortgage") on each Vessel between the respective Owner, as mortgagor, and California Petroleum, as mortgagee, an assignment of each Initial Charter, as well as certain other collateral, including an assignment of the related Chevron Guarantee, an assignment of the earnings and insurance proceeds, an assignment of the Management Agreements relating to the Vessels and by a pledge of all of the outstanding stock of the Owners. The Serial

Mortgage Notes are also secured by an assignment of the Serial Loan Agreements and certain other Security Documents (collectively, with the collateral described in the preceding sentence, at any time, the "Collateral"). Recourse under the Serial Indenture against the incorporators, directors, officers and stockholders of California Petroleum and its stockholders has been expressly waived by the Indenture Trustee on behalf of all Holders of the Serial Mortgage Notes and, accordingly, the incorporators, directors, officers and stockholders of California Petroleum and its stockholders will not be liable for any payments of debt service on the Serial Mortgage Notes. California Petroleum's capitalization is nominal and it has no source of income other than payments to it by the Owners. The Indenture Trustee, as indenture trustee under the Term Indenture and the Serial Indenture, California Petroleum and Chemical Trust Company of California, as collateral trustee (the "Collateral Trustee"), will enter into a collateral trust agreement (the "Collateral Agreement") pursuant to which the Collateral Trustee will hold the Collateral for the benefit of the holders of the Term Mortgage Notes and the Holders of the Serial Mortgage Notes. In accordance with the Collateral Agreement, the Collateral Trustee will exercise remedies with respect to the Collateral, including the sale or other disposition of the Collateral, upon receipt of notice of the occurrence of an event of default (an "Enforcement Notice") under the Term Indenture or the Serial Indenture, or both, as the case may be. The right of the Collateral Trustee to enforce the Mortgages, however, will be subject to the rights of Chevron Transport under each Initial Charter to the continued use and operation of the related Vessel under such Initial Charter, so long as no event of default has occurred and is continuing under such Initial Charter and so long as Chevron Transport is performing its obligations thereunder. If the Allocated Principal Amount of Serial Mortgage Notes relating to a Vessel is paid in full, the Collateral (including the related Initial Charter, if it remains in effect) relating to such Vessel will be released from the Lien of the Serial Indenture. See "Description of the Notes--Security."

Termination Options

Under the Initial

Charters.....

Under each Initial Charter, Chevron Transport may elect to terminate such Initial Charter on any of four, in the case of the double-hulled Vessels, or three, in the case of the single-hulled Vessel, termination dates and make a termination payment (a "Termination Payment") in connection with such termination. The earliest such optional termination date for any Vessel is , 2003. Chevron Transport is required to pay the Termination Payment to the Collateral Trustee (by virtue of the Collateral Trustee's receipt of the assignment of the Initial Charters) on or prior to the termination date. Whether or not the termination options are exercised, California Petroleum and the Owners expect that the amounts payable by Chevron Transport (other than the related Termination Payment, if any), and guaranteed by Chevron, under the Initial Charters, together with an allocable amount of anticipated earnings on Permitted Investments (as defined herein), will be sufficient to pay in full when due all principal of and interest on the

Serial Mortgage Notes. See "Investment Considerations--Certain Risks Not Related to Chevron Transport or Chevron." The Termination Payments, if any, will not secure the obligations of California Petroleum under the Serial Indenture.

Redemption..... If a casualty or certain other events occur with respect to a Vessel as result of which the Vessel is a Total Loss, then the Serial Mortgage Notes will be subject to mandatory redemption in part, equally and ratably with the Term Mortgage Notes, in an aggregate principal amount equal to the Allocated Principal Amount of Notes for such Vessel together with accrued but unpaid interest thereon and certain other amounts described herein. The Serial Mortgage Notes are not subject to optional redemption prior to their respective Maturity Dates. See "Description of the Notes--Redemption."

Certain Covenants..... The Indentures will include certain covenants that, among other things, prohibit California Petroleum from (i) incurring any indebtedness other than the Notes, (ii) making any investments, loans or advances other than the loans to the Owners of the proceeds from the sale of the Notes or (iii) creating any Liens other than its obligations under the Notes, the Collateral Agreement and the related Indentures. The Mortgages will include certain covenants that, among other things, limit the type and amount of additional indebtedness that may be incurred by the Owners and impose limitations on investments, loans, advances, the payment of dividends and the making of certain other payments, the creation of Liens, certain transactions with affiliates and mergers.

Under each Mortgage, the related Owner is required to keep its Vessel free and clear of all Liens other than liens arising under the Indentures and the Collateral Agreement and liens for crew's wages accrued for not more than three months, suppliers' or other similar liens arising in the ordinary course of its business and accrued for not more than three months, liens for collision or salvage, or liens for loss, damage or expense that are fully covered by insurance or bonded. Notwithstanding the preceding sentence, during the term of the related Initial Charter, any Lien permitted under the Initial Charter will be permitted under the related Mortgage. Under each Initial Charter, Chevron Transport may not allow, or permit to be continued, any Lien incurred by it that might have priority over the title and interest of the Owner in the related Vessel. See "The Mortgages--Certain Covenants" and "The Initial Charters--Covenants."

Restricted Payments..... None of the Owners may (i) declare or pay any dividend or other distribution on any shares of its capital stock, (ii) make any loans or advances to any affiliate of such Owner or (iii) purchase, redeem or otherwise acquire or retire for value any shares of its capital stock (each, a "Restricted Payment") unless, among other things, the Serial Mortgage Notes shall have been repaid in full. California Petroleum may not make any Restricted Payments in excess of \$15,000 per annum so long as any Notes are outstanding.

Certain Liabilities..... Under each Initial Charter, Chevron Transport will be liable for oil or other pollution damage resulting from its operation of the related Vessel under such Initial Charter and will be liable to indemnify and hold harmless the related Owner against any and all losses, damages and expenses incurred by such Owner as a result of any oil or other pollution damage resulting from Chevron Transport's operation of such Vessel under such Initial Charter (including, without limitation, such Owner's liability under the United States Oil Pollution Act of 1990, as amended ("OPA 90"), or under the laws of any other jurisdiction relating to oil spills).

Use of Proceeds..... See "Use of Proceeds" for a discussion of the application of the net proceeds of the offering of the Serial Mortgage Notes to the cost of acquiring the Vessels.

Ratings..... The Serial Mortgage Notes have been prospectively rated by Moody's Investors Service, Inc. ("Moody's"), by Standard & Poor's Rating Group, a division of McGraw-Hill, Inc. ("Standard & Poor's") and by Duff & Phelps Credit Rating Co. ("Duff & Phelps") at their initial issuance. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Investment Considerations..... Prospective purchasers of the Serial Mortgage Notes should carefully consider the matters set forth in this Prospectus under the caption "Investment Considerations."

SOURCES AND USES OF FUNDS

Sources of Funds:	
Proceeds from Serial Mortgage Notes.....	\$167,500,000
Proceeds from Term Mortgage Notes.....	117,900,000

Total Sources.....	285,400,000
	=====
Uses of Funds:	
Owner's Purchase Price for S. Ginn.....	80,666,667
Owner's Purchase Price for C. Rice.....	80,666,667
Owner's Purchase Price for Chevron Mariner.....	80,666,666
Owner's Purchase Price for W.E. Crain.....	40,000,000
Underwriting Fees and Commissions.....	1,989,000*
Legal, Printing, Rating and Other Fees.....	511,000*
Coordinator's Fees.....	450,000(1)
Broker's Fees.....	450,000(1)

Total Uses.....	\$285,400,000
	=====

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* Estimated

(1) The coordinator's fee is payable to Xenon Shipping AS and Merrimac Shipping Ltd. and the broker's fee is payable to McQuilling Brokerage Partners, Inc.

INVESTMENT CONSIDERATIONS

Prospective purchasers of the Serial Mortgage Notes should carefully consider the following investment considerations as well as the other information set forth in this Prospectus.

CERTAIN RISKS NOT RELATED TO CHEVRON TRANSPORT OR CHEVRON

The Indenture Events of Default specified in the Serial Indenture include, in addition to a default by Chevron Transport under any Initial Charter or the termination of the related Chevron Guarantee of any Initial Charter other than pursuant to its terms, certain other events which do not depend on Chevron Transport's compliance with the Initial Charters or the effectiveness of the related Chevron Guarantees. Such Indenture Events of Default include (i) the occurrence and continuance of a Mortgage Event of Default, (ii) a breach of any representation, warranty or covenant of California Petroleum in the Serial Indenture which continues uncured for a specified period, (iii) the occurrence of specified events of bankruptcy with respect to California Petroleum and (iv) the termination of any of the Security Documents other than pursuant to their terms. See "Description of the Notes--Indenture Events of Default." The activities of California Petroleum and the Owners have been limited as described under "California Petroleum and the Owners," and California Petroleum and each Owner will covenant to engage in no activities other than those permitted. See "Description of the Notes--Certain Covenants" and "The Mortgages--Certain Covenants" for a description of the applicable covenants.

Any of the Indenture Events of Default discussed above could occur even if Chevron Transport is in full compliance with the terms of the Initial Charters. For example, California Petroleum and the Owners will rely entirely on Chevron Transport's charterhire payments under the Initial Charters and any earnings on Permitted Investments to pay their expenses and make scheduled payments of principal and interest on the Serial Mortgage Notes and interest on the Term Mortgage Notes until the first termination date for each Initial Charter. Such expenses will include Recurring Fees and Taxes and any other expenses for which Chevron Transport is not responsible under the Initial Charters. Under each Initial Charter, Chevron Transport will be responsible for, among other things, all costs and expenses of operating and maintaining the related Vessel and under certain circumstances, the costs and expenses of maintaining the documentation of the related Vessel under the laws of the jurisdiction in which the related Vessel is or will be registered (the "Registration Jurisdiction") in excess of a specified amount. See "The Initial Charters--Flag and Name of Vessel" and "--Indemnity." While the Owners expect that such charterhire payments and earnings will be sufficient to meet their requirements, substantial unanticipated expenses or increases in expenses that are not payable by Chevron Transport under the Initial Charters could result in the bankruptcy of any Owner, which would result in an Indenture Event of Default and a corresponding event of default under the Term Indenture. See "Management's Discussion and Analysis of Financial Condition of California Petroleum and the Owners--Capital Resources and Liquidity." Upon the occurrence and continuance of such an Indenture Event of Default and event of default under the Term Indenture, all principal and accrued interest on the Serial Mortgage Notes, as well as the Term Mortgage Notes, would become immediately due and payable. Thereafter, any amounts received by the Collateral Trustee in the exercise of its remedies, including for example charterhire payments from Chevron Transport or proceeds from the sale of the Vessels, would be subject to the claims of the holders of the Serial Mortgage Notes and the Term Mortgage Notes, equally and ratably, except as described under "Description of the Notes--Security--After First Optional Termination Date." There can be no assurance that amounts received by the Collateral Trustee following an Indenture Event of Default would be sufficient to pay the principal of and accrued interest on the outstanding Serial Mortgage Notes.

LACK OF PUBLIC MARKET FOR THE SERIAL MORTGAGE NOTES

There has not previously been any public market for the Serial Mortgage Notes. California Petroleum does not intend to list the Serial Mortgage Notes on any securities exchange or to seek approval for quotation through any automated quotation system. There can be no assurance that an active market for the Serial Mortgage Notes will develop. To the extent that a market for the Serial Mortgage Notes does develop, the market value of the Serial Mortgage Notes will depend on prevailing interest rates, the market for similar

securities and other factors, including the financial condition, performance and prospects of the charterers of the Vessels and the value of the Vessels. California Petroleum has been advised by the Underwriter that the Underwriter presently intends to make a market in the Serial Mortgage Notes, as permitted by applicable laws and regulations. The Underwriter is not obligated, however, to make a market in the Serial Mortgage Notes, and any such market-making may be discontinued at any time at the sole discretion of the Underwriter. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Serial Mortgage Notes.

USE OF PROCEEDS

The proceeds from the sale of the Serial Mortgage Notes, together with the proceeds from the Term Mortgage Notes, will be loaned to the Owners to fund the acquisition of the Vessels from Chevron Transport and to pay the underwriting commissions and the other fees and expenses referred to above under "Prospectus Summary--Sources and Uses of Funds." The Vessels are currently owned by Chevron Transport and will be acquired by the related Owners and chartered by Chevron Transport on the Closing Date. The net proceeds of the sale of the Notes to be applied by the respective Owners to purchase the Vessels from Chevron Transport will be approximately \$80,666,667 for each double-hulled Vessel and \$40,000,000 for the single-hulled Vessel.

CAPITALIZATION OF CHEVRON

The capitalization of Chevron and its consolidated subsidiaries as of December 31, 1994 is set forth in the following table. This table should be read in conjunction with the consolidated financial statements of Chevron and the related notes thereto incorporated by reference herein.

	DECEMBER 31, 1994

	(DOLLARS IN MILLIONS)
Short-term debt.....	\$ 4,014
Long-term debt and capital lease obligations:	
Long-term debt.....	3,955
Capital lease obligations.....	173

Total debt.....	\$ 8,142
	=====
Stockholders' equity:	
Preferred stock--\$1.00 par value.....	--
Authorized--100,000,000 shares	
Issued--None	
Common stock--\$1.50 par value.....	\$ 1,069
Authorized--1,000,000,000 shares	
Issued--712,487,068 shares	
Capital in excess of par value.....	1,858
Deferred compensation--Employee Stock Ownership Plan....	(900)
Currency translation adjustment and other.....	175
Retained earnings.....	14,457
Treasury stock, at cost (60,736,435 shares).....	(2,063)

Total stockholders' equity.....	\$14,596

Total debt and stockholders' equity.....	\$22,738
	=====

SELECTED FINANCIAL DATA OF CHEVRON

The selected financial information presented in the table below should be read in conjunction with the consolidated financial statements and related notes contained in Chevron's Current Report on Form 8-K, dated March 10, 1995, referred to under "Incorporation of Certain Documents by Reference." The selected financial information for each of the five years in the period ended December 31, 1994 has been derived from audited financial statements. Chevron adopted Statements of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and No. 109, "Accounting for Income Taxes," effective January 1, 1992.

	YEAR ENDED DECEMBER 31,				
	1994	1993	1992	1991	1990
	(DOLLARS IN MILLIONS, EXCEPT FOR PER-SHARE AMOUNTS)				
Sales and other operating revenues....	\$35,130	\$36,191	\$38,212	\$38,118	\$41,540
Equity in net income of affiliates and other income.....	724	891	1,465	825	1,026
Total costs.....	33,051	34,656	36,214	36,691	38,353
Income before income tax expense and cumulative effect of changes in accounting principles.....	\$ 2,803	\$ 2,426	\$ 3,463	\$ 2,252	\$ 4,213
Income tax expense.....	1,110	1,161	1,253	959	2,056
Income before cumulative effect of changes in accounting principles....	\$ 1,693	\$ 1,265	\$ 2,210	\$ 1,293	\$ 2,157
Cumulative effect of changes in accounting principles.....	--	--	(641)	--	--
Net income.....	\$ 1,693	\$ 1,265	\$ 1,569	\$ 1,293	\$ 2,157
Per share of common stock(1)					
Income before cumulative effect of changes in accounting principles....	\$ 2.60	\$ 1.94	\$ 3.26	\$ 1.85	\$ 3.05
Cumulative effect of changes in accounting principles.....	--	--	(.95)	--	--
Net income per share of common stock.	\$ 2.60	\$ 1.94	\$ 2.31	\$ 1.85	\$ 3.05
Cash dividends per share of common stock.....	\$ 1.85	\$ 1.75	\$ 1.65	\$ 1.63	\$ 1.48
Ratio of earnings to fixed charges of Chevron on a total enterprise basis..	5.31	5.23	6.35	4.34	6.07

(1) All per share amounts reflect a two-for-one stock split in May 1994.

The ratios of earnings to fixed charges set forth in the table above are computed using amounts for Chevron as a whole, including its majority owned subsidiaries and its proportionate share of 50 percent owned entities (primarily the Caltex Group of Companies). For the purpose of determining earnings in the calculation of the ratios, equity in net income of less than 50 percent owned affiliates is adjusted to the amount of distributions received (but not undistributed amounts). In addition, consolidated income before cumulative effect of changes in accounting principles is increased by income taxes, previously capitalized interest charged to earnings during the period, the minority interest's share of net income, and fixed charges, excluding capitalized interest. Fixed charges consist of interest on debt (including capitalized interest and amortization of debt discount and expense) and a portion of rentals determined to be representative of interest.

SUMMARIZED FINANCIAL DATA OF CHEVRON TRANSPORT

Summarized financial information for Chevron Transport for each of the three years ended December 31, 1994 is contained in Chevron's Current Report on Form 8-K, dated March 10, 1995, referred to under "Incorporation of Certain Documents By Reference."

CAPITALIZATION OF CALIFORNIA PETROLEUM

The following unaudited table sets forth the capitalization and cash of California Petroleum at December 31, 1994, and as adjusted to give effect to the sale of the Notes and the application of the estimated net proceeds therefrom. This table should be read in conjunction with the financial statements of California Petroleum and the related notes thereto set forth elsewhere in this Prospectus. See also "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition of California Petroleum and the Owners."

	DECEMBER 31, 1994	
	ACTUAL	AS ADJUSTED
Cash.....	\$1,000	\$ 1,000
Long-term Debt:		
Serial Mortgage Notes.....	--	\$167,500,000
Term Mortgage Notes.....	--	117,900,000
Total Long-term Debt.....	--	285,400,000
Stockholder's Equity:		
Capital Stock.....	\$1,000	1,000
Additional Paid-in Capital.....	0	0
Retained Earnings.....	0	0
Total Stockholder's Equity.....	1,000	1,000
Total Capitalization.....	\$1,000	\$285,401,000

SELECTED FINANCIAL AND PRO FORMA DATA OF CALIFORNIA PETROLEUM

Neither California Petroleum nor any of the Owners has an operating history. Financial data for comparable accounting periods is not available for any of them. The financial statements set forth in this Prospectus for California Petroleum and each of the Owners include their beginning balance sheets. See "Index to Financial Statements."

The following unaudited pro forma balance sheet of California Petroleum at December 31, 1994 was prepared as if the sale of the Notes and the application of the estimated net proceeds therefrom had occurred on such date. The following unaudited pro forma income statement of California Petroleum for the year ended December 31, 1994 gives effect to the sale of the Notes and the application of the estimated net proceeds therefrom as if it had occurred on January 1, 1994, the beginning of California Petroleum's fiscal year. The unaudited pro forma financial data are based upon assumptions and adjustments described in the accompanying notes. The unaudited pro forma income statement does not purport to represent what California Petroleum's results of operations actually would have been if the transaction had occurred as of the dates indicated or what such results will be for any future periods. The unaudited pro forma financial data are based upon assumptions that California Petroleum believes are reasonable and should be read in conjunction with the financial statements, including the Owners' pro forma condensed combined financial data, and accompanying notes thereto included elsewhere in this Prospectus.

UNAUDITED PRO FORMA BALANCE SHEET
OF CALIFORNIA PETROLEUM

	AT DECEMBER 31, 1994		
	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA
ASSETS			
Current assets.....			
Cash.....	\$1,000	\$ --	\$ 1,000
Current portion of Serial loans re- ceivable.....	--	17,160,000(c)	17,160,000
Total current assets.....	1,000	17,160,000	17,160,000
Term loans receivable.....	--	116,138,200(c)	116,138,200
Serial loans receivable less current portion.....	--	148,701,800(c)	148,701,800
Other assets.....	--	3,400,000(b)	3,400,000
TOTAL ASSETS.....	\$1,000	\$285,400,000	\$285,401,000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of Serial Mortgage Notes.....	\$ --	\$ 17,160,000(a)	\$ 17,160,000
Total current liabilities.....	--	17,160,000	17,160,000
Term Mortgage Notes.....	--	117,900,000(a)	117,900,000
Serial Mortgage Notes less current por- tion.....	--	150,340,000(a)	150,340,000
Total liabilities.....	--	285,400,000	285,400,000
Stockholders' equity			
Common stock issued.....	1,000	--	1,000
Total stockholders' equity.....	1,000	--	1,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQ- UITY.....	\$1,000	\$285,400,000	\$285,401,000

FOR THE YEAR ENDED
DECEMBER 31, 1994

		PRO FORMA HISTORICAL ADJUSTMENTS	PRO FORMA
UNAUDITED PRO FORMA INCOME STATEMENT			
Interest income.....	\$ --	\$23,076,256(c)	\$23,076,256
Other income.....	--	60,000(d)	60,000
	-----	-----	-----
Total income.....	--	23,136,256	23,136,256
Interest expense.....	--	22,842,532(a)	22,842,532
General and administrative expenses.....	--	60,000(d)	60,000
Amortization of debt issue costs.....	--	233,724(b)	233,724
	-----	-----	-----
Net income.....	\$ --	\$ 0	\$ 0
	=====	=====	=====

Pro forma adjustments are made to reflect:

- (a) The issuance of \$117,900,000 in Term Mortgage Notes and \$167,500,000 in Serial Mortgage Notes. The Term Mortgage Notes bear interest at an assumed rate of 8.45% per annum. The Serial Mortgage Notes bear interest at assumed rates ranging from 7.00% to 8.03% through maturity. Such assumed interest rates are based on market interest rates as of February 21, 1995. Principal will be payable on the Term Mortgage Notes in accordance with a twelve year sinking fund schedule commencing nine years from the issuance date. Serial Mortgage Notes will mature over an eleven year period beginning one year from the issuance date. Interest is assumed to be payable semi-annually on July 1 and January 1 of each year.
- (b) Capitalization of debt issue costs. The costs represent commissions, broker fees and other costs relating to the issuance of the Term Mortgage Notes and the Serial Mortgage Notes described in (a) above. \$3,400,000 of proceeds derived from the sale of the Term Mortgage Notes and Serial Mortgage Notes discussed in (a) above are assumed to be used to pay these costs at the time of issuance. These costs will be amortized over the term of the Notes to which they relate.
- (c) Lending of the proceeds from the issuance of the Term Mortgage Notes and Serial Mortgage Notes described in (a) above. The principal balances of the Term Loans totalling \$117,900,000 earn interest at an assumed rate of 8.45% per annum and are to be repaid over a twelve year period beginning nine years from the issuance date in accordance with the Term Loan Agreements between California Petroleum and the Owners. The principal balances of the Serial Loans totalling \$167,500,000 earn interest at assumed rates ranging from 7.00% to 8.03% and mature over an eleven year period beginning one year from the issuance date in accordance with the Serial Loan Agreements between California Petroleum and the Owners. Such assumed interest rates are based on market interest rates as of February 21, 1995. The Term Loans and Serial Loans are reported net of the related debt discounts which total \$1,761,800 and \$1,638,200, respectively. The discounts will be amortized over the term of the loans to which they relate. Interest is assumed to be due semi-annually on July 1 and January 1 of each year.
- (d) General and administrative expenses comprising trustee fees, legal fees, agency fees and other costs estimated by management of California Petroleum to be incurred by California Petroleum during the year ended December 31, 1994. These costs will be billed to the Owners.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OF CALIFORNIA
PETROLEUM AND THE OWNERS

As of the date of this Prospectus, neither California Petroleum nor the Owners had any operating history. On the Closing Date, California Petroleum will loan the proceeds from the sale of the Notes to the Owners to fund the acquisition of the Vessels and to pay the underwriting commissions and certain fees and expenses as discussed under "Use of Proceeds."

CAPITAL RESOURCES AND LIQUIDITY.

California Petroleum expects that all of its expenses will consist of interest payments due on the Notes issued by it and audit, legal, trustee and other administrative expenses. So long as all of the Vessels remain subject to the Initial Charters, the Collateral to be pledged to the Collateral Trustee in connection with the issuance of the Notes, assuming that the anticipated rate of return on the Permitted Investments discussed below is realized, has been structured to provide California Petroleum with sufficient funds to make timely payments of all such anticipated expenses, plus amounts necessary to pay principal of and interest on the Notes when due.

The foregoing determination assumes that amounts remaining in the Trust Accounts on each Payment Date will be invested in Permitted Investments that will provide a 7.5% annual rate of return for periods prior to the first termination date for each Initial Charter and a 5.0% annual rate of return for subsequent periods. The Owners believe that on the Closing Date, guaranteed investment contracts rated at least "Aa" or "AA" by Moody's, Standard & Poor's or Duff & Phelps, respectively, will be available with at least the assumed annual rate of return for such amounts until the first optional termination date under any Initial Charter. The annual rate of return on Permitted Investments of amounts remaining in any Trust Account on or after such first optional termination date is not predictable.

Charterhire payments under each Initial Charter have been structured so that approximately \$100,000 annually will be available to pay anticipated expenses with respect to the related Vessel which are not directly payable by Chevron Transport under such Initial Charter and the pro rata expenses of California Petroleum. For each Vessel such expenses, including Recurring Fees and Taxes, the related Management Fee and Technical Advisor's Fee, an allocable amount of the fees and expenses of the Indenture Trustee, Collateral Trustee and the Designated Representative (as defined below) and a provision for miscellaneous or unexpected expenses, are estimated to equal approximately \$72,500 annually for the first three years. See "Business--Operations" and "Certain Relationships and Transactions--The Management Agreements." The Recurring Fees and Taxes also are subject to change as a result of governmental action, inflation or unanticipated expenses incurred by the related Owner or California Petroleum which are not directly payable by Chevron Transport under the related Initial Charter. If the costs and expenses of maintaining the documentation of a Vessel under the laws of the Registration Jurisdiction exceed a specified amount, however, Chevron Transport will either pay such excess amount or cooperate with the related Owner to change the registry or port of documentation of such Vessel. See "The Initial Charters--Flag and Name of Vessel." Neither the Owners nor California Petroleum have, nor will they have in the future, any source of capital for the payment of expenses which are not directly payable by Chevron Transport under the Initial Charters other than the charterhire payments, and any income from the reinvestment thereof. See "Description of the Notes--Trust Accounts."

California Petroleum's only sources of funds with respect to the Notes will be payments of interest and principal on the related loans ("Acquisition Loans") from California Petroleum to each Owner of a portion of the proceeds from the sale of the Notes. California Petroleum does not have, nor will it have in the future, any source of capital for payment of the Notes other than the Acquisition Loans to the Owners.

The Owners expect that substantially all of their expenses will consist of payments due on their Acquisition Loans, Recurring Fees and Taxes for the Vessels, Management Fees, Technical Advisor's Fees and an allocable portion of the fees and expenses of the Indenture Trustee, the Collateral Trustee and the Designated Representative. The Owners' sources of funds with respect to their Acquisition Loans will be charterhire payments for the Vessels, any Termination Payments and any proceeds from the sale of a Vessel and earnings on Permitted Investments. The Owners do not have, nor will they have in the future, any other source of capital for payment of the Acquisition Loans.

Under each Initial Charter, Chevron Transport has the right to terminate such Initial Charter on specified termination dates. The first optional termination date with respect to each Initial Charter occurs on the payment date on which the Allocated Principal Amount of Serial First Preferred Mortgage Notes with respect to the related Vessel is scheduled to be paid in full.

RESULTS OF OPERATIONS.

California Petroleum's results of operations will depend on the amount of interest paid by the Owners on the Acquisition Loans and the rate at which payments of principal are made on such Acquisition Loans. Each Owner's results of operations will depend on the charterhire payments for its Vessel under the related Initial Charter or, upon any termination of such Initial Charter, any Termination Payment, charterhire under any subsequent charter or proceeds from any sale of such Vessel, earnings on Permitted Investments and the level of operating expenses.

EARNINGS TO FIXED CHARGES.

Because neither California Petroleum nor any of the Owners has an operating history, no historical or pro forma ratio of earnings to fixed charges for California Petroleum or the Owners has been included in this Prospectus.

CHEVRON TRANSPORT AND CHEVRON

Chevron Transport, an indirect, wholly-owned subsidiary of Chevron, is principally engaged in the marine transportation of oil and refined petroleum products. As of December 31, 1994, Chevron Transport operated 30 internationally flagged vessels which it owned or bareboat chartered. In addition, at any given time, Chevron Transport typically has an additional 35 to 45 ships on time or single-voyage charters. Chevron Transport's primary transportation routes are from the Middle East, Indonesia, Mexico, West Africa and the North Sea to ports in the United States, Europe, the United Kingdom and Asia. Refined petroleum products are transported worldwide. Chevron Transport expects to use each Vessel worldwide as permitted under the Initial Charters.

Chevron is a major international oil company. Chevron provides administrative, financial and management support for, and manages its investment in, domestic and foreign subsidiaries and affiliates, which engage in fully integrated petroleum operations, chemical operations, real estate development and other mineral and energy related activities in the United States and approximately 100 other countries. Petroleum operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil, natural gas and petroleum products by pipelines, marine vessels and motor equipment; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and the many products derived from petroleum. Chemical operations include the manufacture and marketing of a wide range of chemicals primarily for industrial uses.

CALIFORNIA PETROLEUM AND THE OWNERS

CALIFORNIA PETROLEUM

California Petroleum Transport Corporation, a Delaware corporation, is a special purpose corporation that has been recently organized solely for the purpose of issuing, as agent on behalf of the Owners, the Serial Mortgage Notes and the Term Mortgage Notes as full recourse obligations of California Petroleum in order to facilitate the acquisition of the Vessels by the Owners and the charter of the Vessels as described herein. Recourse under the Serial Indenture against the incorporators, directors, officers and stockholders of California Petroleum and its stockholders has been expressly waived by the Indenture Trustee, on behalf of all Holders of the Serial Mortgage Notes and, accordingly, the incorporators, directors, officers and stockholders of California Petroleum and its stockholders will not be liable for any payments of debt service on the Serial Mortgage Notes. California Petroleum's actual capitalization is nominal and it has no source of income other than payments to it by the Owners. All the shares of California Petroleum are held by The California Trust, a Massachusetts charitable lead trust formed by JH Holdings Corporation, a Massachusetts corporation, for the benefit of certain charitable institutions in Massachusetts. All of the stock of JH Holdings Corporation is held by The 1960 Trust, a charitable trust, and by The Glendale Company, a private investment partnership. California Petroleum does not have any subsidiaries.

THE OWNERS

Each of CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III has been recently organized as a special purpose corporation under the laws of the Bahamas for the purpose of acquiring and chartering one of the Vessels. Similarly, CalPetro IOM has been recently organized as a special purpose company under the laws of the Isle of Man for the purpose of acquiring and chartering one of the Vessels. Each Owner is wholly-owned by California Tankers Investments Limited, a company organized under the laws of the Bahamas, which is a wholly-owned subsidiary of CalPetro Holdings Limited, an Isle of Man company. None of the Owners has any subsidiaries. None of the Owners is owned by or is an affiliate of California Petroleum, nor is any Owner owned by or an affiliate of Chevron Transport or Chevron. See "Business--Operations" and "Certain Relationships and Transactions--The Management Agreements."

The activities of each of the Owners, either pursuant to the terms of the related Mortgage or the terms of its Memorandum of Association, shall be limited to (i) borrowing money from California Petroleum pursuant to the related loan agreements between California Petroleum and such Owner (each a "Loan Agreement"), (ii) carrying out any other activity relating to or contemplated by such Loan Agreements, but not to incur any indebtedness for borrowed money or create any lien, security interest, charge or other encumbrance over all or any part of the assets or interests of such Owner other than as contemplated by and pursuant to the terms of such Mortgage or its Memorandum of Association and such Loan Agreements, (iii) exercising and enforcing all rights and powers conferred by, incidental to or arising out of such Loan Agreements and the transactions contemplated thereby, (iv) entering into, performing and delivering a purchase agreement with Chevron Transport with respect to the purchase of its Vessel with a portion of the borrowings under such Loan Agreements, (v) registering its Vessel under and pursuant to the laws of the Registration Jurisdiction, (vi) entering into, performing and delivering its Initial Charter, (vii) entering into any other agreement contemplated by such Loan Agreements, including the Security Documents, (viii) entering into other charters, contracts of affreightment or sale agreements relating to the Vessel upon the termination of the Initial Charter in a form conforming to the requirements of such Loan Agreements, (ix) carrying out, entering into, performing and delivering any and all applications, licenses, agreements and instruments related to and in the furtherance of the foregoing and (x) engaging in those activities, including the entering into of agreements, necessary, suitable or convenient to accomplish the foregoing or incidental thereto or connected therewith.

BUSINESS

THE VESSELS

SUEZMAX-SIZED TANKERS.

All of the Vessels are Suezmax-sized tankers which are capable of calling at a large number of ports. The main trading patterns of Suezmax tankers are as follows: from West Africa to the United States, Europe or Northeast Asia, from the North Sea to the United States, from the Mediterranean to Western Europe and the United States and from the Arabian Gulf to Europe or Southeast Asia. In contrast to very large crude carriers ("VLCCs") and ultra-large crude carriers ("ULCCs"), Suezmax tankers are not dependent on the longer-haul routes from the Arabian Gulf.

VESSEL QUALITY.

All of the Vessels are modern, high-quality tankers, three of which are of double-hull construction, and all of which have been designed to Chevron Transport's specifications to enhance safety and reduce operating and maintenance costs, including such features as high performance rudders, extra steel (minimal use of high tensile steels), additional fire safety equipment, redundant power generation equipment, extra coating and electrolytic corrosion monitoring and protection systems and additional crew quarters to facilitate added manning. C. Rice, Chevron Mariner and W.E. Crain have been recently constructed by Ishibras in its Brazilian shipyards. S. Ginn has been recently constructed by IHI in its Japanese shipyard. Chevron Transport has advised the Owners that an affiliate of Chevron Transport supervised the construction of each of the Vessels. Personnel of this affiliate have been present at the shipyards during the construction periods, monitoring construction to ensure compliance with Chevron Transport's specifications. The Vessels have been designed and constructed to increase fuel efficiency, lower operating costs and meet the stringent operating and safety standards of charterers, including Chevron Transport, and regulatory agencies.

VESSEL MAINTENANCE.

The Vessels will be maintained during the term of the Initial Charters by Chevron Transport in accordance with good commercial maintenance practice commensurate with other vessels in Chevron Transport's fleet of similar size and trade, as required by the Initial Charters. See "The Initial Charters--Covenants." Although not required by the Initial Charters, currently Chevron Transport utilizes the maintenance and repair division within the engineering department of one of its affiliates. In addition, California Petroleum has been advised by Chevron Transport that, in an effort to promote high standards of quality control, Chevron Transport (through its affiliate) currently has agreements with two shipyards, located in Europe and Asia, to perform all scheduled maintenance for its fleet, including the Vessels, although such agreements are not required under the Initial Charters. The Initial Charters require Chevron Transport to return any Vessel whose Initial Charter has been terminated to its respective Owner in class under the rules of the American Bureau of Shipping (or other classification society previously approved by the Owner). In addition, the Owner has the right to inspect the Vessel and to require surveys upon redelivery, and Chevron Transport will be responsible for making or compensating the Owner for certain necessary repairs in connection with such redelivery.

PREVIOUS OPERATION OF THE VESSELS BY CHEVRON TRANSPORT.

Chevron Transport took delivery, as purchaser, of W.E. Crain in February 1992, of S. Ginn in March 1993, of C. Rice in August 1993 and of Chevron Mariner in October 1994. Chevron Transport has informed California Petroleum and the Owners that, since their delivery, W.E. Crain and S. Ginn have been operating in the Pacific region, primarily carrying Mideast or Indonesian crudes to Chevron's El Segundo and Richmond refineries in California. Chevron Mariner's maiden voyage was from West Africa to Taiwan, after which the Vessel has been operating in the Pacific region in service similar to W.E. Crain and S. Ginn. C. Rice has traded in the Atlantic region, carrying Mexican crude to Chevron's U.S. Gulf refinery in

Pascagoula, Mississippi and West African crude to Chevron's Philadelphia refinery until the sale of that refinery in August 1994. As a result of Chevron Transport's near-term forecasts of its crude oil transportation requirements, it began spot chartering C. Rice in September 1994 and expects to enter into a one-year charter arrangement with a third party in April 1995. Under the Initial Charters, Chevron Transport will have the right to operate the Vessels worldwide during the term thereof.

OPERATIONS

CHARTER AND OPERATION OF THE VESSELS.

California Petroleum has been organized for the sole purpose of issuing, as agent on behalf of the Owners, the Serial Mortgage Notes and the Term Mortgage Notes as full recourse obligations of California Petroleum, and loaning the proceeds of the sale of the Notes to the Owners in order to fund the acquisition of the Vessels by the Owners. Upon the acquisition of a Vessel by the related Owner and the acceptance of the Vessel under the related Initial Charter, the Vessel will be operated by Chevron Transport in the business of marine transportation of oil. See "The Initial Charters" for a discussion of the terms of the Initial Charters regarding the use and operation of the Vessels.

MANAGEMENT.

Each Owner will enter into a Management Agreement pursuant to which P.D. Gram a.s. (the "Manager") will manage the day-to-day business of such Owner and will provide administrative, management and advisory services to the Owner in return for a management fee ("Management Fee") equal to the sum of (i) for each Vessel, \$13,625 per annum during the period from the Closing Date to the third anniversary of the Closing Date plus (ii) \$3,000 per annum, during such three-year period. Thereafter, the Management Fee will be increased each year by an amount equal to 4%. See "Certain Relationships and Transactions--The Management Agreements." Each Initial Charter provides that Chevron Transport will operate the related Vessel, except under certain circumstances, during the term of the Initial Charter. See "The Initial Charters--Covenants."

Pursuant to the Management Agreements, the Owners have commissioned Barber Ship Management a.s. ("Barber Ship Management") to provide certain maritime operational services during the term of the Initial Charters in return for a technical advisor's fee ("Technical Advisor's Fee"), for each Vessel, equal to \$10,000 per annum during the period from the Closing Date to the third anniversary of the Closing Date. Thereafter, the Technical Advisor's Fee will be increased each year by an amount equal to 4%. In addition, the Technical Adviser shall be entitled to be reimbursed for the fees, costs and expenses of conducting periodic inspections of the Vessels. If Chevron Transport exercises its option to terminate the Initial Charter for any Vessel, Barber Ship Management has agreed to provide, if necessary, certain technical management services for such Vessel. Either the Manager or Barber Ship Management may terminate its obligations under the Management Agreement on 30 days' notice to the Owner. Barber Ship Management, founded in 1987 and headquartered in Oslo, Norway, is a ship management group with over 200 shore staff and approximately 5,900 sea staff. Barber Ship Management currently provides professional ship management services to a fleet of 170 vessels. Barber Ship Management has operational bases in Norway, the Arabian Gulf, Hong Kong, London and the United States and manning agencies in India, Malaysia, the Philippines and Poland. The Owners believe that, assuming that Barber Ship Management remains obligated to provide technical services if the Initial Charter for any of the Vessels is terminated, the technical services of Barber Ship Management will enable them to continue to meet the operating and safety standards of charterers and regulatory agencies.

BUSINESS STRATEGY

The Owners' strategy is to acquire the Vessels and charter them to Chevron Transport under the Initial Charters which are expected to provide (a) charterhire payments which California Petroleum and the Owners expect will be sufficient to pay, so long as the Initial Charters are in effect (i) the Owners' obligations under the Acquisition Loans, (ii) the Management Fees and the Technical Advisor's Fees under the Management Agreements, (iii) the estimated Recurring Fees and Taxes, (iv) the estimated fees payable to the Indenture Trustee and the Collateral Trustee and the Designated Representative's Fee, and (v) any other costs and

expenses incidental to the ownership and chartering of the Vessels that are to be paid by the Owners, (b) Termination Payments sufficient to make sinking fund and interest payments on the Term Mortgage Notes, to the extent allocable to the Vessel for which the related Initial Charter has been terminated, for at least two years following any such termination, during which time the Vessel may be sold or rechartered and (c) that the Vessels will be maintained in accordance with the good commercial maintenance practices required by the Initial Charters; and to arrange for vessel management and remarketing services to be available in case any Initial Charter is terminated by Chevron Transport or any Vessel is for any other reason returned to the possession and use of the Owners. However, there can be no assurance that the Management Agreements will be in effect at the time any Initial Charter is terminated. See "The Initial Charters" for a discussion of the terms of the Initial Charters.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS--CALIFORNIA PETROLEUM AND THE OWNERS

DIRECTORS AND EXECUTIVE OFFICERS OF CALIFORNIA PETROLEUM

AGE POSITION

Nancy D. Smith.....	26	President
Louise E. Colby.....	46	Secretary and Treasurer

Nancy D. Smith has been the president of California Petroleum since 1994. She has been a director since 1994. Her term expires in 1995. She has been the President of JH Management Corporation, a Massachusetts business corporation that engages in the management of special purpose corporations for structured financial transactions, since 1993. From 1987 to 1992, she was a legal secretary at Ropes & Gray, a law firm in Boston, MA. From 1992 to 1993, she was a personal assistant at Bob Woolf Associates, Inc.

Louise E. Colby has been the secretary and treasurer of California Petroleum since 1994. She has been a director since 1994. Her term expires in 1995. She has been the Director, Secretary and Treasurer of JH Management Corporation since 1989. She also has served as Trustee of The Cazenove Street Realty Trust since 1983.

DIRECTOR AND EXECUTIVE OFFICERS OF CALPETRO BAHAMAS I, CALPETRO BAHAMAS II AND CALPETRO BAHAMAS III

AGE POSITION

Peter D. Gram.....	51	Director and President
Lourey C. Smith.....	40	Secretary

DIRECTORS AND EXECUTIVE OFFICERS OF CALPETRO IOM

AGE POSITION

Peter D. Gram.....	51	Director
Bernard Z. Galka.....	43	Director
John D. Clarke.....	48	Secretary

Peter D. Gram has been the president of CalPetro Bahamas I, Calpetro Bahamas II and CalPetro Bahamas III since 1994. Mr. Gram has been the sole director of each of CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III since 1994. His term as director of CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III will expire only upon his death, resignation or removal. Mr. Gram also has been a director of CalPetro IOM since 1994. His term as director of IOM expires in 1995.

Lourey C. Smith has been the secretary of CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III since 1994. She has been an attorney with the law firm of McKinney, Bancroft & Hughes since 1986.

Bernard Z. Galka is a Chartered Accountant. He has been a director of CalPetro IOM since 1994. His term expires in 1995.

John D. Clarke has been the secretary of CalPetro IOM since 1994. He is a Chartered Accountant.

EXECUTIVE COMPENSATION

The directors and officers of California Petroleum are not compensated.

Each of CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III annually will pay Peter Gram \$3,000. Lourey Smith will not be compensated.

CalPetro IOM annually will pay Peter Gram \$3,000, Bernard Galka \$1,200 and John Clarke \$500.

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF CALIFORNIA PETROLEUM

The following table summarizes the beneficial ownership of California Petroleum as of September 30, 1994:

NAME AND ADDRESS OF BENEFICIAL OWNER	TITLE OF CLASS OF SECURITIES	NUMBER OF SHARES	PERCENT OF CLASS
The California Trust(1)..... c/o JH Holdings Corporation P.O. Box 4024 Room 6/8 Boston, MA 02101	Common Stock	1,000	100%

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(1) JH Holdings Corporation serves as Trustee of The California Trust and has sole voting and investment powers over all securities owned by The California Trust. Steven M. Loring is the President of JH Holdings Corporation and may be deemed to control it. The 1960 Trust and The Glendale Company together own 100% of JH Holdings Corporation. The address of The Glendale Company is P.O. Box 6339, Lincoln Center, MA 01773-6339. The 1960 Trust and The Glendale Company disclaim beneficial ownership of the Common Stock of California Petroleum owned by The CalPet Trust within the meaning of Rule 13d-3 under the Exchange Act.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

THE MANAGEMENT AGREEMENTS

P.D. Gram & Co. a.s. (the "Manager"), will enter into a Management Agreement with each Owner and Barber Ship Management. The Manager is a Norwegian privately-owned firm, established in 1982, which arranges and manages shipping investments. Peter D. Gram, who is the sole director and an executive officer of three of the Owners and a director of the fourth Owner, is the managing director of the Manager. Since 1982, the Manager and its owner have been the syndicators of approximately 30 vessels, with an investment value of over \$300 million. As of January 1, 1995 the Manager and its associated companies had seven vessels under commercial management. Under each Management Agreement, the Manager will agree to provide administrative, management and advisory services to the Owners and Barber Ship Management will agree to provide technical advisory services to the Owners. In addition, in the event of termination of the Initial Charters, Barber Ship Management will agree to provide, if necessary, all technical management services to the Owners. Under each Management Agreement, the Manager will be entitled to the Management Fee in consideration of its services and Barber Ship Management shall be entitled to the Technical Advisor's Fee. The Management Fee equals (i) an annual fee per Vessel, payable semi-annually in arrears, in an amount equal to \$13,625 per annum during the period from the Closing Date to the third anniversary of the Closing Date, plus (ii) a fee of \$3,000 per annum, payable annually in arrears, during such three-year period. The Management Fee after the third anniversary of the Closing Date will increase each year by an amount equal to 4%. The Technical Advisor's Fee equals \$10,000 per annum, for each Vessel, payable semi-annually in arrears, during such three-year period. In addition, the Technical Advisor shall be entitled to be reimbursed for the fees, costs and expenses of conducting periodic inspections of the Vessels. Thereafter, the Technical Advisor's Fee will increase each year by an amount equal to 4%. The Owners believe that the fees payable under the Management Agreements are at rates comparable to market terms for comparable management services.

OTHER RELATIONSHIPS AND TRANSACTIONS

The Underwriter will enter into an agreement with the Manager to perform certain financial advisory services for any Owner upon the optional termination of the related Initial Charter or at the end of the term of such Initial Charter.

Pursuant to a Designated Representative Agreement between California Petroleum and CalPetro Holdings Limited (the "Designated Representative"), California Petroleum will appoint the Designated Representative to act on its behalf with respect to certain administrative matters (e.g., the filing of certain reports and financial statements with the Commission and the Indenture Trustee) and certain obligations under the Indentures and the Collateral Agreement (e.g., providing certain notices and requests). The Designated Representative is the holding company of the shareholder of the Owners. As compensation for its services, the Designated Representative will receive a fee (the "Designated Representative's Fee") during the period from the Closing Date until the third anniversary of the Closing Date, in an amount equal to \$15,000 per annum. Thereafter, the Designated Representative's Fee will increase each year by an amount equal to 4%.

DESCRIPTION OF THE NOTES

GENERAL

The Serial Mortgage Notes will be issued under an indenture (the "Serial Indenture") among California Petroleum, Chemical Trust Company of California, as indenture trustee (the "Indenture Trustee"), and, solely for purposes of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), Chevron. The Serial Indenture will be governed by New York law. The form of the Serial Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The statements under this caption are summaries of certain provisions of the Serial Indenture and do not purport to be complete. The summaries make use of terms defined in, and are qualified in their entirety by reference to, all the provisions of the Serial Indenture and the Trust Indenture Act, including the definitions of certain terms in the Serial Indenture and those terms made a part of the Serial Indenture by reference to the Trust Indenture Act.

The Serial Indenture will not contain any covenants specifically designed to protect the Holders against a reduction in the creditworthiness of California Petroleum in the event of a highly leveraged transaction. California Petroleum will be prohibited under its Certificate of Incorporation from incurring, and will covenant under the Serial Indenture not to incur, any indebtedness other than the Serial Mortgage Notes and the Term Mortgage Notes so long as any of the Notes are outstanding. Each Owner will covenant under the related Mortgage not to incur any indebtedness other than the related Acquisition Loans.

The Serial Indenture will not contain any covenants specifically designed to protect the Holders against a reduction in the creditworthiness of Chevron in the event of a highly leveraged transaction. The Serial Indenture will not limit the amount of additional indebtedness that may be incurred by Chevron Transport or by Chevron or any of its subsidiaries.

The Serial Mortgage Notes will be originally issued in fully registered book-entry form and will be represented by one or more global notes (each, a "Global Note") registered in the name of Cede & Co. ("Cede") as the nominee of The Depository Trust Company ("DTC") and no person acquiring an interest in a Serial Mortgage Note (a "Beneficial Owner") will be entitled to receive a certificated Serial Mortgage Note unless such certificates are issued as described below. Unless certificated Serial Mortgage Notes are issued, all references to actions by the Holders shall refer to actions taken by DTC upon instructions from DTC Participants (as defined below), and all references herein to distributions, notices, reports and statements to Holders shall refer, as the case may be, to distributions, notices, reports and statements to DTC or Cede, as the registered holder of the Serial Mortgage Notes, or to DTC Participants for distribution to Beneficial Owners in accordance with DTC procedures. See "--Book-Entry System."

THE SERIAL MORTGAGE NOTES.

The Serial Mortgage Notes will be issued as full recourse obligations of California Petroleum in the aggregate principal amount of \$167,500,000, and will be secured equally and ratably with the Term Mortgage Notes (except as described under "--Security--After First Optional Termination Date") by the assignment of a Mortgage on each Vessel, an assignment of any charters for the Vessel including, so long as the Initial Charter relating to a Vessel has not reached its first optional termination date, an assignment of such Initial Charter, as well as by certain other property and contract rights. The Collateral relating to a Vessel may be released from the Lien of the Serial Indenture under certain circumstances prior to the final Maturity Date of the Serial Mortgage Notes if such Vessel is subject to a casualty or certain other events occur with respect to such Vessel and such Vessel is a Total Loss as described below under "The Initial Charters--Payment on Total Loss," or if the Allocated Principal Amount of Serial Mortgage Notes with respect to such Vessel is paid in full as described under "--Security--After First Optional Termination Date."

The Serial Mortgage Notes will not be obligations of, or guaranteed by, Chevron Transport or Chevron, and will not be share capital, debentures or general obligations of any Owner or the Owners. California Petroleum and the Owners, however, expect that the amounts payable by Chevron Transport (other than the

related Termination Payment, if any), and guaranteed by Chevron, under the Initial Charters (whether or not the termination options are exercised), together with an allocable amount of anticipated earnings on the Permitted Investments, will be sufficient to pay in full when due all principal of and interest on the Serial Mortgage Notes. See "Investment Considerations--Certain Risks Not Related to Chevron Transport or Chevron." The foregoing determination assumes that, during the term of the Serial Mortgage Notes, amounts remaining in the Initial Revenue Account on each Payment Date will be invested in Permitted Investments that will provide a 7.5% annual rate of return for periods prior to the first termination date for each Initial Charter and a 5.0% annual rate of return for subsequent periods. The Owners believe that guaranteed investment contracts rated at least "Aa" or "AA" by Moody's, Standard & Poor's or Duff & Phelps will be available with at least the assumed annual rate of return. See "--Trust Accounts" below for a discussion of the Initial Revenue Account and Permitted Investments.

Interest on each series of Serial Mortgage Notes will accrue from the date of issuance thereof at the rate per annum set forth on the cover of this Prospectus for the respective Maturity Date, and will be payable on the unpaid principal amount thereof on each _____ and _____, commencing on _____, 1995, to holders of record on the immediately preceding _____ and _____, respectively, until the respective Maturity Date for such series of Serial Mortgage Notes. Interest on the Serial Mortgage Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Any overdue payment of principal, interest or any other amount payable on any Serial Mortgage Note will accrue interest from the due date for such amount to the date such amount is paid in full at a rate per annum equal to 1.50% above LIBOR (the "Default Rate"). There can be no assurance that, at any time, the Default Rate will at least equal the rate of interest applicable to the Serial Mortgage Notes.

Each series of Serial Mortgage Notes will be issued in the aggregate principal amount set forth below for the respective Maturity Date thereof, which in each case will be payable in full on the Maturity Date for such series of Serial Mortgage Notes. Set forth below is the Allocated Principal Amount of Serial Mortgage Notes payable on each Maturity Date for each Vessel and the aggregate amount of such Allocated Principal Amount payable on each Maturity Date.

ALLOCATED PRINCIPAL AMOUNT OF SERIAL MORTGAGE NOTES

MATURITY DATE	S. GINN	C. RICE	CHEVRON MARINER	W.E. CRAIN	AGGREGATE PRINCIPAL AMOUNT
, 1996....	\$4,940,000	\$4,940,000	\$4,940,000	\$2,340,000	\$17,160,000
, 1997....	5,210,000	5,210,000	5,210,000	2,530,000	18,160,000
, 1998....	5,210,000	5,210,000	5,210,000	2,530,000	18,160,000
, 1999....	5,210,000	5,210,000	5,210,000	2,530,000	18,160,000
, 2000....	5,210,000	5,210,000	5,210,000	2,530,000	18,160,000
, 2001....	5,210,000	5,210,000	5,210,000	2,530,000	18,160,000
, 2002....	5,210,000	5,210,000	5,210,000	2,530,000	18,160,000
, 2003....	5,210,000	5,210,000	5,210,000	2,530,000	18,160,000
, 2004....		5,210,000	5,210,000	2,530,000	12,950,000
, 2005....			5,210,000	2,530,000	7,740,000
, 2006....				2,530,000	2,530,000

For each Vessel, Chevron Transport has the option to terminate the Initial Charter for such Vessel, exercisable on the dates and under the circumstances described below under "The Initial Charters--Termination Options." The earliest such termination date for any Initial Charter is _____, 2003. The first optional termination date with respect to each Initial Charter occurs on the payment date on which the Allocated Principal Amount of Serial Mortgage Notes with respect to the related Vessel is scheduled to be paid in full. Prior to the respective Maturity Dates of the 2004 Serial Mortgage Notes, the 2005 Serial Mortgage Notes or the 2006 Serial Mortgage Notes, upon payment in full of the Allocated Principal Amount of Serial Mortgage Notes for a Vessel, the related Initial Charter, whether or not terminated by Chevron Transport, will no longer be available as security for payments on the Serial Mortgage Notes. Even if Chevron

Transport exercises each of the termination options available during the term of the Serial Mortgage Notes, California Petroleum and the Owners expect that amounts payable by Chevron Transport, and guaranteed by Chevron, under the Initial Charters prior to the final Maturity Date for the Serial Mortgage Notes, together with an allocable amount of anticipated earnings on the Permitted Investments, will be sufficient to pay in full when due all principal of and interest on the Serial Mortgage Notes outstanding after any such termination.

The Serial Mortgage Notes will not be subject to optional redemption prior to the respective maturity dates thereof. If a casualty or certain other events occur with respect to a Vessel and such Vessel is a Total Loss, then the Serial Mortgage Notes will be subject to redemption in part, equally and ratably with the Term Mortgage Notes, under the circumstances and subject to the conditions described below under "--Redemption".

The Serial Indenture will not provide for any additional payment by California Petroleum in the event that California Petroleum is required by any applicable law to make, with respect to any payment to be made pursuant to the Serial Mortgage Notes, any deduction or withholding for or on account of any taxes, assessments or other governmental charges imposed on such payment by any governmental or taxing authority. See "The Mortgages--Certain Covenants."

THE TERM MORTGAGE NOTES.

The Term Mortgage Notes will be issued under a separate indenture (the "Term Indenture" and, together with the Serial Indenture, the "Indentures") concurrently with the issuance of the Serial Mortgage Notes. The Term Mortgage Notes will be full recourse obligations of California Petroleum in the aggregate principal amount of \$117,900,000. The Term Mortgage Notes will be secured by the Collateral equally and ratably (except as described below under "--Security--After First Optional Termination Date") with the Serial Mortgage Notes. The Term Mortgage Notes will not be obligations of, or guaranteed by, Chevron Transport or Chevron and will not be share capital, debentures or general obligations of any Owner or the Owners.

The Term Mortgage Notes are subject to redemption through the operation of the mandatory sinking fund on of each year, commencing on , 2004 to and including , 2014 according to the applicable schedule of sinking fund redemption payments set forth below. The Term Mortgage Notes will mature on , 2015. Under each Initial Charter, Chevron Transport may elect to terminate such Initial Charter on any of four, in the case of the double-hulled Vessels, or three, in the case of the single-hulled Vessel, termination dates which, for each Vessel, occur at two-year intervals beginning in 2003, 2004, 2005 or 2006, as the case may be. See "The Initial Charters--Termination Options." The exercise of such termination right under each Initial Charter is completely within Chevron Transport's discretion.

If an Initial Charter is terminated, the scheduled sinking fund payments on the Term Mortgage Notes will be revised so that the Allocated Principal Amount of Term Mortgage Notes for the related Vessel's sinking fund will be redeemed on the remaining sinking fund redemption dates on a schedule that approximates level debt service with an additional principal payment on the final maturity date of \$7,000,000 for any of the double-hulled Vessels, or \$5,500,000 for the single-hulled Vessel. The table below provides the scheduled sinking fund redemption amounts on the Term Mortgage Notes (assuming an interest rate per annum on the Term Mortgage Notes of 8.45% which is based on market interest rates as of February 21, 1995) prior to the final Maturity Date for any Serial Mortgage Notes if none of the Initial Charters is terminated and if all of the Initial Charters are terminated on the earliest termination dates.

SCHEDULED PAYMENT DATE	SINKING FUND REDEMPTION	
	NO INITIAL CHARTERS TERMINATE	ALL INITIAL CHARTERS TERMINATE*
, 2004.....	\$ 3,355,000	\$ 1,710,000
, 2005.....	6,542,000	3,500,000
, 2006.....	9,526,000	5,330,000
	-----	-----
	\$19,423,000	\$10,540,000
	=====	=====

* The actual interest rate and the sinking fund redemption amount will depend on final pricing information.

Set forth below are tables of the semi-annual charterhire payments under the Initial Charters, anticipated earnings on Permitted Investments and the scheduled payments of principal (including, in the case of the Term Mortgage Notes, mandatory sinking fund payments) and interest on the Term Mortgage Notes and the Serial Mortgage Notes (in each case, assuming for illustrative purposes only that the interest rate per annum on the Term Mortgage Notes is 8.45% and that the Serial Mortgage Notes bear interest at rates ranging from 7.00% to 8.03% through maturity) (such interest rates are based on market interest rates as of February 21, 1995) to the Maturity Date of all series of Serial Mortgage Notes if (i) none of the Initial Charters is terminated and (ii) all of the Initial Charters are terminated on the earliest optional termination dates.

NO INITIAL CHARTER IS TERMINATED*

(DOLLARS IN MILLIONS)

PAYMENT DATE	CHARTERHIRE UNDER INITIAL CHARTERS	ANTICIPATED EARNINGS ON PERMITTED INVESTMENTS	SCHEDULED PAYMENTS ON SERIAL MORTGAGE NOTES	SCHEDULED PAYMENTS ON TERM MORTGAGE NOTES
, 1995.....	\$20.045	\$0.000	\$6.440	\$4.981
, 1996.....	20.045	0.316	23.600	4.981
, 1996.....	19.935	0.000	5.839	4.981
, 1997.....	19.935	0.334	23.999	4.981
, 1997.....	19.262	0.000	5.166	4.981
, 1998.....	19.262	0.334	23.326	4.981
, 1998.....	18.575	0.000	4.479	4.981
, 1999.....	18.575	0.334	22.639	4.981
, 1999.....	17.877	0.000	3.781	4.981
, 2000.....	17.877	0.334	21.941	4.981
, 2000.....	17.170	0.000	3.075	4.981
, 2001.....	17.170	0.334	21.235	4.981
, 2001.....	16.461	0.000	2.364	4.981
, 2002.....	16.461	0.334	20.524	4.981
, 2002.....	15.746	0.000	1.650	4.981
, 2003.....	15.746	0.334	19.810	4.981
, 2003.....	14.122	0.000	0.927	4.981
, 2004.....	14.122	0.280	13.877	8.336
, 2004.....	12.481	0.000	0.410	4.840
, 2005.....	12.481	0.223	8.150	11.382
, 2005.....	10.813	0.000	0.102	4.563
, 2006.....	10.813	0.164	2.632	14.089

* The actual interest rates, charterhire payments, anticipated earnings and scheduled payments will depend on final pricing information.

ALL INITIAL CHARTERS ARE TERMINATED ON THE EARLIEST
OPTIONAL TERMINATION DATES*

(DOLLARS IN MILLIONS)

PAYMENT DATE	CHARTERHIRE		ANTICIPATED EARNINGS ON PERMITTED INVESTMENTS	SCHEDULED	
	UNDER INITIAL CHARTERS	TERMINATION PAYMENTS		PAYMENTS ON SERIAL MORTGAGE NOTES	SCHEDULED PAYMENTS ON TERM MORTGAGE NOTES
, 1995.....	\$20.045	\$ 0.000	\$0.000	\$ 6.440	\$ 4.981
, 1996.....	20.045	0.000	0.316	23.600	4.981
, 1996.....	19.935	0.000	0.000	5.839	4.981
, 1997.....	19.935	0.000	0.334	23.999	4.981
, 1997.....	19.262	0.000	0.000	5.166	4.981
, 1998.....	19.262	0.000	0.334	23.326	4.981
, 1998.....	18.575	0.000	0.000	4.479	4.981
, 1999.....	18.575	0.000	0.334	22.639	4.981
, 1999.....	17.877	0.000	0.000	3.781	4.981
, 2000.....	17.877	0.000	0.334	21.941	4.981
, 2000.....	17.170	0.000	0.000	3.075	4.981
, 2001.....	17.170	0.000	0.334	21.235	4.981
, 2001.....	16.461	0.000	0.000	2.364	4.981
, 2002.....	16.461	0.000	0.334	20.524	4.981
, 2002.....	15.746	0.000	0.000	1.650	4.981
, 2003.....	15.746	13.350	0.334	19.810	4.981
, 2003.....	10.714	0.000	0.334	0.927	4.981
, 2004.....	10.714	12.152	0.537	13.877	6.691
, 2004.....	6.109	0.000	0.523	0.410	4.909
, 2005.....	6.109	10.888	0.598	8.150	8.409
, 2005.....	1.932	0.000	0.572	0.102	4.761
, 2006.....	1.932	5.032	0.523	2.632	10.091

* The actual interest rates, charterhire payments, Termination Payments, anticipated earnings and scheduled payments will depend on final pricing information.

BOOK-ENTRY SYSTEM

DTC has advised California Petroleum, Chevron Transport and Chevron that DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants ("DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants through electronic book-entries, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants").

Beneficial Owners that are not DTC Participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, Serial Mortgage Notes may do so only through DTC Participants or Indirect Participants. In addition, Beneficial Owners will receive all distributions of principal and interest from the Indenture Trustee or any paying agent through the DTC Participants. Under the rules, regulations and procedures creating and affecting DTC and its operation, DTC is required to make book-entry transfers of the Serial Mortgage Notes among DTC Participants on whose behalf it acts and to receive and transmit distributions of principal of, and interest on, the Serial Mortgage Notes. Under the book-entry system,

Beneficial Owners may experience some delay in their receipt of payments, since such payments will be forwarded by the Indenture Trustee or any paying agent to Cede, as nominee for DTC, and DTC in turn will forward the payments to the appropriate DTC Participants. Distributions by DTC Participants to Beneficial Owners will be the sole responsibility of such DTC Participants and will be made in accordance with customary industry practices. Accordingly, although Beneficial Owners will not have possession of the Serial Mortgage Notes, the rules of DTC provide a mechanism by which DTC Participants will receive payments and will be able to transfer their interests. Although the DTC Participants are expected to convey the rights represented by their interests in any global security to the related Beneficial Owners, because DTC can only act on behalf of DTC Participants, the ability of Beneficial Owners to pledge Serial Mortgage Notes to persons or entities that are not DTC Participants, or to otherwise act with respect to such Serial Mortgage Notes, may be limited due to the lack of physical certificates for such Serial Mortgage Notes.

Neither California Petroleum, Chevron, Chevron Transport, the Indenture Trustee nor any other agent of any of them will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Serial Mortgage Notes or for supervising or reviewing any records relating to such beneficial interests. Since the only "Holder" will be Cede, as nominee of DTC, Beneficial Owners will not be recognized by the Indenture Trustee as Holders, as such term is used in the Serial Indenture, and Beneficial Owners will be permitted to exercise the rights of Holders only indirectly through DTC and DTC Participants.

The Serial Mortgage Notes will be issued in fully registered, certificated form to Beneficial Owners, or their nominees, rather than to DTC or its nominee, only if DTC advises the Indenture Trustee in writing that it is no longer willing or able or qualified to discharge properly its responsibilities as depository with respect to the Serial Mortgage Notes and California Petroleum is unable to locate a qualified successor or if California Petroleum, at its option, elects to terminate the book-entry system through DTC. In such event, the Indenture Trustee will notify all Beneficial Owners through DTC Participants of the availability of such certificated Serial Mortgage Notes. Upon surrender by DTC of the registered global certificates representing the Serial Mortgage Notes and receipt of instructions for reregistration, the Indenture Trustee will reissue the Serial Mortgage Notes in certificated form to Beneficial Owners or their nominees. Such certificated Serial Mortgage Notes will be freely transferable and exchangeable at the office of the Indenture Trustee upon compliance with the requirements set forth in the Indenture. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required.

SECURITY

At any time, the security described below for the payment and performance of the obligations of California Petroleum under the Serial Indenture, the Term Indenture or both, as the case may be, at such time shall be referred to in this Prospectus as the "Collateral." The Indenture Trustee, as indenture trustee under the Serial Indenture and the Term Indenture, California Petroleum and Chemical Trust Company of California, as collateral trustee (the "Collateral Trustee"), will enter into a collateral trust agreement (the "Collateral Agreement") pursuant to which the Collateral Trustee will hold the Collateral for the benefit of the Holders of the Serial Mortgage Notes and the Indenture Trustee under the Serial Indenture and the holders of the Term Mortgage Notes and the Indenture Trustee under the Term Indenture, and under which the Trust Accounts will be established and maintained for the deposit and application of Trust Funds as described under "--Trust Accounts."

The Vessels are currently owned and operated by Chevron Transport. Upon the sale of each Vessel to the related Owner and the commencement of the related Initial Charter on the Closing Date, the Initial Charter and other Collateral described below under "--Prior to First Optional Termination Date" will be assigned to California Petroleum as security for the Acquisition Loans and California Petroleum will assign the Initial Charter and the other Collateral to the Collateral Trustee as security for the payment of principal of and interest on the Serial Mortgage Notes and the Term Mortgage Notes, equally and ratably.

PRIOR TO FIRST OPTIONAL TERMINATION DATE.

On the Closing Date, each Owner will grant or assign and pledge, as the case may be, to California Petroleum, which will in turn assign and pledge to the Collateral Trustee, for the benefit of the Holders of the Serial Mortgage Notes and the holders of the Term Mortgage Notes, equally and ratably, each of the following assets owned by such Owner on the Closing Date or acquired by such Owner thereafter: (a) the mortgage of such Owner's Vessel; (b) such Owner's right, title and interest in the Initial Charter relating to such Vessel, including the right to receive all monies that become due thereunder or in respect of such Vessel and all claims for damages arising under such Initial Charter or relating to such Vessel; (c) the related Chevron Guarantee; (d) the freights and hires relating to such Vessel; (e) all policies and contracts of insurance in effect from time to time in respect of such Vessel; (f) such Owner's right, title and interest in the Management Agreement relating to such Vessel; (g) such Owner's right, title and interest in the purchase agreement relating to its Vessel (each, a "Vessel Purchase Agreement"); and (h) all income, proceeds and products of any of the foregoing. In addition, all of the capital stock of such Owner will be pledged to California Petroleum which will in turn pledge it to the Collateral Trustee. In addition, on the Closing Date, California Petroleum will assign and pledge to the Collateral Trustee, for the benefit of the Holders of the Serial Mortgage Notes and the holders of the Term Mortgage Notes, equally and ratably, all cash, securities and other property held by the Collateral Trustee as Trust Funds from time to time and all income, proceeds and products of any of the foregoing.

Each Owner will mortgage its Vessel to California Petroleum pursuant to a Mortgage and California Petroleum will in turn assign such Mortgage to the Collateral Trustee. The earnings and insurance relating to each Vessel will be collaterally assigned pursuant to an Assignment of Earnings and Insurances between the related Owner and California Petroleum, which will in turn assign such Assignment of Earnings and Insurances to the Collateral Trustee. The Initial Charter and Chevron Guarantee relating to each Vessel will be collaterally assigned pursuant to an Assignment of Initial Charter and Assignment of Initial Charter Guarantee between the related Owner and California Petroleum, which will in turn assign such Assignment of Initial Charter and Assignment of Initial Charter Guarantee to the Collateral Trustee. The Trust Funds will be pledged pursuant to the Collateral Agreement. The capital stock of each Owner will be pledged pursuant to the Stock Pledge Agreement.

AFTER FIRST OPTIONAL TERMINATION DATE.

For each Vessel, Chevron Transport has the option to terminate the Initial Charter, exercisable on the dates and under the circumstances described below under "The Initial Charters--Termination Options." If the Allocated Principal Amount of Serial Mortgage Notes relating to a Vessel is paid in full, the Collateral (including the related Initial Charter, whether or not terminated by Chevron Transport) relating to such Vessel will no longer secure California Petroleum's obligations under the Serial Indenture, but will continue to secure California Petroleum's obligations under the Term Indenture. Although the term of an Initial Charter with respect to which Chevron Transport exercises its termination option will be extended for certain periods with respect to Chevron Transport's obligation to make the related Termination Payment, such extension would not benefit the Holders of the Serial Mortgage Notes since any such Termination Payment will not secure the obligations of California Petroleum under the Serial Indenture. See "Trust Accounts-- Termination Account" below and "The Initial Charters--Term of the Initial Charters."

So long as any Serial Mortgage Notes are outstanding, if an event of default under a subsequent charter or Mortgage Event of Default occurs with respect to a Vessel for which the Allocated Principal Amount of Serial Mortgage Notes has been paid in full, the Collateral Trustee may not pursue remedies upon receipt of an Enforcement Notice (as defined herein) under the Term Indenture with respect to any Initial Charter that has not reached its first optional termination date and that is not then in default, including amounts paid or payable thereunder, and the related Security Documents. If any Initial Charter is terminated and an Acceptable Replacement Charter or other charter for the related Vessel has been entered into by the related Owner, then such Owner will assign and pledge its right, title and interest in such Acceptable Replacement Charter or other charter to California Petroleum, which will in turn assign such Acceptable Replacement Charter or other charter to the Collateral Trustee for the benefit of the Indenture Trustee and the holders of the Term Mortgage Notes.

TRUST ACCOUNTS

GENERAL.

Each Initial Charter provides for semi-annual charterhire payments on each and , commencing on , 1995. So long as the Allocated Principal Amount of Serial Mortgage Notes relating to a Vessel has not been paid in full, the related Owner will direct Chevron Transport to deposit the charterhire payments under the related Initial Charter directly into an account established and maintained for such purpose by the Collateral Trustee (the "Initial Revenue Account"). Each Owner will direct, as the case may be, (i) the charterer under any Acceptable Replacement Charter or other charter for such Owner's Vessel entered into after the payment in full of the Allocated Principal Amount of Serial Mortgage Notes for such Vessel or (ii) Chevron Transport, if such Initial Charter continues in effect after all of the Allocated Principal Amount of the Serial Mortgage Notes for such Vessel has been paid in full, to deposit the charterhire payments under such Acceptable Replacement Charter, other charter or Initial Charter, as the case may be, directly into an account established and maintained for such purpose by the Collateral Trustee (the "Second Revenue Account"). Each Owner will direct Chevron Transport to deposit the Termination Payment, if any, payable under the Initial Charter for such Owner's Vessel directly into an account established and maintained for such purpose by the Collateral Trustee (the "Termination Account"). The Collateral Trustee also will deposit into the Termination Account any net proceeds from the sale, if any, of a Vessel for which the related Initial Charter has been terminated that are in excess of the amount necessary to pay all amounts due and payable in connection with the related mandatory redemption. The Collateral Trustee will establish and maintain an account into which, on each Payment Date that is not a sinking fund redemption date or a date on which the final payment of principal on the Term Mortgage Notes is due, an amount, if any, not to exceed one-half of the aggregate sinking fund redemption amount or amount of principal due and payable on the Term Mortgage Notes on the next succeeding Payment Date will be deposited (the "Sinking Fund Reserve Account") in accordance with the order of payments for the applicable Payment Date. The Collateral Trustee will establish and maintain an account into which the Recurring Fees and Taxes, the Management Fee and the Technical Advisor's Fee relating to each Vessel will be deposited (the "Operating Account") in accordance with the order of payments for the applicable Payment Date. The Collateral Trustee will establish and maintain an account into which the Equity Remainder, if any, for each Vessel will be deposited (the "Equity Account") in accordance with the order of payments for each Equity Transfer Date. The Collateral Trustee will establish and maintain an account into which any insurance proceeds or other payments in connection with the occurrence of a Total Loss to any Vessel then subject to an Initial Charter that has not reached its first optional termination date shall be deposited in accordance with the related Mortgage (the "Casualty Account"). The Collateral Trustee will establish and maintain an account into which the Collateral Trustee will deposit (i) any proceeds received upon the exercise of remedies with respect to the Collateral, (ii) other amounts received with respect to the Collateral following receipt by the Collateral Trustee of an Enforcement Notice, subject to the exceptions described in the fourth paragraph under "--Collateral Agreement Remedies" below and (iii) any other amount received by the Collateral Trustee pursuant to any of the Security Documents for which the Collateral Agreement does not specify another Trust Account into which such amount is to be deposited (the "Collateral Account"). The Initial Revenue Account, the Second Revenue Account, the Termination Account, the Operating Account, the Equity Account, the Casualty Account, the Sinking Fund Reserve Account and the Collateral Account will be maintained by the Collateral Trustee as collateral agent for the equal and ratable benefit of the holders of the Term Mortgage Notes and (except for the Second Revenue Account, the Termination Account and the Sinking Fund Reserve Account) the Holders of the Serial Mortgage Notes in accordance with the Collateral Agreement, and are from time to time referred to in this Prospectus as the "Trust Accounts." The funds deposited in the Trust Accounts are from time to time referred to herein as the "Trust Funds."

PAYMENT DATES.

On each Payment Date on or prior to , 2003 (the first optional termination date for any of the Initial Charters), the Collateral Trustee will withdraw funds first from the Initial Revenue Account and

then from the Equity Account (except for clause (g) below) and make the payments set forth below in the following order, in each case to the extent funds are available after the preceding payment has been made in full:

(a) to deposit into the Operating Account the amount of the Recurring Fees and Taxes then due and payable for each Vessel, or which will become due and payable prior to the next succeeding Payment Date;

(b) to pay all interest then due and payable on the Serial Mortgage Notes to the Holders of the Serial Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Serial Mortgage Note bears to the aggregate amount of the payments then due under all such Serial Mortgage Notes;

(c) if such Payment Date is the Maturity Date for any Serial Mortgage Notes, to pay the aggregate amount of principal then due and payable on such Serial Mortgage Notes to the Holders of such Serial Mortgage Notes, ratably in the proportion that the amount of such principal then due under each such Serial Mortgage Note bears to the aggregate amount of such principal then due under all such Serial Mortgage Notes;

(d) to pay all interest then due and payable on the Term Mortgage Notes to the holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(e) to pay to the Indenture Trustee, the Collateral Trustee and the Designated Representative, respectively, the fees and expenses then due and payable under the Indentures to the Indenture Trustee and under the Collateral Agreement to the Collateral Trustee and the Designated Representative's Fee;

(f) to deposit into the Operating Account the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel; and

(g) if such Payment Date is an Equity Transfer Date, to the extent funds are available, to deposit the Equity Remainder for each Vessel into the Equity Account.

After the foregoing payments have been made, the Collateral Trustee will invest (and reinvest, as applicable) any balance remaining in the Initial Revenue Account and the Equity Account in Permitted Investments that will mature on or before the next succeeding Payment Date.

On each Payment Date that occurs after , 2003 (the first optional termination date under any of the Initial Charters) and on or before , 2006 (the final Maturity Date for any series of Serial Mortgage Notes), the Collateral Trustee will withdraw funds from the Initial Revenue Account, the Second Revenue Account, the Termination Account, the Sinking Fund Reserve Account, the Equity Account, or the applicable combination of the foregoing indicated below, as the case may be, and make the payments set forth below in the following order, in each case to the extent funds are available in the applicable Trust Accounts after the preceding payment has been made in full:

(a) to deposit into the Operating Account the amount of the Recurring Fees and Taxes then due and payable, or which will become due and payable prior to the next succeeding Payment Date for each Vessel then subject to an Initial Charter through its first optional termination date, first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein;

(b) to pay first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, all interest then due and payable on the Serial Mortgage Notes to the Holders of the Serial Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Serial Mortgage Note bears to the aggregate amount of the payments then due under all such Serial Mortgage Notes;

(c) if such Payment Date is the Maturity Date for any Serial Mortgage Notes, to pay first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, the aggregate amount of principal then due and payable on such Serial Mortgage Notes

to the Holders of such Serial Mortgage Notes, ratably in the proportion that the amount of such principal then due under each such Serial Mortgage Note bears to the aggregate amount of such principal then due under all such Serial Mortgage Notes;

(d) to pay first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, all interest then due and payable on the Allocated Principal Amount of Term Mortgage Notes for each Vessel subject to an Initial Charter through its first optional termination date to the holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(e) to deposit into the Operating Account the amount of the Recurring Fees and Taxes then due and payable, or which will become due and payable prior to the next succeeding Payment Date for each Vessel after the first optional termination date for the related Initial Charter, first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein;

(f) to pay first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, all interest then due and payable (A) on the Allocated Principal Amount of the Term Mortgage Notes for each Vessel subject to an Initial Charter after the first optional termination date thereof and (B) on the Allocated Principal Amount of the Term Mortgage Notes for each Vessel not subject to an Initial Charter, to the holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(g)(A) if such Payment Date is a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to pay first from the Sinking Fund Reserve Account, then from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, the aggregate sinking fund redemption amount or amount of principal then due and payable on the Term Mortgage Notes, ratably, in the case of payment due on maturity, in the proportion that the amount of such payments then due under each such Term Mortgage Note bears to the aggregate amount of the payment then due under all such Term Mortgage Notes and (B) if such Payment Date is not a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to deposit into the Sinking Fund Reserve Account first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, an amount, if any, equal to one-half of the aggregate sinking fund redemption amount or amount of principal due and payable on the Term Mortgage Notes on the next succeeding Payment Date;

(h) to pay first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, to the Indenture Trustee, the Collateral Trustee and the Designated Representative, respectively, the portion of the aggregate amount of the fees and expenses then due under the Indentures to the Indenture Trustee and under the Collateral Agreement to the Collateral Trustee and the Designated Representative's Fee, calculated by multiplying the aggregate amount of such fees and expenses by a fraction, the numerator of which is the number of Vessels then subject to Initial Charters through their respective first optional termination date and the denominator of which is the total number of Vessels then subject to a Mortgage;

(i) to pay to the Indenture Trustee, the Collateral Trustee and the Designated Representative respectively, first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds therein, the portion of the aggregate amount of the fees and expenses then due under the Indentures to the Indenture Trustee and under the Collateral Agreement to the Collateral Trustee and the Designated Representative's Fee, calculated by multiplying the aggregate amount of such fees and expenses by a fraction, the numerator of which is the number of

Vessels after the first optional termination date for the respective Initial Charters and the denominator of which is the total number of Vessels then subject to a Mortgage;

(j) to deposit into the Operating Account first from the Initial Revenue Account and then from the Equity Account, to the extent of the funds available therein, the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel then subject to an Initial Charter through its first optional termination date;

(k) to deposit into the Operating Account first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel after the first optional termination date for the related Initial Charter;

(l) if such Payment Date is an Equity Transfer Date, to withdraw from the Initial Revenue Account, to the extent funds are available, and to deposit into the Equity Account the Equity Remainder for each Vessel then subject to an Initial Charter through its first optional termination date; and

(m) if such Payment Date is an Equity Transfer Date, to withdraw first from the Second Revenue Account and then from the Termination Account, in each case to the extent of the funds available therein, and to deposit into the Equity Account the Equity Remainder for each Vessel after the first optional termination date for which the related Initial Charter has reached its first optional termination date.

After the foregoing payments have been made, the Collateral Trustee will invest (and reinvest, as applicable) any balance remaining in each of the Initial Revenue Account (if such Payment Date is not the date upon which all series of Serial Mortgage Notes are paid in full), the Second Revenue Account, the Equity Account, the Termination Account and the Sinking Fund Reserve Account in Permitted Investments that will mature on or before the next succeeding Payment Date.

On the final Maturity Date for all series of Serial Mortgage Notes, after all payments have been made in full to the Holders of the Serial Mortgage Notes, any balance remaining in the Initial Revenue Account will be transferred to the Second Revenue Account.

On each Payment Date after , 2006 (the final Maturity Date for all series of Serial Mortgage Notes), the Collateral Trustee will withdraw funds first from the Sinking Fund Reserve Account (only in the case of clause (c) below), then from the Second Revenue Account, then from the Termination Account and then (except for clause (f) below) from the Equity Account, in each case to the extent of the funds available therein, and make the payments set forth below in the following order, in each case to the extent funds are available after the preceding payment has been made in full:

(a) to deposit into the Operating Account the Recurring Fees and Taxes then due and payable for each Vessel, or which will become due and payable prior to the next succeeding Payment Date;

(b) to pay all interest then due and payable on the Term Mortgage Notes to the holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(c)(A) if such Payment Date is a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to pay the aggregate sinking fund redemption amount or amount of principal then due and payable on the Term Mortgage Notes to the holders of the Term Mortgage Notes, ratably, in the case of payment due on maturity, in the proportion that the amount of such principal then due under each Term Mortgage Note bears to the aggregate amount of such principal then due under all the Term Mortgage Notes; and (B) if such Payment Date is not a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to deposit into the Sinking Fund Reserve Account first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, an

amount, if any, equal to one-half of the aggregate sinking fund redemption amount or amount of principal due and payable on the Term Mortgage Notes on the next succeeding Payment Date;

(d) to pay to the Indenture Trustee, the Collateral Trustee and the Designated Representative respectively, the fees and expenses then due and payable under the Term Indenture to the Indenture Trustee and under the Collateral Agreement to the Collateral Trustee and the Designated Representative's Fee;

(e) to deposit into the Operating Account the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel; and

(f) if such Payment Date is an Equity Transfer Date, to the extent funds are available, to deposit the Equity Remainder for each Vessel into the Equity Account.

After the foregoing payments have been made, the Collateral Trustee will invest (and reinvest, as applicable) any balance remaining in each of the Second Revenue Account, the Termination Account, the Sinking Fund Reserve Account and the Equity Account in Permitted Investments that will mature on or before the next succeeding Payment Date. If so directed by California Petroleum and if no Indenture Event of Default has occurred and is continuing, the Indenture Trustee will purchase Term Mortgage Notes in the open market from funds, if any, available in the Sinking Fund Reserve Account, provided that (a) the purchase price of such Term Mortgage Notes is less than 100% of the principal amount thereof plus accrued and unpaid interest to the date of such purchase and (b) such Term Mortgage Notes are delivered to the Indenture Trustee to satisfy California Petroleum's sinking fund obligations on the Term Mortgage Notes on the next succeeding Payment Date.

If on any Payment Date the Notes are to be redeemed (other than by operation of the mandatory sinking fund) in whole or in part, such redemption will occur immediately prior to the payments described above for such Payment Date.

On each Payment Date occurring after the date on which each Vessel either (i) has been sold, (ii) is subject to an Acceptable Replacement Charter or (iii) is subject to an Initial Charter for which the last optional termination date has occurred and the related Initial Charter has not been terminated, the Collateral Trustee shall if so directed by the Manager disburse excess funds contained in the Second Revenue Account and Termination Account to the Owners, pro rata in proportion to the amount of such funds deposited in such Trust Accounts in respect of such Owner's Vessel. For purposes of the foregoing, amounts contained in the Second Revenue Account and Termination Account shall on any date of determination be deemed excess funds to the extent, if any, that charterhire payments under all Initial Charters and Acceptable Replacement Charters then in effect during the non-cancellable term of such charters, after giving effect to (1) any "gross up" of such amounts as a result of any withholding tax on such charterhire payments, (2) the amounts then held in the Termination Account, (3) the amounts then held in the Second Revenue Account and (4) all fees and expenses, if any, incurred but unpaid in connection with the recharter of the Vessels, provide sufficient funds for the payment in full when due of (A) sinking fund payments and payments of principal and interest on the then outstanding Term Mortgage Notes in accordance with the revised schedule of sinking fund and principal payments that is applicable on such date of determination, (B) the amount of Recurring Fees and Taxes for all such Vessels, (C) the amount of Management Fees and Technical Advisor's Fees for all such Vessels, (D) the amount of fees and expenses of the Indenture Trustee, Collateral Trustee and Designated Representative's Fees and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses.

OPERATING ACCOUNT.

Funds deposited into the Operating Account on each Payment Date will be disbursed by the Collateral Trustee (i) from time to time, to pay the Recurring Fees and Taxes as such amounts become due and payable

upon presentation of invoices therefor pursuant to the Management Agreements, (ii) to pay the Management Fee to the Manager and (iii) to pay the Technical Advisor's Fee to Barber Ship Management, provided that the Management Fee and the Technical Advisor's Fee shall be payable only to the extent that the funds remaining in the Operating Account after any such payment would be sufficient to pay the Recurring Fees and Taxes for the applicable period. Funds remaining in the Operating Account will be invested by the Collateral Trustee in Permitted Investments maturing on or before the next succeeding Payment Date. See "Business--Operations" for a discussion of the services provided under the Management Agreements.

EQUITY ACCOUNT.

Funds remaining in the Equity Account will be invested by the Collateral Trustee in Permitted Investments. Any balance remaining in the Equity Account after payment in full of all amounts on the Notes will be disbursed promptly to the Owners upon payment in full of all obligations due under the Indentures.

CASUALTY ACCOUNT.

Any insurance proceeds or other payments received by the Collateral Trustee in connection with the occurrence of a Total Loss to any Vessel then subject to an Initial Charter that has not reached its first optional termination date will be deposited pursuant to the provisions of the related Security Documents into the Casualty Account, and invested in Permitted Investments until such funds are disbursed by the Collateral Trustee in accordance with the Indentures. All such amounts paid with respect to a Vessel that has reached its first optional termination date and any balance remaining in the Casualty Account upon the release of all Liens of the Serial Indenture will be deposited into the Termination Account. See "Trust Accounts--Termination Account."

TERMINATION ACCOUNT.

If the Initial Charter for a Vessel is terminated by Chevron Transport, the Termination Payment payable under such Initial Charter will be deposited into the Termination Account for the benefit of the Term Indenture Trustee for the ratable benefit of holders of the Term Mortgage Notes. Any net proceeds from the sale, if any, of a Vessel for which the related Initial Charter has reached its first optional termination date, any insurance proceeds or other payments received by the Collateral Trustee in connection with the occurrence of a Total Loss to any Vessel that has reached its first optional termination date, and any funds transferred from the Casualty Account or the Collateral Account upon the release of all Liens of the Serial Indenture will be deposited into the Termination Account to be used along with the related Termination Payment (and any excess amounts referred to in the next succeeding sentence arising from previous Vessel sales and remaining in the Termination Account) in connection with the related mandatory redemption, if any, of Term Mortgage Notes pursuant to the Term Indenture. The excess, if any, relating to such Vessel over the amount necessary to pay all amounts due and payable in connection with such related mandatory redemption will be disbursed by the Collateral Trustee, to the extent necessary on each succeeding Payment Date, to make payments designated to be made from the Termination Account on such Payment Date.

Any Termination Payment deposited into the Termination Account will be disbursed by the Collateral Trustee (i) if a notice of mandatory redemption is delivered by the Owners as a result of such termination, in accordance with the Term Indenture or (ii) if a notice of mandatory redemption is not delivered by the Owners as a result of such termination, to the extent necessary on each succeeding Payment Date, to make payments designated to be made from the Termination Account on such Payment Date. Funds in the Termination Account will be invested (and reinvested, as applicable) by the Collateral Trustee in Permitted Investments prior to being disbursed as described above.

SINKING FUND RESERVE ACCOUNT.

Funds deposited into the Sinking Fund Reserve Account on each applicable Payment Date (1) if so directed by California Petroleum and if no Indenture Event of Default has occurred and is continuing, will

be used to purchase Term Mortgage Notes in the open market provided that (a) the purchase price of such Term Mortgage Notes is less than 100% of the principal amount thereof plus accrued and unpaid interest to the date of such purchase and (b) such Term Mortgage Notes are delivered to the Indenture Trustee to satisfy California Petroleum's sinking fund obligations on the Term Mortgage Notes on the next succeeding Payment Date and (2) if not so used as described in clause (1) above, will be used to satisfy, in part, California Petroleum's sinking fund obligations on the Term Mortgage Notes on such Payment Date. Funds in the Sinking Fund Reserve Account will be invested (and reinvested, as applicable) by the Collateral Trustee in Permitted Investments maturing on or before the next succeeding Payment Date prior to being disbursed as described above.

COLLATERAL ACCOUNT.

The cash proceeds of any sale of, or other realization upon, all or any part of the Collateral upon the exercise by the Collateral Trustee of any of the rights and remedies described below (see "Collateral Agreement Remedies") upon receipt of an Enforcement Notice, and any other amounts received by the Collateral Trustee pursuant to any of the Security Documents for which the Collateral Agreement does not specify another trust account into which such amount is to be deposited, will be deposited in the Collateral Account. While an Enforcement Notice is in effect, all moneys which are required by any Security Document to be delivered to the Collateral Trustee or which are received by the Collateral Trustee or any agent or nominee of the Collateral Trustee in respect of the Collateral, whether in connection with the exercise of the remedies provided in any Security Document or otherwise, shall be deposited in the Collateral Account and held by the Collateral Trustee and applied in accordance with the terms of the Collateral Agreement; notwithstanding the foregoing, any moneys received by the Collateral Trustee for deposit in any other Trust Account which are received pursuant to any Initial Charter that is not then in default and that has not reached its first optional termination date or the related Security Documents shall be deposited in such other Trust Account and applied in accordance with the provisions applicable to such other Trust Account; provided, however, that notwithstanding anything in this paragraph to the contrary, all such moneys relating to Collateral with respect to which the Lien of the Serial Indenture has been released shall be deposited in the Termination Account and applied in accordance with the terms of the Collateral Agreement.

Upon the release of all Liens of the Serial Indenture, any balance remaining in the Collateral Account shall be transferred to the Termination Account. See "Trust Accounts--Termination Account."

PERMITTED INVESTMENTS.

Permitted Investments include any of the following:

(a) direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided such obligations are backed by the full faith and credit of the United States, Federal Housing Administration debentures, FHLMC senior debt obligations or FNMA senior debt obligations, but excluding any of such securities whose terms do not provide for payment of a fixed dollar amount upon maturity or call for redemption;

(b) federal funds, certificates of deposit, time and demand deposits and banker's acceptances (having original maturities of not more than one year) of any bank or trust company incorporated under the laws of the United States or any state thereof, provided that the short-term debt obligations of such bank or trust company at the date of acquisitions thereof have been rated at least "A-1" or "P-1" by Standard & Poor's and Moody's, respectively;

(c) commercial paper (having original maturities of not more than one year) rated at least "A-1" or "P-1" by Standard & Poor's and Moody's, respectively; or

(d) guaranteed investment contracts, investment agreements or similar agreements rated at least "Aa" or "AA" by Moody's, Standard & Poor's or Duff & Phelps, respectively, that are treated as indebtedness for United States federal income tax purposes.

For purposes of determining whether a Permitted Investment matures on or before the next succeeding Payment Date, each payment received under a Permitted Investment described in clause (d) above will be considered to be the maturity of such Permitted Investment.

REDEMPTION

If a Total Loss occurs or is declared by Chevron Transport, then the outstanding Notes will be redeemed in part in an aggregate principal amount equal to the Allocated Principal Amount of Serial Notes and the Allocated Principal Amount of Term Notes for such Vessel. Any such redemption shall occur 90 days after the occurrence of the Total Loss and shall be at a redemption price for each Note equal to the principal amount of such Note to be redeemed, together with interest on such principal amount of each such Note at the rate applicable to such Note to the date of payment of such redemption price and all other amounts then due and payable any holder of Notes under the Indentures.

The Serial Mortgage Notes are not subject to optional redemption. The Term Mortgage Notes may be redeemed in whole or in part at the direction of California Petroleum on any Payment Date on or after , 2006, the final Maturity Date for any Serial Mortgage Notes.

SELECTION AND NOTICE.

In the event that the Serial Mortgage Notes are to be redeemed at any time in part, the Indenture Trustee shall select Serial Mortgage Notes to be redeemed ratably from each Holder such that the ratio of the principal amount of each series of Serial Mortgage Notes to be redeemed from each Holder to the aggregate principal amount of each series of Serial Mortgage Notes held by such Holder shall, as nearly as practicable and subject to rounding, equal the ratio of the aggregate principal amount of Serial Mortgage Notes to be redeemed on such redemption date to the aggregate principal amount of Serial Mortgage Notes then outstanding, provided that Serial Mortgage Notes of \$1,000 principal amount or less shall not be redeemed in part. Notice of redemption shall be mailed by first class mail by the Indenture Trustee at least 30 but not more than 60 days before the redemption date to each Holder of Serial Mortgage Notes to be redeemed at its registered address. If any Serial Mortgage Note is to be redeemed in part only, the notice of redemption that relates to such Serial Mortgage Note shall state the portion of the principal amount thereof to be redeemed. On and after the redemption date, interest will cease to accrue on Serial Mortgage Notes or portions thereof called for redemption.

CERTAIN COVENANTS

The Serial Indenture contains certain covenants pursuant to which California Petroleum will agree, among other things, that:

(a) California Petroleum will not create, incur, assume or issue, directly or indirectly, guarantee or in any manner become, directly or indirectly, liable for or with respect to the payment of any indebtedness, except for its obligations under the Notes and the Indentures;

(b) California Petroleum will not engage in any business other than the issuance of the Notes and making the loans to the Owners in accordance with California Petroleum's charter and by-laws;

(c) California Petroleum will not (i) commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to it, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or any part of its assets, (iii) make a general assignment for the benefit of creditors or (iv) take any action in furtherance of, or consenting to or acquiescing in, any of the foregoing;

(d) California Petroleum will not create, incur, assume or suffer to exist any Lien on any of its assets or properties or on any of the Collateral, except pursuant to the Collateral Agreement;

(e) California Petroleum will not consolidate with, or merge with or into, any other Person or convey or transfer to any Person all or any part of the Collateral except to the Collateral Trustee in accordance with the Collateral Agreement;

(f) California Petroleum will not (i) declare or pay any dividend or other distribution on any shares of its capital stock in excess of \$15,000 per annum, (ii) make any loans or advances to any affiliate of California Petroleum or (iii) purchase, redeem or otherwise acquire or retire for value any shares of its capital stock; and

(g) California Petroleum will not make any capital contributions, advances or loans to, or investments or purchases of capital stock in, any Person (as defined in the Serial Indenture), except for its loan to each Owner.

INDENTURE EVENTS OF DEFAULT

Events of default under the Serial Indenture (each, an "Indenture Event of Default") include the following events and occurrences:

(a) any Mortgage Event of Default shall have occurred and be continuing (see "The Mortgages--Mortgage Events of Default");

(b) default in the payment of all or any part of the principal of or interest on any of the Serial Mortgage Notes as and when such payment becomes due and payable and the continuance of such default for a period of two Business Days (as defined in the Serial Indenture);

(c) failure on the part of California Petroleum to observe or perform in any material respect any of the other agreements or covenants contained in the Serial Indenture, the Serial Mortgage Notes, the Security Documents or any document or certificate delivered pursuant thereto, continued for a period of 30 days after the earlier of (i) actual knowledge by California Petroleum of such failure and (ii) the date on which written notice specifying such failure and stating that such notice is a "Notice of Default" under the Serial Indenture has been given to California Petroleum by the Indenture Trustee or to California Petroleum and the Indenture Trustee by the Holders of at least 25% in aggregate principal amount of the Serial Mortgage Notes then outstanding;

(d) any representation or warranty of California Petroleum made in the Serial Indenture, any Security Document or any document or certificate delivered pursuant thereto proves to have been inaccurate in any material respect when made, remains inaccurate in such material respect for a period of 30 days after the earlier of (x) actual knowledge by California Petroleum of such misrepresentation and (y) the date on which written notice specifying such inaccuracy and stating that such notice is a "Notice of Default" under the Serial Indenture has been given to California Petroleum by the Indenture Trustee, or to California Petroleum and the Indenture Trustee by the Holders of at least 25% in aggregate principal amount of the Serial Mortgage Notes then outstanding;

(e) the occurrence of specified events of bankruptcy, insolvency, reorganization, winding up or liquidation with respect to California Petroleum;

(f) any of the Initial Charters is repudiated or ceases to be in full force and effect, other than pursuant to the terms thereof;

(g) any of the Security Documents is repudiated or ceases to be in full force and effect or any of the Security Documents ceases to give the Collateral Trustee, in any material respect, the Liens, rights, powers and privileges purported to be created thereby, in each case other than pursuant to the terms thereof; or

(h) any of the Chevron Guarantees is repudiated or ceases to be in full force and effect, other than pursuant to the terms thereof.

If an Indenture Event of Default referred to in clause (e) of the preceding paragraph occurs and is continuing then the entire principal of and interest accrued on all the Serial Mortgage Notes shall immediately and without further act become due and payable, without presentment, demand, protest or notice by the

Indenture Trustee or any Holder. If an Indenture Event of Default (other than an Indenture Event of Default referred to in clause (e) of the preceding paragraph) occurs and is continuing, then the Indenture Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Serial Mortgage Notes may, by written notice, declare the entire principal of and interest accrued on all the Serial Mortgage Notes to be due and payable immediately, and upon any such declaration such amounts shall become due and payable immediately.

After a declaration of acceleration and before any judgment or decree for the payment of money due has been obtained or entered, if California Petroleum shall pay or deposit with the Indenture Trustee a sum sufficient to pay all matured installments of interest upon all of the Serial Mortgage Notes and the principal of all the Serial Mortgage Notes that shall have become due otherwise than by acceleration (with interest on such principal and, to the extent permitted by law, on overdue installments of interest, at the same rate for each Serial Mortgage Note applicable to such Serial Mortgage Note, to the date of such payment or deposit) and all amounts payable to the Indenture Trustee under the Serial Indenture, and if any and all Indenture Events of Default, other than the non-payment of the principal of the Serial Mortgage Notes that shall have become due by acceleration, shall have been cured, waived or otherwise remedied, then the Holders of a majority in aggregate principal amount of outstanding Serial Mortgage Notes may, by written notice, rescind and annul such declaration of acceleration and its consequences, but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon. The Holders of a majority in aggregate principal amount of the outstanding Serial Mortgage Notes also have the right to waive any past default or Indenture Event of Default, except a default in the payment of the principal of or interest on any Serial Mortgage Note, or in respect of a covenant or provision of the Serial Indenture which cannot be modified or amended without the consent of the Holder of each affected Serial Mortgage Note.

If an Indenture Event of Default has occurred and is continuing, the Indenture Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Serial Mortgage Notes or to enforce the performance of any provision of the Serial Mortgage Notes or the Serial Indenture.

The Serial Indenture contains certain covenants pursuant to which the Indenture Trustee will agree that, prior to the date which is one year and one day after the payment in full of all outstanding Notes, it will not institute against, or join any other person in instituting against, California Petroleum any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other similar proceeding under the laws of the United States or any state of the United States.

No Holder has any right to institute any proceeding with respect to the Serial Indenture or any remedy thereunder, unless the Holders of at least 25% in aggregate principal amount of the outstanding Serial Mortgage Notes have made written request, and offered reasonable indemnity, to the Indenture Trustee to institute such proceeding as Indenture Trustee, the Indenture Trustee has failed to institute such proceeding within 60 days after receipt of such notice and the Indenture Trustee has not within such 60-day period received directions inconsistent with such written request by the Holders of a majority in aggregate principal amount of the outstanding Serial Mortgage Notes. Such limitations do not apply, however, to a suit instituted by a Holder of a Serial Mortgage Note for the enforcement of the payment of the principal of or accrued interest on, such Serial Mortgage Note on or after the respective due dates expressed in such Serial Mortgage Note.

The Holders of a majority in aggregate principal amount of the outstanding Serial Mortgage Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust, or power conferred on the Indenture Trustee by the Serial Indenture. The Indenture provides that, subject to the duty of the Indenture Trustee during a default to act with the required standard of care, the Indenture Trustee is entitled to reasonable security or indemnity from the Holders before proceeding to exercise any right or power under the Serial Indenture at the request of the Holders. The Indenture Trustee may decline to follow any such direction from the Holders if it determines that the action so directed would result in liability to the Indenture Trustee, would be unduly prejudicial to Holders not joining in such direction or would be unlawful.

COLLATERAL AGREEMENT REMEDIES

If an Indenture Event of Default has occurred and is continuing and if such Indenture Event of Default is actually known by a responsible officer of the Indenture Trustee charged with the administration of the Serial Indenture, the Indenture Trustee must mail a notice of such Indenture Event of Default (an "Enforcement Notice") to the Collateral Trustee and each Holder within 90 days. Except in the case of a default in the payment of principal of or interest on any Serial Mortgage Note, the Indenture Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Indenture Trustee in good faith determines that the withholding of such notice is in the interest of the Holders. If the Collateral Trustee and the Indenture Trustee are the same entity, an Enforcement Notice will be deemed to have been delivered to the Collateral Trustee and to have become effective with respect to the Collateral Trustee immediately upon the occurrence of an Indenture Event of Default described in clause (b) in the first paragraph under "Indenture Events of Default" above or upon written notice to or actual knowledge by a responsible officer of the Indenture Trustee that an Indenture Event of Default has occurred, and will be deemed to have been canceled with respect to the Collateral Trustee at such time as the Indenture Trustee would have been required to cancel such Enforcement Notice upon the rescission and annulment or waiver by the Holders, as described above.

So long as an Enforcement Notice is in effect, the Collateral Trustee (to the extent directed to do so by the appropriate Holders, as discussed above), whether in its own right or as assignee of California Petroleum, will proceed to exercise all the powers, remedies and rights available under the Collateral Agreement and the Security Documents, including, without limitation, taking possession of and selling the Collateral thereunder or any portion thereof or rights or interests therein, at one or more public or private sales called and conducted in any manner permitted by law and, during the continuance of a Mortgage Event of Default, exercising any of its remedies under such Mortgage. Pursuant to the terms of the Initial Charters and the Mortgages, the right of the Collateral Trustee to enforce each Mortgage is subject to the right of Chevron Transport to the continued use and operation of the related Vessel under such Initial Charter so long as no Charter Event of Default shall have occurred and be continuing under such Initial Charter and so long as Chevron Transport is performing its obligations thereunder.

If an Enforcement Notice is delivered and becomes effective under the Term Indenture, but not under the Serial Indenture, the holders of a majority in aggregate principal amount of the outstanding Term Mortgage Notes (the "Majority Term Noteholders") will have the right to direct the time, method and place of conducting any proceeding for any right or remedy available to the Collateral Trustee, or exercising any trust or power conferred on the Collateral Trustee, or for the appointment of a receiver, or to direct the taking or refraining from taking of any action authorized by any Security Document. If an Enforcement Notice is delivered and becomes effective under the Serial Indenture, but not under the Term Indenture, the Holders of a majority in aggregate principal amount of the outstanding Serial Mortgage Notes (the "Majority Serial Noteholders") will have the right to direct the actions to be taken or not taken with respect to the Collateral under the Collateral Agreement and the other Security Documents. If an Enforcement Notice is delivered and becomes effective under both Indentures, the holders of a majority in aggregate principal amount of the outstanding Term Mortgage Notes and Serial Mortgage Notes (the "Majority Noteholders") will have the right to direct the actions to be taken or not taken with respect to the Collateral under the Collateral Agreement and the other Security Documents. The Collateral Trustee is entitled to be indemnified by the holders of the Term Mortgage Notes, or the Holders of the Serial Mortgage Notes, or all of such holders, as the case may be, before proceeding to act at their direction under the Collateral Agreement.

There can be no assurance that the proceeds of the sale of any Vessel in connection with the Collateral Trustee's exercise of remedies following an Indenture Event of Default would be sufficient to redeem the Allocated Principal Amount of Notes for such Vessel or that any buyers would be available under the circumstances in which such sale would occur. Chevron Transport has advised California Petroleum that its original tax basis for the Vessels, based on the aggregate purchase price paid by Chevron Transport for the

Vessels and capitalized interest during construction of such Vessels, was approximately \$285 million. Chevron Transport's original book value for financial reporting purposes (which amount excludes capitalized interest) was approximately \$274 million. The depreciated tax basis and book basis for accounting purposes for the Vessels was approximately \$262 million and approximately \$260 million, respectively, as of December 31, 1994. Based on industry data provided by R.S. Platou, Economic Research a.s., the current market value of an unchartered recently built double-hulled Suezmax tanker is in the range of \$55 to \$60 million and the current market value of an unchartered single-hulled Suezmax tanker similar to W.E. Crain is in the range of \$40 to \$45 million. None of the preceding amounts are indicative of the current or future fair market value of the Vessels and related Initial Charters. No appraisal of the fair market value of any Vessel has been commissioned in connection with the purchase of such Vessel by the related Owner from Chevron Transport. There can be no assurance that the price to be paid by each Owner for its respective Vessel and the related Initial Charter will reflect the fair market value of such Vessel and such Initial Charter at the time such Vessel will be acquired by the related Owner and such Initial Charter commences, or that the aggregate fair market value of such Vessel and such Initial Charter will at any time exceed the Allocated Principal Amount of Notes for such Vessel. The fair market value of oil tankers, including the Vessels, can be expected to fluctuate, depending upon general economic and market conditions affecting the tanker industry and competition from other shipping companies, types and sizes of vessels, and other modes of transportation. In addition, as vessels grow older, they may be expected to decline significantly in value.

If the Allocated Principal Amount of Serial Mortgage Notes relating to a Vessel is paid in full, the Collateral (including the related Initial Charter, whether or not terminated by Chevron Transport) relating to such Vessel will no longer secure California Petroleum's obligations under the Serial Indenture. So long as any Serial Mortgage Notes are outstanding, if an event of default under a subsequent charter or a Mortgage Event of Default occurs with respect to any Vessel for which the Allocated Principal Amount of the Serial Mortgage Notes is paid in full, the Collateral Trustee may not pursue remedies upon receipt of an Enforcement Notice under the Term Indenture with respect to any Initial Charter that has not reached its first optional termination date and that is not then in default, including amounts paid or payable thereunder, and the related Security Documents. In addition, the right of the Collateral Trustee to enforce the Mortgages will be subject to the rights of a charterer under its charter to the continued use and operation of the related Vessel, so long as no event of default has occurred and is continuing under such charter and so long as the charterer is performing its obligations thereunder. So long as the same institution or an affiliate of such institution serves as indenture trustee under the Serial Indenture and the Term Indenture, an Indenture Event of Default that is not an event of default under the Serial Indenture, such as described in the preceding sentence, may result in a conflicting interest for such institution or affiliate which would require it to seek an exemption under the Trust Indenture Act or require it to be replaced as trustee under one or more of the Indentures and the Collateral Agreement.

The Collateral Trust Agreement contains certain covenants pursuant to which the Collateral Trustee will agree that, prior to the date which is one year and one day after the payment in full of all outstanding Notes, it will not institute against, or join any other person in instituting against, California Petroleum any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other similar proceeding under the laws of the United States or any state of the United States.

MODIFICATIONS OF THE SERIAL INDENTURE

The Serial Indenture provides that California Petroleum, Chevron and the Indenture Trustee may enter into a supplemental indenture to amend the Serial Indenture or the Serial Mortgage Notes without the consent of any Holder: (a) to convey, transfer, assign, mortgage or pledge to the Collateral Trustee as security for the Serial Mortgage Notes any property or assets; (b) to evidence the succession of another corporation to Chevron, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of Chevron; (c) to cure any ambiguity, defect or inconsistency; or (d) to comply with the requirements of the Commission in order to maintain the qualification of the Serial Indenture under the Trust Indenture Act.

The Serial Indenture and the rights and obligations of California Petroleum, the Indenture Trustee and the Holders may be modified or amended at any time with the consent of the Holders of not less than a majority in aggregate principal amount of all outstanding Serial Mortgage Notes; provided that without the consent of the Holder of each Serial Mortgage Note affected, no such modification or amendment shall, among other things, change the fixed maturity or redemption date thereof, reduce the rate of interest thereon, extend the time of payment of interest, reduce the principal amount thereof, reduce any amount payable upon the redemption thereof, or impair the right to institute suit for the enforcement of any such payment, or reduce the percentage of the Holders of such Serial Mortgage Notes whose consent is required for any such modification or amendment or modify any provisions of the Serial Indenture relating to the amendment thereof or the creation of a supplemental indenture (unless the change increases the rights of the Holders). Each of the Serial Indenture and the Term Indenture provide that certain provisions contained therein may not be modified or amended without the consent of the Collateral Trustee and the requisite Holders of the Serial Mortgage Notes and holders of the Term Mortgage Notes.

SATISFACTION AND DISCHARGE

The Serial Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Serial Mortgage Notes) as to all outstanding Serial Mortgage Notes when either (a) California Petroleum shall have paid or caused to be paid the principal of and interest on all the Serial Mortgage Notes outstanding under the Serial Indenture, as and when the same shall have become due and payable; (b) California Petroleum shall have delivered to the Indenture Trustee for cancellation all Serial Mortgage Notes theretofore authenticated (except lost, stolen or destroyed Serial Mortgage Notes which have been replaced or paid); or (c) (i) all such Serial Mortgage Notes not theretofore delivered to the Indenture Trustee for cancellation have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption and California Petroleum shall have irrevocably deposited or caused to be deposited with the Indenture Trustee as trust funds in trust for the purpose an amount of money sufficient to pay at maturity or upon redemption all such Serial Mortgage Notes not theretofore delivered to the Indenture Trustee for cancellation, including principal and interest due or to become due to such date of maturity as the case may be; and (ii) California Petroleum has paid all other sums payable by it under the Serial Indenture. In addition, California Petroleum must deliver an Officers' Certificate and an Opinion of Counsel (each as defined in the Serial Indenture) stating that all conditions precedent to satisfaction and discharge have been complied with.

On the earlier of the payment in full of the Allocated Principal Amount of Serial Mortgage Notes allocated to a Vessel and the discharge of the Serial Indenture pursuant to the terms thereof, the Collateral for the related Vessel will be released from the Lien of the Serial Indenture.

THE INDENTURE TRUSTEE; THE COLLATERAL TRUSTEE

Chemical Trust Company of California will serve as Indenture Trustee under the Serial Indenture and as Collateral Trustee under the Collateral Agreement.

GOVERNING LAW

The Serial Indenture and each of the Security Documents, other than the Mortgages, provide that they will be governed by the laws of the State of New York.

CONSENT TO JURISDICTION AND SERVICE

Each Owner will irrevocably appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indentures, the Notes or the Security Documents, brought in any federal or state court located in New York City and will submit to such jurisdiction.

THE MORTGAGES

GENERAL

California Petroleum will loan a portion of the proceeds from the sale of the Notes to each Owner pursuant to two loan agreements (for each Owner, a "Term Loan Agreement" and a "Serial Loan Agreement" and, together, the "Loan Agreements"). See "Use of Proceeds." Under each Term Loan Agreement, California Petroleum will make a loan (the "Term Loan") to the related Owner which will accrue interest at the same rate as the Term Mortgage Notes, and upon which payments of interest will be scheduled to coincide with interest Payment Dates for the Term Mortgage Notes and principal will be scheduled to coincide with the Payment Dates for the Term Mortgage Notes. The aggregate principal amount of Term Mortgage Notes outstanding will equal the aggregate principal amount outstanding under all Term Loans on any Payment Date on which a sinking fund payment is made to Holders of Term Mortgage Notes plus the aggregate principal payments on such Term Loans since the last date on which payment of principal of the Term Mortgage Notes was made. Under each Serial Loan Agreement, California Petroleum will make a series of loans (the "Serial Loans" and, together with the Owner's Term Loan, the "Acquisition Loans") to the related Owner, each of which will correspond in maturity date and interest rate with the Serial Mortgage Notes of a specific maturity date, to and including the date of the first optional termination date for the related Initial Charter, on which date such Owner's Serial Loans will be scheduled to be repaid in full. The aggregate principal amount of Serial Mortgage Notes outstanding will equal the aggregate principal amount outstanding under all Serial Loans on any date on which a series of Serial Mortgage Notes matures.

Each Owner will grant to California Petroleum a Mortgage on its Vessel to secure the payment of the Acquisition Loans from California Petroleum to the Owners. California Petroleum will assign each Mortgage to the Collateral Trustee to secure the payment of the Notes. The Mortgages will be recorded in accordance with the provisions of the law of the applicable Registration Jurisdiction.

CERTAIN COVENANTS

So long as Chevron Transport is the charterer of a Vessel, the related Mortgage will provide that the provisions of the related Initial Charter, including, without limitation, provisions regarding the trade, operation, documentation, registration, use, maintenance and insurance of such Vessel, will supersede the Owner's covenants with respect to such matters in the related Mortgage. Certain Initial Charter requirements differ materially from the Mortgage covenants described below. See "The Initial Charters."

Each Mortgage or the related Security Documents will contain certain covenants of the Owner of the related Vessel, including the following:

(a) such Owner will not cause or permit its Vessel to be operated in any manner contrary to law, will not engage in unlawful trade, violate any applicable law or carry any cargo that would expose the Vessel to penalty, confiscation, forfeiture, capture or condemnation and will not do, suffer or permit to be done anything which can or may injuriously affect the registration or enrollment of its Vessel under the laws and regulations of the Registration Jurisdiction;

(b) except for the lien of the Mortgage, the Indentures and the Collateral Agreement and other Permitted Liens, the Owner will not have any right, power or authority to create, incur or permit to be placed or imposed or continued any Lien on its Vessel and will keep such Vessel free from any such Lien;

(c) such Owner will at all times and without cost or expense to the Collateral Trustee maintain and preserve, or cause to be maintained and preserved, its Vessel in good running order and repair, so that its Vessel shall be, insofar as due diligence can make her so, tight, staunch, strong and well and sufficiently tackled, apparelled, furnished, equipped and in every respect seaworthy and in good operating condition, as will entitle her to the highest classification of Det norske Veritas (the "Classification Society") or such other classification society of like standing agreeable to California Petroleum and the Collateral Trustee, and annually will furnish California Petroleum and the Collateral Trustee a certificate by the Classification Society or such other classification society that such classification is maintained in the highest category

for ships of the same type as the Owner's Vessel free of recommendations and notations which have not been complied with in accordance with their terms and shall furnish the Collateral Trustee, from time to time and at any time upon demand, with all such information and copies of all such documents as the Collateral Trustee may require concerning the classification of the Owner's Vessel;

(d) such Owner will not change the flag or port of documentation of its Vessel or through any action or inaction cause the registration of its Vessel under the laws of the Registration Jurisdiction to be void or voidable or to lapse;

(e) such Owner will not, without the prior written consent of the Collateral Trustee, charter its Vessel by demise charter or by period, time or voyage charter for any period other than to Chevron Transport under the Initial Charter or any other charterer under an Acceptable Replacement Charter. The Owner will not modify or amend the terms of the related Initial Charter without the prior written consent of the Collateral Trustee;

(f) such Owner will not directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to, or become responsible for the payment of any indebtedness, except for Permitted Indebtedness;

(g) such Owner will not engage in any business other than the ownership and operation of its Vessel as described in the related Mortgage and in accordance with such Owner's charter and by-laws;

(h) such Owner will not (i) commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to it, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to its debt, (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or any part of its assets, (iii) make a general assignment for the benefit of creditors or (iv) take any action in furtherance of, or consenting or acquiescing in, any of the foregoing;

(i) such Owner will not (i) declare or pay any dividend or other distribution on any shares of its respective capital stock, (ii) make any loans or advances to any affiliate of such Owner or (iii) purchase, redeem or otherwise acquire or retire for value any shares of its respective capital stock (a "Restricted Payment") unless: (A) no default under the Mortgage shall have occurred and be continuing, (B) the Serial Mortgage Notes shall have been repaid in full and (C) the Vessel shall be on charter to Chevron Transport or under one or more Acceptable Replacement Charters to one or more charterers whose unsecured credit ratings from the Rating Agencies are at least equal to the respective unsecured ratings of Chevron and the terms of such charters shall be at least sufficient to pay in full all of the remaining payments of principal and interest on the Term Mortgage Notes;

(j) such Owner will not make any capital contributions, advances or loans to, or investments or purchases of capital stock in, any Person, except for Allowable Investments and Permitted Investments; and

(k) such Owner will take any lawful action to the extent necessary to prevent or avoid the imposition of any withholding taxes (other than any withholding tax with respect to charterhire to the extent required to be paid or reimbursed by any charterer pursuant to a charter) by any taxing jurisdiction (including the Registration Jurisdiction for such Owner) with respect to any payments under its Acquisition Loans, including changing its jurisdiction of incorporation or residence; provided that it shall not be required to take, or fail to take, any action (i) if in the Opinion of Counsel (as defined in the related Mortgage) such act or failure to act would violate applicable law or (ii) if in the reasonable opinion of the Owner the actions necessary to avoid or prevent imposition of such withholding taxes would be unduly burdensome. For purposes of clause (ii) above, a requirement to change the jurisdiction of the Owner's incorporation or residence shall not be treated as unduly burdensome.

"Permitted Indebtedness" means for each Owner, the obligations under such Owner's Acquisition Loans. "Permitted Liens" means for each Owner, liens created under the related Mortgage and Security Documents, the Initial Charter for the related Vessel and any Acceptable Replacement Charter or other charter for such Vessel permitted under the Mortgage, liens for crew's wages accrued for not more than

three months or for collision or salvage, liens in favor of suppliers of necessities or other similar liens arising in the ordinary course of business (accrued for not more than three months) or liens for loss, damage or expense, which are fully covered by insurance or, in respect of which, a bond or other security has been posted by the Owner with the appropriate court or other tribunal to prevent the arrest or secure the release of the Vessel from arrest on account of such claim or lien; provided that, so long as the related Initial Charter is in effect, "Permitted Liens" shall mean those liens permitted under the Initial Charter (i.e., any lien or encumbrance other than a lien or encumbrance incurred by Chevron Transport or its agents, which might have priority over the title and interest of the Owner in the Vessel). The Initial Charter requires that Chevron Transport indemnify and hold the Owners harmless against any lien of whatsoever nature arising upon the Vessel during the term of the Initial Charter while the Vessel is under the control of Chevron Transport, and against any claims against the Owners arising out of or in relation to the operation of the Vessel by Chevron Transport. Should the Vessel be arrested by reason of claims or liens arising out of its operation by Chevron Transport, Chevron Transport shall at its own expense take all reasonable steps (including, at its own expense, providing bail) to secure the Vessel's release within a reasonable time. "Allowable Investments" means for each Owner, its investment in the related Vessel, and in each case, any Restricted Payment permitted to be made by such Owner and certain obligations incurred in the ordinary course of the performance of the Management Agreement.

The related Owner may not transfer or assign to any other company all or part of its rights or obligations under any Initial Charter, except to California Petroleum (which assignment includes the reassignment by California Petroleum of such Initial Charter to the Collateral Trustee), unless such transferee or assignee also assumes the obligations of such Owner under the related Security Documents and the Collateral Trustee shall have given its prior written consent to such assignment and assumption, which consent shall not be unreasonably withheld.

INSURANCE

So long as a Vessel is subject to an Initial Charter or Acceptable Replacement Charter, the insurance requirements of the related Initial Charter or Acceptable Replacement Charter will supersede the Owner's covenants regarding insurance in the related Mortgage. The insurance requirements of the Initial Charters differ materially from the Owner's Mortgage covenants described below, and the insurance requirements of any Acceptable Replacement Charter may also differ materially from such Mortgage covenants. Under the Initial Charters, Chevron Transport may self-insure against the risks required to be covered thereunder. Therefore, there can be no assurance that any insurance for such risks will be carried during the term of any Initial Charter or, if it is carried, as to the amount of such insurance. See "The Initial Charters--Insurance."

If a Vessel is no longer subject to the Initial Charter and is not subject to an Acceptable Replacement Charter, the requirements under the related Mortgage, which are summarized in this paragraph, would be applicable to insurance coverage. Each Owner, at its own expense, will maintain hull and machinery insurance (including coverage for war risks) and will insure its Vessel against all customary risks arising from the usage and trading of the Vessel. In addition, each Owner shall also keep its Vessel insured against all customary protection and indemnity risks. The protection and indemnity insurance shall include coverage against liabilities to persons who have suffered any loss, damage or injury whatsoever in connection with anything done or not done by the Vessel, any charterer or the Owner in connection with the Vessel or the employment or use thereof (including in connection with any oil or other substance emanating from the Vessel or any other vessel with which the Vessel may be involved in collision) and against liability under OPA 90 or any reenactment or modification thereof under the law of any country into whose jurisdiction the Vessel is permitted to come under the terms of the related charter. In addition, such Owner must maintain mortgagee additional perils (oil pollution) insurance in an amount equal to the aggregate outstanding principal amount of the Term Loan allocable to such Vessel. Each insurance policy shall include a provision agreeing that no breach of warranty or condition or want of due diligence on the part of the Owner or any agent of such Owner shall defeat recovery of any claim by the Collateral Trustee unless such provision shall conflict with the available reinsurance arrangements of the issuers of such policy. Each insurance policy shall

also provide that fourteen days' written notice be given to California Petroleum and the Collateral Trustee prior to the cancellation or modification of any insurance. In addition, the insurance coverage required under an Acceptable Replacement Charter or maintained by the Owner or charterer in connection with any other charter entered into after the termination of the related Initial Charter must be sufficient to maintain the credit rating of the Term Mortgage Notes by Standard & Poor's, Moody's and Duff & Phelps at least at the rating applicable to the Term Mortgage Notes immediately prior to the effectiveness of such Acceptable Replacement Charter or other charter.

INSURANCE PROCEEDS

Pursuant to the assignment of each Mortgage to the Collateral Trustee, which will be acknowledged by the related Owner, the proceeds of any insurance or entries referred to in the Mortgage will be applied as follows:

Until the occurrence of a Mortgage Event of Default:

(a) any claim under any such insurance (other than in respect of a Total Loss) whether or not such claim is under the terms of the relevant loss payable clause payable directly to the Owner, will be applied by the Owner in making good the loss or damage in respect of which it has been paid to the Owner in reimbursement of money expended by it for such purpose; and

(b) any claim in respect of protection and indemnity insurance shall be paid directly to the person, firm or company to which the liability covered by such insurance was incurred or the Owner in reimbursement of moneys expended by it in satisfaction of such liability;

provided always that for as long as the Initial Charter in respect of the Vessel remains in force, all payments other than in respect of a Total Loss (which will be made to the Collateral Trustee) shall be made to Chevron Transport.

Upon the occurrence of a Mortgage Event of Default, subject as provided above, any claim under any such insurance and entry will be paid to the Collateral Trustee, as assignee of California Petroleum, and will be applied by the Collateral Trustee pursuant to the terms of the Initial Charter unless Chevron Transport is in default thereunder, in which event the Collateral Trustee shall apply such proceeds against payment of the Notes.

Any claim under such insurance and entry in respect of a Total Loss will be paid to the Collateral Trustee, as assignee of California Petroleum, and will be applied by the Collateral Trustee, after payment of the costs of collecting such claim, as follows:

(a) to the payment of all reasonable expenses and charges, including the expenses of any taking, attorney's fees, court costs and other expenses or advances made or incurred by the Collateral Trustee or the Indenture Trustee in the protection of its right or the pursuance of its remedies under the Collateral Agreement, the Indentures, any Security Document or the Mortgage;

(b) to the payment of all amounts due to the Collateral Trustee or the Indenture Trustee in respect of taxes, indemnities, fees, expenses, premiums, purchase of liens or otherwise under the provisions of the Mortgage;

(c) to the payment of interest on each Term Mortgage Note and Serial Mortgage Note, pro rata in an amount equal to interest calculated at the rate applicable to such Note;

(d) to the payment of principal on each Term Mortgage Note and Serial Mortgage Note, pro rata in an aggregate amount up to the Allocated Principal Amount for the related Vessel; and

(e) to the payment of any surplus thereafter remaining to the Owner or whomsoever may be lawfully entitled thereto.

The Owner will not alter so as to in any way restrict the coverage of any insurance or entries referred to in the Mortgage except to the extent expressly permitted by the Collateral Trustee.

MORTGAGE EVENTS OF DEFAULT

The following constitute events of default under each Mortgage ("Mortgage Events of Default"):

(a) an event of default shall occur under any Serial Loan Agreement or Term Loan Agreement relating to any Owner;

(b) failure to pay any amount payable under the Mortgage within two business days after such amount is due;

(c) default by the related Owner in the due observance or performance of any covenant with respect to merging, maintaining its corporate existence, maintaining insurance on its Vessel, maintaining the Vessel free of all Liens other than Permitted Liens, chartering the Vessel, changing the flag of the Vessel and making Restricted Payments or maintaining the Mortgage as a First Preferred Ship Mortgage under the laws of the Registration Jurisdiction;

(d) default in any material respect in the performance, or breach in any material respect, of any covenant of the Owner (other than those described above) in the Mortgage or if any representation or warranty of the Owner made in the Mortgage or in any certificate or other writing delivered pursuant thereto or in connection therewith with respect to or affecting the Vessel shall prove to be inaccurate in any material respect as of the time when the same shall have been made, and, if such breach or default or inaccuracy is curable, continuance of such default or breach or inaccuracy for a period of 30 days after the earlier to occur of (a) actual knowledge of such default, breach or inaccuracy by the Owner or (b) the date on which there has been given by registered or certified mail to the Owner by the Collateral Trustee a written notice thereof;

(e) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Owner in any involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, or sequestrator (or other similar official) for the Owner or for any substantial part of its property, or ordering the winding up or liquidation of its respective affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(f) the commencement by the Owner of a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect in any jurisdiction, or the consent by the Owner to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of the Owner or any substantial part of its property, or the making by the Owner of any general assignment for the benefit of creditors, or the failure by the Owner generally to pay its debts as they become due, or the taking of action by the Owner in furtherance of any such action;

(g) the Vessel is deemed a Total Loss and the insurance proceeds thereof have not been received by the Collateral Trustee within 60 days after the date on which the Vessel was deemed a Total Loss; provided, however, if the Vessel is under charter to Chevron Transport pursuant to the Initial Charter, such an event shall be a Mortgage Event of Default if the Collateral Trustee has not received the amounts payable by Chevron Transport in the event of a Total Loss pursuant to the Initial Charter within 5 business days of the date on which such amounts are due pursuant to the terms of the Initial Charter;

(h) the Owner shall abandon its Vessel;

(i) a default shall have occurred under the Initial Charter; or

(j) the Mortgage or any material provision thereof shall be deemed invalidated in whole or in part by any present or future law of the Registration Jurisdiction, or by any decision of any competent court.

REMEDIES

In the event any one or more Mortgage Events of Default shall have occurred and be continuing then, in each and every such case the Collateral Trustee, as assignee of California Petroleum, will have the right, subject in all instances to the rights of Chevron Transport under the related Initial Charter, to:

(a) declare immediately due and payable all of the related Owner's Acquisition Loans (in which case all of the same shall be immediately due), and bring suit at law, in equity or in admiralty, as it may be advised, to recover judgment for the Acquisition Loans and collect the same out of any and all property of the Owners whether covered by the Mortgage or otherwise;

(b) exercise all of the rights and remedies in foreclosure and otherwise given to mortgagees by the provisions of applicable law;

(c) take and enter into possession of the Vessel, at any time, wherever the same may be, without court decision or other legal process and without being responsible for loss or damage and the Collateral Trustee may, without being responsible for loss or damage, hold, lay-up, lease, charter, operate or otherwise use such Vessel for such time and upon such terms as it may deem to be for its best advantage, and demand, collect and retain all hire, freights, earnings, issues, revenues, income, profits, return premiums, salvage awards or recoveries, recoveries in general average, and all other sums due or to become due in respect of such Vessel or in respect of any insurance thereon from any person whomsoever, accounting only for the net profits, if any, arising from such use of the Vessel and charging upon all receipts from use of the Vessel or from the sale thereof by court proceedings or by private sale all costs, expenses, charges, damages or losses by reason of such use, and if at any time the Collateral Trustee avails itself of the right given to it to take the Vessel: (i) the Collateral Trustee will have the right to dock the Vessel for a reasonable time at any dock, pier or other premises of the Owner without charge, or to dock her at any other place at the cost and expense of the Owner, and (ii) the Collateral Trustee will have the right to require the Owner to deliver, and the Owner will on demand, at its own cost and expense, deliver to the Collateral Trustee the Vessel as demanded; and the Owner will irrevocably instruct the master of the Vessel so long as the Mortgage is outstanding to deliver the Vessel to the Collateral Trustee as demanded; and

(d) sell the Vessel or any share therein with or without the benefit of any charter party or other engagement by public auction or private contract without legal process at any place in the world and upon such terms as the Collateral Trustee in its absolute discretion may determine with power to postpone any such sale and without being answerable for any loss occasioned by such sale or resulting from the postponement thereof and at any such public auction the Collateral Trustee may become the purchaser and shall have the right to set off the purchase price against the Notes. Any sale of the Vessel or any shares therein made by the Collateral Trustee in pursuance of the Mortgage will operate to divest all title, right and interest of any nature whatsoever of the Owner therein and thereto and shall bar the Owner, its successors and assigns, and all persons claiming by, through or under them, provided such sale is by auction. Upon any such sale, the purchaser will not be bound to see or inquire whether the Collateral Trustee's power of sale has risen in the manner provided by the Mortgage and the sale will be within the power of the Collateral Trustee and the receipt of the Collateral Trustee for the purchase money will effectively discharge the purchaser who will not be concerned with the manner of application of the proceeds of sale or be in any way answerable or otherwise liable therefor.

The Vessels will be registered under the laws of Liberia or the Bahamas, as the case may be. In addition, in order to perfect the Mortgage granted by CalPetro IOM thereunder, the Mortgage on Chevron Mariner will also be filed in the Isle of Man. The Mortgages on the Vessels registered under Liberian law will be preferred mortgage liens under Liberian maritime law. The Mortgages on the Vessels registered under Bahamian law will have similar status under Bahamian law. Liberian and Bahamian law provide that such mortgages may be enforced by the mortgagee by a proceeding substantially identical to a suit in rem in admiralty in a proceeding against the vessel covered by the mortgage.

The priority with respect to sale proceeds that such a mortgage would have vis-a-vis the claims of other lien creditors in an enforcement proceeding is generally determined by, and will vary in accordance with, the

law of the country where the proceeding is brought. Liberian maritime law provides that a "preferred mortgage lien" is prior to all claims other than the following: (i) liens arising prior in time to the recording of the preferred mortgage; (ii) liens arising out of tort; (iii) liens for tonnage taxes and annual fees payable under the Liberian Maritime Regulations; (iv) liens for crew's wages; (v) liens for general average; (vi) liens for salvage; and (vii) liens for expenses and fees allowed and costs imposed by courts of competent jurisdiction. Bahamian law provides that a first priority ship mortgage has priority over all other claims except: (i) costs allowed by the court arising out of the arrest and sale proceedings; (ii) wages and other sums due to the master, officers and other members of the vessel's complement in respect of their employment on the vessel; (iii) port, canal, and other waterway dues and pilotage dues and any other outstanding fees payable under the Merchant Shipping Act of the Bahamas in respect of the vessel; (iv) claims against the owner in respect of loss of life or personal injury occurring, whether on land or on water, in direct communication with the operation of the vessel; (v) claims against the owner, based on tort and not capable of being based on contract, in respect of loss of or damage to property occurring, whether on land or on water, in direct connection with the operation of the vessel; and (vi) claims for salvage, wreck removal and contribution in general average.

Liberian and Bahamian ship mortgages may be enforced against a vessel physically present in the United States, but the claim under the mortgage would rank behind certain preferred maritime liens as defined under the laws of the United States, including those for supplies and necessities provided in the United States. Since the Vessels will be trading throughout the world, there is no assurance that, if enforcement proceedings must be commenced against a Vessel, such Vessel will be located in a jurisdiction having the same procedures and lien priorities as Liberia, the Bahamas or the United States. Other jurisdictions may provide no legal remedy at all for the enforcement of the Mortgages, or a remedy dependent on court proceedings so expensive and time consuming as to be impractical. Furthermore, certain jurisdictions, unlike Liberia, the Bahamas or the United States, may not permit a Vessel to be sold prior to entry of a judgment, entailing a long waiting time that could result in increased custodial costs, deterioration in the condition of the Vessel and substantial reduction in her value.

Since the Notes are also secured by a pledge of all of the stock of each Owner, enforcement of this pledge, including foreclosure, subject to any concerns that upon such enforcement the Collateral Trustee or the holders of the Notes may be deemed "owners" or "operators" of the Vessel for liability purposes, may provide in effect an alternative method to transfer control over a Vessel.

FRAUDULENT CONVEYANCE STATUTES

The granting of the Mortgages might be subject to review under relevant fraudulent conveyance statutes and other applicable insolvency laws (the "Fraudulent Conveyance Laws") in a bankruptcy proceeding involving one or more of the Owners. Due to the nature of the business of the Owners and uncertainty as to where a vessel foreclosure or bankruptcy proceeding might be commenced, it is not possible to predict where any such proceeding or attack might be brought or made or the law that the court might apply, although applicable law would likely be the law of the Bahamas or the Isle of Man, as the case may be.

Under Bahamian or the Isle of Man fraudulent conveyance law, if a court were to find that, with respect to any particular Owner, at the time the Mortgages were granted as joint and several obligations of the Owners (the "Transfer"), it (a) made such Transfer with actual intent to hinder, delay or defraud any present or future creditor or (b) received less than a reasonably equivalent value or fair consideration for the Transfer and (i) was insolvent at the time such Transfer was made or was rendered insolvent by virtue of such Transfer, (ii) was engaged in a business or transaction, or was about to engage in a business or transaction for which any property remaining with such Owner was an unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay as they matured (as the foregoing terms are defined in or interpreted under the relevant Fraudulent Conveyance Laws), such court could avoid the Transfer in whole or in part. Generally, for the purposes of the Fraudulent Conveyance Laws, a company is considered insolvent at a particular time if the sum of its debts is greater than all of its property at a fair valuation or if the present fair salable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured.

To the extent that a Transfer by any Owner exceeds the consideration received by it, the determination of whether the Transfer in question is a fraudulent conveyance depends on (1) whether the Transfer so exceeds the value and benefit received by such Owner that, at least to the extent of such excess, the Owner did not receive reasonably equivalent value or fair consideration for the Transfer; and, if the answer to the foregoing question is "yes," then (2) whether following the valuation of the assets and liabilities of such Owner it is determined that such Owner is or has been rendered insolvent. While there can be no assurance that a court, viewing the transaction with hindsight, would determine that a particular Owner received fair value for its Transfer, or was not rendered insolvent by the pertinent Transfer, to the extent it exceeded the value of the consideration received by that Owner, the Owners believe that each of the Owners will receive proper consideration for its respective Transfer and that no such Owner will be rendered insolvent by the contemplated Transfers. No assurance, however, can be given that a court would concur with such belief.

THE INITIAL CHARTERS

GENERAL

The Vessels are currently owned and operated by Chevron Transport in the business of maritime transportation of oil. Each Vessel is a Suezmax oil tanker designed to Chevron Transport's specifications. Under OPA 90, vessel owners, operators and demise charterers are "responsible parties" with strict liability on a joint and several basis (subject to certain exceptions and qualifications) for all oil spill containment and clean-up costs and other damages arising from actual or threatened oil spills pertaining to these vessels. Although OPA 90 does not by its terms impose liability on lenders or the holders of mortgages on vessels, there is no specific exclusion for such entities under OPA 90. In addition, if the Collateral Trustee or any Holder exercises remedies and becomes an "owner" or "operator" or "demise charterer" of a Vessel following a Mortgage Event of Default, such entities may be subject to liability as responsible parties under OPA 90. OPA 90 limits the liability of responsible parties to the greater of \$1,200 per gross ton or \$10 million per tanker (subject to possible adjustment for inflation); however, that limit would not apply if the incident were proximately caused by violation of applicable United States federal safety, construction or operating regulations or by the responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

TERM OF THE INITIAL CHARTERS

On the Closing Date, the Owners will each purchase a Vessel from Chevron Transport, and Chevron Transport will charter each such Vessel from its Owner under an Initial Charter commencing on such date. Each Initial Charter will expire on , 2015, subject to Chevron Transport's right to terminate each Initial Charter as described below. See "--Termination Options." If (a) Chevron Transport exercises its termination option with respect to an Initial Charter for any Vessel and makes the related Termination Payment or (b) a Total Loss occurs with respect to a Vessel and Chevron Transport makes the payments required under the related Initial Charter, then such Initial Charter will continue in effect with respect to Chevron Transport's obligation to make such Termination Payment or payment upon Total Loss, as the case may be, until the expiration of certain periods specified in the Initial Charter during which periods such Termination Payment or payment upon Total Loss, as the case may be, might be a voidable payment under applicable bankruptcy, insolvency, creditor's rights or similar laws. For any Initial Charter, the period from the date of commencement of such Initial Charter to the expiration or earlier termination of such Initial Charter will be referred to in this Prospectus as the "Initial Charter Period."

USE AND TRADE OF THE VESSEL

Chevron Transport will have full use of each Vessel during the term of the Initial Charter Period and will have the right to operate the Vessel throughout the world (within Institute Warranty Limits) in the carriage of suitable lawful merchandise. As to those trades in which a Vessel is employed, Chevron Transport shall comply with any and all requirements regarding financial responsibility or security in respect of oil or other pollution damage as required by any government, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over Chevron Transport or the related Owner, as the case may be, or ownership, use and operation of such Vessel (whether or not such requirement has been lawfully imposed or not) to enable such Vessel, without penalty or charges, lawfully to enter, remain at, or leave any port, place, territorial or contiguous waters of any country, state or municipality in performance of the related Initial Charter without delay. Chevron Transport shall make and maintain all arrangements for a security bond or otherwise as may be necessary to satisfy such requirements at Chevron Transport's sole expense and Chevron Transport shall indemnify the related Owner against any and all losses, damages, claims, expenses or liabilities incurred by reason of Chevron Transport's failure to comply with the requirements described in this paragraph. Chevron Transport shall enter and maintain each Vessel under the TOVALOP Scheme or under any similar compulsory scheme during the term of each Initial Charter. In no

event will Chevron Transport carry on board a Vessel nuclear fuels or radioactive products during the term of the related Initial Charter; provided, however, with the prior written consent of the related Owner, Chevron Transport may carry on board a Vessel radioisotopes used or intended to be used for any industrial, agricultural, medical or scientific purposes.

FLAG AND NAME OF VESSEL

Chevron Transport shall, throughout the term of each Initial Charter, maintain the documentation of the Vessel under the laws of the Registration Jurisdiction at the related Owner's cost and expense; provided, however, in the event that the costs and expenses of maintaining such documentation are in excess of \$10,000 per annum, then Chevron Transport shall either (i) pay all amounts in excess of \$10,000 per annum or (ii) cooperate with the Owner to change the registry or port of documentation of the Vessel. Chevron Transport will not change the registry or port of documentation of the Vessel without prior written consent of the related Owner, which consent shall not be unreasonably withheld, or do or suffer or permit to be done anything which will injuriously affect the documentation of the Vessel as a vessel documented under the laws and regulations of the Registration Jurisdiction. If Chevron Transport changes the registry or port of documentation of the Vessel, it shall, at the time of redelivery, if the related Owner so requests and at Chevron Transport's expense, change the registry and port of documentation back to that of the Registration Jurisdiction.

Chevron Transport shall have the right to re-name each Vessel, to paint each Vessel in its own colors, install and display its funnel insignia and fly its own house flag.

COVENANTS

Each Initial Charter will contain certain covenants pursuant to which Chevron Transport will agree, among other things, that:

(a) Chevron Transport will maintain at its expense the Vessel in a good state of repair and in efficient operating condition in accordance with good commercial maintenance practice commensurate with other vessels in Chevron Transport's fleet of similar size and trade, ordinary wear and tear excepted;

(b) Chevron Transport will keep the Vessel with unexpired classification in accordance with the highest classification of the American Bureau of Shipping (or such other classification society as shall previously have been approved in writing by the related Owner) and other required certificates in force and shall make any improvement or structural changes or acquire equipment necessary to comply with the requirements of such classification;

(c) Chevron Transport shall not permit the Vessel to proceed to any port which shall have been the subject of a prohibition by the Registration Jurisdiction;

(d) in the event of hostilities in any part of the world Chevron Transport will not employ the Vessel nor suggest her employment in carrying any goods which are declared contraband nor suffer her to enter to trade to any zone which is declared a "war zone" by the war risks insurers unless Chevron Transport has made arrangements with the said insurers for the payment of such additional premiums as said insurers may require to maintain the relevant insurances in force or in any zone in respect of which the war risks insurers have withdrawn coverage for the Vessel;

(e) Chevron Transport will not use the Vessel in any manner or for any purpose excepted from any insurance policy or policies taken out in compliance with the Initial Charter or for the purpose of carriage of goods of any description excepted from such insurance policy or policies and shall not do or permit to be done anything which could reasonably be expected to invalidate any of such insurance policy or policies;

(f) Chevron Transport shall man, victual, navigate, operate, supply, fuel and repair the Vessel whenever required and shall be responsible for all charges and expenses of every kind and nature whatsoever incidental to its use and operation of the Vessel under the Initial Charter, including any foreign, general, municipal, value added or other taxes, except that Chevron Transport shall not be

responsible for documentation costs (except as otherwise provided for in the Initial Charters) or for Owner Taxes; and

(g) Chevron Transport shall drydock the Vessel and clean and paint her underwater parts in accordance with good commercial practice, but not less than as may be required by the American Bureau of Shipping (or such other classification society as shall previously have been approved in writing by the related Owner) in order to maintain the Vessel's highest classification.

(h) Chevron Transport will not allow, nor permit to be continued, any Lien incurred by Chevron Transport or its agents, which might have priority over the title and interest of the Owner in the related Vessel, and will indemnify and hold the Owner harmless against any Lien arising upon such Vessel during the Initial Charter Period while the Vessel is under the control of Chevron Transport and against any claims against the Owner arising out of or in relation to the operation of the Vessel by Chevron Transport.

In general, all amounts, excluding certain indemnification payments and documentation costs for the Owners' account, payable by Chevron Transport shall be made without deduction for any taxes (including value added, turnover, sales and use taxes) except as required by law and Chevron Transport shall, in addition to the sums payable by Chevron Transport under each Initial Charter, pay such taxes as aforesaid as are required from time to time by law to be paid by Chevron Transport; provided, Chevron Transport shall not be liable for documentation costs (except as otherwise provided for in the Initial Charters). Under each Initial Charter, the related Owner will agree to take any lawful action to the extent necessary to prevent or avoid the imposition of any taxes, including any withholding tax with respect to charterhire, by any taxing jurisdiction (including the Registration Jurisdiction for such Owner), including changing its jurisdiction of incorporation or residence; provided that it shall not be required to take, or fail to take, any action (i) if in the opinion of counsel such act or failure to act would violate applicable law or (ii) if in the reasonable opinion of the Owner the actions necessary to avoid or prevent imposition of such taxes would be unduly burdensome. For purposes of clause (ii) above, a requirement to change the jurisdiction of the Owner's incorporation or residence shall not be treated as unduly burdensome.

CHARTERHIRE

During the Initial Charter Period for each Vessel, Chevron Transport shall pay charterhire for the use and hire of such Vessel on each _____ and _____, commencing on the first such date to occur following the commencement of the related Initial Charter. During any extension of the Initial Charter Period, the rate of hire shall be calculated on the basis of the then current charterhire rate converted to a daily rate using a 365-day year. If any payment of charterhire under the Initial Charter shall not be paid when due interest shall accrue thereon at the Default Rate from and including the due date to the date of actual payment (after as well as before judgment).

INSURANCE

Each Initial Charter provides that during the Initial Charter Period the insurance arrangements in effect with respect to Chevron Transport's fleet at the time of the commencement of such Initial Charter will be applicable to the related Vessel and will satisfy the insurance requirements of the Initial Charter, subject to adjustments of such insurance arrangements in light of changes in market practice and in accepted tanker practice. Currently, Chevron Transport's hull and machinery insurance includes a deductible of \$15 million per occurrence and its protection and indemnity insurance is subject to a \$1 million deductible per occurrence (other than with respect to liabilities involving pollution, as to which there is a nominal or no deductible). In addition, each Initial Charter provides that Chevron Transport may self-insure against the risks required to be covered thereunder. Therefore, there can be no assurance that any insurance for such risks will be carried during the Initial Charter Period for any Vessel or, if it is carried, as to the amount of such insurance.

INSURANCE PROCEEDS

The proceeds of any insurances or entries referred to in the Initial Charters will be applied as follows:

Until the termination of an Initial Charter, any claim under any such insurance proceeds in respect of the related Vessel (other than in respect of Total Loss) shall be paid directly to Chevron Transport. Chevron Transport shall be liable for any loss of any part of or damage to the Vessel (other than a Total Loss) during the Initial Charter Period from whatsoever cause such loss or damage may arise, unless the same shall have been caused by the negligence or wilful act of the Owners, their servants or agents (except where Chevron Transport or its servants and agents are acting as agents of the Owners).

Any claim in respect of a Total Loss shall be paid directly to the related Owner or the Collateral Trustee, as assignee.

PAYMENT ON TOTAL LOSS

The amount payable on the date which is 90 days after the occurrence of a Total Loss with respect to a Vessel (the "Loss Date") by Chevron Transport shall be the sum of (i) any deficiency between (A) the Stipulated Loss Value (which is an amount at least sufficient to redeem the Allocated Principal Amount of Notes with respect to such Vessel) in relation to the period in question and (B) all insurance proceeds for damage to or loss of the Vessel and amounts paid by any governmental authority in connection with any requisition, seizure or forfeiture actually received in hand by the related Owner or the Collateral Trustee, as assignee of California Petroleum, prior to or on such Loss Date; and (ii) all charterhire accrued (on a daily basis) but unpaid under the Initial Charter to such Loss Date and any other sums due under any provisions of the Initial Charter, together with interest thereon at the Default Rate from the date upon which any such charterhire or other sums was due until the date upon which such calculations are made. In the event of a Total Loss, the Initial Charter and the obligation of Chevron Transport to pay charterhire shall continue and be payable until Chevron Transport has paid the amounts described above. The obligations of Chevron Transport described above will apply regardless of whether or not any moneys are payable under the insurances effected in compliance with the Initial Charter in respect of the Vessel, regardless also of the amount payable thereunder, regardless also of the cause of the Total Loss and regardless of whether or not any of such compensation shall be payable.

CHARTER EVENTS OF DEFAULT

The following constitute events of default under each Initial Charter ("Charter Events of Default"):

(a) Chevron Transport shall default for two business days in the payment of charterhire due under the terms of the Initial Charter;

(b) Chevron Transport shall fail for a period of 30 business days after written notice to perform and observe any of the covenants, conditions, agreements or stipulations on the part of Chevron Transport to be performed or observed contained in the Initial Charter, other than those referred to in clause (a) or (e) of this paragraph;

(c) Chevron Transport ceases doing business as a going concern or generally ceases to pay its debts as they become due or any proceedings under any bankruptcy or insolvency laws are instituted against Chevron Transport or if a receiver or trustee is appointed for Chevron Transport for any of its assets or properties, and such proceeding is not dismissed, vacated or fully stayed within 60 days;

(d) Chevron Transport shall create or suffer to exist any mortgage, charge, pledge or other like encumbrance over the Vessel or any part thereof or shall have abandoned the Vessel (not including any notice of abandonment which Chevron Transport may give to insurers under the provisions of the Initial Charter regarding insurance in the event of a Total Loss);

(e) Chevron Transport fails to comply with any of its obligations as to insurance contained in the Initial Charter; and

(f) Chevron Transport shall within 30 days of any scheduled date of redelivery under the Initial Charter fail to provide adequate bail or security when required to do so in respect of any maritime lien, possessory lien or statutory right in rem which may be acquired over the Vessel in order to prevent the Vessel being arrested, impounded or seized or if any such lien, right or claim over the Vessel is exercised by the arrest, attachment, detention, impounding or seizure of the Vessel under any distress, execution or other process, or any distress or execution is levied thereon, and Chevron Transport fails to use its best endeavors to procure the release of the Vessel therefrom within 30 days of any scheduled date of redelivery under the Initial Charter.

REMEDIES

If any Charter Event of Default shall have occurred and be continuing, the Owner under the related Initial Charter may, by written notice to Chevron Transport, declare such Initial Charter to be in default and enforce any or all of the remedies under such Initial Charter, including:

(a) requiring Chevron Transport, at its expense, to redeliver the Vessel to the related Owner with Chevron Transport to have the same obligations in connection with such redelivery as described below in connection with redelivery of the Vessel at the termination of the Initial Charter;

(b) retaking the Vessel by the related Owner or its agent, without prior demand or legal process;

(c) holding Chevron Transport liable for all charterhire payments payable before, during or after exercise of the foregoing remedies and the remedy described in paragraph (d) below and for all reasonable costs and expenses incurred by the related Owner (including legal fees) by reason of the occurrence of any default or the exercise of remedies by the related Owner; and

(d) the related Owner or its agent may sell the Vessel at public or private sale, with or without notice to Chevron Transport, advertisement or publication, as such Owner may determine, or otherwise may dispose of, hold, use, operate, charter to others or keep the Vessel idle.

The Collateral Trustee, as assignee of California Petroleum, would have the right to exercise the rights of an Owner under an Initial Charter upon the occurrence of a Charter Event of Default.

LIQUIDATED DAMAGES

Whether or not the related Owner shall have exercised, or shall thereafter at any time exercise, any options, rights or remedies described above, upon or as a consequence of a breach of contract by Chevron Transport amounting to repudiation by Chevron Transport of the Initial Charter, the related Owner may immediately require Chevron Transport to pay to such Owner as liquidated damages for loss of a bargain and not as a penalty, an amount equal to (i) the sum of (A) the applicable Stipulated Loss Value, (B) all outstanding accrued and unpaid charterhire and (C) any other amounts due to such Owner under the Initial Charter on or prior to the date of payment and (ii) interest thereon (before and after judgment) at the Default Rate from the date such amounts were payable to the actual date of payment. Chevron Transport shall not be entitled to any part of the net proceeds of the Vessel (if any) whether by way of rebate of charterhire or otherwise.

REDELIVERY

Unless a Vessel is a Total Loss or Chevron Transport purchases such Vessel pursuant to the terms of the Initial Charter, Chevron Transport shall at the termination of the Initial Charter redeliver the Vessel to the related Owner at a safe and ice-free port or a place selected by Chevron Transport within the Vessel's trading limits (within 10 steaming days from a recognized loading area) or at such other safe port as shall be agreed between Chevron Transport and the related Owner.

At or about the time of redelivery if the related Owner so requires, a survey shall be made to determine the condition and fitness of the Vessel, her machinery and equipment. In the event that such Vessel has been

dry-docked within 30 months prior to redelivery and Chevron Transport certifies in writing that, to the best of its knowledge, the Vessel has had no bottom touching since such dry-docking, such survey may be conducted while the Vessel is afloat. The related Owner may require a divers' survey of the Vessel. Chevron Transport shall bear all expenses of any such survey. Chevron Transport shall at its expense make all such repairs and do all such work so found to be necessary before redelivery or, at the related Owner's option, shall discharge its obligations by payment of a sum sufficient to provide, at the prices current at the time of redelivery, for the work and repairs necessary to place the Vessel in the required structure, state and condition. The Initial Charter Period shall be extended until the completion of any such repairs and work found to be necessary or the payment of the amounts described above. Each Vessel upon redelivery shall have her survey cycles up to date and class certificates valid for at least six calendar months and Chevron Transport shall ensure that Vessel shall have been dry-docked within 30 months prior to redelivery.

ASSIGNMENT AND SUB-CHARTER

Chevron Transport may not assign all or part of its rights and obligations under any Initial Charter nor may it charter the related Vessel by demise to any other entity without the prior written consent of the related Owner, such consent not to be unreasonably withheld, subject always to the Vessel being maintained and insured to the same standards as are adopted by Chevron Transport in respect of the vessels owned by it; provided, however, that Chevron Transport may assign its rights and obligations under any Initial Charter to a corporation more than 50% of which is owned directly or indirectly by Chevron so long as Chevron Transport remains responsible as principal for the due fulfillment of the Initial Charter. Chevron Transport may otherwise charter the Vessel without the prior consent of the related Owner provided that Chevron Transport remains responsible as principal (or appoints another person to be responsible in its stead) for navigating and managing the Vessel throughout the period of such charter and for defraying all expenses in connection with the Vessel throughout such period or substantially all such expenses other than those directly incidental to a particular voyage or to the employment of the Vessel during that period.

For each Initial Charter, the related Owner may not transfer or assign to any other person or entity all or part of its rights or obligations under such Initial Charter, except to California Petroleum (which assignment includes the reassignment by California Petroleum of such Initial Charter as Collateral to the Collateral Trustee), unless such transferee or assignee also assumes the obligations of such Owner under the related Security Documents and Chevron Transport shall have given its prior written consent to such assignment and assumption, which consent shall not be unreasonably withheld.

INDEMNITY

Pursuant to each Initial Charter, Chevron Transport will indemnify the related Owner against the following:

(a) all costs and expenses of operating and maintaining the related Vessel and of operating, maintaining and replacing all parts including (but without prejudice to the generality of the foregoing) all fuel, oil, port charges, fees, taxes, levies, fines, penalties, charges, insurance premiums, victualing, crew, navigation, manning, operating and freight expenses and all other outgoings whatsoever payable by the Owner or Chevron Transport in respect of the possession or operation of a Vessel or any part thereof, or the purchase, ownership, delivery, chartering, possession and operation, import to or export from any country, return, sale or disposition of such Vessel or any part thereof or upon the hire, receipts or earnings arising therefrom (other than Owner Taxes or documentation costs except as otherwise provided for in the Initial Charter);

(b) all liabilities, claims, proceedings (whether civil or criminal), penalties, fines or other sanctions, judgements, charges, taxes, impositions, liens, salvage, general average, costs and expenses whatsoever which may at any time be made or claimed by Chevron Transport or any employee, servant, agent or sub-contractor, passenger, owner, shipper, consignee, and receiver of goods or any third party (including

governments or other authorities) or by their respective dependents arising directly or indirectly in any manner out of the design, construction, possession, management, repair, certification, manning, provisioning, supply or servicing of the Vessel (whether at sea or not) or the chartering thereof under the Initial Charter whether such liability, claims, proceedings, penalties, fines, sanctions, judgments, charges, taxes, impositions, liens, salvage, general average, costs or expenses may be attributable to any defect in such Vessel or the design, construction, testing or use thereof from any maintenance, service, repair, overhaul or otherwise and regardless of when or where the same shall arise and whether or not such Vessel or the relevant part thereof is in the possession or control of Chevron Transport (other than Owner Taxes or documentation costs except as otherwise provided for in the Initial Charter); and

(c) any and all losses, damages and expenses which Owner may incur as a result of any oil or other pollution damage resulting from Chevron Transport's operation of the Vessel under the Initial Charter, including, but not limited to, such Owner's liability under OPA 90 or the laws of any other jurisdiction relating to oil spills.

Chevron Transport's indemnity under each Initial Charter shall extend to claims of persons (including governments or other bodies whether corporate or otherwise) who have suffered or allege that they have suffered loss, damage or injury in connection with any thing done or not done by a Vessel, including in connection with any oil or other substance emanating or threatening to emanate from such Vessel, and shall extend to levies, impositions, calls or contributions on or required to be made by the Owner during or in respect of the Initial Charter Period.

TERMINATION OPTIONS

Under each Initial Charter, Chevron Transport has the right to terminate such Initial Charter on any of four, in case of the double-hulled Vessels, or three, in the case of the single-hulled Vessel, termination dates which, for each Vessel, occur at two-year intervals beginning in 2003, 2004, 2005 or 2006, as the case may be. Chevron Transport is required to give the related Owner (i) non-binding notice of its intent to exercise such option, determined on a good faith basis, at least 12 months prior to such termination date and (ii) irrevocable notice of such exercise nine months prior to such termination date, if such termination date is the first of the termination dates for such Vessel, or seven months prior to such termination date, if such termination date is subsequent to the first such termination date. Chevron Transport is required to pay the Termination Payment to such Owner on or prior to the termination date.

PURCHASE OPTION

On the Term Mortgage Notes Maturity Date, so long as the related Initial Charter has not been terminated earlier and no Charter Event of Default has occurred and is continuing and all payments due under such Initial Charter have been paid in full, Chevron Transport shall have the right to purchase the related Vessel at a purchase price equal to \$1.00. Chevron Transport is required to give the related Owner at least 90 days' prior written notice of its election to so purchase the related Vessel.

CHEVRON GUARANTEES

Chevron will fully and unconditionally guarantee the due and faithful performance by Chevron Transport under each Initial Charter of all of Chevron Transport's liabilities and responsibilities thereunder and under any supplement, amendment, change or modification thereof agreed to by Chevron Transport.

GOVERNING LAW

Each Initial Charter and each Chevron Guarantee shall be governed by and be construed in accordance with the federal laws of the United States of America and the laws of the State of New York.

NON-DISTURBANCE

Pursuant to the terms of each Initial Charter, each Owner agrees that the related Mortgage and any other mortgage thereafter placed on the Vessel by such Owner will contain a provision to the effect that throughout the term of the related Initial Charter, so long as no Charter Event of Default shall have occurred and be continuing and so long as Chevron Transport shall have performed its obligations thereunder, Chevron Transport shall be entitled to the quiet enjoyment of the Vessel.

UNDERWRITING

The Underwriter has agreed, subject to the terms and conditions of the Underwriting Agreement, to purchase \$167,500,000 aggregate principal amount of the Serial Mortgage Notes.

The Underwriting Agreement provides that the Underwriter will be obligated to purchase all of the Serial Mortgage Notes offered hereby if any are purchased.

The Underwriter has advised California Petroleum and Chevron that the Underwriter proposes to offer the Serial Mortgage Notes to the public initially at the Price to the Public set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per Serial Mortgage Note. The Underwriter may allow, and such dealers may reallow, a discount not in excess of \$ per Serial Mortgage Note on sales to certain other dealers. After the initial public offering, the Price to the Public and other selling terms may be changed by the Underwriter. The Underwriter does not intend to confirm sales to any account over which they exercise discretionary authority.

In the Underwriting Agreement, the Owners have agreed, jointly and severally, and Chevron and Chevron Transport have separately agreed, to indemnify the Underwriter, and the Underwriter has agreed to indemnify each of the foregoing parties against certain liabilities, including liabilities under the Securities Act.

Concurrently with the offering of the Serial Mortgage Notes, California Petroleum is offering for sale to the public pursuant to a separate prospectus \$117,900,000 aggregate principal amount of % First Preferred Mortgage Notes Due 2015. The consummation of the sale of the Serial Mortgage Notes is dependent on the consummation of the sale of the Term Mortgage Notes.

See "Certain Relationships and Transactions" for a discussion of certain services to be provided by the Underwriter at the end of any Initial Charter Period.

RATINGS

The Serial Mortgage Notes have been prospectively rated by Moody's, by Standard & Poor's and by Duff & Phelps at their initial issuance. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency.

There can be no assurance as to whether any rating agency not requested to rate the Serial Mortgage Notes will nonetheless issue a rating and, if so, what such rating would be. A rating assigned to the Serial Mortgage Notes by a rating agency that has not been requested to do so may be lower than the ratings assigned by the rating agencies mentioned above.

LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for California Petroleum by Ropes & Gray, Boston, Massachusetts and Thacher Proffitt & Wood, New York, New York. Certain legal matters will be passed upon for the Owners by Thacher Proffitt & Wood, New York, New York. Certain legal matters will be passed upon for CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III by McKinney, Bancroft & Hughes, Nassau, Bahamas, with respect to Bahamian law. Certain legal matters will be passed upon for CalPetro IOM by Cains, Douglas, Isle of Man, with respect to Isle of Man law. Certain legal matters will be passed upon for Chevron and Chevron Transport by Pillsbury Madison & Sutro, San Francisco, California. Certain legal matters will be passed upon for the Underwriter by Davis Polk & Wardwell, New York, New York.

EXPERTS

The financial statements of California Petroleum as of December 31, 1994, included in this Prospectus, have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting. The financial statements of the Owners as of December 31, 1994, included in this Prospectus, have been so included in reliance on the reports of Price Waterhouse, chartered accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Chevron incorporated in this Prospectus by reference to Chevron's Annual Report on Form 10-K for the year ended December 31, 1993 and by reference to Chevron's Current Report on Form 8-K, dated March 10, 1995 have been audited by Price Waterhouse LLP, independent accountants. The financial statements of the Caltex Group of Companies incorporated in this Prospectus by reference to Chevron's Annual Report on Form 10-K for the year ended December 31, 1993 have been audited by KPMG Peat Marwick LLP, independent accountants. Such financial statements have been so incorporated in reliance on the reports of the respective independent accountants given on the authority of such firms as experts in auditing and accounting.

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REPORT OF INDEPENDENT ACCOUNTANTS

February 28, 1995

To the Board of Directors and Shareholders of California Petroleum Transport Corporation

In our opinion, the accompanying balance sheet presents fairly, in all materials respects, the financial position of California Petroleum Transport Corporation at December 31, 1994, in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP
Boston, Massachusetts

CALIFORNIA PETROLEUM TRANSPORT CORPORATION

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS

Current Assets

Cash..... \$1,000

Total assets..... \$1,000

=====

STOCKHOLDERS' EQUITY

Common Stock; 1,000 shares authorized, issued and outstanding..... \$1,000

Stockholders' Equity..... \$1,000

=====

NOTE TO THE BALANCE SHEET:

California Petroleum Transport Corporation (the "Company") was incorporated as a Delaware company on May 18, 1994, and has had no operations since that date.

THE OWNERS

UNAUDITED COMBINED BALANCE SHEET AS AT 31 DECEMBER 1994

ASSETS	
Cash.....	\$1,300

Total assets.....	\$1,300
	=====
COMBINED SHAREHOLDERS' EQUITY	
TOTAL COMBINED SHAREHOLDERS' EQUITY.....	\$1,300
	=====

NOTES TO THE COMBINED BALANCE SHEET

The combined balance sheet represents the aggregated assets and shareholders equity of the following companies (the "Owners"):

- Calpetro Tankers (IOM) Limited
- Calpetro Tankers (Bahamas I) Limited
- Calpetro Tankers (Bahamas II) Limited
- Calpetro Tankers (Bahamas III) Limited

The above companies were incorporated as follows:

Calpetro Tankers (IOM) Limited was incorporated as an Isle of Man company on 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

Calpetro Tankers (Bahamas I) Limited was incorporated as a Bahamian company on 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

Calpetro Tankers (Bahamas II) Limited was incorporated as a Bahamian company on 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

Calpetro Tankers (Bahamas III) Limited was incorporated as a Bahamian company on 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

AUDITORS' REPORT TO THE DIRECTORS OF CALPETRO TANKERS (BAHAMAS I) LIMITED

We have audited the balance sheet and accompanying note of Calpetro Tankers (Bahamas I) Limited at 31 December 1994 which have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United States of America.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

It is the directors' responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, it is the directors' responsibility to:

- . select suitable accounting policies and then apply them consistently;
- . make judgments and estimates that are reasonable and prudent;
- . prepare the financial statements on the going concern basis;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom, which do not differ in any significant respect from United States generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the balance sheet and accompanying note are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the balance sheet and accompanying note.

OPINION

In our opinion the balance sheet and accompanying note give a true and fair view of the state of the company's affairs as at 31 December 1994.

/s/ Price Waterhouse

Price Waterhouse
Chartered Accountants
Douglas
Isle of Man

28 February 1995

CALPETRO TANKERS (BAHAMAS I) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1994

ASSETS	
Cash.....	\$100

Total assets.....	\$100
	=====
SHAREHOLDERS' EQUITY	
Unclassified stock of \$1 par value	
Authorised--1,000 shares	
Issued--100 shares.....	\$100
	=====
Total Shareholders' Equity.....	\$100
	=====

NOTE TO THE BALANCE SHEET

Incorporation of the company

Calpetro Tankers (Bahamas I) Limited was incorporated as a Bahamian company of 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

/s/ P. D. Gram

Director

28 February 1995

See accompanying note to the balance sheet

AUDITORS' REPORT TO THE DIRECTORS OF
CALPETRO TANKERS (BAHAMAS II) LIMITED

We have audited the balance sheet and accompanying note of Calpetro Tankers (Bahamas II) Limited at 31 December 1994 which have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United States of America.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

It is the directors' responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, it is the directors' responsibility to:

- . select suitable accounting policies and then apply them consistently;
- . make judgments and estimates that are reasonable and prudent;
- . prepare the financial statements on the going concern basis;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom, which do not differ in any significant respect from United States generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the balance sheet and accompanying note are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the balance sheet and accompanying note.

OPINION

In our opinion the balance sheet and accompanying note give a true and fair view of the state of the company's affairs as at 31 December 1994.

/s/ Price Waterhouse

Price Waterhouse
Chartered Accountants
Douglas
Isle of Man

28 February 1995

CALPETRO TANKERS (BAHAMAS II) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1994

ASSETS	
Cash.....	\$100

Total assets.....	\$100
	=====
SHAREHOLDERS' EQUITY	
Unclassified stock of \$1 par value	
Authorized--1,000 shares	
Issued--100 shares.....	\$100
	=====
Total Shareholders' Equity.....	\$100
	=====

NOTE TO THE BALANCE SHEET

Incorporation of the company

Calpetro Tankers (Bahamas II) Limited was incorporated as a Bahamian company of 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

/s/ P. D. Gram

Director

28 February 1995

See accompanying note to the balance sheet

AUDITORS' REPORT TO THE DIRECTORS OF
CALPETRO TANKERS (IOM) LIMITED

We have audited the balance sheet and accompanying note of Calpetro Tankers (IOM) Limited at 31 December 1994 which have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United States of America.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- . select suitable accounting policies and then apply them consistently;
- . make judgments and estimates that are reasonable and prudent;
- . prepare the financial statements on the going concern basis;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 1993. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom, which do not differ in any significant respect from United States generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the balance sheet and accompanying note are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the balance sheet and accompanying note.

OPINION

In our opinion the balance sheet and accompanying note give a true and fair view of the state of the company's affairs as at 31 December 1994 and have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 1993.

/s/ Price Waterhouse

Price Waterhouse
Chartered Accountants
Douglas
Isle of Man

28 February 1995

CALPETRO TANKERS (IOM) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1994

ASSETS	
Cash.....	\$1,000

Total assets.....	\$1,000
	=====
SHAREHOLDERS' EQUITY	
Unclassified stock of (Pounds)1 (pound sterling)	
Authorized--2,000 shares	
Issued--2 shares.....	\$1,000
	=====
Total Shareholders' Equity.....	\$1,000
	=====

NOTE TO THE BALANCE SHEET

Incorporation of the company

Calpetro Tankers (IOM) Limited was incorporated as an Isle of Man company on 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

/s/ P.D. Gram

Director

/s/ Z.B. Galka

Director

28 February 1995

AUDITORS' REPORT TO THE DIRECTORS OF CALPETRO TANKERS (BAHAMAS III) LIMITED

We have audited the balance sheet and accompanying note of Calpetro Tankers (Bahamas III) Limited at 31 December 1994 which have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United States of America.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

It is the directors' responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, it is the directors' responsibility to:

- . select suitable accounting policies and then apply them consistently;
- . make judgments and estimates that are reasonable and prudent;
- . prepare the financial statements on the going concern basis;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom, which do not differ in any significant respect from United States generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the balance sheet and accompanying note are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the balance sheet and accompanying note.

OPINION

In our opinion the balance sheet and accompanying note give a true and fair view of the state of the company's affairs as at 31 December 1994.

/s/ Price Waterhouse

Price Waterhouse
Chartered Accountants
Douglas
Isle of Man

28 February 1995

CALPETRO TANKERS (BAHAMAS III) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1994

ASSETS	
Cash.....	\$100

Total assets.....	\$100
	=====
SHAREHOLDERS' EQUITY	
Unclassified stock of \$1 par value	
Authorized--1,000 shares	
Issued--100 shares.....	\$100
	=====
Total Shareholders' Equity.....	\$100
	=====

NOTE TO THE BALANCE SHEET

Incorporation of the company

Calpetro Tankers (Bahamas III) Limited was incorporated as a Bahamian company of 13 May 1994 and has had no operations since that date. The company is a wholly owned subsidiary of California Tankers Investments Limited, a company incorporated under the laws of the Bahamas.

/s/ P.D. Gram

Director

28 February 1995

See accompanying note to the balance sheet

THE OWNERS

PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following pro forma condensed combined financial data presents pro forma financial data for each of the four vessel owners, CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, CalPetro Tankers (IOM) Limited and CalPetro Tankers (Bahamas III) Limited (the "Owners").

The following unaudited pro forma condensed combined income statement for the year ended December 31, 1994 gives effect to the transaction as if it had occurred on January 1, 1994, the beginning of the Company's fiscal year. The unaudited pro forma financial data are based on the assumptions and adjustments described in the accompanying notes. The unaudited pro forma condensed combined income statement does not purport to represent what the Company's results of operations actually would have been if the transaction had occurred as of the dates indicated or what such results will be for any future periods. The following unaudited pro forma condensed combined balance sheet at December 31, 1994 was prepared as if the transaction had occurred on such date. The unaudited pro forma financial data are based upon assumptions that the Company believes are reasonable and should be read in conjunction with the Financial Statements and accompanying notes thereto included elsewhere in this Prospectus.

THE OWNERS

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

DECEMBER 31, 1994

	PRO FORMA ADJUSTMENTS					COMBINED PRO FORMA
	COMBINED HISTORICAL	BAHAMAS I	BAHAMAS II	IOM	BAHAMAS III	
ASSETS						
Current assets						
Cash.....	\$1,300	\$	\$	\$	\$	\$ 1,300
Current portion of net investment in direct financing leases.....		11,516,000(A)	11,492,000(A)	11,468,000(A)	5,614,000(A)	40,090,000
Total current assets...	1,300	11,516,000	11,492,000	11,468,000	5,614,000	40,091,300
Net investment in direct financing leases.....		70,156,000(A)	70,180,000(A)	70,204,000(A)	34,770,000(A)	245,310,000
Total assets.....	\$1,300	\$81,672,000	\$81,672,000	\$81,672,000	\$40,384,000	\$285,401,300
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Current portion of serial loans.....	\$	\$ 4,940,000(B)	\$ 4,940,000(B)	\$ 4,940,000(B)	\$ 2,340,000(B)	\$ 17,160,000
Total current liabilities.....		4,940,000	4,940,000	4,940,000	2,340,000	17,160,000
Term loans.....		40,262,000(B)	35,052,000(B)	29,842,000(B)	12,744,000(B)	117,900,000
Serial loans.....		36,470,000(B)	41,680,000(B)	46,890,000(B)	25,300,000(B)	150,340,000
Total liabilities.....		81,672,000	81,672,000	81,672,000	\$40,384,000	\$285,400,000
Shareholders' equity						
Common stock issued....	1,300					1,300
Total shareholders' equity.....	1,300					1,300
Total liabilities and shareholders' equity...	\$1,300	\$81,672,000	\$81,672,000	\$81,672,000	\$40,384,000	\$285,401,300

THE OWNERS

UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT FOR THE YEAR ENDED
DECEMBER 31, 1994

	PRO FORMA ADJUSTMENTS					COMBINED PRO FORMA
	COMBINED HISTORICAL	BAHAMAS I	BAHAMAS II	IOM	BAHAMAS III	
Income from direct financing leases.....	\$ --	\$ 107,278 (C)	\$ 97,897 (C)	\$ 88,207 (C)	\$ 65,530 (C)	\$ 358,912
Operating costs and expenses						
Ship expenses.....	--	85,000 (D)	85,000 (D)	85,000 (D)	85,000 (D)	340,000
Income from operations..	--	22,278	12,897	3,207	(19,470)	18,912
Interest income.....	--	6,725,401 (E)	6,710,516 (E)	6,695,122 (E)	3,345,655 (E)	23,476,694
Interest expense.....	--	(6,635,981)(F)	(6,609,574)(F)	(6,583,069)(F)	(3,247,634)(F)	(23,076,258)
Net income.....	\$ --	\$ 111,698	\$ 113,839	\$ 115,260	\$ 78,551	\$ 419,348

THE OWNERS

NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL DATA

Pro forma adjustments are made to reflect:

(A) Represents the net investment value of the direct financing leases. Proceeds from the borrowings discussed in (B) are used to purchase four oil tankers, one tanker purchase by each of the four vessel owners. The purchased tankers are then leased to Chevron Transport Corporation. The leases between the four vessel owners, CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, CalPetro Tankers (Bahamas III) Limited and CalPetro Tankers (IOM) Limited and Chevron Transport Corporation contain bargain purchase options and as such are recorded as direct financing leases in accordance with Financial Accounting Standards No. 13.

(B) Represents the borrowings by each of the four vessel owners. The term loans bear interest at an assumed rate of 8.45% per annum. The serial loans bear interest at assumed rates ranging from 7.00% to 8.03% through maturity. Such interest rates are based on market interest rates as of February 21, 1995. Principal will be payable on the term notes in accordance with a twelve year sinking fund schedule commencing nine years from the issuance date. Serial notes will mature over an eleven year period beginning one year from the issuance date. Interest is assumed to be payable semi-annually on July 1 and January 1 of each year.

(C) Represents the amortization of unearned income in accordance with Financial Accounting Standards No. 13.

(D) Represents management's estimate of ship expenses which include tonnage taxes, ship registration fees, accounting fees and other general and administrative expenses including the reimbursement of general and administrative expenses of California Petroleum Transport Corporation.

(E) Represents the following components of assumed interest income:

	BAHAMAS I	BAHAMAS II	IOM	BAHAMAS III
Interest income relating to the direct financing leases recorded in accordance with Financial Accounting Standard No. 13.....	\$6,634,481	\$6,619,596	\$6,604,202	\$3,302,588
Interest income computed on the expected excess cash on hand during the period.....	90,920	90,920	90,920	43,067
	-----	-----	-----	-----
	\$6,725,401	\$6,710,516	\$6,695,122	\$3,345,655
	=====	=====	=====	=====

(F) Represents the following components of assumed interest expense:

	BAHAMAS I	BAHAMAS II	IOM	BAHAMAS III
Interest on term loans and serial loans.....	\$6,566,550	\$6,542,062	\$6,517,576	\$3,216,346
Amortization of discount on loans.....	69,431	67,512	65,493	31,288
	-----	-----	-----	-----
	\$6,635,981	\$6,609,574	\$6,583,069	\$3,247,634
	=====	=====	=====	=====

APPENDIX A

CERTAIN SHIPPING TERMS

The following shipping terms are used in this Prospectus.

"Bareboat charter" means the contract for hire of a ship for a certain period of time during which the Charterer is responsible for the operating costs and voyage costs of the ship. Sometimes called a demise charter.

"Charter" means the hire of a ship for a specified period of time or to carry a cargo for a fixed fee from a loading port to a discharging port. The contract for a charter is called a charterparty.

"Classification society" means a private organization which has as its purpose the supervision of vessels during their construction and afterward, in respect to their seaworthiness and upkeep, and the placing of vessels in grades or "classes" according to the society's rules for each particular type of vessel.

"Double hull" means hull construction technique by which a ship has an inner and outer hull separated by void space, usually several feet in width.

"dwt (Deadweight tonne)" means a unit of a vessel's capacity, for cargo, fuel oil, stores and crew, measured in metric tonnes of 1,000 kilograms. A vessel's dwt or total deadweight is the total weight the vessel can carry when loaded to a particular load line.

"Freight" means the compensation for carriage of cargo.

"IMO" means International Maritime Organization, a United Nations agency that issues, inter alia, international trade standards for shipping.

"Lay-up" means mooring a ship at a protected anchorage, shutting down substantially all of its operating systems and taking measures to protect against corrosion and other deterioration.

"OPA 90" means the United States Oil Pollution Act of 1990, as amended.

"Protection and indemnity insurance" means the insurance obtained through a mutual association formed by shipowners to provide protection from financial loss to one member by contribution towards that loss by all members.

"Registration Jurisdiction" means the Republic of Liberia or the Commonwealth of the Bahamas as applicable to each Vessel.

"Suezmax tanker" means a vessel of approximately 120,000 to 200,000 dwt, of a maximum length, breadth and draught capable of passing through the Suez Canal.

"Tanker" means a ship designed for the carriage of liquid cargoes in bulk, her cargo space consisting of many tanks. Tankers carry a variety of products including crude oil, refined products, liquid chemicals and liquid gas. Tankers load their cargo by gravity from the shore or by pumps and discharge using their own pumps.

"Tonne" means a metric tonne of 1,000 kilograms.

"TOVALOP Scheme" means the Tankers Owners Voluntary Agreement concerning Liability for Oil Pollution dated January 7, 1969, as amended.

"Voyage charter" means a contract of carriage in which the charterer pays for the use of a ship's cargo capacity for one, or sometimes more than one, voyage. Under this type of charter, the shipowner pays all the operating costs of the ship (including bunkers, canal and port charges, pilotage, towage and ship's agency) while payment for cargo handling charges are subject of agreement between the parties. Freight is generally paid per unit of cargo, such as a tonne, based on an agreed quantity, or as a lump sum irrespective of the quantity loaded.

Shipping terms supplied by the Dictionary of Shipping Terms and other sources.

GLOSSARY OF CERTAIN TERMS

The following is a glossary of certain terms used in this Prospectus. The definitions of terms used in this glossary that are also used in the Serial Indenture, the Initial Charters or the Mortgages are qualified in their entirety by reference to the definition of such terms contained therein.

"Acceptable Replacement Charter" means any replacement charter which satisfies each of the following requirements: (i) the charter is a bareboat charter and requires that the charterer thereunder "gross up" charterhire payments to indemnify and hold the holders of the Term Mortgage Notes harmless from any withholding tax imposed on the charterhire payments or on the payments of the Term Mortgage Notes, (ii) the charterhire payments payable during the non-cancellable term of such replacement charter, after giving effect to (1) any "gross up" of such amounts as a result of any withholding tax on such charterhire payments, (2) the receipt of the Termination Payment and (3) all fees and expenses incurred in connection with the recharter of the Vessel, provide sufficient funds for the payment in full when due of (A) the Allocated Principal Amount of the Term Mortgage Notes for the related Vessel and interest thereon in accordance with the revised schedule of sinking fund and principal payments, that is applicable upon termination of the related Initial Charter, (B) the amount of Recurring Fees and Taxes for such Vessel, (C) the amount of Management Fees and Technical Advisor's Fees for such Vessel, (D) the amount of fees and expenses of the Indenture Trustee and Collateral Trustee and Designated Representative allocable to such Vessel and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses and (iii) the Rating Agencies shall have confirmed in writing to the Indenture Trustee that the terms and conditions of such proposed charter will not result in the withdrawal or reduction of the then current ratings of the Term Mortgage Notes.

"Acquisition Loans" means, for any Owner, the Term Loan and Serial Loans by California Petroleum to such Owner.

"Allocated Principal Amount of the Serial Mortgage Notes" means, when used with reference to the Serial Mortgage Notes relating to any Vessel at any time, an aggregate principal amount of outstanding Serial Mortgage Notes equal to the aggregate principal amount of Serial Loans of the related Owner then outstanding.

"Allocated Principal Amount of the Term Mortgage Notes" means, when used with reference to the Term Mortgage Notes relating to any Vessel at any time, an aggregate principal amount of outstanding Term Mortgage Notes equal to the aggregate principal amount of the Term Loans of the related Owner then outstanding plus any payment of principal, if any, on such Term Loans since the last date on which payment of principal on the Term Mortgage Notes was made.

"Allowable Investments" means for each Owner, its investment in the related Vessel, and in each case, any Restricted Payment permitted to be made by such Owner or California Petroleum and certain obligations incurred in the ordinary course of the performance of the Management Agreement.

"Beneficial Owner" means a person owning a beneficial interest in Global Note.

"Casualty Account" means the account established and maintained by the Collateral Trustee into which any insurance proceeds or other payments in connection with the occurrence of a Total Loss to any Vessel then subject to an Initial Charter that has not reached its first optional termination date shall be deposited in accordance with the related Mortgage.

"Charter Event of Default" means, for each Initial Charter, each of the events designated as an event of default in such Initial Charter. For a description of certain events constituting Charter Events of Default, see "The Initial Charters--Charter Events of Default."

"Charter Period" means the period from the date of commencement of such Initial Charter to the expiration or earlier termination of such Initial Charter pursuant to the terms and conditions thereof.

"Chevron" means Chevron Corporation, a Delaware corporation.

"Chevron Transport" means Chevron Transport Corporation, a Liberian corporation.

"Chevron Guarantee" means for each Initial Charter, the guarantee of the obligations of Chevron Transport thereunder given by Chevron.

"Collateral" shall have the meaning set forth in "Description of the Notes-- Security."

"Collateral Account" means the account established and maintained by the Collateral Trustee into which the Collateral Trustee will deposit (i) any proceeds received upon exercise of remedies with respect to the Collateral, (ii) other amounts, with certain exceptions, received with respect to the Collateral after receipt of an Enforcement Notice and (iii) any other amount received by the Collateral Trustee pursuant to any of the Security Documents for which the Collateral Agreement does not specify another Trust Account into which such amount is to be deposited.

"Collateral Agreement" means the collateral trust agreement among the Collateral Trustee, California Petroleum, the Indenture Trustee under the Term Indenture and the Indenture Trustee under the Serial Indenture, pursuant to which California Petroleum assigns and pledges to the Collateral Trustee all of its right, title and interest in the Collateral for the benefit of the holders of the Term Mortgage Notes and the Holders of the Serial Mortgage Notes.

"Collateral Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as Collateral Trustee under the Collateral Agreement.

"Compulsory Acquisition" means requisition for title or other compulsory acquisition of any Vessel (otherwise than by requisition for hire), capture, seizure, condemnation, destruction, detention or confiscation of such Vessel by any government or by persons acting or purporting to act on behalf of any governmental authority.

"Default Period" means the period commencing on the due date of the charterhire payment until such payment shall be paid in full.

"Default Rate" means a rate per annum for each day during the Default Period until such payment shall be paid in full equal to 1.50% above LIBOR at the commencement of such period.

"DTC" means The Depository Trust Company.

"Enforcement Notice" means a notice of an Indenture Event of Default delivered to the Collateral Trustee and the Holders pursuant to the Serial Indenture or the Term Indenture.

"Equity Account" means the account established and maintained by the Collateral Trustee into which the Equity Remainder, if any, relating to each Vessel will be deposited in accordance with the order of payments on each Equity Transfer Date.

"Equity Remainder" means, for any Vessel on the applicable Payment Date for so long as the Initial Charter with respect to such Vessel remains in effect, the positive difference, if any, between (a) \$100,000 and (b) the sum of (i) the Management Fee and the Technical Advisor's Fee for such Vessel deposited into the Operating Account on such Payment Date and the immediately preceding Payment Date, (ii) the aggregate amount of Recurring Fees and Taxes for such Vessel deposited into the Operating Account on such Payment Date and the immediately preceding Payment Date and (iii) the allocable portion of the fees and expenses of the Indenture Trustee and the Collateral Trustee and the Designated Representative. On and after the termination of such Initial Charter, the "Equity Remainder" for such Vessel on the applicable Payment Date shall be zero.

"Equity Transfer Date" means the Payment Date scheduled to occur on _____ of each year, commencing _____, 1996.

"Holder" means the Person in whose name a Serial Mortgage Note is registered in the securities register maintained by the Indenture Trustee.

"Indentures" means the Serial Indenture and the Term Indenture, collectively.

"Indenture Event of Default" means each of the events designated as an event of default under the Serial Indenture. For a description of certain events constituting Indenture Events of Default, see "Description of the Notes-- Indenture Events of Default."

"Indenture Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as Indenture Trustee under the Serial Indenture or the Term Indenture, or both, as the case may be.

"Initial Charter" means, for each Vessel, the bareboat charter between the related Owner and Chevron Transport.

"Initial Charter Period" means for any Initial Charter the period from the date of commencement of such Initial Charter to the expiration or earlier termination of such Initial Charter pursuant to the terms and conditions thereof.

"Initial Revenue Account" means, so long as the Serial Mortgage Notes are outstanding, the account established and maintained by the Collateral Trustee for deposits of charterhire payments by Chevron Transport under each Initial Charter until the first optional termination date thereunder.

"LIBOR" means the rate calculated on the basis of the offered rates for deposits in dollars for a month period which appear on the Reuters Screen LIBO Page as of 11:00 A.M., London time, on the date that is two London Banking Days preceding the date of calculation. If at least two such offered rates appear on the Reuters Screen LIBO Page, LIBOR will be the arithmetic mean of such offered rates (rounded to the nearest .0001 percentage point). If, at any time of determination, the Reuters Screen LIBO Page is not available, LIBOR will be calculated as the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective ratio per annum at which deposits in dollars for a one month period are offered to each of three reference banks in the London interbank market at approximately 11:00 A.M., London time, on the date that is two London Banking Days preceding the date of calculation. Each of Chevron Transport and the Collateral Trustee (as assignee of the Owner) will select a reference bank and the third reference bank will be selected by Chevron Transport and the Collateral Trustee together or, failing agreement, by the previously selected reference banks together.

"Lien" means any mortgage, pledge, lien (statutory or other), charge, encumbrance, lease, claim, security interest, hypothecation, assignment for security, deposit arrangement or preference or other security agreement of any kind or nature whatsoever.

"London Banking Day" means any day on which dealings in deposits in United States dollars are carried on in the London interbank market and on which commercial banks are open for domestic and international business (including dealings in dollar deposits) in London and New York.

"Majority Noteholders" means the holders of a majority in aggregate principal amount of the outstanding Notes.

"Majority Serial Noteholders" means the Holders of a majority in aggregate principal amount of the outstanding Serial Mortgage Notes.

"Majority Term Noteholders" means the holders of a majority in aggregate principal amount of the outstanding Term Mortgage Notes.

"Management Agreement" means, for each Owner, the management agreement between such Owner, the Manager and Barber Ship Management.

"Management Fee" means the sum of (i) for each Vessel, an annual fee payable to the Manager, semi-annually in arrears, which shall be an amount equal to \$13,625 per annum during the period from the Closing

Date to the third anniversary of the Closing Date plus (ii) a fee of \$3,000 per annum, payable annually in arrears, during such three-year period. Thereafter, the Management Fee will be increased each year by an amount equal to 4%.

"Manager" means P.D. Gram & Co. a.s.

"Maturity Date" means, for any Serial Mortgage Notes, of the respective year of maturity.

"Mortgage" means, for each Vessel, the first preferred ship mortgage on such Vessel granted by the related Owner to California Petroleum and assigned by California Petroleum to the Collateral Trustee.

"Mortgage Event of Default" means, for any Mortgage, each of the events designated as an event of default in such Mortgage. For a description of certain events constituting Mortgage Events of Default, see "The Mortgages-- Mortgage Events of Default."

"Notes" means the Serial Mortgage Notes together with the Term Mortgage Notes.

"Operating Account" means the account established and maintained by the Collateral Trustee into which the Recurring Fees and Expenses, the Management Fee and the Technical Advisor's Fee relating to each Vessel will be deposited in accordance with the order of payments for the applicable Payment Date.

"Owners" means, collectively, CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, CalPetro Tankers (IOM) Limited and CalPetro Tankers (Bahamas III) Limited.

"Owner Taxes" means any income, franchise or equivalent tax, imposed upon or measured by the net income, stated capital or earned surplus of an Owner by any federal, state, local or other taxing authority of any jurisdiction worldwide, or any tax imposed pursuant to Section 887 of the United States Internal Revenue Code of 1986, as amended, or any taxes that result from the willful misconduct or gross negligence of such Owner or from the inaccuracy or breach of any representation, warranty or covenant of such Owner contained in certain clauses of the related Initial Charter or in any document furnished in connection with such clauses by such Owner, or any taxes that would not have been imposed but for the failure of such Owner (a) to provide to Chevron Transport (for filing by Chevron Transport with the taxing jurisdiction imposing such taxes or retention in Chevron Transport's records) upon Chevron Transport's timely request such certifications, information, documentation or reports concerning such Owner's identity, jurisdiction of incorporation or residency, or in connection with such taxing jurisdiction or (b) to promptly file upon Chevron Transport's timely request such reports or returns (which shall be prepared with reasonable care in accordance with Chevron Transport's written instructions) claiming (or availing itself of) any applicable extensions or exemptions (to the extent that timely notice thereof is provided by Chevron Transport); provided that Owner Taxes shall not include any such tax imposed on any amount that is (i) an indemnity or reimbursement of an Owner, (ii) an operating or maintenance expense or (iii) a tax for which Chevron Transport is otherwise liable under the related Initial Charter; and provided further that Owner Taxes shall not include any such tax imposed by any government, jurisdiction or taxing authority other than the United States Federal government solely as a result of the location of the Vessel or the Vessel's use by Chevron Transport.

"Payment Dates" means each and , commencing , 1995.

"Permitted Indebtedness" means for each Owner, (i) the obligations under such Owner's Acquisition Loans, (ii) certain trade payables and expense accruals incurred in the ordinary course and (iii) other indebtedness contemplated by the Loan Agreements or any other Security Document.

"Permitted Investments" means any of the following: (a) direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided such obligations are backed by the full faith and credit of the

United States, Federal Housing Administration debentures, FHLMC senior debt obligations or FNMA senior debt obligations, but excluding any of such securities whose terms do not provide for payment of a fixed dollar amount upon maturity or call for redemption; (b) federal funds, certificates of deposit, time and demand deposits and banker's acceptances (having original maturities of not more than one year) of any bank or trust company incorporated under the laws of the United States or any state thereof, provided that the short-term debt obligations of such bank or trust company at the date of acquisitions thereof have been rated at least "A-1" or "P-1" by Standard & Poor's and Moody's respectively; (c) commercial paper (having original maturities of not more than one year) rated at least "A-1" or "P-1" by Standard & Poor's and Moody's, respectively; or (d) guaranteed investment contracts, investment agreements or similar agreements rated at least "Aa" or "AA" by Moody's, Standard & Poor's or Duff & Phelps, respectively, that are treated as indebtedness for United States federal income tax purposes.

"Permitted Liens" means for each Owner, Liens created under the related Mortgage and Security Documents, the Initial Charter for the related Vessel and any Acceptable Replacement Charter or other charter for such Vessel permitted under the Mortgage, Liens for crew's wages accrued for not more than three months or for collision or salvage, Liens in favor of suppliers of necessities or other similar Liens arising in the ordinary course of its business (accrued for not more than three months) or Liens for loss, damage or expense, which are fully covered by insurance, in respect of which, a bond or other security has been posted by the Owner with the appropriate court or other tribunal to prevent the arrest or secure the release of any Vessel from arrest on account of such claim or Lien; provided that, so long as the related Initial Charter is in effect, "Permitted Liens" shall mean those Liens, claims and encumbrances permitted under the Initial Charter.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Rating Group and Duff & Phelps Credit Rating Co.

"Recurring Fees and Taxes" means, for any Vessel, any registration fees and tonnage taxes necessary to maintain the documentation of the Vessel under the laws of the registry or port of documentation of the Vessel, any periodic fees necessary to maintain the corporate status of the related Owner, any filing or other fees necessary to maintain the status of such Owner as a reporting company under the Exchange Act and to comply with any covenants of such Owner under the related Mortgage, any fees and expenses (including the cost of insurance required by the related Mortgage and not maintained by the charterer under the charter to which such Vessel is then subject) necessary to comply with any covenants under the related Mortgage, any other fees and expenses contemplated to be paid pursuant to the Management Agreement which the Manager certifies to the Collateral Trustee are qualified to be paid thereunder and any accounting or other professional fees and other expenses, including any fees and expenses of the Rating Agencies, incurred in connection with the foregoing. In addition, each Owner's Recurring Fees and Taxes will include a pro rata portion of the fees and expenses, including any accounting, administrative or other professional fees, necessary to maintain the registration of the Notes under the Securities Act, to maintain the corporate status of California Petroleum and the status of California Petroleum as a reporting company (if necessary) under the Exchange Act, to pay any facilitation or management fees and to comply with any covenants under the Indenture or the Collateral Agreement.

"Restricted Payments" means the restriction imposed on (A) the Owners prohibiting each Owner from (i) declaring or paying any dividend or other distribution on any shares of its capital stock, (ii) making any loans or advances to any affiliate of such Owner or (iii) purchasing, redeeming or otherwise acquiring or retiring for value any shares of its capital stock (each, a "Restricted Payment") unless, among other things, the Serial Mortgage Notes shall have been repaid in full, and (B) California Petroleum prohibiting it from making any Restricted Payments in excess of \$15,000 per annum so long as any Notes are outstanding.

"Second Revenue Account" means the account established and maintained by the Collateral Trustee for deposits of charterhire payments under an Acceptable Replacement Charter, other charter or Initial Charter (if such Initial Charter continues in effect after the Allocated Principal Amount of the Serial Mortgage Notes relating to the related Vessel have been paid in full), as the case may be.

"Security Documents" means, for each Vessel and Owner, the Loan Agreements, the Mortgage, the Assignment of Initial Charter, the Assignment of Earnings and Insurances, the Assignment of Initial Charter Guarantee, the Assignment of Management Agreement, the Issue of One Debenture, the Stock Pledge, the Assignment of Vessel Purchase Agreement, and any additional security agreement, assignment or mortgage document entered into by any Owner or its shareholder from time to time in connection with such Owner's Loan Agreements.

"Serial Indenture" means the indenture among California Petroleum, the Indenture Trustee and, solely for purposes of the Trust Indenture Act, Chevron, pursuant to which the Serial Mortgage Notes will be issued.

"Serial Loan Agreement" means, for any Owner, one of two loan agreements pursuant to which California Petroleum will loan to such Owner a portion of the proceeds of the sale of the Notes.

"Serial Loans" means, for any Owner, the series of loans, each of which will correspond in maturity date and interest rate with the Serial Mortgage Notes of a specific maturity date, to and including the first optional termination date for the related Initial Charter, made by California Petroleum to such Owner under the related Serial Loan Agreement.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from , 1996 to , 2006 issued in the initial aggregate amount of \$167,500,000 concurrently with the offering of the Term Mortgage Notes.

"Sinking Fund Reserve Account" means the account established and maintained by the Collateral Trustee for deposits on each Payment Date that is not a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes of an amount, if any, equal to one-half of the aggregate sinking fund redemption amount or amount of principal due and payable on the Term Mortgage Notes on the next succeeding Payment Date.

"Stipulated Loss Value" means, for any Vessel on any date, the amount specified in the related Initial Charter as the "Stipulated Loss Value" for such date, which amount will be at least sufficient to redeem in full the Allocated Principal Amount of Notes for such Vessel.

"Technical Advisor's Fee" means, for each Vessel, an annual fee payable to Barber Ship Management, semi-annually in arrears, which shall be an amount equal to \$10,000 per annum during the period from the Closing Date to the third anniversary of the Closing Date. Thereafter, the Technical Advisor's Fee will be increased each year by an amount equal to 4%.

"Term Indenture" means the indenture between California Petroleum and the Indenture Trustee pursuant to which the Term Mortgage Notes will be issued.

"Term Loan Agreement" means, for any Owner, one of two loan agreements pursuant to which California Petroleum will loan to such Owner a portion of the proceeds of the sale of the Notes.

"Term Loans" means, for any Owner, the loan made by California Petroleum to such Owner under the related Term Loan Agreement, which will accrue interest at the same rate as the Term Mortgage Notes, and

upon which payments of principal and interest will be scheduled to coincide with principal Payment Dates for the Term Mortgage Notes.

"Term Mortgage Notes" means % First Preferred Mortgage Notes Due 2015 issued in the initial aggregate amount of \$117,900,000 by California Petroleum concurrently with the offering of the Serial Mortgage Notes.

"Term Mortgage Notes Maturity Date" means , 2015.

"Termination Account" means the account established and maintained by the Collateral Trustee for deposits of the Termination Payment payable under the Initial Charter for such Owner's Vessel by Chevron Transport.

"Termination Payment" means the payment that Chevron Transport is required to make pursuant to the applicable Initial Charter if Chevron Transport elects to terminate the Initial Charter for any Vessel on a specified termination date.

"Total Loss" means (a) an actual or constructive or compromised or arranged total loss of a Vessel, (b) a Compulsory Acquisition of a Vessel or (c) if so declared by Chevron Transport at any time and in its sole discretion a requisition for hire of the Vessel for a period in excess of 180 days.

"Trust Accounts" means the Initial Revenue Account, the Second Revenue Account, the Termination Account, the Operating Account, the Equity Account, the Casualty Account, the Collateral Account and the Sinking Fund Reserve Account which will be maintained by the Collateral Trustee as collateral agent for the benefit of the holders of the Term Mortgage Notes and the Holders of the Serial Mortgage Notes in accordance with the Collateral Agreement.

"Trust Funds" means the funds deposited in the Trust Accounts.

"Vessels" means, collectively, the Suezmax-size tankers S. Ginn, C. Rice, Chevron Mariner and W.E. Crain.

 NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY CALIFORNIA PETROLEUM, CHEVRON TRANSPORT, CHEVRON, THE OWNERS OR THE UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO ANY PERSON IN ANY JURISDICTION WHERE SUCH OFFERS WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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 UNTIL , 1995 (90 DAYS AFTER THE COMMENCEMENT OF THE OFFERING OF THE SERIAL MORTGAGE NOTES), ALL DEALERS EFFECTING TRANSACTIONS IN THE SERIAL MORTGAGE NOTES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

 \$167,500,000

CALIFORNIA PETROLEUM TRANSPORT CORPORATION

SERIAL FIRST PREFERRED MORTGAGE NOTES
 MATURING SERIALLY FROM 1996 TO 2006

Payable from Charterhire Payments by
 CHEVRON TRANSPORT CORPORATION
 Whose Charter Obligations are Guaranteed by
 CHEVRON CORPORATION

LOGO CHEVRON

PROSPECTUS

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

, 1995

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, are estimated as follows:

SEC registration fee.....	\$58,103.86
Blue Sky and legal investment fees and expenses.....	6,362
Printing and engraving expenses.....	38,175
Legal fees and expenses.....	101,799
Rating agency fees.....	44,537
Accountants' fees and expenses.....	17,306
Trustee's fees and expenses.....	1,527
Miscellaneous costs.....	32,190

Total.....	\$ 300,000*
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* The Serial Mortgage Notes are being registered concurrently with the Term Mortgage Notes (Registration Statement No. 33-79220). The expenses listed above, other than the SEC registration fee, have been allocated to the Serial Mortgage Notes based on (i) the total amount of expenses to be paid by California Petroleum in connection with the issuance of the Notes multiplied by (ii) the aggregate principal amount of the Serial Mortgage Notes over the total aggregate principal amount of the Notes.

All of the expenses listed in the table above will be paid by California Petroleum. This table does not include (i) \$316,119 of additional expenses incurred in connection with the issuance and distribution of the Serial Mortgage Notes to be paid by others and (ii) \$117,380 of estimated legal fees and expenses and \$49,887 of estimated accounting fees and expenses to be paid by Chevron; such fees and expenses have been allocated to the Serial Mortgage Notes in the manner described above.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

CHEVRON TRANSPORT

Article N of Chevron Transport's Certificate of Incorporation, as amended, provides as follows:

"N. The Corporation shall indemnify its directors or officers, or former directors or officers, or any person who may have served at its request as a director or officer of another corporation in which it owns shares of capital stock or of which it is a creditor, against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party by reason of being or having been directors or officers of the Corporation, except in relation to matters as to which any such director or officer or person shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled, under any by-law, agreement, vote of stockholders or otherwise."

Chevron Transport is a corporation organized under the laws of the Republic of Liberia. Section 6.13 of the Liberian Business Corporation Act of 1976 provides that a Liberian corporation shall have the power to indemnify any person who was or is a party or is threatened to made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees),

judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of no contest, or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. A Liberian corporation also has the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of its duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense which the court shall deem proper.

To the extent that a director or officer of a Liberian corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the preceding paragraph, or in the defense of a claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this section.

In addition, a Liberian corporation has the power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer against any liability asserted against him and incurred by him in such capacity whether or not the corporation would have the power to indemnify him against such liability under the provisions of Section 6.13.

CHEVRON

Article IX of Chevron's restated Certificate of Incorporation provides as follows:

1. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) pursuant to section 174 of the Corporation Law; or (d) for any transaction from which the director derived an improper personal benefit.

2. To the fullest extent authorized by the Corporation Law, the Corporation shall indemnify any Corporate Servant who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person was or is a Corporate Servant.

3. In serving or continuing to serve the Corporation, a Corporate Servant is entitled to rely and shall be presumed to have relied on the rights granted pursuant to the foregoing provisions of this Article IX, which shall be enforceable as contract rights and inure to the benefit of heirs, executors and administrators of the Corporate Servant; and no repeal or modification of the foregoing provisions of this Article IX shall adversely affect any right existing at the time of such repeal or modification.

4. The Board of Directors is authorized, to the extent permitted by the Corporation Law, to cause the Corporation to pay expenses incurred by Corporate Servants in defendant Proceedings and to purchase and maintain insurance on their behalf whether or not the Corporation would have the power to indemnify them under the provisions of this Article IX or otherwise.

5. Any right or privilege conferred by or pursuant to the provisions of this Article IX shall not be exclusive of any other rights to which any Corporate Servant may otherwise be entitled.

6. As used in this Article IX:

(a) "Corporate Servant" means any natural person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other organization or enterprise, nonprofit or otherwise, including an employee benefit plan;

(b) "Corporation Law" means the General Corporation Law of the State of Delaware, as from time to time amended;

(c) "indemnify" means to hold harmless against expenses (including attorneys' fees), judgments, fines (including excise taxes assessed with respect to an employee benefit plan) and amounts paid in settlement actually and reasonably incurred by the Corporate Servant in connection with a Proceeding;

(d) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative; and

(e) "request of the Corporation" includes any written authorization by an officer of the Corporation."

Section 145 of the General Corporation Law of the State of Delaware, in which Chevron is incorporated, permits, subject to certain conditions, the indemnification of directors or officers of a Delaware corporation for expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred in connection with the defense of any action, suit or proceeding in relation to certain matters against them as such directors or officers.

The directors and officers of Chevron are covered by policies of insurance under which they are insured, within limits and subject to limitations, against certain expenses in connection with the defense of actions, suits or proceedings, and certain liabilities which might be imposed as a result of such actions, suits or proceedings, in which they are parties by reason of being or having been directors or officers; Chevron is similarly insured with respect to certain payments it might be required to make to its directors or officers under the applicable statutes and Chevron's by-law provisions.

CALIFORNIA PETROLEUM

California Petroleum is a corporation organized under the General Corporation Law of the State of Delaware. Reference is made to Section 145 of the Delaware General Corporation Law as to indemnification by California Petroleum of officers and directors.

Section II of the Certificate of Incorporation of California Petroleum provides for indemnification of directors and officers as follows:

"11. This corporation shall, to the maximum extent permitted from time to time under the law of the State of Delaware, indemnify and upon request shall advance expenses to any person who is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding or claim, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was or has agreed to be a director or officer of this corporation or while a director or officer is or was serving at the request of this corporation as a director, officer, partner, trustee, employee or agent of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorney's fees and expenses), judgments, fines, penalties and amounts paid in settlement incurred in connection with the investigation, preparation

to defend or defense of such action, suit, proceeding or claim; provided, however, that the foregoing shall not require this corporation to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim initiated by or on behalf of such person. Such indemnification shall not be exclusive of other indemnification rights arising under any by-law, agreement, vote of directors or stockholders or otherwise and shall inure to the benefit of the heirs and legal representatives of such person. Any person seeking indemnification under this paragraph 11 shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established. Any repeal or modification of the foregoing provisions of this paragraph 11 shall not adversely affect any right or protection of a director or officer of this corporation with respect to any acts or omissions of such director or officer occurring prior to such repeal or modification."

CALPETRO BAHAMAS I, CALPETRO BAHAMAS II AND CALPETRO BAHAMAS III

Each of CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III is a company organized under the laws of the Commonwealth of the Bahamas.

Section 7 of the International Business Act 1989 provides that "no member, director, officer, agent or liquidator of a company incorporated under this Act shall be liable for any debt, obligation or default of the company unless it is proved that he did not act in good faith or unless it is specifically provided in this Act or in any other law for the time being in force in The Bahamas and except in so far as he may be liable for his own conducts or acts".

Section 56 of the Act further states that:

"(1) Subject to subsection (2) and any limitation in its Memorandum or Articles, a company incorporated under this Act may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:--

(a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, an officer or a liquidator of the company; or

(b) is or was, at the request of the company, serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise.

(2) Subsection (1) only applies to a person referred to in that subsection if the person acted honestly and in good faith with a view to the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

(3) The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the company and as to whether the person has no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of this section, unless a question of law is involved.

(4) The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a nolle prosequi does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the company or that the person had reasonable cause to believe that his conduct was unlawful.

(5) If a person referred to in subsection (1) has been successful in defense of any proceedings referred to in subsection (1), the person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings."

Articles 90-95 of the Articles of Association of [CalPetro Bahamas I] [CalPetro Bahamas II] [CalPetro Bahamas III] provides for indemnification of directors and officers as follows:

"90. Subject to Article 91 the Company may indemnify against all expenses including legal fees, and against all judgements, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:--

(a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, an officer or liquidator of the Company; or

(b) is or was, at the request of the Company, serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise.

91. Article 90 only applies to a person referred to in that Article if the person acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

92. The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interest of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful, is in the absence of fraud, sufficient for the purposes of these Articles, unless a question of law is involved.

93. The termination of any proceedings by any judgement, order, settlement, convictions or the entering of a nolle prosequi does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interest of the Company or that the person had reasonable cause to believe that his conduct was unlawful.

94. If a person referred to in Article 90 has been successful in defence of any proceedings referred to in that Article the person is entitled to be indemnified against all expenses, including legal fees, and against all judgements, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings.

95. The Company may purchase and maintain insurance in relation to any person who is or was a director, an officer or a liquidator of the Company, or who at the request of the Company is or was serving as a director, an officer or a liquidator of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability under Article 90."

CALPETRO IOM

CalPetro Tankers (IOM) Limited is a corporation incorporated under the laws of the Isle of Man. Section 151 of the Isle of Man Companies Act 1931 provides that any provision (whether contained in the articles of association of the corporation or elsewhere) exempting any director, officer or auditor (together "Officer") or indemnifying him against any liability which would attach to him in relation to any negligence, default, breach of duty or breach of trust is void. However, Section 151 also provides that an Isle of Man corporation may indemnify any Officer against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 337 of the Companies Act 1931 in which relief is granted by the Court. Section 337 provides that if in any proceedings for negligence, default, breach of duty or breach of trust against any Officer it appears to the court hearing the case that person is or may be liable in respect of the negligence, default, breach of duty or breach of trust, but that he has acted honestly and reasonably and that having regard to all the circumstances of the case, including those connected with his appointment, he ought fairly be excused, that court may relieve him either wholly or partly from his liability on such terms as the court thinks fit. Additionally, under Section 337, where any Officer has reason to believe that any claim will or might be made against him, he may apply to court for relief as if an action had already been brought against him.

An Isle of Man corporation has the power to purchase and maintain insurance on behalf of an Officer against any liability alleged against him for negligence, default, breach of duty or breach of trust.

Article 146 of the Articles of Association of CalPetro IOM provides for indemnification of directors and officers as follows:

"146. Every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (including any such liability as is mentioned in paragraph (c) of the proviso to Section 151 of the Companies Act, 1931) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, but this Article shall only have effect in so far as its provisions are not avoided by the said section.

The directors may execute, in the name on or behalf of the Company, in favour of any director or other person who may incur or be about to incur any personal liability for the benefit of the Company such debentures or mortgages of the company's property (present and future) as they think fit, and such mortgages may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon."

The effectiveness of such article is subject to the provisions of Section 151 of the Isle of Man Companies Act 1931 as set out above.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Not Applicable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE.

(a) Exhibits

EXHIBIT NUMBER -----	DESCRIPTION -----
1.1	Form of Underwriting Agreement
3.1	Certificate of Incorporation of California Petroleum Transport Corporation (filed as Exhibit 3.1 to Registrant's Registration Statement on Form S-1, Commission File Number 33-79220, and incorporated herein by reference)*
3.2	Bylaws of California Petroleum Transport Corporation (filed as Exhibit 3.2 to Registrant's Registration Statement on Form S-1, Commission File Number 33-79220, and incorporated herein by reference)*
3.3	Certificate of Incorporation and Memorandum of Association of CalPetro Tankers (Bahamas I) Limited (filed as Exhibit 3.3 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*
3.4	Articles of Association of CalPetro Tankers (Bahamas I) Limited (filed as Exhibit 3.4 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*
3.5	Certificate of Incorporation and Memorandum of Association of CalPetro Tankers (Bahamas II) Limited (filed as Exhibit 3.5 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*
3.6	Articles of Association of CalPetro Tankers (Bahamas II) Limited (filed as Exhibit 3.6 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*

EXHIBIT
NUMBER

DESCRIPTION

-
- 3.7 Certificate of Incorporation of CalPetro Tankers (IOM) Limited (filed as Exhibit 3.7 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*
- 3.8 Memorandum and Articles of Association of CalPetro Tankers (IOM) Limited (filed as Exhibit 3.8 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*
- 3.9 Certificate of Incorporation and Memorandum of Association of CalPetro Tankers (Bahamas III) Limited (filed as Exhibit 3.9 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*
- 3.10 Articles of Association of CalPetro Tankers (Bahamas III) Limited (filed as Exhibit 3.10 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*
- 4.1 Form of Serial Indenture between California Petroleum Transport Company and Chemical Trust Company of California, as Indenture Trustee
- 4.2 Form of Serial Mortgage Notes (included in Exhibit 4.1)
- 4.3 Form of First Preferred Ship Mortgage by [CalPetro Tankers (Bahamas III) Limited] [CalPetro Tankers (IOM) Limited] to California Petroleum Transport Corporation (including the form of assignment of such Mortgage to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)
- 4.4 Form of Bahamian Statutory Ship Mortgage and Deed of Covenants by [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] to California Petroleum Transport Corporation (including the form of assignment of such Mortgage to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)
- 4.5 Form of Bermudian Statutory Ship Mortgage and Deed of Covenants by CalPetro Tankers (IOM) Limited to California Petroleum Transport Corporation (including the form of assignment of such Mortgage to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)**
- 4.6 Form of Stock Pledge Agreement*
- 4.7 Form of Assignment of Initial Charter Guarantee by [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation (including the form of Collateral Assignment of such Initial Charter Guarantee to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)
- 4.8 Form of Assignment of Earnings and Insurances from [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation*
- 4.9 Form of Assignment of Initial Charter from [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation (including the form of Collateral Assignment of such Initial Charter to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)

EXHIBIT
NUMBER

DESCRIPTION

- 4.10 Form of Management Agreement between P.D. Gram & Co., and [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited]
- 4.11 Form of Assignment of Management Agreement from [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation*
- 4.12 Form of Serial Loan Agreement between California Petroleum Transport Corporation and [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited]*
- 4.13 Form of Term Loan Agreement between California Petroleum Transport Corporation and [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited]
- 4.14 Form of Collateral Agreement between California Petroleum Transport Corporation, [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited], the Indenture Trustee under the Serial Indenture, the Indenture Trustee under the Term Indenture and Chemical Trust Company of California, as Collateral Trustee
- 4.15 Form of Issue of One Debenture From [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation
- 5.1 Opinion of Thacher Proffitt & Wood regarding the legality of the Serial Mortgage Notes
- 10.1 Form of Initial Charter Guarantee by Chevron Corporation*
- 10.2 Form of Bareboat Charter between [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] and Chevron Transport Corporation
- 10.3 Form of Vessel Purchase Agreement between [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] and Chevron Transport Corporation (including the form of Assignment of such Vessel Purchase Agreement to California Petroleum Transport Corporation by [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited])*
- 10.4 Designated Representative Agreement
- 23.1 Consent of Thacher Proffitt & Wood (included in Exhibit 5.1)
- 23.2 Consent of Price Waterhouse LLP, independent accountants, for Form S-3
- 23.3 Consent of KPMG Peat Marwick LLP, independent accountants, for Form S-3
- 23.4 Consent of Price Waterhouse LLP, independent accountants, for Form S-1
- 23.5 Consent of Price Waterhouse, chartered accountants, for Form F-1
- 23.6 Consent of McKinney, Bancroft & Hughes*
- 23.7 Consent of Cains*
- 24.1 Powers of Attorney for directors and certain officers of Chevron Corporation*
- 24.2 Powers of Attorney for directors and certain officers of Chevron Transport Corporation*
- 24.3 Powers of Attorney for directors and certain officers of CalPetro Tankers (Bahamas I) Limited*

EXHIBIT NUMBER -----	DESCRIPTION -----
24.4	Powers of Attorney for directors and certain officers of CalPetro Tankers (Bahamas II) Limited*
24.5	Powers of Attorney for directors and certain officers of CalPetro Tankers (IOM) Limited*
24.6	Powers of Attorney for directors and certain officers of CalPetro Tankers (Bahamas III) Limited*
24.7	Certified copy of resolutions of Chevron Corporation authorizing signature pursuant to power of attorney*
25.1	Statement of Eligibility on Form T-1 of Chemical Trust Company of California, as Indenture Trustee*

*Previously filed.
**No longer applicable.

(b) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the commission are either not required, are inapplicable or have been disclosed in the notes to the consolidated financial statements and therefore have been omitted.

ITEM 17. UNDERTAKINGS.

Insofar as indemnifications for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant or co-registrants pursuant to the foregoing provisions or otherwise, the registrant and co-registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrant or co-registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant or co-registrants will, unless in the opinion of their respective counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrants hereby undertake that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of the prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Chevron Corporation hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of Chevron Corporation's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, CHEVRON CORPORATION CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, ON THE 10TH DAY OF MARCH, 1995.

Chevron Corporation

/s/ Kenneth T. Derr*
By: _____
KENNETH T. DERR
Chairman of the Board and Chief
Executive Officer

/s/ Malcolm J. McAuley
By: _____
MALCOLM J. MCAULEY
(Attorney-in-fact)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES INDICATED ON THE 10TH DAY OF MARCH, 1995:

Principal Executive Officers:

SIGNATURE

TITLE

/s/ Kenneth T. Derr*

Chairman of the Board and Director

KENNETH T. DERR

/s/ J. Dennis Bonney*

Vice-Chairman of the Board and
Director

J. DENNIS BONNEY

/s/ James N. Sullivan*

Vice-Chairman of the Board and
Director

JAMES N. SULLIVAN

Principal Financial Officer:

/s/ Martin R. Klitten*

Vice-President, Finance

MARTIN R. KLITTEN

Principal Accounting Officer:

/s/ Donald G. Henderson*

Vice-President and Comptroller

DONALD G. HENDERSON

Directors:

SIGNATURE

/s/ Samuel H. Armacost*

SAMUEL H. ARMACOST

/s/ Sam Ginn*

SAM GINN

/s/ Carla A. Hills*

CARLA A. HILLS

/s/ Charles M. Pigott*

CHARLES M. PIGOTT

/s/ Condoleezza Rice*

CONDOLEEZZA RICE

/s/ S. Bruce Smart, Jr.*

S. BRUCE SMART, JR.

/s/ George H. Weyerhaeuser*

GEORGE H. WEYERHAEUSER

/s/ John A. Young*

JOHN A. YOUNG

/s/ Malcolm J. McAuley

*By

MALCOLM J. MCAULEY
Attorney-in-Fact

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, CHEVRON TRANSPORT CORPORATION CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HAMILTON, COLONY OF BERMUDA, ON THE 10TH DAY OF MARCH, 1995.

Chevron Transport Corporation

/s/ J.C. Wilcox-Black

By: _____
J.C. WILCOX-BLACK
SECRETARY

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
<p>*/s/ G.R. Pitman</p> <hr/> <p>G.R. PITMAN</p>	<p>President (Principal Executive Officer), Treasurer (Principal Financial Officer), and Director</p>	<p>March 10, 1995</p>
<p>*/s/ P.I. Martin</p> <hr/> <p>P.I. MARTIN</p>	<p>Vice-President (Principal Accounting Officer) and Director</p>	<p>March 10, 1995</p>
<p>*/s/ T.R. Moore</p> <hr/> <p>T.R. MOORE</p>	<p>Director and Authorized Representative in the United States of Chevron Transport Corporation</p>	<p>March 10, 1995</p>
<p>/s/ J.C. Wilcox-Black</p> <hr/> <p>J.C. WILCOX-BLACK</p>	<p>Director</p>	<p>March 10, 1995</p>
<p>*/s/ L.A. Gyorfi</p> <hr/> <p>L.A. GYORFI</p>	<p>Director</p>	<p>March 10, 1995</p>
<p>/s/ J.C. Wilcox-Black</p> <hr/> <p>* By: _____</p> <p>(ATTORNEY-IN-FACT)</p>		<p>March 10, 1995</p>

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT ON FORM S-1 TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF BOSTON, STATE OF MASSACHUSETTS, ON THE 10TH DAY OF MARCH, 1995.

California Petroleum Transport
Corporation

/s/ Nancy D. Smith

By: _____
NANCY D. SMITH
PRESIDENT

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT OR AMENDMENT THERETO HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES INDICATED ON THE 10TH DAY OF MARCH, 1995.

SIGNATURE

TITLE

/s/ Nancy D. Smith

President (Principal Executive
Officer) and Director

NANCY D. SMITH

/s/ Louise E. Colby

Secretary and Treasurer (Principal
Financial and Accounting Officer)
and Director

LOUISE E. COLBY

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING A FORM F-1 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW YORK, STATE OF NEW YORK, ON THE 10TH DAY OF MARCH, 1995.

CalPetro Tankers (Bahamas I) Limited

/s/ Peter D. Gram

*By: _____
PETER D. GRAM
PRESIDENT AND DIRECTOR

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE

TITLE

DATE

*/s/ Peter D. Gram

PETER D. GRAM

President and
Director (Principal
Executive,
Financial and
Accounting Officer)

March 10, 1995

/s/ Nancy D. Smith

NANCY D. SMITH

Authorized
Representative in
the United States

March 10, 1995

/s/ Maria M. Livanos

*By: _____
MARIA M. LIVANOS
(ATTORNEY-IN-FACT)

March 10, 1995

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING A FORM F-1 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW YORK, STATE OF NEW YORK, ON THE 10TH DAY OF MARCH, 1995.

CalPetro Tankers (Bahamas II)
Limited

/s/ Peter D. Gram

*By: _____
PETER D. GRAM
PRESIDENT AND DIRECTOR

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
<u>*/s/ Peter D. Gram</u> PETER D. GRAM	President and Director (Principal Executive, Financial and Accounting Officer)	March 10, 1995
<u>/s/ Nancy D. Smith</u> NANCY D. SMITH	Authorized Representative in the United States	March 10, 1995
<u>/s/ Maria M. Livanos</u> MARIA M. LIVANOS		March 10, 1995

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING A FORM F-1 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW YORK, STATE OF NEW YORK, ON THE 10TH DAY OF MARCH, 1995.

CalPetro Tankers (IOM) Limited

/s/ Peter D. Gram

*By: _____
PETER D. GRAM
DIRECTOR

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE

TITLE

DATE

*/s/ Peter D. Gram

Director (Principal
Executive, Financial
and Accounting Officer)

March 10, 1995

PETER D. GRAM

*/s/ Bernard Galka

Director

March 10, 1995

BERNARD GALKA

/s/ Nancy D. Smith

Authorized
Representative in the
United States

March 10, 1995

NANCY D. SMITH

/s/ Maria M. Livanos

March 10, 1995

(ATTORNEY-IN-FACT)

*By:

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING A FORM F-1 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW YORK, STATE OF NEW YORK, ON THE 10TH DAY OF MARCH, 1995.

CalPetro Tankers (Bahamas III)
Limited

/s/ Peter D. Gram

*By: _____
PETER D. GRAM
PRESIDENT AND DIRECTOR

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
<u>*/s/ Peter D. Gram</u> PETER D. GRAM	President and Director (Principal Executive, Financial and Accounting Officer)	March 10, 1995
<u>/s/ Nancy D. Smith</u> NANCY D. SMITH	Authorized Representative in the United States	March 10, 1995
<u>/s/ Maria M. Livanos</u>		March 10, 1995

*By: _____
(ATTORNEY-IN-FACT)

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE NO.
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1.1	Form of Underwriting Agreement	
3.1	Certificate of Incorporation of California Petroleum Transport Corporation (filed as Exhibit 3.1 to Registrant's Registration Statement on Form S-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.2	Bylaws of California Petroleum Transport Corporation (filed as Exhibit 3.2 to Registrant's Registration Statement on Form S-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.3	Certificate of Incorporation and Memorandum of Association of CalPetro Tankers (Bahamas I) Limited (filed as Exhibit 3.3 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.4	Articles of Association of CalPetro Tankers (Bahamas I) Limited (filed as Exhibit 3.4 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.5	Certificate of Incorporation and Memorandum of Association of CalPetro Tankers (Bahamas II) Limited (filed as Exhibit 3.5 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.6	Articles of Association of CalPetro Tankers (Bahamas II) Limited (filed as Exhibit 3.6 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.7	Certificate of Incorporation of CalPetro Tankers (IOM) Limited (filed as Exhibit 3.7 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.8	Memorandum and Articles of Association of CalPetro Tankers (IOM) Limited (filed as Exhibit 3.8 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.9	Certificate of Incorporation and Memorandum of Association of CalPetro Tankers (Bahamas III) Limited (filed as Exhibit 3.9 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
3.10	Articles of Association of CalPetro Tankers (Bahamas III) Limited (filed as Exhibit 3.10 to Registrant's Registration Statement on Form F-1, Commission File Number 33-79220, and incorporated herein by reference)*	
4.1	Form of Serial Indenture between California Petroleum Transport Company and Chemical Trust Company of California, as Indenture Trustee	
4.2	Form of Serial Mortgage Notes (included in Exhibit 4.1)	
4.3	Form of First Preferred Ship Mortgage by [CalPetro Tankers (Bahamas III) Limited] [CalPetro Tankers (IOM) Limited] to California Petroleum Transport Corporation (including the form of assignment of such Mortgage to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)	
4.4	Form of Bahamian Statutory Ship Mortgage and Deed of Covenants by [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] to California Petroleum Transport Corporation (including the form of	

assignment of such Mortgage to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)

- 4.5 Form of Bermudian Statutory Ship Mortgage and Deed of Covenants by CalPetro Tankers (IOM) Limited to California Petroleum Transport Corporation (including the form of assignment of such Mortgage to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)**

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE NO. -----
4.6	Form of Stock Pledge Agreement*	
4.7	Form of Assignment of Initial Charter Guarantee by [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation (including the form of Collateral Assignment of such Initial Charter Guarantee to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)	
4.8	Form of Assignment of Earnings and Insurances from [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation*	
4.9	Form of Assignment of Initial Charter from [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation (including the form of Collateral Assignment of such Initial Charter to Chemical Trust Company of California, as Collateral Trustee by California Petroleum Transport Corporation)	
4.10	Form of Management Agreement between P.D. Gram & Co., and [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited]	
4.11	Form of Assignment of Management Agreement from [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation*	
4.12	Form of Serial Loan Agreement between California Petroleum Transport Corporation and [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited]*	
4.13	Form of Term Loan Agreement between California Petroleum Transport Corporation and [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited]	
4.14	Form of Collateral Agreement between California Petroleum Transport Corporation, [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited], the Indenture Trustee under the Serial Indenture, the Indenture Trustee under the Term Indenture and Chemical Trust Company of California, as Collateral Trustee	
4.15	Form of Issue of One Debenture From [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] to California Petroleum Transport Corporation	
5.1	Opinion of Thacher Proffitt & Wood regarding the legality of the Serial Mortgage Notes	
10.1	Form of Initial Charter Guarantee by Chevron Corporation*	
10.2	Form of Bareboat Charter between [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] and Chevron Transport Corporation	
10.3	Form of Vessel Purchase Agreement between [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited]	

Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited] and Chevron Transport Corporation (including the form of Assignment of such Vessel Purchase Agreement to California Petroleum Transport Corporation by [CalPetro Tankers (Bahamas I) Limited] [CalPetro Tankers (Bahamas II) Limited] [CalPetro Tankers (IOM) Limited] [CalPetro Tankers (Bahamas III) Limited])*

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE NO. -----
10.4	Designated Representative Agreement	
23.1	Consent of Thacher Proffitt & Wood (included in Exhibit 5.1)	
23.2	Consent of Price Waterhouse LLP, independent accountants, for Form S-3	
23.3	Consent of KPMG Peat Marwick LLP, independent accountants, for Form S-3	
23.4	Consent of Price Waterhouse LLP, independent accountants, for Form S-1	
23.5	Consent of Price Waterhouse, chartered accountants, for Form F-1	
23.6	Consent of McKinney, Bancroft & Hughes*	
23.7	Consent of Cains*	
24.1	Powers of Attorney for directors and certain officers of Chevron Corporation*	
24.2	Powers of Attorney for directors and certain officers of Chevron Transport Corporation*	
24.3	Powers of Attorney for directors and certain officers of CalPetro Tankers (Bahamas I) Limited*	
24.4	Powers of Attorney for directors and certain officers of CalPetro Tankers (Bahamas II) Limited*	
24.5	Powers of Attorney for directors and certain officers of CalPetro Tankers (IOM) Limited*	
24.6	Powers of Attorney for directors and certain officers of CalPetro Tankers (Bahamas III) Limited*	
24.7	Certified copy of resolutions of Chevron Corporation authorizing signature pursuant to power of attorney*	
25.1	Statement of Eligibility on Form T-1 of Chemical Trust Company of California, as Indenture Trustee*	

*Previously filed.

**No longer applicable.

\$167,500,000

CALIFORNIA PETROLEUM TRANSPORT CORPORATION
CALPETRO TANKERS (BAHAMAS I) LIMITED
CALPETRO TANKERS (BAHAMAS II) LIMITED
CALPETRO TANKERS (BAHAMAS III) LIMITED
CALPETRO TANKERS (IOM) LIMITED

PAYABLE FROM CHARTERHIRE PAYMENTS BY
CHEVRON TRANSPORT CORPORATION
WHOSE OBLIGATIONS ARE GUARANTEED
BY CHEVRON CORPORATION

\$17,160,000	— %	Serial First Preferred Mortgage Notes Due 1996
\$18,160,000	— %	Serial First Preferred Mortgage Notes Due 1997
\$18,160,000	— %	Serial First Preferred Mortgage Notes Due 1998
\$18,160,000	— %	Serial First Preferred Mortgage Notes Due 1999
\$18,160,000	— %	Serial First Preferred Mortgage Notes Due 2000
\$18,160,000	— %	Serial First Preferred Mortgage Notes Due 2001
\$18,160,000	— %	Serial First Preferred Mortgage Notes Due 2002
\$18,160,000	— %	Serial First Preferred Mortgage Notes Due 2003
\$12,950,000	— %	Serial First Preferred Mortgage Notes Due 2004
\$ 7,740,000	— %	Serial First Preferred Mortgage Notes Due 2005
\$ 2,530,000	— %	Serial First Preferred Mortgage Notes Due 2006

UNDERWRITING AGREEMENT

_____, 1995

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
140 Broadway
New York, New York 10005

Dear Sirs:

California Petroleum Transport Corporation, a Delaware corporation ("California Petroleum"), proposes to issue and sell \$167,500,000 principal amount of its Serial First Preferred Mortgage Notes Maturing Serially from 1996 to 2006 (the "Serial Mortgage Notes") to Donaldson, Lufkin & Jenrette Securities Corporation (the "Underwriter"). The Serial Mortgage Notes are to be issued pursuant to the

provisions of an Indenture to be dated as of _____, 1995 (the "Serial Indenture") among California Petroleum, Chemical Trust Company of California, as Serial Indenture Trustee (the "Serial Indenture Trustee") and, solely for purposes of the Trust Indenture Act of 1939, as amended, Chevron Corporation ("Chevron"). Concurrent with this offering, California Petroleum proposes to issue and sell \$117,900,000 principal amount of its ___% First Preferred Mortgage Notes Due 2015 (the "Term Mortgage Notes") to the Underwriter pursuant to an Underwriting Agreement dated the date hereof relating to the Term Mortgage Notes (the "Term Mortgage Notes Underwriting Agreement").

The proceeds from the sale of the Serial Mortgage Notes, together with the proceeds from the sale of the Term Mortgage Notes, will be loaned by California Petroleum to CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, CalPetro Tankers (Bahamas III) Limited and CalPetro Tankers (IOM) Limited (each, an "Owner") (California Petroleum, and the Owners each, a "Company", and collectively, the "Companies") on a joint and several basis to fund, after paying certain fees and expenses, the acquisition by each Owner of a recently constructed oil tanker from Chevron Transport Corporation ("Chevron Transport"). Initially, each Owner will enter into a bareboat charter (each, an "Initial Charter") with Chevron Transport with a term expiring on _____, 2015, subject to earlier termination at the option of Chevron Transport. The obligations of Chevron Transport under each Initial Charter will be guaranteed by Chevron.

The terms "Chevron Registration Statement" and "Chevron Prospectus" have the meanings specified in the Term Mortgage Notes Underwriting Agreement. Unless otherwise defined in this Agreement, capitalized terms have the meanings specified or referred to in the Collateral Trust Agreement to be dated as of _____, 1995 (the "Collateral Trust Agreement") among California Petroleum, Chemical Trust Company of California, as Collateral Trustee, the Serial Indenture Trustee as Serial Indenture Trustee and Chemical Trust Company of California, as Term Indenture Trustee.

1. Registration Statement and Prospectus. California Petroleum, the Owners, Chevron and Chevron Transport have prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively called the "Act"), a joint registration statement on Forms S-3, S-1 and F-1 including a prospectus relating to the Serial Mortgage Notes, which may be amended. The registration statement with respect to the Serial Mortgage Notes as amended at the time when it becomes effective, including information (if any) deemed to be part of such registration statement at the time of effectiveness pursuant to Rule 430A under the Act, is hereinafter referred to as the Registration Statement; and the prospectus in the form first used to confirm sales of Serial Mortgage Notes is hereinafter referred to as the Prospectus (including, in the case

of all references to the Registration Statement and the Prospectus, documents incorporated therein by reference). The terms "supplement" and "amendment" or "amend" as used in this Agreement shall include all documents filed after the date of this Agreement pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are deemed to be incorporated by reference in the Prospectus.

2. Agreements to Sell and Purchase. On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, California Petroleum agrees to issue and sell, and the Underwriter agrees to purchase from California Petroleum, the entire principal amount of Serial Mortgage Notes, at percentages of the principal amount thereof set forth below (the "Purchase Price") plus accrued interest thereon, if any, from _____, 1995 to the date of payment and delivery.

Percentage of
Principal Amount

Serial Mortgage Notes due 1996	_____%
Serial Mortgage Notes due 1997	_____%
Serial Mortgage Notes due 1998	_____%
Serial Mortgage Notes due 1999	_____%
Serial Mortgage Notes due 2000	_____%
Serial Mortgage Notes due 2001	_____%
Serial Mortgage Notes due 2002	_____%
Serial Mortgage Notes due 2003	_____%
Serial Mortgage Notes due 2004	_____%
Serial Mortgage Notes due 2005	_____%
Serial Mortgage Notes due 2006	_____%

3. Terms of Public Offering. California Petroleum, the Owners, Chevron and Chevron Transport are advised by the Underwriter that the Underwriter proposes (i) to make a public offering of the Serial Mortgage Notes as soon after the effective date of the Registration Statement as in the Underwriter's judgment is advisable and (ii) initially to offer the Serial Mortgage Notes for sale to the public upon the terms and conditions set forth in the Prospectus.

4. Delivery and Payment. Delivery to the Underwriter of and payment for the Serial Mortgage Notes shall be made at 9:30 A.M., New York City time, on the fifth business day (the "Closing Date") following the date of the initial public offering, at such place as the Underwriter shall designate. The Closing Date may be varied by agreement among the Underwriter, California Petroleum and Chevron, and the location of delivery of and the form of payment for the Serial

Mortgage Notes may be varied by agreement between the Underwriter and California Petroleum.

Certificates for the Serial Mortgage Notes shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in such names and issued in such denominations as the Underwriter shall request in writing not later than two full business days prior to the Closing Date. Such certificates shall be made available to you for inspection not later than 9:30 A.M., New York City time, on the business day next preceding the Closing Date. Certificates in definitive form evidencing the Serial Mortgage Notes shall be delivered to the Underwriter on the Closing Date with any transfer taxes thereon duly paid by California Petroleum, for the account of the Underwriter, against payment of the Purchase Price therefor by wire transfer of immediately available funds to an account designated by California Petroleum.

5. Agreements of California Petroleum and each Owner. California Petroleum and each Owner agree with the Underwriter, Chevron and Chevron Transport:

(a) To use their best efforts to cause the Registration Statement to become effective at the earliest possible time.

(b) To advise the Underwriter and Chevron promptly and, if requested by the Underwriter or Chevron, to confirm such advice in writing, (i) when the Registration Statement has become effective and when any post-effective amendment to it becomes effective, (ii) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Serial Mortgage Notes for offering or sale in any jurisdiction, or the initiation of any proceeding for such purposes, and (iv) of the happening of any event during the period referred to in paragraph (e) below which makes any statement of a material fact made in the Registration Statement or the Prospectus untrue or which requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, California Petroleum and each Owner will make every reasonable effort to obtain the withdrawal or lifting of such order at the earliest possible time.

(c) To furnish to the Underwriter and Chevron, without charge, two signed copies of the Registration Statement as first filed with the Commission and of each amendment to it, including all exhibits and documents

incorporated by reference, and to furnish to the Underwriter and Chevron such number of conformed copies of the Registration Statement as so filed and of each amendment to it, without exhibits but including documents incorporated by reference, as the Underwriter and Chevron may reasonably request.

(d) Not to file any amendment or supplement to the Registration Statement, whether before or after the time when it becomes effective, or to make any amendment or supplement to the Prospectus of which the Underwriter and Chevron shall not previously have been advised or to which the Underwriter or Chevron shall reasonably object; and to prepare and file with the Commission, promptly upon the Underwriter's reasonable request, any amendment to the Registration Statement or supplement to the Prospectus which may be necessary or advisable in connection with the distribution of the Serial Mortgage Notes by the Underwriter, and to use its best efforts to cause the same to become promptly effective.

(e) Promptly after the Registration Statement becomes effective, and from time to time thereafter for such period as in the opinion of counsel for the Underwriter a prospectus is required by law to be delivered in connection with sales by the Underwriter or a dealer, to furnish to the Underwriter and dealer as many copies of the Prospectus (and of any amendment or supplement to the Prospectus) as the Underwriter or dealer may reasonably request.

(f) If during the period specified in paragraph (e) above any event shall occur as a result of which, in the opinion of counsel for the Underwriter or Chevron, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Prospectus to comply with any law, forthwith to prepare and file with the Commission an appropriate amendment or supplement to the Prospectus so that the statements in the Prospectus, as so amended or supplemented, will not in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with law, and to furnish to the Underwriter and to such dealers as the Underwriter shall specify, such number of copies thereof as the Underwriter or dealers may reasonably request.

(g) Prior to any public offering of the Serial Mortgage Notes, to cooperate with the Underwriter and counsel for the Underwriter in connection with the registration or qualification of the Serial Mortgage Notes for offer and sale by the Underwriter and by dealers under the state securities or Blue Sky laws of such jurisdictions as the Underwriter may request, to continue such qualification in effect so long as required for distribution of the Serial Mortgage Notes; provided, however, that California Petroleum and each

Owner shall not be required to qualify to do business in any jurisdiction where they are not now qualified or to take any action which would subject them to general or unlimited service of process in any jurisdiction where they are not now so subject.

(h) To mail and make generally available to its security holders as soon as reasonably practicable an earnings statement of California Petroleum and each Owner covering a period of at least twelve months after the effective date of the Registration Statement (but in no event commencing later than 90 days after such date) which shall satisfy the provisions of Section 11(a) of the Act, and to advise the Underwriter in writing when such statement has been so made available.

(i) During the period of five years after the date of this Agreement, (i) to mail as soon as reasonably practicable after the end of each fiscal year to the record holders of its Serial Mortgage Notes a separate financial report of California Petroleum and each Owner and their respective subsidiaries on a consolidated basis (and a similar financial report of all unconsolidated subsidiaries, if any), all such financial reports to include a consolidated balance sheet, a consolidated statement of operations, a consolidated statement of cash flows and a consolidated statement of shareholders' equity as of the end of and for such fiscal year, together with comparable information as of the end of and for the preceding year, certified by independent certified public accountants, and (ii) to mail and make generally available as soon as practicable after the end of each quarterly period (except for the last quarterly period of each fiscal year) to such holders, a consolidated balance sheet, a consolidated statement of operations and a consolidated statement of cash flows (and similar financial reports of all unconsolidated subsidiaries, if any) as of the end of and for such period, and for the period from the beginning of such year to the close of such quarterly period, together with comparable information for the corresponding periods of the preceding year.

(j) During the period referred to in paragraph (i) above, to furnish to the Underwriter as soon as available a copy of each report or other publicly available information of California Petroleum and each Owner mailed to the security holders of California Petroleum or filed with the Commission and such other publicly available information concerning California Petroleum and each Owner and their respective subsidiaries as the Underwriter may reasonably request.

(k) To use the proceeds from the sale of the Serial Mortgage Notes in the manner described in the Prospectus under the caption "Sources and Uses of Funds."

(l) California Petroleum will pay all costs, expenses, disbursements, fees and taxes incident to the registration of the Serial Mortgage Notes and the sale of the Serial Mortgage Notes, including but not limited to costs, expenses, disbursements, fees and taxes (i) incident to the registration or qualification of the Term Mortgage Notes and the Serial Mortgage Notes for offer and sale under the securities or Blue Sky laws of the several states (including in each case the fees and disbursements of counsel for the Underwriter relating to such registration or qualification and memoranda relating thereto), (ii) incident to the filing under the Act of the Chevron Registration Statement, the Registration Statement and the registration statement with respect to the Term Mortgage Notes, (iii) paid to rating agencies in connection with the rating of the Term Mortgage Notes and the Serial Mortgage Notes, or (iv) paid to the Term Indenture Trustee, the Serial Indenture Trustee and the Collateral Trustee, except that California Petroleum shall have no obligation to pay any of the costs, expenses, disbursements and fees of Pillsbury Madison & Sutro or Price Waterhouse LLP (San Francisco), accountants for Chevron and Chevron Transport, which Chevron has agreed to pay pursuant to Section 6(g) of this Agreement.

(m) To use its best efforts to do and perform all things required or necessary to be done and performed under this Agreement by California Petroleum and each Owner prior to the Closing Date and to satisfy all conditions precedent to the delivery of the Serial Mortgage Notes.

6. Agreements of Chevron Transport and Chevron. Chevron Transportation and Chevron agree with the Underwriter:

(a) Chevron Transport and Chevron will use their best efforts to cause the Registration Statement to become effective at the earliest possible time.

(b) Chevron Transport and Chevron will promptly advise the Underwriter (i) when the Registration Statement has become effective and when any amendment to it becomes effective, (ii) of any request by the Commission for any amendment of the Registration Statement or the Prospectus or for any additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution of any proceeding for that purpose, and (iv) of the receipt by Chevron Transport or Chevron of any notification with respect to the suspension of the qualification of the Term Mortgage Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. Chevron Transport and Chevron will use their best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof. Chevron Transport and Chevron will not file any amendment or supplement to the Chevron Registration Statement or Chevron

Prospectus unless they have furnished the Underwriter a copy prior to filing and will not file any such proposed amendment to which the Underwriter reasonably objects.

(c) If, at any time when a prospectus relating to the Serial Mortgage Notes is required to be delivered under the Act or any other applicable securities law, any event shall occur as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to amend or supplement the Prospectus to comply with the Act or the Exchange Act or the respective rules thereunder, Chevron Transport and Chevron will promptly prepare and file with the Commission, subject to paragraph (b) of this Section 6, an amendment or supplement to the Prospectus which will correct such statement or omission or an amendment which will effect such compliance.

(d) Chevron Transport and Chevron will, if requested, furnish to the Underwriter copies of the Registration Statement as first filed with the Commission and of each amendment to it (including, if requested, the exhibits and documents incorporated by reference in the Prospectus) and each amendment or supplement thereto which is thereafter filed pursuant to paragraph (b) or (c) of this Section 6 and, so long as delivery of a prospectus by the Underwriter or a dealer may, in the opinion of counsel for the Underwriter, be required by the Act or other applicable securities laws, as many copies of the Prospectus and any amendments thereof and supplements thereto, as the Underwriter may reasonably request.

(e) Chevron Transport and Chevron will cooperate with the Underwriter and counsel for the Underwriter in connection with the registration or qualification of the Serial Mortgage Notes for offer and sale by the Underwriter and by dealers under the state securities or Blue Sky laws of such jurisdictions as the Underwriter may request, and will cooperate with the Underwriter and counsel for the Underwriter to continue such qualification in effect so long as required for the distribution of the Serial Mortgage Notes; provided, however, that Chevron Transport and Chevron shall not be required to qualify to do business in any jurisdiction where they are not now qualified or to take any action which would subject them to general or unlimited service of process in any jurisdiction where they are not now so subject.

(f) Chevron will make generally available to its security holders as soon as reasonably practicable, but not later than 45 days after the end of the twelve-month period beginning at the end of the fiscal quarter of Chevron during which the filing of the Registration Statement (or Prospectus pursuant

to Rule 424 under the Act, if later) first occurs (except not later than 90 days if such filing date is in the last fiscal quarter), an earnings statement (which need not be audited) of Chevron and its subsidiaries covering such twelve-month period which shall satisfy the provisions of Section 11(a) of the Act.

(g) Chevron will pay all costs, expenses, disbursements and fees of (i) Pillsbury Madison & Sutro, counsel for Chevron and Chevron Transport, in connection with the issuance of the Term Mortgage Notes and the Serial Mortgage Notes and (ii) Price Waterhouse LLP (San Francisco), accountants for Chevron and Chevron Transport, in connection with the delivery of the comfort letter required by Section 11(1)(ii) hereof. Other than the foregoing, Chevron and Chevron Transport shall have no obligation to pay any costs, expenses, disbursements, fees or taxes incident to the registration of the Serial Mortgage Notes and the sale of the Serial Mortgage Notes, including but not limited to costs, expenses, disbursements, fees or taxes (i) incident to the registration or qualification of the Serial Mortgage Notes and the Term Mortgage Notes for offer and sale under the securities or Blue Sky laws of the several states (including in each case the fees and disbursements of counsel for the Underwriter relating to such registration or qualification and memoranda relating thereto), (ii) incident to the filing under the Act of the Chevron Registration Statement, the Registration Statement and the registration statement with respect to the Term Mortgage Notes, (iii) paid to rating agencies in connection with the rating of the Serial Mortgage Notes and the Term Mortgage Notes, or (iv) paid to the Serial Indenture Trustee, the Term Indenture Trustee and the Collateral Trustee.

The Underwriter agrees with Chevron Transport and Chevron that if a letter delivered to the Underwriter pursuant to paragraph (1) of Section 11 of this Agreement has attached thereto a copy of unaudited interim financial statements for a period ending after the latest financial statements included in the Registration Statement, and if such financial statements have not been publicly disclosed, the Underwriter shall keep such attachment in strict confidence and not furnish such attachment to any other person.

7. Representations and Warranties. (i) Chevron and Chevron Transport represent and warrant that the Registration Statement and the Prospectus conform, and any amendments thereof and supplements thereto relating to the Serial Mortgage Notes will conform, in all material respects to the requirements of the Act, each document filed pursuant to the Exchange Act and incorporated by reference in the Prospectus complied when so filed as to form with the Exchange Act and the rules and regulations thereunder, the Serial Indenture conforms in all material respects to the requirements of the Trust Indenture Act of 1939, as amended and the rules and regulations of the Commission thereunder and none of the above listed documents included or will include any untrue statement of a material fact or omitted or will

omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that Chevron and Chevron Transport make no representations and warranties as to (i) that part of the Registration Statement which shall constitute the Trustee's Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of 1939, as amended, or (ii) any statements or omissions made in reliance upon and in conformity with information furnished to Chevron or Chevron Transport by or on behalf the Underwriter, California Petroleum or any of the Owners for use in connection with the preparation of such documents.

(ii) California Petroleum and each Owner represent and warrant to the Underwriter, Chevron and Chevron Transport that:

(a) (i) the Registration Statement and any amendments thereto will comply in all material respects with the provisions of the Act and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and (ii) the Prospectus and any supplements thereto will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties contained in this paragraph (a) shall not apply to statements or omissions in the Registration Statement or the Prospectus (or any supplement or amendment to them) based upon information relating to the Underwriter, Chevron or Chevron Transport furnished to California Petroleum in writing by the Underwriter, Chevron or Chevron Transport, respectively, expressly for use therein or to that part of the Registration Statement that constitutes the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of 1939, as amended, of the Serial Indenture Trustee.

(b) Each preliminary prospectus filed as part of the registration statement with respect to the Serial Mortgage Notes as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Act, complied when so filed in all material respects with the Act.

(c) California Petroleum and each Owner has been duly incorporated, is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority to carry on its business as it is currently being conducted and to own, lease and operate its properties, and each is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a material adverse effect on such Company.

(d) Any taxes, fees and other governmental charges which are due and payable on the Closing Date in connection with the execution, delivery and performance of this Agreement, the Serial Indenture, the Mortgages and other Security Documents being executed on or before the Closing Date and the execution, delivery and sale of the Serial Mortgage Notes shall have been paid by California Petroleum or the Owners, at or prior to the Closing Date.

(e) The Serial Mortgage Notes have been duly authorized and, when executed and authenticated in accordance with the provisions of the Serial Indenture and delivered to the Underwriter against payment therefor as provided by this Agreement, will be entitled to the benefits of the Serial Indenture, and will be valid and binding obligations of California Petroleum, enforceable in accordance with their terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

(f) This Agreement has been duly authorized, executed and delivered by California Petroleum and each Owner and is a valid and binding agreement of California Petroleum and each Owner enforceable in accordance with its terms (except as rights to indemnity and contribution hereunder may be limited by applicable law).

(g) The Serial Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended, and has been duly authorized, executed and delivered by California Petroleum and is a valid and binding agreement of California Petroleum, enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

(h) The Serial Mortgage Notes conform in all material respects to the description thereof contained in the Prospectus.

(i) Neither California Petroleum nor any Owner is in violation of its respective organizational documents or by-laws or in default in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any other agreement, indenture or instrument material to the conduct of the business of such Company, to which such Company is a party or by which such Company or its property is bound.

(j) The execution, delivery and performance of this Agreement, the Serial Indenture and the Serial Mortgage Notes and compliance by California Petroleum with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not require any consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body (except as such may be required under the securities or Blue Sky laws of the various states) and will not conflict with or constitute a breach of any of the terms or provisions of, or a default under, the organizational documents or by-laws of California Petroleum or any agreement, indenture or other instrument to which it is a party or by which it or its property is bound, or violate or conflict with any laws, administrative regulations or rulings or court decrees applicable to California Petroleum or its property.

(k) The execution, delivery and performance of this Agreement and compliance by the Owners with all the provisions hereof and the consummation of the transactions contemplated hereby will not require any consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body (except as such may be required under the securities or Blue Sky laws of the various states) and will not conflict with or constitute a breach of any of the terms or provisions of, or a default under, the charter or by-laws of any of the Owners or any agreement, indenture or other instrument to which such Owner is a party or by which such Owner or its property is bound, or violate or conflict with any laws, administrative regulations or rulings or court decrees applicable to such Owner or its property.

(l) Except as otherwise set forth in the Prospectus, there are no material legal or governmental proceedings pending to which California Petroleum or any Owner is a party or of which any of their respective property is the subject, and, to the best of such Company's knowledge, no such proceedings are threatened or contemplated. No contract or document of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement is not so described or filed as required.

(m) To such Company's knowledge, neither California Petroleum nor any Owner has violated any foreign, federal, state or local law or regulation relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), which in each case might result in any material adverse change in the business, prospects, financial condition or results of operation of such Company.

(n) Except as otherwise set forth in the Prospectus or such as are not material to the business, prospects, financial condition or results of operation of such Company, California Petroleum and each Owner has good and marketable title, free and clear of all liens, claims, encumbrances and restrictions except liens for taxes not yet due and payable, to all property and assets described in the Registration Statement as being owned by such Company.

(o) California Petroleum and each of the Owners maintains the various insurance required of it under the financing documents to which it is a party.

(p) Neither California Petroleum nor any Owner is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(q) All tax returns required to be filed by California Petroleum or any of the Owners, in all jurisdictions, have been so filed, except insofar as the failure to file such returns would not have a material adverse effect on such Company. All taxes, including withholding taxes, penalties and interest, assessments, fees and other charges due or claimed to be due from such entities or that are due and payable have been paid, other than those being contested in good faith and for which adequate reserves have been provided or those currently payable without penalty or interest, except insofar as the failure to pay such taxes would not have a material adverse effect on such Company.

(r) The laws, governmental rules, regulations and decrees of the Bahamas and the Isle of Man and any political sub-division thereof permit the transfer of United States Dollars as required by this Agreement.

(s) Except for the fees payable as provided in the Prospectus, neither California Petroleum nor the Owners has become obligated to pay any fee or commission to or any expenses of any broker, finder or investment banker or anyone else acting in the capacity of a broker, finder or investment banker in connection with the transactions contemplated hereby.

(t) California Petroleum and the Owners shall pay amounts payable hereunder in United States dollars in New York City as may be necessary in order that every net payment by such Company of any fees or expenses payable or reimbursable hereunder, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge (including, without limitation, value added tax) imposed upon or as a result of such payment by any political subdivision or taxing authority thereof or any non-U.S. jurisdiction from which such payment or reimbursement may be

made, will not be less than the amount provided for herein to be paid or reimbursed by such Company.

(u) California Petroleum and each Owner have complied with all provisions of Section 517.075, Florida Statutes (Chapter 92-198, Laws of Florida).

(v) All of the representations and warranties by (i) California Petroleum contained in each Security Document to which it is a party and (ii) the Owners contained in the Vessel Purchase Agreement to which such Owner is a party and each Security Document to which such Owner is a party are incorporated by reference in this Agreement as if set forth herein, and California Petroleum and the Owners represent and warrant that such representations and warranties are true and correct as of the date of this Agreement, except to the extent that such representations and warranties relate solely to an earlier date or later date (in which case such representations and warranties are correct on and as of such earlier date or will be correct on and as of such later date, as the case may be).

8. Indemnification Among California Petroleum, the Owners and the Underwriter. (a) California Petroleum and each Owner agree to indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages, liabilities and judgments caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus (as amended or supplemented if the Companies shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by any such untrue statement or omission or alleged untrue statement or omission based upon (i) information relating to the Underwriter furnished in writing to California Petroleum by the Underwriter expressly for use therein or (ii) information furnished in writing to the Underwriter by Chevron or Chevron Transport expressly for use therein. This indemnity agreement will be in addition to any liability which California Petroleum or any Owner may otherwise have.

(b) In case any action shall be brought against the Underwriter or any person controlling the Underwriter, based upon any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement thereto and with respect to which indemnity may be sought against any of the Companies, the Underwriter shall promptly notify the Companies in writing and the Companies shall assume the defense thereof, including the employment of counsel reasonably

satisfactory to such indemnified party and payment of all fees and expenses. The Underwriter or any such controlling person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Underwriter or such controlling person unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense and employ counsel within 30 days after notice of commencement of such action or (iii) the named parties to any such action (including any impleaded parties) include both the Underwriter or such controlling person and Chevron, Chevron Transport or one or more of the Companies and the Underwriter or such controlling person shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the other party or parties named in such action (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the Underwriter or such controlling person, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for the Underwriter and all controlling persons, which firm shall be designated in writing by the Underwriter and that all such fees and expenses shall be reimbursed as they are incurred). The indemnifying party shall not be liable for any settlement of any such action effected without its written consent but if settled with the written consent of the indemnifying party, the indemnifying party agrees to indemnify and hold harmless the Underwriter and any such controlling person from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 10 business days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(c) The Underwriter agrees to indemnify and hold harmless California Petroleum and each Owner, their directors, their officers who sign the Registration Statement and any person controlling such Companies within the meaning of Section

15 of the Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Companies to the Underwriter but only with reference to information relating to the Underwriter furnished in writing by the Underwriter expressly for use in the Registration Statement, the Prospectus or any preliminary prospectus. In case any action shall be brought against any Company, any of its directors, any such officer or any person controlling any Company based on the Registration Statement, the Prospectus or any preliminary prospectus and in respect of which indemnity may be sought against the Underwriter, the Underwriter shall have the rights and duties given to the Companies (except that if the Companies shall have assumed the defense thereof, the Underwriter shall not be required to do so, but may employ separate counsel therein and participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of the Underwriter), and the Companies, their directors, any such officers and any person controlling the Companies shall have the rights and duties given to the Underwriter, by Section 8(b) hereof. This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have.

(d) If the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Companies, on the one hand and the Underwriter on the other hand from the offering of the Serial Mortgage Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Companies, and the Underwriter in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative benefits received by the Companies on the one hand and the Underwriter on the other hand shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by California Petroleum, and the total underwriting discounts and commissions received by the Underwriter, bear to the total price to the public of the Serial Mortgage Notes, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Companies on the one hand and the Underwriter on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Companies or the Underwriter and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Companies and the Underwriter agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, the Underwriter shall not be required to contribute any amount in excess of the amount of underwriting discount of the Serial Mortgage Notes underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

9. Indemnification Among Chevron, Chevron Transport and the Underwriter. (a) Chevron and Chevron Transport agree to indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus, or in any amendment thereof or supplement thereto relating to the Serial Mortgage Notes, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agree to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them, as so incurred, in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that Chevron and Chevron Transport will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with information furnished to Chevron or Chevron Transport in writing by or on behalf of the Underwriter for use in connection with the preparation thereof. This indemnity agreement will be in addition to any liability which Chevron or Chevron Transport may otherwise have.

(b) The Underwriter agrees to indemnify and hold harmless Chevron and Chevron Transport, each of their directors, each of their officers who signs the Registration Statement, and each person who controls Chevron or Chevron Transport within the meaning of either the Act or the Exchange Act, to the same

extent as the foregoing indemnity from Chevron and Chevron Transport to the Underwriter, but only with reference to information furnished to Chevron or Chevron Transport in writing by or on behalf of the Underwriter for use in preparation of the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under this Section 9. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided that, if the defendants in any such action include both the indemnified party and the indemnifying party, and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel, to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel, approved by the representatives representing the indemnified parties who are parties to such action), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; and except that, if clause (i) or (iii) is applicable, such liability shall be only in respect of the counsel referred to in such clause (i) or (iii).

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 9 is due in accordance with its terms but is for any reason held by a court to be unavailable from

Chevron, Chevron Transport or the Underwriter on grounds of policy or otherwise, Chevron, Chevron Transport and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which Chevron, Chevron Transport or the Underwriter may be subject in such proportion so that the Underwriter is responsible for that portion represented by the percentage that the underwriting discount appearing on the cover page of the Prospectus bears to the public offering price appearing thereon and Chevron or Chevron Transport is responsible for the balance; provided that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 9, each person who controls the Underwriter within the meaning of either the Act or the Exchange Act shall have the same rights to contribution as the Underwriter, and each person who controls Chevron or Chevron Transport within the meaning of either the Act or the Exchange Act, each officer of Chevron or Chevron Transport who shall have signed the Registration Statement and each director of Chevron or Chevron Transport shall have the same rights to contribution as Chevron and Chevron Transport. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph (d), notify such party from whom contribution may be sought, but the omission to so notify in writing such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph (d).

10. Indemnification Among Chevron, Chevron Transport, California Petroleum and the Owners. (a) California Petroleum and each Owner jointly and severally agree to indemnify and hold harmless Chevron and Chevron Transport, each of their directors, each of their officers who signs the Registration Statement and each person controlling Chevron or Chevron Transport within the meaning of the Act or of the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agree to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them, as so incurred, in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that California Petroleum and each of the Owners will not be liable in any such case to the extent

that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with information furnished by Chevron or Chevron Transport to California Petroleum or the Owners in writing for use in connection with the preparation thereof. This indemnity agreement will be in addition to any liability which California Petroleum or each Owner may otherwise have.

(b) Chevron and Chevron Transport agree to indemnify and hold harmless California Petroleum and each Owner, each of their directors, each of their officers who signs the Registration Statement, and any person controlling such Companies within the meaning of either the Act or the Exchange Act, to the same extent as the foregoing indemnity from California Petroleum and each Owner to Chevron and Chevron Transport, but only with reference to information furnished to California Petroleum or an Owner by Chevron or Chevron Transport in writing for use in preparation of the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which Chevron or Chevron Transport may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 10 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 10, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under this Section 10. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided that, if the defendants in any such action include both the indemnified party and the indemnifying party, and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel, to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 10 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable

for the expenses of more than one separate counsel, approved by the representatives representing the indemnified parties who are parties to such action), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; and except that, if clause (i) or (iii) is applicable, such liability shall be only in respect of the counsel referred to in such clause (i) or (iii).

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 10 is due in accordance with its terms but is for any reason held by a court to be unavailable from Chevron, Chevron Transport, California Petroleum or each Owner on grounds of policy or otherwise, Chevron, Chevron Transport, California Petroleum and each Owner shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which Chevron, Chevron Transport, California Petroleum and each Owner may be subject in such proportion so that Chevron or Chevron Transport is responsible for that portion represented by (A)(i) the principal amount of the Serial Mortgage Notes over (ii) the principal amount of the Notes, multiplied by (B) purchase price of the Vessels, and California Petroleum and each Owner is responsible for the balance; provided that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 10, each person who controls Chevron, Chevron Transport, California Petroleum or each Owner within the meaning of either the Act or the Exchange Act, each officer of Chevron, Chevron Transport, California Petroleum or each Owner who shall have signed the Registration Statement and each director of Chevron, Chevron Transport, California Petroleum or each Owner shall have the same rights to contribution as Chevron, Chevron Transport, California Petroleum or each Owner. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph (d), notify such party from whom contribution may be sought, but the omission to so notify in writing such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph (d).

11. Conditions of Underwriter's Obligation. The obligation of the Underwriter to purchase the Serial Mortgage Notes under this Agreement is subject to the satisfaction of each of the following conditions:

(a) All the representations and warranties of the Companies contained in this Agreement and the Term Mortgage Notes Underwriting Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date.

(b) The Registration Statement shall have become effective not later than 5:00 P.M., New York City time, on the date of this Agreement or at such later date and time as you may approve in writing, and at the Closing Date no stop order suspending the effectiveness of the Registration Statement or the Chevron Registration Statement shall have been issued and no proceedings for that purpose shall have been commenced or shall be pending before or threatened by the Commission.

(c) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have been any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of California Petroleum's securities by any "nationally recognized statistical rating organization", as such term is defined for purposes of Rule 436(g)(2) under the Act.

(d)(i) Since the date of the latest balance sheet included in the Registration Statement and the Prospectus, there shall not have been any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, affairs or business prospects, whether or not arising in the ordinary course of business, of any of the Companies, (ii) since the date of the latest balance sheet included in the Registration Statement and the Prospectus there shall not have been any change, or any development involving a prospective material adverse change, in the capital stock or in the long-term debt of any of the Companies from that set forth in the Registration Statement and Prospectus, (iii) the Companies and any of their respective subsidiaries shall have no liability or obligation, direct or contingent, which is material to such company and its respective subsidiaries, taken as a whole, other than those reflected in the Registration Statement and the Prospectus and (iv) on the Closing Date the Underwriter shall have received certificates dated the Closing Date, signed by an authorized representative of each of the Companies, confirming the matters set forth in paragraphs (a), (b), (c) and (d) of this Section 11.

(e) Chevron Transport and Chevron shall have furnished to the Underwriter a certificate, dated the Closing Date, of Chevron Transport and Chevron, signed by one or more executive officers of Chevron Transport and Chevron, to the effect that the signers of such certificate have carefully

examined the Registration Statement, the Prospectus and this Agreement and that:

(i) The representations and warranties of Chevron Transport and Chevron in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, and Chevron Transport and Chevron have complied with all the agreements and satisfied all the conditions on their part to be performed or satisfied at or prior to the Closing Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted and are pending or, to their knowledge, threatened as of such date; and

(iii) Since the date of the most recent financial statements included in the Prospectus, there has been no material adverse change in the condition (financial or otherwise) of Chevron and its consolidated subsidiaries, taken as a whole, nor any material increase in the debt of Chevron and its consolidated subsidiaries, except as set forth in or contemplated by the Prospectus or as described in the certificate.

(f) Pillsbury Madison & Sutro, counsel for Chevron and Chevron Transport, shall have furnished to the Underwriter their opinion, dated the Closing Date, substantially in the form attached hereto as Exhibit A.

(g) The Underwriter shall have received on the Closing Date an opinion (satisfactory to the Underwriter and its counsel), dated the Closing Date, of Thacher Proffitt & Wood, special counsel for California Petroleum and the Owners, to the effect set forth in Exhibit B.

(h) The Underwriter shall have received on the Closing Date an opinion (satisfactory to the Underwriter and its counsel), dated the Closing Date, of McKinney, Bancroft & Hughes, special Bahamian counsel for CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, and CalPetro Tankers (Bahamas III) Limited, to the effect set forth in Exhibit C.

(i) The Underwriter shall have received on the Closing Date an opinion (satisfactory to the Underwriter and its counsel), dated the Closing Date, of Cains, special Isle of Man counsel for CalPetro Tankers (IOM) Limited, to the effect set forth in Exhibit D.

(j) The Underwriter shall have received on the Closing Date an opinion (satisfactory to the Underwriter and its counsel), dated the Closing Date, of The Henries Law Firm, special Liberian counsel for Chevron Transport, to the effect set forth in Exhibit E.

(k) The Underwriter shall have received on the Closing Date an opinion, dated the Closing Date, of Davis Polk & Wardwell, special counsel for the Underwriter, to the effect set forth in Exhibit F.

(l) The Underwriter shall have received on and as of the Closing Date, in form and substance satisfactory to you, (i) a letter from Price Waterhouse LLP, independent public accountants, with respect to the financial statements and certain financial information of California Petroleum and the Owners relating to California Petroleum and the Owners contained in the Registration Statement and the Prospectus and substantially in the form and substance of the letter delivered to you by Price Waterhouse on the date of this Agreement and (ii) a letter from Price Waterhouse LLP, independent public accountants for Chevron and Chevron Transport, dated the Closing Date, with respect to the financial statements and certain financial information of Chevron and Chevron Transport contained in the Registration Statement and the Prospectus, which letter shall be in such form as may be agreed upon among the Underwriter and Price Waterhouse LLP, and shall cover such matters as may be reasonably requested by the Underwriter.

(m) The Companies shall not have failed at or prior to the Closing Date to perform or comply with any of the agreements herein contained and required to be performed or complied with by such company at or prior to the Closing Date.

(n) All of the conditions specified in the Term Mortgage Notes Underwriting Agreement shall have been satisfied or waived in writing on the Closing Date.

12. Conditions to Obligations of Chevron and Chevron Transport. The obligations of Chevron and Chevron Transport under this Agreement, and the obligations of Chevron and Chevron Transport to consummate the sale and chartering of the Vessels pursuant to the Vessel Purchase Agreements and the Initial Charters and the guarantee of the Initial Charters pursuant to the Initial Charter Guarantee (all as described in the Prospectus and the Chevron Prospectus), are subject to the satisfaction of each of the following conditions:

(a) All the representations and warranties of the Companies contained in this Agreement and the Term Mortgage Notes Underwriting Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date.

(b) The Registration Statement and the Chevron Registration Statement shall have become effective not later than 5:00 P.M., New York City time, on the date of this Agreement or at such later date and time as the Underwriter may approve in writing, and at the Closing Date no stop order suspending the effectiveness of the Registration Statement or the Chevron Registration Statement shall have been issued and no proceedings for that purpose shall have been commenced or shall be pending before or threatened by the Commission.

(c) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have been any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of California Petroleum's securities by any "nationally recognized statistical rating organization", as such term is defined for purposes of Rule 436(g)(2) under the Act.

(d) (i) Since the date of the latest balance sheet included in the Registration Statement and the Prospectus, there shall not have been any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, affairs or business prospects, whether or not arising in the ordinary course of business, of any of the Companies, (ii) since the date of the latest balance sheet included in the Registration Statement and the Prospectus there shall not have been any change, or any development involving a prospective material adverse change, in the capital stock or in the long-term debt of the Companies from that set forth in the Registration Statement and Prospectus, (iii) the Companies and any of their respective subsidiaries shall have no liability or obligation, direct or contingent, which is material to such company and its respective subsidiaries, taken as a whole, other than those reflected in the Registration Statement and the Prospectus; and (iv) on the Closing Date, Chevron and Chevron Transport shall have received certificates dated the Closing Date, signed by an authorized representative of each of the Companies, confirming the matters set forth in paragraphs (a), (b), (c) and (d) of this Section 12;

(e) Chevron and Chevron Transport shall have received on the Closing Date the opinions (satisfactory to Chevron, Chevron Transport and their counsel) described in paragraphs (g), (h), (i) and (j) of Section 11 hereof;

(f) Chevron and Chevron Transport shall have received on and as of the Closing Date, in form and substance satisfactory to Chevron and Chevron Transport, the letter from Price Waterhouse LLP, independent public accountants, described in Section 11(1)(i) hereof;

(g) The Companies shall not have failed at or prior to the Closing Date to perform or comply with any of the agreements herein contained and required to be performed or complied with by such Company at or prior to the Closing Date; and

(h) Each of the Collateral Trust Agreement, the Vessel Purchase Agreements, the Initial Charters, the Management Agreements and any Security Document providing for execution by parties other than Chevron or Chevron Transport shall have been executed and delivered by all such parties; and

(i) All of the conditions to the obligations of Chevron and Chevron Transport specified in this Section 12 shall have been satisfied or waived in writing by Chevron and Chevron Transport.

13. Effective Date of Agreement and Termination. This Agreement shall become effective upon the latest of (i) execution of this Agreement, (ii) when notification of the effectiveness of the Registration Statement has been released by the Commission, (iii) when notification of the effectiveness of the registration statement with respect to the Chevron Obligations (as defined in the Term Mortgage Notes Underwriting Agreement) has been released by the Commission and (iv) when notification of the effectiveness of the registration statement with respect to the Term Mortgage Notes has been released by the Commission.

This Agreement may be terminated at any time prior to delivery of and payment for the Serial Mortgage Notes by you by written notice to Chevron, Chevron Transport and the Companies if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any adverse change or development involving a prospective adverse change in the condition, financial or otherwise, of any of the Companies or the earnings, affairs, or business prospects of any of the Companies, whether or not arising in the ordinary course of business, which would, in your reasonable judgment, make it impracticable to market the Serial Mortgage Notes on the terms and in the manner contemplated in the Prospectus, (ii) any outbreak or escalation of hostilities or other national or international calamity or crisis or change in economic conditions or in the financial markets of the United States or elsewhere that, in your reasonable judgment, is material and adverse and would, in your judgment, make it impracticable to market the Serial Mortgage Notes on the terms and in the manner contemplated in the Prospectus, (iii) the suspension or material limitation of trading in securities on the New York Stock Exchange or limitation on prices for securities on such exchange, (iv) the enactment, publication, decree or other promulgation of any federal or state

statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects, or will materially and adversely affect, the business or operations of any of the Companies or (v) the declaration of a general moratorium on commercial banking activities by either federal or New York State authorities.

14. Consent to Jurisdiction. Any legal suit, action or proceeding against Chevron Transport or any of the Owners arising out of or relating to this Agreement, the Serial Indenture or any Security Document, or any transaction contemplated hereby or thereby, may be instituted in any federal or state court in The City of New York, State of New York and each of the Owners and Chevron Transport hereby waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and each of the Owners and Chevron Transport hereby irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. Each of the Owners and Chevron Transport hereby irrevocably appoints and designates CT Corporation System, having an address at 1633 Broadway, New York, New York, its true and lawful attorney-in-fact and duly authorized agent for the limited purpose of accepting service of legal process in connection with any such suit, action or proceeding and each of the Owners and Chevron Transport agrees that service of process upon such party shall constitute personal service of such process on it. Each of the Owners shall maintain the designation and appointment of such authorized agent until all amounts payable under this Agreement, the Serial Indenture and the Security Documents shall have been paid in full. Chevron Transport shall maintain the designation and appointment of such authorized agent until all amounts payable by Chevron Transport under this Agreement, the Serial Indenture and the Security Documents shall have been paid in full. If such agent shall cease to so act, each of the Owners and Chevron Transport shall immediately designate and appoint another such agent satisfactory to you in the City of New York, State of New York, and shall promptly deliver to you evidence in writing of such other agent's acceptance of such appointment.

15. Miscellaneous. Notices given pursuant to any provision of this Agreement shall be addressed as follows: (a) if to California Petroleum, to California Petroleum Transport Corporation, c/o JH Management Corporation, Room 6/9, One International Place, Boston, M.A. 02110-2624, (b) if to Chevron Transport, to Chevron Transport Corporation, c/o Chevron House, 11 Church Street, Hamilton, Bermuda HM11, Attention: Secretary, (c) if to Chevron, to Chevron Corporation, 225 Bush Street, San Francisco, California 94104, Attention: Secretary, (d) if to CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited or CalPetro Tankers (Bahamas III) Limited, to such entity, c/o Mareva House, 4 George Street, Nassau, Bahamas, Attention: _____, (e) if to CalPetro Tankers (IOM) Limited, to CalPetro Tankers (IOM) Limited, c/o United House 14-16 Nelson Street, Douglas, Isle of Man, British Isles, Attention: _____ and (f) if to the Underwriter, to Donaldson, Lufkin & Jenrette Securities Corporation, 140 Broadway,

New York, New York 10005, Attention: Syndicate Department, or in any case to such other address as the person to be notified may have requested in writing.

No recourse under or upon any obligation, covenant or agreement contained in this Underwriting Agreement, shall be had against any past, present or future stockholder, director, officer or agent of California Petroleum or of any successor, either directly or through California Petroleum or any successor.

The respective indemnities, contribution agreements, representations, warranties and other statements of Chevron, Chevron Transport and the Companies, their officers and directors and of the Underwriter set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive delivery of and payment for the Serial Mortgage Notes, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of the Underwriter or by or on behalf of such company, the officers or directors of such company or any controlling person of such company, (ii) acceptance of the Serial Mortgage Notes and payment for them hereunder and (iii) termination of this Agreement.

If the Underwriter shall refuse to purchase the Term Mortgage Notes solely because of any failure or refusal by Chevron or Chevron Transport to perform any of the agreements set forth in Section 6 hereof (except for any failure so to perform engendered by a failure, refusal or inability on the part of the Underwriter or any Company to perform any agreement or fulfill any condition to be performed or fulfilled by such party under the terms of this Agreement), then Chevron and Chevron Transport agree to reimburse the Underwriter for all out-of-pocket expenses (including the reasonable fees and disbursements of counsel) reasonably incurred by it in connection with the transactions contemplated by this Agreement.

If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of any Company to comply with the terms or to fulfill any of the conditions of this Agreement, (except for any failure so to perform on the part of any Company engendered by a failure, refusal or inability on the part of the Underwriter to perform any agreement on the Underwriter's part to be performed) each Company agrees to reimburse the Underwriter for all out-of-pocket expenses (including the reasonable fees and disbursements of counsel) reasonably incurred by it.

Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon Chevron, Chevron Transport and the Companies, the Underwriter, any controlling persons referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this

Agreement. The term "successors and assigns" shall not include a purchaser of any of the Serial Mortgage Notes from the Underwriter merely because of such purchase.

This Agreement shall be governed and construed in accordance with the laws of the State of New York.

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the agreement between California Petroleum, Chevron Transport, Chevron, each of the Owners and the Underwriter.

Very truly yours,

CALIFORNIA PETROLEUM TRANSPORT CORPORATION

By _____
Name:
Title:

CHEVRON TRANSPORT CORPORATION

By _____
Name:
Title:

CHEVRON CORPORATION

By _____
Name:
Title:

CALPETRO TANKERS (BAHAMAS I) LIMITED

By _____
Name:
Title:

CALPETRO TANKERS (BAHAMAS II) LIMITED

By _____
Name:
Title:

CALPETRO TANKERS (BAHAMAS III) LIMITED

By _____
Name:
Title:

CALPETRO TANKERS (IOM) LIMITED

By _____
Name:
Title:

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

By _____
Name:
Title:

Opinion of Pillsbury Madison & Sutro,
Counsel for Chevron and Chevron Transport

Donaldson, Lufkin & Jenrette
Securities Corporation
140 Broadway
New York, NY 10005

Gentlemen and Mesdames:

We have acted as counsel to Chevron Corporation ("Chevron") and Chevron Transport ("Chevron Transport") in connection with your purchase from California Petroleum Transport Corporation ("California Petroleum") of \$167,500,000 aggregate principal amount of its Serial First Preferred Mortgage Notes Maturing Serially from 1996 to 2006 (the "Serial Mortgage Notes") and \$117,900,000 aggregate principal amount of its ____% First Preferred Mortgage Notes Due 2015 (the "Term Mortgage Notes," and together with the Serial Mortgage Notes, the "Notes"). Such purchase of Serial Mortgage Notes is made pursuant to the Underwriting Agreement dated _____, 1995 (the "Serial Underwriting Agreement") among California Petroleum, Chevron, Chevron Transport, certain other parties and you, and such purchase of Term Mortgage Notes is made pursuant to the Underwriting Agreement dated _____, 1995 (the "Term Underwriting Agreement," and together with the Serial Underwriting Agreement, the "Underwriting Agreements") among California Petroleum, Chevron, Chevron Transport, certain other parties and you. The Serial Mortgage Notes are being issued under a Serial Indenture dated as of _____, 1995 (the "Serial Indenture"), among California Petroleum, as issuer, Chevron, solely for purposes of compliance with the Trust Indenture Act of 1939, and Chemical Trust Company of California, as Trustee (the "Indenture Trustee"). This opinion is furnished pursuant to Section 11(f) of the Serial Underwriting Agreement and Section 11(f) of the Term Underwriting Agreement. Terms not otherwise defined herein shall have the meaning set forth in the Serial Indenture.

We have examined executed copies of the Serial Indenture, the Serial Mortgage Notes, the Underwriting Agreements, the Serial Registration Statement and the Chevron Registration Statement (as hereinafter defined) and we have also examined the Serial Prospectus (as hereinafter defined) and the Chevron Prospectus (as hereinafter defined). We have also examined such other documents and certificates of public officials and representatives of Chevron and Chevron Transport

as we have deemed necessary as a basis for the opinions expressed herein. As to questions of fact material to such opinions, we have, when relevant facts were not independently established, relied upon certificates of officers or authorized representatives of Chevron and Chevron Transport.

We have assumed the genuineness of all signatures and documents submitted to us as originals, that all copies submitted to us conform to the originals, the legal capacity of all natural persons, and as to documents executed by entities other than Chevron or Chevron Transport, that each of such entities has the power to enter into and perform its respective obligations thereunder, and that such documents have been duly authorized, executed and delivered by, and are binding upon and enforceable against, each of such entities.

We express no opinion as to the laws of any jurisdiction other than California and the general corporate law of Delaware and the Federal laws of the United States of America.

Based upon the foregoing and subject to the qualifications set forth below, it is our opinion that:

1. Chevron is validly existing and in good standing under the laws of the State of Delaware and is duly qualified and in good standing to do business in each other state in which its ownership or leasing of properties requires such qualification and in which a consequence of the failure to be so qualified would be materially adverse to the business or financial condition of Chevron and its subsidiaries taken as a whole and possesses the requisite corporate power and authority to own its properties and conduct its businesses consistent with any description thereof in the prospectus dated _____, 1995, with respect to the offer and sale of the Serial Mortgage Notes filed with the Securities and Exchange Commission (the "Commission") pursuant to Rule 424(b)(____) of Regulation C under the Securities Act of 1933, as amended (the "Act") (such prospectus, including the documents incorporated by reference therein, is herein referred to as the "Serial Prospectus"), and consistent with any description thereof in the prospectus dated _____, 1995, with respect to the Chevron Obligations (as defined in the Term Underwriting Agreement) filed with the Commission pursuant to Rule 424(b)(____) of Regulation C under the Act (such prospectus, including the documents incorporated by reference therein, is herein referred to as the "Chevron Prospectus").

2. The Serial Indenture has been duly authorized, executed and delivered by Chevron.

3. Each Initial Charter Guarantee has been duly authorized, executed and delivered by Chevron.

4. The Underwriting Agreements have been duly authorized, executed and delivered by Chevron.

5. The Registration Statement on Form S-3 (File No. 33-56373) first filed by Chevron Transport and Chevron with the Commission on November 9, 1994 (such Registration Statement including the exhibits thereto and the documents incorporated by reference therein being herein referred to as the "Chevron Registration Statement") and the Registration Statement on Form S-1/F-1/S-3 (File No. 33-56377) first filed by California Petroleum, Chevron Transport, Chevron and certain additional registrants with the Commission on November 9, 1994 (such Registration Statement including the exhibits thereto and the documents incorporated by reference therein being herein collectively referred to as the "Serial Registration Statement") have become effective under the Act, and, to the best of our knowledge, no stop order suspending the effectiveness of the Chevron Registration Statement or the Serial Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act, and, except as may be otherwise indicated in the Chevron Prospectus or the Serial Prospectus or required by the blue sky or securities laws of jurisdictions in which the Notes are offered or sold, no further authorization, consent, approval of or filing with any governmental or regulatory body, Federal or state, is required to be obtained by Chevron or Chevron Transport in connection with their respective execution, delivery and performance of the terms of the Underwriting Agreements, the Vessel Purchase Agreements, the Initial Charters and the Initial Charter Guarantees as described in the Serial Prospectus and the Chevron Prospectus other than in connection with the registration and operation of the Vessels, and the execution, delivery and performance of the terms of the Underwriting Agreements, the Vessel Purchase Agreements, the Initial Charters and the Initial Charter Guarantees by Chevron or Chevron Transport, as the case may be, will not contravene any provision of the Restated Certificate of Incorporation, as amended, or By-Laws of Chevron, the charter documents of Chevron Transport, any Federal law or regulation or, to the best of our knowledge, any applicable state law or any material agreement or instrument binding upon Chevron.

6. The Chevron Registration Statement and the Chevron Prospectus comply as to form in all material respects with the requirements of the Act and the rules and regulations of the Commission thereunder; the Serial Registration Statement and the Serial Prospectus (insofar as they relate to Chevron and Chevron Transport) comply as to form in all material respects with the requirements of the Act and the rules and regulations of the Commission thereunder; each document filed by Chevron under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by reference in the Chevron Prospectus and the Serial Prospectus complied as to form in all material respects when so filed with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; the statements in the Chevron Prospectus with respect to the terms of the Initial Charters

and the Chevron Guarantees fairly summarize the terms of such instruments and to the best of our knowledge there are no other agreements or instruments binding upon Chevron or Chevron Transport required to be described or referred to in the Chevron Registration Statement which have not been described or referred to therein; the statements in the Serial Prospectus with respect to the terms of the Initial Charters and the Chevron Guarantees fairly summarize the terms of such instruments; and while we have not ourselves checked the accuracy or completeness of, or otherwise verified the information furnished by Chevron Transport and Chevron in the Chevron Registration Statement and the Serial Registration Statement, we have considered the information required to be furnished therein by Chevron Transport and Chevron and have generally reviewed and had discussions with certain officers and employees of Chevron and Chevron Transport concerning the information so furnished, whether or not subject to our checking and verification, and on the basis of such consideration, review and discussions, but without independent checking or verification, we have no reason to believe that the Chevron Registration Statement, the Chevron Prospectus, the Serial Registration Statement or the Serial Prospectus as of [pricing date], 1995, contained any untrue statement of a material fact with respect to Chevron Transport or Chevron or omitted to state any material fact with respect to Chevron Transport or Chevron required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading or that the Chevron Registration Statement, the Chevron Prospectus, the Serial Registration Statement or the Serial Prospectus, as of [closing date], 1995, contained any untrue statement of a material fact with respect to Chevron Transport or Chevron or omitted to state any material fact with respect to Chevron Transport or Chevron required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; it being understood that with respect to the matters covered by this paragraph 6, we express no opinion: (i) as to the financial statements or other financial or numerical data contained in the Chevron Registration Statement, the Chevron Prospectus, the Serial Registration Statement or the Serial Prospectus; and (ii) with respect to any registrant under the Serial Registration Statement other than Chevron Transport or Chevron or the respective obligations of any such registrant.

The opinions set forth in the foregoing are subject to the following qualifications:

Whenever a statement herein is qualified by "to the best of our knowledge" or similar phrase, it indicates that in the course of our representation of Chevron and Chevron Transport no information that would give us current actual knowledge of the inaccuracy of such statement has come to the attention of the attorneys in this firm who have rendered legal services in connection with this transaction, including the principal partners of this firm who are familiar with matters relating to Chevron and Chevron Transport. We have not made any independent investigation to determine the accuracy of such statement, except as expressly

described herein. No inference as to our knowledge of any matters bearing on the accuracy of such statement should be drawn from the fact of our representation of Chevron and Chevron Transport in other matters in which such attorneys are not involved.

This opinion is rendered by us as counsel for Chevron and Chevron Transport solely for your benefit in connection with the transaction referred to herein and may not be relied upon by you in connection with any other transaction and may not be relied upon by any other person without our prior written consent.

Very truly yours,

Opinion of Thacher Proffitt & Wood,
Special Counsel for
California Petroleum and the Owners

_____, 1995

Donaldson, Lufkin & Jenrette
Securities Corporation
140 Broadway
New York, New York 10005

California Petroleum Transport Corporation
Serial First Preferred Mortgage Notes

Dear Sirs:

We have acted as counsel to California Petroleum Transport Corporation ("California Petroleum"), CalPetro Tankers (Bahamas I) Limited ("CalPetro I"), CalPetro Tankers (Bahamas II) Limited ("CalPetro II"), CalPetro Tankers (Bahamas III) Limited ("CalPetro III") and CalPetro Tankers (IOM) Limited ("CalPetro IOM"; CalPetro I, CalPetro II, CalPetro III and CalPetro IOM, each, an "Owner", and collectively, the "Owners"), in connection with the issuance of California Petroleum Transport Corporation Serial First Preferred Mortgage Notes maturing serially from 1996 to 2006 (the "Serial Mortgage Notes"). The Serial Mortgage Notes were issued pursuant to a Serial Indenture, dated as of _____ 1, 1995 (the "Serial Indenture"), among California Petroleum as issuer, Chemical Trust Company of California as the indenture trustee (the "Trustee") and, solely for purposes of the Trust Indenture Act of 1939, as amended, Chevron Corporation ("Chevron"). The Serial Mortgage Notes were offered pursuant to a Prospectus, dated _____, 1995 (the "Prospectus"), filed pursuant to a Registration Statement, as amended, on Forms F-1, S-1 and S-3 (No. 33-56377) (the "Registration Statement") by California Petroleum and the Owners. California Petroleum will sell the Serial Mortgage Notes to Donaldson, Lufkin & Jenrette Securities Corporation (the "Underwriter") pursuant to an Underwriting Agreement, dated _____, 1995 (the "Underwriting Agreement"; the Underwriting Agreement and the Serial Indenture, together, "the Agreements"), among California Petroleum, the Owners, Chevron, Chevron Transport Corporation ("Chevron Transport") and the Underwriter. Contemporaneously with the issuance of the Serial Mortgage Notes, California Petroleum proposes to issue California

Petroleum Transport Corporation Term First Preferred Mortgage Notes Due 2015 (the "Term Mortgage Notes") pursuant to a Term Indenture, dated the date hereof (the "Term Indenture").

The proceeds from the sale of the Serial Mortgage Notes, together with the proceeds from the sale of the Term Mortgage Notes, will be loaned by California Petroleum to the Owners on a joint and several basis to fund, after paying certain fees and expenses, the acquisition by each Owner of a recently constructed oil tanker from Chevron Transport pursuant to a Vessel Purchase Agreement, dated _____, 1995 (the "Vessel Purchase Agreements"), between such Owner and Chevron Transport. Initially, each Owner will enter into a bareboat charter (each, an "Initial Charter") with Chevron Transport with a term expiring on _____, 2015, subject to earlier termination at the option of Chevron Transport. The obligations of Chevron Transport under each Initial Charter will be guaranteed by Chevron. Capitalized terms not defined herein have the meanings set forth in the Agreements. This opinion is rendered pursuant to Section 10(f) of the Underwriting Agreement.

In connection with rendering this opinion letter, we have examined the Agreements, the Security Documents, the Initial Charters, the Vessel Purchase Agreements, the Registration Statement and the Prospectus, the Serial Mortgage Notes and such other documents as we have deemed necessary. As to matters of fact, we have examined and relied upon representations of parties to the Agreements, the Initial Charters, the Vessel Purchase Agreements and the Security Documents contained in such documents and, where we have deemed appropriate, representations or certifications of officers or public officials. We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that all parties had the corporate power and authority to enter into and perform all obligations thereunder. As to such parties, we also have assumed the due authorization by all requisite corporate action, the due execution and delivery and the enforceability of such documents. We have further assumed that there is not and will not be any other agreement that modifies or supplements the agreements expressed in the Agreements, the Initial Charters, the Vessel Purchase Agreements and the Security Documents.

In rendering this opinion letter, we do not express any opinion concerning any law other than the law of the State of New York, the law of the Republic of Liberia and the federal laws of the United States. We do not express any opinion concerning the "doing business" laws or the securities laws of any jurisdiction other than the federal securities laws of the United States. We do not express any opinion on any subject not expressly addressed herein. With respect to the law of the Republic of Liberia, we are not admitted to practice in the courts of the Republic of Liberia. However, we have dealt regularly with matters relating to the maritime laws of the Republic of Liberia. We are also familiar with the current compilations of the

Liberian Maritime Law as furnished to us by Liberian Services, Inc. in New York City.

Based upon and subject to the foregoing, it is our opinion that:

1. The Serial Mortgage Notes, when executed and authenticated in accordance with the provisions of the Serial Indenture and delivered to and paid for by the Underwriter in accordance with the terms of the Underwriting Agreement, will be entitled to the benefits of the Serial Indenture and will be valid and binding obligations of California Petroleum, enforceable against California Petroleum in accordance with their terms except as enforceability may be limited by (i) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization or other similar laws affecting the rights of creditors and (ii) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

2. The Underwriting Agreement is a valid and binding agreement of California Petroleum, enforceable against California Petroleum in accordance with its terms.

3. The Underwriting Agreement is a valid and binding agreement of each of CalPetro I, CalPetro II, CalPetro III and CalPetro IOM, enforceable against each in accordance with its terms.

4. The Serial Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended, has been duly authorized, executed and delivered by California Petroleum and is a valid and binding agreement of California Petroleum, enforceable against it in accordance with its terms, except as enforceability may be limited by (i) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization or other similar laws affecting the rights of creditors and (ii) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

5. Each of the Security Documents to which California Petroleum is a party is a valid and binding agreement of California Petroleum, enforceable against it in accordance with its terms, except as enforceability may be limited by (i) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization or other similar laws affecting the rights of creditors and (ii) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

6. Each of the Vessel Purchase Agreements, the Initial Charters and the Security Documents governed by New York law, to which CalPetro I, CalPetro II, CalPetro III or CalPetro IOM is a party, is a valid and binding agreement of such Owner, enforceable against it in accordance with its terms, except as enforceability may be limited by (i) bankruptcy, insolvency, liquidation, receivership, moratorium,

reorganization or other similar laws affecting the rights of creditors and (ii) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

7. The Registration Statement has become effective under the Securities Act of 1933, as amended (the "Act"). To the best of our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn, and no proceedings for that purpose have been instituted or threatened under Section 8(d) of the Act.

8. The statements under the captions "Description of Notes" and "The Mortgages" in the Prospectus, as amended, insofar as such statements constitute a summary of legal matters documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings.

9. No consent, approval, authorization or order of any federal or State of New York court or governmental agency or body is required for the consummation by each Owner of the transactions contemplated by the terms of the Agreements, the Vessel Purchase Agreements, the Initial Charters and the Security Documents, except (a) such as have been obtained under the Act and (b) such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and the offer and sale of the Serial Mortgage Notes by the Underwriter, as to which we express no opinion.

10. Neither the sale of the Serial Mortgage Notes to the Underwriter pursuant to, nor the consummation of any other of the transactions contemplated by or the fulfillment by each Owner of the terms of, the Agreements will result in a breach of any federal or State of New York statute or regulation or, to the best of our knowledge, conflict with, result in a breach, violation or acceleration of or constitute a default under any order of any federal or State of New York court, regulatory body, administrative agency or other governmental body having jurisdiction over any Owner.

11. Neither California Petroleum nor any Owner is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

12. CalPetro III is duly registered as a Foreign Maritime Entity in the Republic of Liberia and has obtained a waiver, pursuant to Section 51(6) of the Liberian Maritime Law, of the Liberian ownership requirements set forth in Section 51(2) of the Liberian Maritime Law.

13. Based upon the records of the Deputy Commissioner of Maritime Affairs of the Republic of Liberia maintained in New York, New York, the Vessel "W.E. Crain" and the Vessel "Chevron Mariner" are registered under the laws of the Republic of Liberia in the ownership of CalPetro III and CalPetro IOM, respectively, free of all mortgages, liens and encumbrances of record other than the Mortgage recorded against such Vessel.

14. Based upon the records of the Deputy Commission of Maritime Affairs of the Republic of Liberia maintained in New York, New York, the mortgage on the Vessel "W.E. Crain" and the mortgage on the Vessel "Chevron Mariner" have been duly recorded in the Office of Deputy Commissioner of Maritime Affairs of the Republic of Liberia in New York on the date hereof in Book PM _____ at Page _____, and each such Mortgage constitutes a first preferred mortgage lien on the Vessel "W.E. Crain" and Vessel "Chevron Mariner", respectively, in favor of the Collateral Trustee. The Collateral Trustee has all the rights of a holder of a first preferred ship mortgage on the Vessel "W.E. Crain" and the Vessel "Chevron Mariner".

This opinion letter is rendered for the sole benefit of the addressee hereof, and no other person or entity is entitled to rely hereon. Copies of this opinion letter may not be furnished to any other party or entity, nor may any portion of this letter be quoted, circulated or referred to in any other document.

Very truly yours,

Thacher, Proffitt & Wood

By

Opinion of Thacher Proffitt & Wood,
Special Counsel for
California Petroleum and the Owners

_____, 1995

Donaldson, Lufkin & Jenrette
Securities Corporation
140 Broadway
New York, New York 10005

California Petroleum Transport Corporation
Serial First Preferred Mortgage Notes

Dear Sirs:

We have acted as counsel to California Petroleum Transport Corporation ("California Petroleum"), CalPetro Tankers (Bahamas I) Limited ("CalPetro I"), CalPetro Tankers (Bahamas II) Limited ("CalPetro II"), CalPetro Tankers (Bahamas III) Limited ("CalPetro III") and CalPetro Tankers (IOM) Limited ("CalPetro IOM"; CalPetro I, CalPetro II, CalPetro III and CalPetro IOM, each, an "Owner", and collectively, the "Owners"), in connection with the issuance of California Petroleum Transport Corporation Serial First Preferred Mortgage Notes maturing serially from 1996 to 2006 (the "Serial Mortgage Notes"). The Serial Mortgage Notes were issued pursuant to a Serial Indenture, dated as of _____ 1, 1995 (the "Serial Indenture"), among California Petroleum as issuer, Chemical Trust Company of California as the indenture trustee (the "Serial Trustee") and, solely for purposes of the Trust Indenture Act of 1939, as amended, Chevron Corporation ("Chevron"). The Serial Mortgage Notes are being offered pursuant to a Prospectus, dated _____, 1995, filed pursuant to a Registration Statement, as amended, on Forms F-1, S-1 and S-3 (No. 33-56377) by California Petroleum and the Owners. California Petroleum will sell the Serial Mortgage Notes to Donaldson, Lufkin & Jenrette Securities Corporation (the "Underwriter") pursuant to an Underwriting Agreement, dated _____, 1995 (the "Underwriting Agreement"), among California Petroleum, the Owners, Chevron, Chevron Transport Corporation ("Chevron Transport") and the Underwriter. Contemporaneously with the issuance of the Serial Mortgage Notes, California Petroleum proposes to issue California Petroleum Transport Corporation Term First Preferred Mortgage Notes Due 2015 (the "Term Mortgage Notes") pursuant to a Term Indenture, dated the date hereof (the "Term Indenture").

The proceeds from the sale of the Serial Mortgage Notes, together with the proceeds from the sale of the Term Mortgage Notes, will be loaned by California Petroleum to the Owners on a joint and several basis to fund, after paying certain fees and expenses, the acquisition by each Owner of a recently constructed oil tanker from Chevron Transport. Initially, each Owner will enter into a bareboat charter (each, an "Initial Charter") with Chevron Transport with a term expiring on _____, 2015, subject to earlier termination at the option of Chevron Transport. The obligations of Chevron Transport under each Initial Charter will be guaranteed by Chevron. Capitalized terms used but not defined herein have the meanings set forth in the Agreements. This opinion is rendered pursuant to Section 10(f) of the Underwriting Agreement.

The primary purpose of our professional engagement was not to establish factual matters. Many wholly or partially non-legal determinations were involved in the preparation of the Prospectus and the Registration Statement. Accordingly, we are not advising in this letter with respect to and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Prospectus and the Registration Statement and make no representation that we have otherwise independently verified the accuracy, completeness or fairness of such statements. In particular and without limiting the foregoing, we have not examined any accounting, financial or statistical records not included in the Prospectus and the Registration Statement from which the information and statements included therein are derived. We express no advice as to any such accounting, financial or statistical information contained in the Prospectus and the Registration Statement. We also note that we are not experts with respect to any portion of the Registration Statement, including without limitation such financial and statistical information, except to the extent we may be deemed to be "experts" within the meaning of the Securities Act of 1933 or the rules and regulations of the Securities and Exchange Commission issued thereunder, with respect to the matters specifically mentioned in our opinion letter referred to above in this paragraph.

We do not act as general counsel to the Owners or California Petroleum. However, in the course of our acting as counsel to California Petroleum and the Owners in connection with its preparation of the Prospectus and the Registration Statement, we met in conferences and participated in telephone conversations with representatives of California Petroleum, Ropes & Gray in their capacity as counsel to California Petroleum, the Owners, the Underwriter, Davis Polk & Wardwell in their capacity as counsel to the Underwriter, the Indenture Trustee and White and Case in their capacity as counsel to the Indenture Trustee. During those conferences and telephone conversations the contents of the Prospectus and the Registration Statement and related matters were discussed. In addition, we reviewed certain corporate documents furnished to us by California Petroleum and the Owners or otherwise in our possession. We have not otherwise undertaken any procedures, other than the review of documents delivered to the Underwriter on the date hereof pursuant to the

Underwriting Agreement, which were intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in the Prospectus and the Registration Statement.

Based upon and subject to the foregoing, our understanding of applicable law and the experience we have gained in our practice thereunder, we hereby advise you that no information has come to our attention that causes us to believe that (i) the Registration Statement, as of the effective date of the most recent amendment thereto, as of the date of the Prospectus or as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) the Prospectus as of the effective date of the most recent amendment to the Registration Statement or as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter is provided for the sole benefit of the addressee hereof, and no other person or entity is entitled to rely hereon. Copies of this letter may not be furnished to any other party or entity, nor may any portion of this letter be quoted, circulated or referred to in any other document.

Very truly yours,

THACHER PROFFITT & WOOD

By

Opinion of McKinney, Bancroft & Hughes,
Special Bahamian Counsel for
CalPetro Tankers (Bahamas I) Limited,
CalPetro Tankers (Bahamas II) Limited,
CalPetro Tankers (Bahamas III) Limited

The Opinion of McKinney, Bancroft & Hughes,
Special Bahamian Counsel for CalPetro Tankers (Bahamas I) Limited, CalPetro
Tankers (Bahamas II) Limited and CalPetro Tankers (Bahamas III) Limited, to be
delivered pursuant to Section 11(h) of the Underwriting Agreement shall be to
the effect that:

(a) Each of CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers
(Bahamas II) Limited and CalPetro Tankers (Bahamas III) Limited
(collectively, the "Owners") has been duly incorporated, is validly
existing as a corporation in good standing under the laws of its
jurisdiction of incorporation and has the corporate power and authority
required to carry on its business as it is currently being conducted and to
own, lease and operate its properties;

(b) Each of the Owners is duly qualified and is in good standing as a
foreign corporation authorized to do business in each jurisdiction in which
the nature of its business or its ownership or leasing of property requires
such qualification, except where the failure to be so qualified would not
have a material adverse effect on such Company;

(c) the Underwriting Agreement has been duly authorized, executed and
delivered by each Owner;

(d) each of the Vessel Purchase Agreements, the Initial Charters and the
Security Documents to which each Owner is a party has been duly authorized,
executed and delivered by each Owner;

(e) none of the Owners is in violation of its respective charter or by-
laws and, to the best of such counsel's knowledge after due inquiry, no
Owner is in default in the performance of any obligation, agreement or
condition contained in any bond, debenture, note, or any other evidence of
indebtedness or in any other agreement, indenture or instrument material to
the conduct of

the business of such Owner, to which such Owner is a party or by which such Owner or its property is bound;

(f) the execution, delivery and performance of the Underwriting Agreement, the Vessel Purchase Agreements, the Initial Charters and the Security Documents to which each Owner is a party and compliance by each Owner with all the provisions thereof and the consummation of the transactions contemplated thereby will not require any consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body of the Commonwealth of The Bahamas and will not conflict with or constitute a breach of any of the terms or provisions of, or a default under, the charter or by-laws of such Owner or any agreement, indenture or other instrument to which such Owner is a party or by which such Owner or its properties is bound, or violate or conflict with any laws, administrative regulations or rulings or court decrees applicable to such Owner or any of its property;

(g) after due inquiry, such counsel does not know of any legal or governmental proceeding pending or threatened to which any Owner is a party or to which any of their respective property is subject which is required to be described in the Registration Statement or the Prospectus and is not so described, or of any contract or other document which is required to be described in the Registration Statement or the Prospectus or is required to be filed as an exhibit to the Registration Statement which is not described or filed as required;

(h) The choice of the law of the State of New York to govern the Underwriting Agreement, the Vessel Purchase Agreements, the Initial Charters and the Security Documents governed by New York law to which each Owner is a party is valid under the laws of the Commonwealth of The Bahamas and a court in the Commonwealth of The Bahamas would uphold such choice of law in a suit, action or other proceeding on such agreement or document brought in a court of the Commonwealth of The Bahamas;

(i) Any final and conclusive judgement obtained in the United States, which is not subject to appeal and is enforceable in the United States, with respect to the obligations of the Owners under the Underwriting Agreement, the Vessel Purchase Agreements, the Initial Charters and the Security Documents would be given effect and would be enforceable by the competent courts of the Commonwealth of The Bahamas without a review of the merits;

(j) the statements under the caption "CalPetro Bahamas I, CalPetro Bahamas II and CalPetro Bahamas III" in Item 14 of Part II of the Registration Statement insofar as such statements constitute a summary of legal matters documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings;

(k) the Deed of Covenants is a valid and binding agreement of CalPetro Tankers (Bahamas I) Limited and CalPetro Tankers (Bahamas II) Limited enforceable in accordance with its terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (b) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability;

[(l) the S. Ginn and the C. Rice are registered under the laws of the Commonwealth of The Bahamas in the ownership of CalPetro Tankers (Bahamas I) Limited and CalPetro Tankers (Bahamas II) Limited, respectively, free of all mortgages, liens and encumbrances of record other than the Mortgage recorded against such Vessel;]

[(m) the S. Ginn Mortgage and the C. Rice Mortgage have been duly recorded in the [Name of Maritime Affairs Office] of the Commonwealth of The Bahamas on the date hereof in, in the case of the S. Ginn Mortgage, in _____ at _____, and in the case of the C. Rice Mortgage, in _____ at _____, and each such Mortgage constitutes a first preferred mortgage lien on the applicable Vessel in favor of the Collateral Trustee and the Collateral Trustee has all the rights of a holder of a first preferred ship mortgage on the Vessel;]

[(n) We understand that Section 105(a) of the United States Bankruptcy Code (the "Code") gives the U.S. Courts a general equitable jurisdiction to treat the assets of a group of companies as a single "pool" for distribution amongst all the creditors of each separate company within the group ("substantive consolidation"). The insolvency law of the Commonwealth of The Bahamas does not have any equivalent of the doctrine of substantive consolidation. Where several Bahamian companies comprising a group (whether sharing a common parent or common shareholders) are placed into liquidation, the Bahamian court does not have jurisdiction to "pool" the assets of all of the group companies but is bound to treat each company as a separate legal entity whose assets fall to be distributed amongst that particular company's creditors (pro for rata amongst the company's unsecured creditors to the extent that the assets of the company are insufficient to pay all its unsecured creditors in full).

The common law doctrine of separate corporate personality enshrined in the old case of *Salomon v. Salomon & Co.* [1897] AC 22 under which the English courts refuse to "lift the veil" of separate corporate entities in order to allow creditors of a company to recover from the person(s) who control the company in question is followed by the courts of the Commonwealth of The Bahamas. Attempts to "pierce the corporate veil" in the courts of The United Kingdom under the common law are also followed by the courts of the Commonwealth of The Bahamas.

Until relatively recently there was considerable debate as to the extent to which the English courts, hence the Bahamian courts, would be prepared to "pierce the veil" to overturn the doctrine of *Salomon v. Salomon & Co.* The position was clarified by the English Court of Appeals in the case of *Adams v Cape Industries Inc.* [1990] 2 WLR 657. As a result of that ruling, the English courts are only prepared to look behind the corporate "veil" in exceptional circumstances and this decision mirrors the legal position of the Bahamian courts. The exceptional circumstances include where the corporate vehicle is used in an attempt to avoid the consequences of a fraud or breach of contract or other legal obligation. However, the English Court of Appeal clearly rejected the argument that the English courts should look at the commercial realities of a group of companies and, where appropriate, treat the group as a single unit for legal purposes. This position is reinforced by a number of recent cases where the English courts have been unwilling to permit creditors of a subsidiary company to recover against the company's parent: *Re Southard* [1979] 1 WLR 1988 and *Kleinwort Benson Ltd. v Malaysia Mining Corporation Berhad* [1989] 1 WLR 379. The position adopted by the English courts is equally applicable within the Bahamas although there have been no recent decisions of the courts of the Commonwealth of The Bahamas with regard to that issue.

Accordingly, absent the exceptional circumstances referred to above, the common law position is now relatively settled such that the Bahamian courts will not treat a group of companies as a single unit.

Based on the facts set forth above it is our opinion that the courts of the Commonwealth of The Bahamas would not order substantive consolidation of the assets of the Companies with those of the other Companies or with those of its shareholders as it is a concept which is foreign to Bahamian law.]

The opinion of McKinney, Bancroft & Hughes described above shall be limited to the laws of the Bahamas and rendered to you at the request of CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited and CalPetro Tankers (Bahamas III) Limited and shall so state therein.

Opinion of Cains,
Special Isle of Man Counsel for
CalPetro Tankers (IOM) Limited,

CalPetro Tankers (IOM) Limited
c/o Thacher Proffitt & Wood
2 World Trade Centre
New York, New York 10048

[] March, 1995

Dear Sirs:

Re: Chevron Tanker Financing

We have acted as your legal advisors in the Isle of Man in connection with the above. The following documents ("the Documents") have been considered by us:

1. Vessel purchase agreement dated [] March, 1995 between CalPetro Tankers (IOM) Limited ("Calpetro" or "the Owner") and Chevron Transport Corporation ("CTC") ("the Vessel Purchase Agreement");
2. bareboat charter dated [] March, 1995 between CalPetro and CTC (the "Initial Charter");
3. aerial loan agreement dated [] March, 1995 between Calpetro and California Petroleum Transport Corporation ("CPTC");
4. term loan agreement dated [] March, 1995 between CalPetro and CPTC;
5. first preferred ship mortgage dated [] March, 1995 between CalPetro and CPTC;
6. assignment of earnings dated [] March, 1995 and insurances from CalPetro to CPTC;
7. assignment of charter dated [] March, 1995 between CalPetro and CPTC;
8. assignment of purchase agreement dated [] March, 1995 between CalPetro and CPTC;

9. assignment of guaranty dated [] March, 1995 by CalPetro in favour of CPTC;
10. issue of one debenture dated [] March, 1995 to which CalPetro and CPTC are parties ("the Issue of One Debenture");
11. a management and re-marketing agreement dated [] March, 1995 between P.D. Gram & Co. ANS, Barber Ship Management Group and CalPetro;
12. assignment of management agreement dated [] March, 1995 between CPTC and CalPetro;
13. an underwriting agreement for value US\$117,900,000 dated [] March, 1995 to which, inter alia, Donaldson, Lufkin & Jenrette Securities Corporation and CalPetro are parties;
14. an underwriting agreement for value US\$168,500,000 dated [] March, 1995 to which, inter alia, Donaldson, Lufkin & Jenrette Securities Corporation and CalPetro are parties (together with document 13 "the Underwriting Agreement"); and
15. board minutes of a meeting ("the Meeting") of the board of directors of CalPetro dated [] March, 1995.

Documents numbered 5, 6, 7, 8, 9, 10 and 12 are together hereinafter referred to as "the Security Documents".

In arriving at the opinion expressed below, in addition to examining the Documents, we have examined such other documents as have been revealed by searches of the Isle of Man Companies and General Registries ("the Registries") undertaken on [] March, 1995 in respect of CalPetro.

In arriving at our opinion we have assumed:

- (a) the genuineness of all signatures on original documents; the correctness of all facts stated in and representations made in the documents which we have examined (except as otherwise opined upon herein) and the conformity to original documents of all copy documents;
- (b) that each of the parties to the Documents (other than CalPetro) is duly incorporated, validly existing and fully authorised, qualified and empowered under their respective constitutions and any applicable laws to carry on business and to enter into and perform their respective obligations and exercise their respective rights under each of the Documents;

- (c) that each of the parties to the Documents (other than CalPetro) has taken all corporate and other action required to authorise the execution of the Documents and the performance of their respective obligations thereunder;
- (d) that there are no provisions of the laws of any jurisdiction outside the Isle of Man or any agreement to which any of the parties to the Documents are a party which would be contravened by such execution or delivery and that, insofar as any obligation under the Documents falls to be performed in any jurisdiction outside the Isle of Man, its performance will not be unlawful by virtue of the laws of that jurisdiction;
- (e) that the Documents are valid and legally binding under the laws by which they are expressed to be governed;
- (f) the accuracy and currency of the records and filing systems maintained at the public offices where we have searched or inquired or have caused searches or inquiries to be conducted;
- (g) that all necessary consents or approvals of, and all necessary registrations or other action by or with, any regulatory authority or any other person or entity outside the Isle of Man have been or will be obtained, performed or taken in relation to the execution, delivery and performance of each of the Documents by each of the parties thereto;
- (h) that the Meeting was duly convened and held with proper notice being given to each of the Directors of CalPetro;
- (i) that all appropriate notices of and consents to assignment required to be given or which it is desirable are given in connection with any of the Documents are, in fact, given in timely fashion; and
- (j) that entering into the Documents and performing the obligations which CalPetro undertakes is to its commercial benefit.

Based on and subject to the foregoing and subject to the further qualifications set out below, we are of the opinion that:

- (a) the Owner has been duly incorporated in the Isle of Man, is validly existing as a corporation in good standing under the laws of the Isle of Man and has the corporate power and authority required to carry on its business and to own, lease and operate its properties;
- (b) pursuant to the Meeting, entry into the Underwriting Agreement has been duly authorised and executed by the Owner;

- (c) pursuant to the Meeting, entry into each of the Vessel Purchase Agreement, the Initial Charter and the Security Documents has been duly authorised and executed by the Owner;
- (d) to the best of our knowledge and belief (having made enquiry only of the Company Secretary of the Owner upon whom we have relied), the Owner is not in violation of its memorandum and articles of association and the Owner is not in default in the performance of any obligation, agreement or condition contained in any bond, debenture, note, or any other evidence of indebtedness or in any other agreement, indenture or instrument material to the conduct of the business of the Owner, to which it is a party or by which it or its property is bound;
- (e) the execution, delivery and performance of each of the Underwriting Agreement, the Vessel Purchase Agreement, the Initial Charter and the Security Documents by the Owner and compliance by the Owner with all the provisions thereof and the consummation of the transactions contemplated thereby will not require any consent, approval, authorisation or other order of any court, regulatory body, administrative agency or other governmental body of the Isle of Man and will not conflict with or constitute a breach of any of the terms or provisions of, or a default under, the memorandum and articles of association of the Owner or, we are informed by the Company Secretary of the Owner: (i) any agreement, indenture or other instrument to which the Owner is a party or to which any of its properties is bound; or (ii) violate or conflict with any laws, administrative regulations or rulings or court decrees applicable to the Owner or any of its property;
- (f) after enquiry of the Company Secretary of the Owner upon whom we have relied, there are no legal or governmental proceedings pending or threatened to which the Owner is a party or to which any of its property is subject which is material for inclusion in the Registration Statement or the Prospectus (as the same are defined in the Underwriting Agreement) and is not so described, or of any contract or other document which is material for inclusion in the Registration Statement or the Prospectus or is required to be filed as an exhibit to the Registration Statement which is not described or filed as required;
- (g) the choice of the law of the State of New York to govern the Underwriting agreement and the Security Documents governed by New York law to which the Owner is a party is valid under the laws of the Isle of Man and a court in the Isle of Man would uphold such choice of law in a suit, action or other proceeding on such agreement or document in a court of the Isle of Man;

- (h) the Issue of One Debenture to which the Owner is a party creates, for the benefit of the Collateral Trustee, as secured party on behalf of the holders from time to time of the Secured Obligations (as therein defined), a valid, perfected security interest in the assets of the Owner and the proceeds thereof, which security interest is prior to all liens arising by, through or under the Owner of which we are aware, except for those other liens that by operation of law take priority over a previously perfected security interest or lien; and
- (i) on the principle laid down in *Saloman v A Saloman and Co. Limited* [1897] AC 22 it is our opinion that the courts of the Isle of Man are unlikely to order substantive consolidation of the assets of the Owner with those of third parties or with those of its shareholders, save in the case of fraud.

The opinions expressed above are given subject to the following reservations:

- (a) enforcement of any of the Documents may be limited by bankruptcy, insolvency, liquidation, reorganization, court schemes, moratoriums, the doctrine of frustration and laws relating to or affecting the rights of creditors generally;
- (b) enforcement of any of the Documents may be limited by general principles of equity, and, in particular, equitable remedies are available only at the discretion of the Court and are not available where damages are considered to be an adequate remedy;
- (c) claims may be or become barred in the Isle of Man under the Limitation Acts 1984 and 1988 (Acts of Tynwald) or become subject to a defence of set-off or counterclaim;
- (d) under Isle of Man law the terms of an agreement under hand may be varied by oral or written agreement of the parties;
- (e) a foreign judgment would not be enforced by an Isle of Man Court; however an action brought in the Isle of Man based upon a foreign judgment may be brought without a re-trial or re-examination of the matters thereby adjudicated upon (provided that the foreign judgment is not obtained by or contrary to Isle of Man public policy. Effective enforcement of the foreign judgment may also be withheld if the relevant judgment is not a final and conclusive money judgment being both unrelated to taxation and free of conflict with any other judgment in the same cause of action;

- (f) provisions relating to set-off contained in any of the Documents will only be enforceable in a liquidation of the Company insofar as they do not purport to contract out of the mandatory set-off rules imposed by the Bankruptcy Code 1892;
- (g) if proceedings are commenced in the Isle of Man Courts any provision in any of the Documents to the effect that calculations and/or certifications will be conclusive and binding will not be effective in Manx law if such calculations and/or certifications are fraudulent or erroneous on their face and will not necessarily prevent judicial enquiry into the merits of any claim respecting any such calculation or certification;
- (h) if proceedings are commenced in the Isle of Man Courts, where in any of the Documents a party is vested with a discretion or may determine a matter in its opinion, the law of the Isle of Man may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- (i) if the Security Documents have been registered at Companies Registry in the Isle of Man pursuant to Section 79 of the Companies Act 1931 (an Act of Tynwald) within one month from their respective dates of creation therefore they will not be void against a liquidator or creditor of CalPetro and priority over other creditors will not be lost;
- (j) provisions as to severability in any of the Documents may not be binding and the question of whether or not provisions relating to invalidity may be severed from other provisions in order to save such other provisions would be determined by the Manx Courts at their discretion;
- (k) no opinion is expressed: (i) as to whether the Manx Courts would construe any of the Documents without giving effect to principles of conflict of laws; or (ii) as to whether the obligations of CalPetro under the Issue of One Debenture may be discharged, released, prejudiced or otherwise affected by any act, omission or circumstance which, but for Section 4.2 of the Issue of One Debenture might so operate or otherwise release or discharge the Owner from the Term Obligations or the Serial Obligations as therein defined; and
- (l) this opinion addresses matters of law not fact and is confined entirely to Isle of Man law.

This opinion may be relied upon by you and may not be disclosed to or relied upon by any other person without our prior written consent.

Yours faithfully,

CAINS
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Opinion of Cains,
Special Isle of Man Counsel for
CalPetro Tankers (IOM) Limited,

[] March, 1995

CalPetro Tankers (Bahamas I) Limited
c/o Thacher Proffit & Wood
2 World Trade Centre
New York
New York 10048

Dear Sirs,

Re: Chevron Tanker Financing - Samuel Ginn ("the Financing")

We have acted as your legal advisers in the Isle of Man in connection with the above.

Pursuant to Isle of Man law, we confirm that, in connection with the Financing, charges over property in the Isle of Man created by a foreign company which has established a place of business in the Isle of Man (as has CalPetro Tankers (Bahamas I) Limited ("CalPetro")) require to be registered within one month from the date of their creation. Failure to effect such registration will, inter alia, render the charge void against a liquidator of CalPetro.

We further confirm that WE HAVE FILED the following duly executed and dated documents with the Registrar of Companies in the Isle of Man:

1. first preferred ship mortgage dated [] March, 1995 between CalPetro and California Petroleum Transport Corporation ("CPTC") (with deed of covenants) and statutory mortgage;
2. assignment of earnings dated [] March, 1995 and insurances from CalPetro to CPTC;
3. assignment of charter dated [] March, 1995 between CalPetro and CPTC;
4. assignment of purchase agreement dated [] March, 1995 between CalPetro and CPTC;
5. assignment of guaranty dated [] March, 1995 by CalPetro in favour of CPTC;

6. issue of one debenture dated [] March, 1995 to which CalPetro and CPTC are parties;
7. assignment of management agreement dated [] March, 1995 between CPTC and CalPetro.

Please note that the documents listed above ("the Documents") WHICH HAVE BEEN filed at Companies Registry in the Isle of Man MAY ALSO NEED TO BE FILED to protect the security interests which the Documents create in other jurisdictions.

Yours faithfully,

CAINS
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Opinion of Cains,
Special Isle of Man Counsel for
CalPetro Tankers (IOM) Limited,

[] March, 1995

CalPetro Tankers (Bahamas III) Limited
c/o Thacher Proffitt & Wood
2 World Trade Centre
New York
New York 10048

Dear Sirs:

Re: Chevron Tanker Financing - William E. Crain (the "Financing")

We have acted as your legal advisers in the Isle of Man in connection with the above.

Pursuant to Isle of Man law, we confirm that, in connection with the Financing, charges over property in the Isle of Man created by a foreign company which has established a place of business in the Isle of Man (as has CalPetro Tankers (Bahamas III) Limited ("CalPetro")) require to be registered within one month from the date of their creation. Failure to effect such registration will, inter alia, render the charge void against a liquidator of CalPetro.

We further confirm that we have filed the following duly executed and dated documents with the Registrar of Companies in the Isle of Man:

1. first preferred ship mortgage dated [] March, 1995 between CalPetro and California Petroleum Transport Corporation ("CPTC") (with deed of covenants) and statutory mortgage;
2. assignment of earnings dated [] March, 1995 and insurances from CalPetro to CPTC;
3. assignment of charter dated [] March, 1995 between CalPetro and CPTC;
4. assignment of purchase agreement dated [] March, 1995 between CalPetro and CPTC;

5. assignment of guaranty dated [] March, 1995 by CalPetro in favour of CPTC;
6. issue of one debenture dated [] March, 1995 to which CalPetro and CPTC are parties;
7. assignment of management agreement dated [] March, 1995 between CPTC and CalPetro.

Please note that the documents listed above (the "Documents") which have been filed at Companies Registry in the Isle of Man may also need to be filed to protect the security interests which the Documents create in other jurisdictions.

Yours faithfully,

CAINS

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Opinion of Cains,
Special Isle of Man Counsel for
CalPetro Tankers (IOM) Limited,

[] March, 1995

CalPetro Tankers (Bahamas II) Limited
c/o Thacher Proffitt & Wood
2 World Trade Centre
New York
New York 10048

Dear Sirs,

Re: Chevron Tanker Financing - Condoleezza Rice ("the Financing")

We have acted as your legal advisers in the Isle of Man in connection with the above.

Pursuant to Isle of Man law, we confirm that, in connection with the Financing, charges over property in the Isle of Man created by a foreign company which has established a place of business in the Isle of Man (as has CalPetro Tankers (Bahamas II) Limited ("CalPetro")) require to be registered within one month from the date of their creation. Failure to effect such registration will, inter alia, render the charge void against a liquidator of CalPetro.

We further confirm that we have filed the following duly executed and dated documents with the Registrar of Companies in the Isle of Man:

1. first preferred ship mortgage dated [] March, 1995 between CalPetro and California Petroleum Transport Corporation ("CPTC") (with deed of covenants) and statutory mortgage;
2. assignment of earnings dated [] March, 1995 and insurances from CalPetro to CPTC;
3. assignment of charter dated [] March, 1995 between CalPetro and CPTC;

4. assignment of purchase agreement dated [] March, 1995 between CalPetro and CPTC;
5. assignment of guaranty dated [] March, 1995 by CalPetro in favour of CPTC;
6. issue of one debenture dated [] March, 1995 to which CalPetro and CPTC are parties;
7. assignment of management agreement dated [] March, 1995 between CPTC and CalPetro.

Please note that the documents listed above ("the Documents") which have been filed at Companies Registry in the Isle of Man may also need to be filed to protect the security interests which the Documents create in other jurisdictions.

Yours faithfully,

CAINS

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Opinion of The Henries Law Firm,
Special Liberian Counsel for Chevron Transport

_____, 1995

Donaldson, Lufkin & Jenrette
Securities Corporation
140 Broadway
New York, NY 10005

Gentlemen and Mesdames:

We have acted as counsel to Chevron Transport Corporation ("Chevron Transport") in connection with your purchase from California Petroleum Transport Corporation ("California Petroleum") of \$167,500,000 aggregate principal amount of its Serial First Preferred Mortgage Notes Maturing Serially from 1996 to 2006 (the "Serial Mortgage Notes") and \$117,900,000 aggregate principal amount of its ___% First Preferred Mortgage Notes Due 2015 (the "Term Mortgage Notes," and together with the Serial Mortgage Notes, the "Notes"). Such purchase of Serial Mortgage Notes is made pursuant to the Underwriting Agreement dated _____, 1995 (the "Serial Underwriting Agreement") among California Petroleum, Chevron Corporation ("Chevron"), Chevron Transport, certain other parties and you, and such purchase of Term Mortgage Notes is made pursuant to the Underwriting Agreement dated as of _____, 1995 (the "Term Underwriting Agreement," and together with the Serial Underwriting Agreement, the "Underwriting Agreements") among California Petroleum, Chevron, Chevron Transport, certain other parties and you. The sale of the Notes is being effected in connection with the execution and delivery of four Vessel Purchase Agreements (the "Vessel Purchase Agreements") dated as of the date hereof between Chevron Transport and each of CalPetro Tankers (Bahamas I) Limited, CalPetro Tankers (Bahamas II) Limited, CalPetro Tankers (Bahamas III) Limited and CalPetro Tankers (IOM) Limited (the "Owners"), and four Bareboat Charters (the "Initial Charters") dated as of the date hereof between Chevron Transport and each of the Owners. This opinion is furnished pursuant to Section 11(j) of the Serial Underwriting Agreement and Section 11(j) of the Term Underwriting Agreement.

We have examined executed copies of the Vessel Purchase Agreements, the Initial Charters and the Underwriting Agreements. We have also examined such other documents and certificates of public officials and representatives of Chevron Transport as we have deemed necessary as a basis for the opinions expressed herein. As to questions of fact material to such opinions, we have, when relevant facts were not independently established, relied upon certificates of officers or authorized representatives of Chevron Transport.

We have assumed the genuineness of all signatures and documents submitted to us as originals, that all copies submitted to us conform to the originals, the legal capacity of all natural persons, and as to documents executed by entities other than Chevron Transport, that each of such entities has the power to enter into and perform its respective obligations thereunder, and that such documents have been duly authorized, executed and delivered by, and are binding upon and enforceable against, each of such entities.

We express no opinion as to the laws of any jurisdiction other than Liberia.

Based upon the foregoing and subject to the qualifications set forth below, it is our opinion that:

1. Chevron Transport is validly existing as a corporation in good standing under the laws of Liberia.

2. Each of the Initial Charters and the Vessel Purchase Agreements has been duly authorized, executed and delivered by Chevron Transport and constitutes a valid and binding obligation of Chevron Transport, enforceable in accordance with its terms.

3. The Underwriting Agreements have been duly authorized, executed and delivered by Chevron Transport.

4. The execution, delivery and performance of the terms of the Underwriting Agreements, the Vessel Purchase Agreements and the Initial Charters by Chevron Transport will not contravene any provision of the charter documents of Chevron Transport.

5. The statements under the caption "Chevron Transport" in Item 15 of Part II of the Registration Statement on Form S-3 (File No. 33-56373) filed by Chevron Transport and Chevron with the Securities and Exchange Commission, insofar as such statements constitute a summary of legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings.

Our opinion in paragraph 2 is subject to and limited by: (i) the effect of bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium or other laws affecting or relating to the rights of creditors generally; and (ii) the rules governing the availability of specific performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or at law.

This opinion is rendered by us as counsel for Chevron Transport solely for your benefit in connection with the transaction referred to herein and may not be relied upon by you in connection with any other transaction and may not be relied upon by any other person without our prior written consent.

Very truly yours,

Opinion of Davis Polk & Wardwell,
Special Counsel for the Underwriter

The Opinion of Davis Polk & Wardwell, Special Counsel for the Underwriter, to be delivered pursuant to Section 11(k) of the Underwriting Agreement shall be to the effect that:

(a) the Serial Mortgage Notes have been duly authorized and, when executed and authenticated in accordance with the provisions of the Serial Indenture and delivered to and paid for by the Underwriter in accordance with the terms of the Underwriting Agreement, will be entitled to the benefits of the Serial Indenture and will be valid and binding obligations of California Petroleum enforceable in accordance with their terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (b) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability;

(b) Assuming that the execution, delivery and performance by Chevron, Chevron Transport and each Company of the Underwriting Agreement are within such company's corporate powers and have been duly authorized by all necessary corporate action then the Underwriting Agreement is a valid and binding agreement of Chevron, Chevron Transport and each Company enforceable in accordance with its terms (except as rights to indemnity and contribution hereunder may be limited by applicable law);

(c) the Serial Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended, and has been duly authorized, executed and delivered by California Petroleum and Chevron and is a valid and binding agreement of California Petroleum and Chevron, enforceable in accordance with its terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (b) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability;

(d) the statements under the captions "Description of Notes" and "Underwriting" in the Prospectus, as amended or supplemented, insofar as such statements constitute a summary of legal matters documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings; and

(e) (1) the Registration Statement and the Prospectus and any supplement or amendment thereto (except for financial statements as to which no opinion need be expressed) comply as to form in all material respects with the Act, and (2) such counsel believes that (except for financial statements, as aforesaid and except for that part of the Registration Statement that constitutes the Form T-1) the Registration Statement and the Prospectus included therein at the time the Registration Statement became effective did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that the Prospectus, as amended or supplemented, if applicable (except for financial statements, as aforesaid) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In giving such opinion with respect to the matters covered by clause (e) such counsel may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto (but not including documents incorporated therein by reference) and review and discussion of the contents thereof (including documents incorporated therein by reference), but are without independent check or verification except as specified.

Insofar as the foregoing opinion involves matters governed by the laws of the Bahamas, the Isle of Man or Liberia such counsel may rely, without independent investigation, upon the opinions of McKinney, Bancroft & Hughes, Cains and The Henries Law Firm, respectively.

=====
Serial Indenture

Dated as of {DATE}, 1995

AMONG

CALIFORNIA PETROLEUM TRANSPORT CORPORATION,

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Indenture Trustee,

AND

CHEVRON CORPORATION

—————
\$167,500,000

Serial First Preferred Mortgage Notes
Maturing Serially from 1996 to 2006
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EXHIBIT B - Form of Collateral Agreement

THIS Serial Indenture, dated as of {DATE}, 1995 among CALIFORNIA PETROLEUM TRANSPORT CORPORATION, a Delaware corporation ("California Petroleum"), CHEMICAL TRUST COMPANY OF CALIFORNIA (the "Indenture Trustee") and CHEVRON CORPORATION, a Delaware corporation ("Chevron"),

W I T N E S E T H :

WHEREAS, capitalized terms used herein shall have the respective meanings set forth or referred to in Article One hereof;

WHEREAS, California Petroleum has duly authorized the issue of its Serial Mortgage Notes and, to provide, among other things, for the authentication, delivery and administration thereof, California Petroleum has duly authorized the execution and delivery of this Serial Indenture.

WHEREAS, in order to secure its obligations under this Serial Indenture and the Term Indenture, California Petroleum is entering into the Collateral Agreement concurrently with this Serial Indenture;

WHEREAS, in order to comply with the provisions of the Trust Indenture Act, it is necessary that Chevron be a party to this Serial Indenture;

AND WHEREAS, all things necessary to make the Serial Mortgage Notes, when executed by California Petroleum and authenticated and delivered by the Indenture Trustee as in this Serial Indenture provided, the valid, binding and legal obligations of California Petroleum, and to constitute these presents a valid indenture and agreement according to its terms, have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Serial Mortgage Notes by the holders thereof, California Petroleum, Chevron and the Indenture Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Serial Mortgage Notes as follows:

ARTICLE ONE

DEFINITIONS.

SECTION 1.1 Certain Terms Defined. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Serial Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. All other terms used in this Serial Indenture which are defined in the Trust Indenture Act or the definitions of which in the Securities Act are referred to in the Trust Indenture Act (except as herein otherwise expressly provided or unless the context otherwise clearly requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Serial Indenture. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" shall mean such accounting principles which are generally accepted at the date or time of any computation or at the date hereof. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Serial Indenture as a whole and not to any particular Article, Section or other subdivision. All references to Articles or Sections refer to Articles or Sections of this Serial Indenture unless otherwise indicated. The terms defined in this Article include the plural as well as the singular.

"Affiliate" means with respect to any Person (the "relevant Person") (i) any other Person that directly, or indirectly through one or more intermediaries, controls the relevant Person (a "Controlling Person") or (ii) any Person (other than the relevant Person) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Allocated Principal Amount" means when used with reference to the Serial Mortgage Notes relating to any Vessel at any time, an aggregate principal amount of outstanding Serial Mortgage Notes equal to the aggregate principal amount of Serial Loans of the related Owner then outstanding.

"Assignment of Earnings and Insurances" has the meaning set forth in the Collateral Agreement.

"Assignment of Initial Charter" has the meaning set forth in the Collateral Agreement.

"Assignment of Management Agreement" has the meaning set forth in the Collateral Agreement.

"Assignment of Mortgage" has the meaning set forth in the Collateral Agreement.

"Assignment of Vessel Purchase Agreement" has the meaning set forth in the Collateral Agreement.

"Authorized Financial Officer" of any Person means the Chief Financial Officer, Treasurer or Controller of such Person.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended.

"Board of Directors" means either the Board of Directors of California Petroleum or any committee of such Board duly authorized to act hereunder.

"Business Day" means any day except a Saturday or a Sunday or other day on which commercial banks are authorized by law to close in New York City or in the city and state where the principal offices of the paying agent appointed pursuant to Section 3.4 are located.

"California Petroleum" means California Petroleum Transport Corporation, a Delaware corporation.

"Casualty Account" has the meaning set forth in the Collateral Agreement.

"Chevron" means Chevron Corporation, a Delaware corporation and, subject to Article Eight, its successors and assigns.

"Chevron Transport" means Chevron Transport Corporation, a Liberian corporation.

"Closing Date" means _____, 1995.

"Collateral" means the property in which the Collateral Trustee, in its own right or as assignee of California Petroleum, is granted a Lien from time to time under any Security Document, which lien or security interest has not been released in accordance with the terms of the Collateral Agreement or thereof.

"Collateral Account" has the meaning set forth in the Collateral Agreement.

"Collateral Agreement" means the Collateral Trust Agreement dated as of the date hereof among California Petroleum, the Owners, the Collateral Trustee, the Indenture Trustee and the Term Indenture Trustee, as the same may be amended from time to time.

"Collateral Assignment of Initial Charter" has the meaning set forth in the Collateral Agreement.

"Collateral Assignment of Initial Charter Guarantee" has the meaning set forth in the Collateral Agreement.

"Collateral Trustee" means Chemical Trust Company of California, in its capacity as trustee under the Collateral Agreement, or any other Person acting from time to time as trustee under the Collateral Agreement.

"Commission" means the Securities and Exchange Commission.

"Compulsory Acquisition" means requisition for title or other compulsory acquisition of any Vessel (otherwise than by requisition for hire), capture, seizure, condemnation, destruction, detention or confiscation of such Vessel by any government or by persons acting or purporting to act on behalf of any governmental authority.

"Corporate Trust Office" means the office of the Indenture Trustee at which the corporate trust business of the Indenture Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Serial Indenture is dated, located at 50 California Street, 10th Floor, San Francisco, California, 94111.

"Default" means any Indenture Event of Default or any event or condition which, with the giving of notice or lapse of time, or both would constitute an Indenture Event of Default.

"Default Rate" means a rate per annum for each day from the date of a default in any payment hereunder until such payment shall be paid in full equal to 1.50% above LIBOR at the commencement of such period.

"Depository" means the depository of the Global Securities representing the Serial Mortgage Notes and any successor to such Depository appointed pursuant to Section 2.9(c). The Depository initially shall be Depository Trust Company, a New York corporation.

"Designated Representative" means the Person designated by California Petroleum pursuant to the Designated Representative Agreement, dated the date hereof, between California Petroleum and CalPetro Holdings to be California Petroleum's representative under Section 10.11 of this Serial Indenture. Initially, the Designated Representative is CalPetro Holdings Limited.

"Enforcement Notice" means a notice delivered to the Collateral Trustee pursuant to Section 4.10.

"Equity Account" has the meaning set forth in the Collateral Agreement.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Global Security" means the Serial Mortgage Note or Notes registered in the name of the Depository or its nominee in accordance with Article Two and bearing the legend prescribed in Section 2.9(a).

"Holder", "holder of Serial Mortgage Notes", "Serial Noteholder" or other similar terms means the registered holder of any Serial Mortgage Note.

"Indenture Event of Default" means any event or condition specified as such in Section 4.1 which shall have continued for the period of time, if any, therein designated.

"Indenture Trustee" means Chemical Trust Company of California, in its capacity as trustee under this Serial Indenture, or any other Person acting from time to time as trustee hereunder.

"Initial Charter" has the meaning set forth in the Collateral Agreement.

"Initial Charter Guarantee" has the meaning set forth in the Collateral Agreement.

"Initial Charterer" means, for each Initial Charter, Chevron Transport as the charterer thereunder, and any permitted successor or assignee thereof.

"Initial Revenue Account" has the meaning set forth in the Collateral Agreement.

"Issue of One Debenture" has the meaning set forth in the Collateral Agreement.

"LIBOR" means the rate calculated on the basis of the offered rates for deposits in dollars for a month period which appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time, on the date that is two London Banking Days preceding the date of calculation. If at least two such offered rates appear on the Reuters Screen LIBO Page, LIBOR will be the arithmetic mean of such offered rates (rounded to the nearest .0001 percentage point). If, at any time of determination, the Reuters Screen LIBO Page is not available, LIBOR will be calculated as the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective ratio per annum at which deposits in dollars for a one month period are offered to each of three reference banks in the London interbank market at approximately 11:00 a.m., London time, on the date that is two London Banking Days preceding the date of calculation. Each of Chevron and the Indenture Trustee will select a reference bank and the third reference bank will be selected by Chevron and the Indenture Trustee together or, failing agreement, by the previously selected reference banks together.

"Lien" means with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Serial Indenture, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan Agreements" means the Serial Loan Agreements and the Term Loan Agreements, collectively.

"London Banking Day" means any day on which dealings in deposits in United States dollars are carried on in the London interbank market and on which commercial banks are open for domestic and international business (including dealings in dollar deposits) in London and New York.

"Management Agreement" has the meaning set forth in the Collateral Agreement.

"Mortgage" means, for each Vessel, the First Preferred Ship Mortgage or Statutory Mortgage and Deed of Covenants for such Vessel, as applicable, dated the date of the related Initial Charter, between the related Owner and California Petroleum, as the same may be amended from time to time.

"Mortgage Event of Default" means, for any Mortgage, each of the events designated as an "Event of Default" in Section 5.01 of such Mortgage.

"Officers' Certificate" means a certificate signed by a Responsible Officer of California Petroleum or Chevron, as the case may be, and delivered to the Indenture Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act and include the statements provided for in Section 10.5.

"Operating Account" has the meaning set forth in the Collateral Agreement.

"Opinion of Counsel" means an opinion in writing signed by legal counsel satisfactory to the Indenture Trustee (who may be an employee of or counsel to Chevron). Each such opinion shall comply with Section 314 of the Trust Indenture Act and include the statements provided for in Section 10.5, if and to the extent required hereby.

"Original issue date" of any Serial Mortgage Note (or portion thereof) means the earlier of (a) the date of such Serial Mortgage Note or (b) the date of any Serial Mortgage Note (or portion thereof) for which such Serial Mortgage Note was issued (directly or indirectly) on registration of transfer, exchange or substitution.

"Outstanding", when used with reference to Serial Mortgage Notes, shall, subject to the provisions of Section 6.4, mean, as of any particular time, all Serial Mortgage Notes authenticated and delivered by the Indenture Trustee under this Serial Indenture, except

(a) Serial Mortgage Notes theretofore canceled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation;

(b) Serial Mortgage Notes, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Indenture Trustee or with any paying agent, provided that if such Serial Mortgage Notes are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Indenture Trustee shall have been made for giving such notice; and

(c) Serial Mortgage Notes in substitution for which other Serial Mortgage Notes shall have been authenticated and delivered, or which shall have been paid, pursuant to the terms of Section 2.6 (unless proof satisfactory to the Indenture Trustee is presented that any of such Serial Mortgage Notes is held by a person in whose hands such Serial Mortgage Note is a legal, valid and binding obligation of California Petroleum).

"Owner" means CalPetro Tankers (Bahamas I) Limited, in the case of the Vessel m.t. Samuel Ginn, CalPetro Tankers (Bahamas II) Limited, in the case of the Vessel m.t. Condoleezza Rice, CalPetro Tankers (IOM) Limited, in the case of the Vessel m.t. Chevron Mariner, or CalPetro Tankers (Bahamas III) Limited, in the case of the Vessel m.t. William E. Crain.

"Permitted Investments" has the meaning set forth in the Collateral Agreement.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Pledged Stock" has the meaning set forth in the Collateral Agreement.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Ratings Group and Duff & Phelps Credit Rating Co.

"Related Security Documents" means, at any time, the Security Documents relating to an Owner and its Vessel for which the Initial Charters are in effect at such time and under which the first termination date has not occurred.

"Responsible Officer" means the president or any other officer with authority of at least a vice president; or, in the case of the Indenture Trustee means an officer or assistant officer of the Indenture Trustee in its Corporate Trust Department.

"Second Revenue Account" has the meaning set forth in the Collateral Agreement.

"Secured Instruments" has the meaning set forth in the Collateral Agreement.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Security Documents" means the Collateral Agreement, the Loan Agreements, the Mortgages, the Assignments of Mortgage, the Assignments of Initial Charter, the Collateral Assignments of Initial Charter, the Assignments of Earnings and Insurances, the Assignments of Initial Charter Guarantee, the Collateral Assignments of Initial Charter Guarantee, the Assignments of Management Agreement, each Issue of One Debenture, the Stock Pledge, the Assignments of Vessel Purchase Agreements, and any additional security agreement, assignment or mortgage document entered into by California Petroleum from time to time in

connection with the Secured Instruments or received by California Petroleum from any Owner in connection with such Owner's Loan Agreements.

"Serial Indenture" means this Serial Indenture dated as of {DATE}, 1995 among California Petroleum, the Indenture Trustee, and, solely for purposes of the Trust Indenture Act, Chevron, as the same may be amended from time to time.

"Serial Loan Agreement" means, for any Owner, the Serial Loan Agreement dated as of {DATE}, 1995 between such Owner and California Petroleum, as the same may be amended from time to time.

"Serial Loans" has, for any Owner, the meaning set forth in the Serial Loan Agreement entered into by such Owner.

"Serial Mortgage Note" or "Serial Mortgage Notes" means any Serial First Preferred Mortgage Note or Notes, as the case may be, authenticated and delivered under this Serial Indenture.

"Stock Pledge" has the meaning set forth in the Collateral Agreement.

"Term Indenture" means the Term Indenture dated as of {DATE}, 1995 between California Petroleum and the Term Indenture Trustee, as the same may be amended from time to time.

"Term Indenture Trustee" means Chemical Trust Company of California or any other Person from time to time acting as the trustee under the Term Indenture.

"Term Loan Agreement" means, for any Owner, the Term Loan Agreement dated as of {DATE}, 1995 between such Owner and California Petroleum, as the same may be amended from time to time.

"Term Mortgage Notes" has the meaning set forth in the Term Indenture.

"Termination Account" has the meaning set forth in the Collateral Agreement.

"Total Loss" means (a) an actual or constructive or compromised or arranged total loss of a Vessel, (b) a Compulsory Acquisition of a Vessel or (c) if so declared by Chevron Transport at any time and in its sole discretion a requisition for hire of the Vessel for a period in excess of 180 days.

"Trust Accounts" means the Initial Revenue Account, the Second Revenue Account, the Termination Account, the Operating Account, the Equity Account, the Sinking Fund Reserve Account, the Casualty Account and the Collateral Account.

"Trust Estate" means the property rights and privileges described in the Granting Clause of the Collateral Agreement.

"Trust Funds" means the funds deposited in the Trust Accounts.

"Trust Indenture Act" means the United States Trust Indenture Act of 1939, as amended.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of New York or any other applicable jurisdiction.

"Vessel Purchase Agreement" has the meaning set forth in the Collateral Agreement.

"Vessels" means, collectively, the four Suezmax-size tankers to be acquired by the Owners and chartered to the Initial Charterer pursuant to the Initial Charters.

ARTICLE TWO

ISSUE, EXECUTION, FORM AND REGISTRATION OF SERIAL MORTGAGE NOTES.

SECTION 2.1 Authentication and Delivery of Serial Mortgage Notes.

Upon the execution and delivery of this Serial Indenture, or from time to time thereafter, Serial Mortgage Notes in an aggregate principal amount not in excess of \$167,500,000 (except as otherwise provided in Section 2.6) may be executed by California Petroleum and delivered to the Indenture Trustee for authentication, and an authorized officer of the Indenture Trustee shall thereupon authenticate and deliver said Serial Mortgage Notes to or upon the written order of California Petroleum, signed by both (a) its President or any Vice President and (b) by its Treasurer or any Assistant Treasurer without any further action by California Petroleum.

The Serial Mortgage Notes initially shall be issued in the aggregate principal amounts, interest rates and maturities stated below:

\$17,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 1996;

\$18,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 1997;

\$18,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 1998;

\$18,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 1999;

\$18,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 2000;

\$18,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 2001;

\$18,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 2002;

\$18,160,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 2003;

\$12,950,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 2004;

\$7,740,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 2005; and

\$2,530,000 aggregate principal amount of ___%
Serial First Preferred Mortgage Notes Due 2006.

SECTION 2.2 Execution of Serial Mortgage Notes. The Serial Mortgage Notes shall be signed on behalf of California Petroleum by both (a) its President or any Vice President and (b) by its Treasurer or any Assistant Treasurer or its Secretary or any Assistant Secretary, under its corporate seal which may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. The seal of California Petroleum may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Serial Mortgage Notes. Typographical and other minor errors or

defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Serial Mortgage Note which has been duly authenticated and delivered by the Indenture Trustee.

In case any officer of California Petroleum who shall have signed any of the Serial Mortgage Notes shall cease to be such officer before the Serial Mortgage Note so signed shall be authenticated and delivered by the Indenture Trustee or disposed of by California Petroleum, such Serial Mortgage Note nevertheless may be authenticated and delivered or disposed of as though the person who signed such Serial Mortgage Note had not ceased to be such officer of California Petroleum; and any Serial Mortgage Note may be signed on behalf of California Petroleum by such persons as, at the actual date of the execution of such Serial Mortgage Note, shall be the proper officers of California Petroleum, although at the date of the execution and delivery of this Serial Indenture any such person was not such officer.

SECTION 2.3 Certificate of Authentication. Only such Serial Mortgage Notes as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto executed by the Indenture Trustee by manual signature of one of its authorized officers, shall be entitled to the benefits of this Serial Indenture or be valid or obligatory for any purpose. Such certificate by the Indenture Trustee upon any Serial Mortgage Note executed by California Petroleum shall be conclusive evidence that the Serial Mortgage Note so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Serial Indenture.

SECTION 2.4 Form, Denomination and Date of Serial Mortgage Notes; Payments of Interest. The Serial Mortgage Notes and the Indenture Trustee's certificates of authentication shall be substantially in the form attached hereto as Exhibit A and incorporated by reference herein. The Serial Mortgage Notes shall be issuable as registered securities without coupons and in denominations provided for in such form of Serial Mortgage Note. The Serial Mortgage Notes shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the officers of California Petroleum executing the same may determine with the approval of the Indenture Trustee.

Any of the Serial Mortgage Notes may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Serial Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with the rules of any securities market in which the Serial Mortgage Notes are admitted to trading, or to conform to general usage.

Each Serial Mortgage Note shall be dated the date of its authentication, shall bear interest from the applicable date and shall be payable on the dates specified on the face of the form of Serial Mortgage Note. Interest will accrue at the Default Rate on any overdue payment of principal of, interest or any other amount payable on any Serial Mortgage Note from the due date for such payment to the date such amount is paid in full and shall be payable on demand.

The person in whose name any Serial Mortgage Note is registered at the close of business on any record date with respect to any interest payment date shall be entitled to receive the interest, if any, payable on such interest payment date notwithstanding any transfer or exchange of such Serial Mortgage Note subsequent to the record date and prior to such interest payment date, except if and to the extent California Petroleum shall default in the payment of the interest due on such interest payment date, in which case such defaulted interest shall be paid to the persons in whose names Outstanding Serial Mortgage Notes are registered at the close of business on a subsequent record date (which shall be not less than five business days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of California Petroleum to the holders of Serial Mortgage Notes not less than 15 days preceding such subsequent record date. The term "record date" as used with respect to any interest payment date (except a date for payment of defaulted interest) shall mean if such interest payment date is the first day of a calendar month, the fifteenth day of the next preceding calendar month and shall mean, if such interest payment date is the fifteenth day of a calendar month, the first day of such calendar month, whether or not such record date is a business day.

SECTION 2.5 Registration, Transfer and Exchange. The Indenture Trustee will keep or cause to be kept at each office or agency to be maintained for the purpose as provided in Section 3.2 a register or registers in which, subject to such reasonable regulations as it may prescribe, it will register, and will register the transfer of, Serial Mortgage Notes as provided in this Article. Such register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. At all reasonable times such register or registers shall be open for inspection by the Indenture Trustee. Initially, California Petroleum designates the Indenture Trustee as registrar and transfer agent of the Serial Mortgage Notes.

Upon due presentation for registration of transfer of any Serial Mortgage Note at each such office or agency, California Petroleum shall execute and the Indenture Trustee shall authenticate and deliver in the name of the transferee or transferees a new Serial Mortgage Note or Serial Mortgage Notes in authorized denominations for a like aggregate principal amount.

Any Serial Mortgage Note or Serial Mortgage Notes may be exchanged for a Serial Mortgage Note or Serial Mortgage Notes in other authorized denominations, in an equal aggregate principal amount. Serial Mortgage Notes to be exchanged shall be surrendered at each office or agency to be maintained by California Petroleum for the purpose as provided in Section 3.2, and California Petroleum shall execute and the Indenture Trustee shall authenticate and deliver in exchange therefor the Serial Mortgage Note or Serial Mortgage Notes which the Serial Noteholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding.

All Serial Mortgage Notes presented for registration of transfer, exchange, redemption or payment shall (if so required by California Petroleum or the Indenture Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to California Petroleum and the Indenture Trustee duly executed by, the holder or his attorney duly authorized in writing.

California Petroleum may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Serial Mortgage Notes. No service charge shall be made for any such transaction.

California Petroleum shall not be required to exchange or register a transfer of (a) any Serial Mortgage Notes for a period of 15 days next preceding the first mailing of notice of redemption of Serial Mortgage Notes to be redeemed, or (b) any Serial Mortgage Notes selected, called or being called for redemption except, in the case of any Serial Mortgage Note where public notice has been given that such Serial Mortgage Note is to be redeemed in part, the portion thereof not so to be redeemed.

All Serial Mortgage Notes issued upon any transfer or exchange of Serial Mortgage Notes shall be valid obligations of California Petroleum, evidencing the same debt, and entitled to the same benefits under this Serial Indenture, as the Serial Mortgage Notes surrendered upon such transfer or exchange.

SECTION 2.6 Mutilated, Defaced, Destroyed, Lost and Stolen Serial Mortgage Notes. In case any temporary or definitive Serial Mortgage Note shall become mutilated, defaced or be apparently destroyed, lost or stolen, California Petroleum in its discretion may execute, and upon the written request of any officer of California Petroleum, the Indenture Trustee shall authenticate and deliver, a new Serial Mortgage Note, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Serial Mortgage Note, or in lieu of and substitution for the Serial Mortgage Note so apparently destroyed, lost or stolen. In every case the applicant for a substitute Serial Mortgage Note shall furnish to California Petroleum and to the Indenture Trustee and any agent of California

Petroleum or the Indenture Trustee such security or indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft evidence to their satisfaction of the apparent destruction, loss or theft of such Serial Mortgage Note and of the ownership thereof.

Upon the issuance of any substitute Serial Mortgage Note, California Petroleum may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Indenture Trustee) connected therewith. In case any Serial Mortgage Note which has matured or is about to mature, or has been called for redemption in full, shall become mutilated or defaced or be apparently destroyed, lost or stolen, California Petroleum may, instead of issuing a substitute Serial Mortgage Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Serial Mortgage Note), if the applicant for such payment shall furnish to California Petroleum and to the Indenture Trustee and any agent of California Petroleum or the Indenture Trustee such security or indemnity as any of them may require to save each of them harmless from all risks, however remote, and, in every case of apparent destruction, loss or theft, the applicant shall also furnish to California Petroleum and the Indenture Trustee and any agent of California Petroleum or the Indenture Trustee evidence to their satisfaction of the apparent destruction, loss or theft of such Serial Mortgage Note and of the ownership thereof.

Every substitute Serial Mortgage Note issued pursuant to the provisions of this Section by virtue of the fact that any Serial Mortgage Note is apparently destroyed, lost or stolen shall constitute an additional contractual obligation of California Petroleum, whether or not the apparently destroyed, lost or stolen Serial Mortgage Note shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Serial Indenture equally and proportionately with any and all other Serial Mortgage Notes duly authenticated and delivered hereunder. All Serial Mortgage Notes shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced, or apparently destroyed, lost or stolen Serial Mortgage Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.7 Cancellation of Serial Mortgage Notes; Destruction Thereof. All Serial Mortgage Notes surrendered for payment, redemption, registration of transfer or exchange, if surrendered to California Petroleum or any agent of California Petroleum or the Indenture Trustee, shall be delivered to the Indenture Trustee for cancellation or, if surrendered to the Indenture Trustee, shall be canceled by it; and no Serial Mortgage Notes shall be issued in lieu thereof except as

expressly permitted by any of the provisions of this Serial Indenture. The Indenture Trustee shall destroy canceled Serial Mortgage Notes held by it and deliver a certificate of destruction to California Petroleum. If California Petroleum shall acquire any of the Serial Mortgage Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Serial Mortgage Notes unless and until the same are delivered to the Indenture Trustee for cancellation.

SECTION 2.8 Temporary Serial Mortgage Notes. Pending the preparation of definitive Serial Mortgage Notes, California Petroleum may execute and the Indenture Trustee shall authenticate and deliver temporary Serial Mortgage Notes (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Indenture Trustee). Temporary Serial Mortgage Notes shall be issuable as registered Serial Mortgage Notes without coupons, of any authorized denomination, and substantially in the form of the definitive Serial Mortgage Notes but with such omissions, insertions and variations as may be appropriate for temporary Serial Mortgage Notes, all as may be determined by California Petroleum with the concurrence of the Indenture Trustee. Temporary Serial Mortgage Notes may contain such reference to any provisions of this Serial Indenture as may be appropriate. Every temporary Serial Mortgage Note shall be executed by California Petroleum and be authenticated by the Indenture Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Serial Mortgage Notes. Without unreasonable delay California Petroleum shall execute and shall furnish definitive Serial Mortgage Notes and thereupon temporary Serial Mortgage Notes may be surrendered in exchange therefor without charge at each office or agency to be maintained by California Petroleum for the purpose pursuant to Section 3.2, and the Indenture Trustee shall authenticate and deliver in exchange for such temporary Serial Mortgage Notes a like aggregate principal amount of definitive Serial Mortgage Notes of authorized denominations. Until so exchanged the temporary Serial Mortgage Notes shall be entitled to the same benefits under this Serial Indenture as definitive Serial Mortgage Notes.

SECTION 2.9 Serial Mortgage Notes Issuable in Global Form; Depository. At the sole option of California Petroleum, this Section shall apply to the Serial Mortgage Notes, and to the extent that the provisions of this Section conflict with any other provisions of this Serial Indenture, the provisions of this Section shall control.

(a) California Petroleum shall execute, and the Indenture Trustee shall authenticate and deliver, in each case in accordance with this Article, one or more Global Securities for each maturity specified in Section 2.1 which shall: (i) represent and be denominated in an aggregate amount equal to the aggregate principal amount of the Serial Mortgage Notes to be represented thereby, (ii) be registered in the name of the Depository or its nominee, (iii) be deposited with the Indenture

Trustee as custodian for the Depository and (iv) bear a legend substantially to the following effect: "Unless and until this Serial Mortgage Note is presented by an authorized representative of the Depository Trust Company ("DTC"), to California Petroleum Transport Corporation or its agents for registration of transfer, exchange or payment, and any Serial Mortgage Note issued is registered in the name of Cede & Co. or to such other entity or such other name as is requested by an authorized representative of DTC (and any payment hereon is made to Cede & Co.), any transfer, pledge or other use hereof for value or otherwise by or to any Person is wrongful since the registered owner hereof, Cede & Co., has an interest herein." The notation of the record owner's interest in such Global Security upon the original issuance thereof shall be deemed to be delivered in connection with the original issuance of each beneficial owner's interest in such Global Security. Without limiting the foregoing, Chevron, California Petroleum and the Indenture Trustee shall have no responsibility, obligation or liability with respect to: (x) the maintenance, review or accuracy of the records of the Depository or of any of its participating organizations with respect to any ownership interest in or payments with respect to such Global Security, (y) any communication with or delivery of any notice (including notices of redemption) with respect to the Serial Mortgage Notes represented by the Global Security to any Person having any ownership interest in such Global Security or to any of the Depository's participating organizations or (z) any payment made on account of any beneficial ownership interest in such Global Security.

(b) If any Serial Mortgage Note is issuable in the form of a Global Security or Securities, each such Global Security may provide that it shall represent the aggregate amount of Outstanding Serial Mortgage Notes from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Serial Mortgage Notes represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Global Security to reflect the amount of Outstanding Serial Mortgage Notes represented thereby shall be made by the Indenture Trustee and in such a manner as shall be specified on such Global Security. Any instructions by California Petroleum with respect to a Global Security, after its initial issuance, shall be in writing but need not comply with Section 10.5 of this Serial Indenture.

(c) The Depository must at all times be a clearing agency registered under the Exchange Act, and any other applicable statute or regulation. If at any time the Depository notifies California Petroleum, Chevron and the Indenture Trustee that it is unwilling or unable to continue as the depository or if at any time the Depository shall no longer be eligible under this Section 2.9, California Petroleum shall appoint a successor Depository. If a successor Depository is not appointed by California Petroleum within 90 days after California Petroleum receives such notice or learns of such ineligibility, California Petroleum shall execute and California Petroleum shall direct the Indenture Trustee to authenticate and deliver definitive Serial Mortgage Notes in authorized denominations in exchange for the Global Security or Securities.

Upon receipt of such direction, the Indenture Trustee shall thereupon authenticate and deliver the definitive Serial Mortgage Notes in the same aggregate principal amount as the Global Security or Securities representing such Serial Mortgage Notes in exchange for such Global Security or Securities, in accordance with the provisions of subsection (e) of this Section 2.9, without any further corporate action by California Petroleum.

(d) California Petroleum may at any time and in its sole discretion determine that the Serial Mortgage Notes issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event, California Petroleum will execute and upon receipt of a written order from California Petroleum, the Indenture Trustee shall thereupon authenticate and deliver Serial Mortgage Notes in definitive form and in authorized denominations in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Serial Mortgage Notes in exchange for such Global Security or Securities, in accordance with the provisions of subsection (e) of this Section 2.9 without any further corporate action by California Petroleum.

(e) Upon any exchange hereunder of the Global Security or Securities for Serial Mortgage Notes in definitive form, such Global Security or Securities shall be canceled by the Indenture Trustee. Serial Mortgage Notes issued hereunder in exchange for the Global Security or Securities shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Indenture Trustee. The Indenture Trustee shall deliver such definitive Serial Mortgage Notes in exchange for Global Security or Securities to the Persons in whose name such definitive Serial Mortgage Notes have been registered in accordance with the directions of the Depository.

ARTICLE THREE

COVENANTS

SECTION 3.1. Payment of Principal and Interest. California Petroleum covenants and agrees that it will duly and punctually pay or cause to be paid the principal of, and interest on, each of the Serial Mortgage Notes at the place or places, at the respective times and in the manner provided in this Serial Indenture and the Serial Mortgage Notes. California Petroleum covenants and agrees to pay on demand interest at the Default Rate on any overdue payment of principal of, interest or any other amount payable on any Serial Mortgage Note from the due date for such payment to the date such amount is paid in full.

SECTION 3.2 Offices for Payments, etc. So long as any of the Serial Mortgage Notes remain Outstanding, California Petroleum will maintain in New York, the following: (a) an office or agency where the Serial Mortgage Notes may be presented for payment, (b) an office or agency where the Serial Mortgage Notes may be presented for registration of transfer and for exchange as in this Serial Indenture provided and (c) an office or agency where notices and demands to or upon California Petroleum in respect of the Serial Mortgage Notes or of this Serial Indenture may be served. California Petroleum will give to the Indenture Trustee written notice of the location of any such office or agency and of any change of location thereof. California Petroleum hereby initially designates the office of Chemical Bank at 450 West 33rd Street, Transfer/Redemption Area, 8th Floor, New York, NY 10001 as the office or agency for each such purpose. In case California Petroleum shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Trust Office.

SECTION 3.3 Appointment to Fill a Vacancy in Office of Indenture Trustee. California Petroleum or its Designated Representative, whenever necessary to avoid or fill a vacancy in the office of Indenture Trustee, will, with the consent of Chevron, appoint, in the manner provided in Section 5.9, an Indenture Trustee, so that there shall at all times be an Indenture Trustee hereunder.

SECTION 3.4 Paying Agents. Whenever the Indenture Trustee shall appoint a paying agent, it will cause such paying agent to execute and deliver an instrument in which such agent shall agree with the Indenture Trustee, subject to the provisions of this Section,

(a) that it will hold all sums received by it as such agent for the payment of the principal of or interest on the Serial Mortgage Notes (whether such sums have been paid to it by California Petroleum or by any other obligor on the Serial Mortgage Notes) in trust for the benefit of the holders of the Serial Mortgage Notes or of the Indenture Trustee, and

(b) that it will give the Indenture Trustee notice of any failure by California Petroleum (or by any other obligor on the Serial Mortgage Notes) to make any payment of the principal of or interest on the Serial Mortgage Notes when the same shall be due and payable.

So long as the Collateral Agreement is in effect, the paying agent for the Serial Mortgage Notes shall be the Collateral Trustee pursuant to and in accordance with the provisions of the Collateral Agreement and hereof.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section are subject to the provisions of Sections 9.3 and 9.4.

SECTION 3.5 Reports by California Petroleum. California Petroleum covenants:

(a) to file with the Indenture Trustee, within 15 days after California Petroleum is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which California Petroleum may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, or, if California Petroleum is not required to file information, documents, or reports pursuant to either of such Sections of the Exchange Act, then to file with the Indenture Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange, as may be prescribed from time to time in such rules and regulations;

(b) to file with the Indenture Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents, and reports with respect to compliance by California Petroleum with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations;

(c) to transmit to the holders of the Serial Mortgage Notes in the manner and to the extent required by Section 313(c) of the Trust Indenture Act, within 30 days after the filing thereof with the Indenture Trustee, such summaries of any information, documents and reports required to be filed by California Petroleum pursuant to subsections (a) and (b) of this Section 3.5 as may be required by rules and regulations prescribed from time to time by the Commission; and

(d) furnish to the Indenture Trustee, on or before each August 1, commencing in 1995, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer of California Petroleum as to his or her knowledge of California Petroleum's compliance with all conditions and covenants under this Serial Indenture. For purposes of this subsection (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Serial Indenture.

SECTION 3.6 Reports by the Indenture Trustee.

(a) The Indenture Trustee shall on or before each August 1, commencing in 1995, transmit in the manner and to the extent required by Section 313(c) or 313(d) of the Trust Indenture Act, any report required by Section 313(a) or Section 313 (b) of the Trust Indenture Act to be transmitted by the Indenture Trustee to the holders of the Serial Mortgage Notes.

(b) A copy of each report required under this Section shall, at the time of such transmission to holders of Serial Mortgage Notes, be filed by the Indenture Trustee with the Commission and with each securities exchange upon which the Serial Mortgage Notes are listed. California Petroleum will notify the Indenture Trustee when the Serial Mortgage Notes are listed on any securities exchange.

SECTION 3.7 Serial Noteholders' Lists. If and so long as the Indenture Trustee shall not be the Serial Mortgage Note registrar, California Petroleum will furnish or cause to be furnished to the Indenture Trustee a list in such form as the Indenture Trustee may reasonably require of the names and addresses of the holders of the Serial Mortgage Notes pursuant to Section 312 of the Trust Indenture Act (a) semi-annually not more than 5 days after each record date for the payment of semi-annual interest on the Serial Mortgage Notes, as hereinabove specified, as of such record date, and (b) at such other times as the Indenture Trustee may request in writing, within thirty days after receipt by California Petroleum of any such request as of a date not more than 15 days prior to the time such information is furnished.

SECTION 3.8 Negative Covenants. California Petroleum will maintain its corporate existence and will not:

(a) create, incur, assume or issue, directly or indirectly, guarantee or in any manner become, directly or indirectly, liable for or with respect to the payment of any indebtedness, except for its obligations under this Serial Indenture and the Serial Mortgage Notes and the Term Indenture and the Term Mortgage Notes;

(b) engage in any business other than the issuance of the Serial Mortgage Notes and the Term Mortgage Notes and making the loans to the Owners under the Loan Agreements in accordance with California Petroleum's charter and by-laws;

(c) (i) commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to it, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or

its debts, (ii) seek appointment to a receiver, trustee, custodian or other similar official for it or any part of its assets, (iii) make a general assignment for the benefit of creditors or (iv) take any action in furtherance of, or consenting or acquiescing in, any of the foregoing;

(d) create, incur, assume or suffer to exist any Lien on any of its assets or properties or on any of the Collateral, except for the Liens created in connection with the Serial Indenture, the Term Indenture and the Collateral Agreement;

(e) consolidate with, or merge with or into, any other Person or convey or transfer to any Person (other than to the Collateral Trustee in accordance with the Collateral Agreement) all or any part of the Collateral;

(f) (i) declare or pay any dividend or other distribution on any shares of its capital stock in excess of \$15,000 per annum, (ii) make any loans or advances to any Affiliate of California Petroleum or (iii) purchase, redeem or otherwise acquire or retire for value any shares of its capital stock; and

(g) make any capital contributions, advances or loans to, or investments or purchases of capital stock in, any Person, except for its loan to each Owner under the Loan Agreements.

SECTION 3.9 Reports by Chevron. Chevron covenants:

(a) to file with the Indenture Trustee, within 15 days after Chevron is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which Chevron may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, or, if Chevron is not required to file information, documents, or reports pursuant to either of such Sections of the Exchange Act, then to file with the Indenture Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange, as may be prescribed from time to time in such rules and regulations;

(b) to file with the Indenture Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents, and reports with respect to compliance by Chevron with the conditions and covenants provided for in

this Serial Indenture as may be required from time to time by such rules and regulations;

(c) to transmit to the holders of the Serial Mortgage Notes in the manner and to the extent required by Section 313(c) of the Trust Indenture Act, within 30 days after the filing thereof with the Indenture Trustee, such summaries of any information, documents and reports required to be filed by Chevron pursuant to subsections (a) and (b) of this Section 3.9 as may be required by rules and regulations prescribed from time to time by the Commission; and

(d) furnish to the Indenture Trustee, on or before each August 1, commencing in 1995, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer of Chevron as to his or her knowledge of Chevron's compliance with all conditions and covenants under this Serial Indenture. For purposes of this subsection (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Serial Indenture.

ARTICLE FOUR

REMEDIES OF THE INDENTURE TRUSTEE AND SERIAL NOTEHOLDERS ON INDENTURE EVENT OF DEFAULT.

SECTION 4.1 Indenture Event of Default Defined; Acceleration of Maturity; Waiver of Default. An Indenture Event of Default means any of the following events (whatever the reason for such Indenture Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) any Mortgage Event of Default under a Mortgage that is a Related Security Document shall have occurred and be continuing;

(b) default in the payment of all or any part of the principal of or interest on any of the Serial Mortgage Notes as and when such payment becomes due and payable either at maturity, upon any redemption, by declaration or otherwise and the continuance of such default for a period of two Business Days;

(c) failure on the part of California Petroleum duly to observe or perform in any material respect any of the other agreements or covenants on the part of California Petroleum contained in the Serial Mortgage Notes, this

Serial Indenture, the Related Security Documents or any document or certificate delivered pursuant thereto for a period of 30 days after the earlier of (i) actual knowledge by California Petroleum of such failure and (ii) the date on which written notice specifying such failure and stating that such notice is a "Notice of Default" hereunder has been given by registered or certified mail, return receipt requested, to California Petroleum by the Indenture Trustee, or to California Petroleum and the Indenture Trustee by the holders of at least 25% in aggregate principal amount of the Serial Mortgage Notes at the time Outstanding;

(d) any representation or warranty of California Petroleum made in this Serial Indenture, any Related Security Document or any document or certificate delivered pursuant thereto proves to have been inaccurate in any material respect when made, remains inaccurate in such material respect for a period of 30 days after the earlier of (i) actual knowledge of such inaccuracy and (ii) the date on which written notice specifying such inaccuracy and stating that such notice is a "Notice of Default" hereunder has been given by registered or certified mail, return receipt requested, to California Petroleum by the Indenture Trustee, or to California Petroleum and the Indenture Trustee by the holders of at least 25% in aggregate principal amount of the Serial Mortgage Notes at the time Outstanding;

(e) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of California Petroleum in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of California Petroleum or for any substantial part of its property or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days;

(f) California Petroleum shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of California Petroleum or for any substantial part of its property, or make any general assignment for the benefit of creditors;

(g) any of the Initial Charters is repudiated or ceases to be in full force and effect, other than pursuant to the terms thereof;

(h) any of the Related Security Documents is repudiated or ceases to be in full force and effect or any of such Security Documents ceases to give the Collateral Trustee, in any material respect, the Liens, rights, powers and privileges purported to be created thereby, in each case other than pursuant to the terms thereof; or

(i) any Initial Charter Guarantee is repudiated or ceases to be in full force and effect, other than pursuant to the terms thereof.

If an Indenture Event of Default (other than an Indenture Event of Default specified in clause (e) or (f) above occurs and is continuing, then and in each and every such case, unless the principal of all of the Serial Mortgage Notes shall have already become due and payable, either the Indenture Trustee or the holders of not less than 25% in aggregate principal amount of the Serial Mortgage Notes then Outstanding hereunder, by notice in writing to California Petroleum (and to the Indenture Trustee if given by the Serial Noteholders), may declare the entire principal of all the Serial Mortgage Notes and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If an Indenture Event of Default specified in clause (e) or (f) above occurs and is continuing, then and in each and every such case, unless the principal of all of the Serial Mortgage Notes shall have already become due and payable, the entire principal of all the Serial Mortgage Notes and the interest accrued thereon, shall immediately and without further act become due and payable, without presentment, demand, protest or notice by the Indenture Trustee or any holder of Serial Mortgage Notes, all of which are hereby waived.

This provision, however, is subject to the condition that if, at any time after the principal of the Serial Mortgage Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, California Petroleum shall pay or shall deposit with the Indenture Trustee a sum sufficient to pay all matured installments of interest upon all the Serial Mortgage Notes and the principal of any and all Serial Mortgage Notes which shall have become due otherwise than by acceleration (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate for each Serial Mortgage Note as the rate of interest specified in such Serial Mortgage Note, to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith, and if any and all Events of Default under this Serial Indenture, other than the non-payment of the principal of Serial Mortgage Notes which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided

herein -- then and in every such case the holders of a majority in aggregate principal amount of the Serial Mortgage Notes then Outstanding, by written notice to California Petroleum and to the Indenture Trustee, may waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

SECTION 4.2 Collection of Indebtedness by Indenture Trustee; Indenture Trustee May Prove Debt. California Petroleum covenants that if an Indenture Event of Default specified in clause (b) of Section 4.1 occurs and is continuing, then upon demand of the Indenture Trustee, California Petroleum will pay to the Indenture Trustee for the benefit of the holders of the Serial Mortgage Notes the whole amount that then shall have become due and payable on all such Serial Mortgage Notes for principal or interest, as the case may be (with interest to the date of such payment upon the overdue principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the same rate for each Serial Mortgage Note as the rate of interest specified in such Serial Mortgage Note); and in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, their respective agents, attorneys and counsel, and any expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of its negligence or bad faith.

Until such demand is made by the Indenture Trustee, California Petroleum may pay the principal of and interest on the Serial Mortgage Notes to the registered holders, whether or not the Serial Mortgage Notes be overdue.

In case California Petroleum shall fail forthwith to pay such amounts upon such demand, the Indenture Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against California Petroleum or other obligor upon the Serial Mortgage Notes and collect in the manner provided by law out of the property of California Petroleum or other obligor upon the Serial Mortgage Notes, wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to California Petroleum or any other obligor upon the Serial Mortgage Notes under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of California Petroleum or its property or such other obligor,

or in case of any other comparable judicial proceedings relative to California Petroleum or other obligor upon the Serial Mortgage Notes, or to the creditors or property of California Petroleum or such other obligor, the Indenture Trustee, irrespective of whether the principal of the Serial Mortgage Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Serial Mortgage Notes, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Serial Noteholders allowed in any judicial proceedings relative to California Petroleum or other obligor upon the Serial Mortgage Notes, or to the creditors or property of California Petroleum or such other obligor,

(b) unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Serial Mortgage Notes in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings, and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Serial Noteholders and of the Indenture Trustee on their behalf; and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Serial Noteholders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to the Serial Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Serial Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Serial Mortgage Notes or the rights of any Holder thereof, or to authorize the Indenture Trustee to vote in respect of the claim of any Serial Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

All rights of action and of asserting claims under this Serial Indenture, or under any of the Serial Mortgage Notes, may be enforced by the Indenture Trustee without the possession of any of the Serial Mortgage Notes or the production thereof in any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents and attorneys, shall be for the ratable benefit of the holders of the Serial Mortgage Notes.

In any proceedings brought by the Indenture Trustee (and also any proceedings involving the interpretation of any provision of this Serial Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the holders of the Serial Mortgage Notes, and it shall not be necessary to make any holders of the Serial Mortgage Notes parties to any such proceedings.

SECTION 4.3 Application of Proceeds. Subject to the terms and conditions of the Collateral Agreement, any moneys collected by the Indenture Trustee pursuant to this Article shall be applied in the following order at the date or dates fixed by the Indenture Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Serial Mortgage Notes and stamping (or otherwise noting) thereon the payment, or issuing Serial Mortgage Notes in reduced principal amounts in exchange for the presented Serial Mortgage Notes if only partially paid, or upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses, including reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith;

SECOND: In case the principal of the Serial Mortgage Notes shall not have become and be then due and payable, to the payment of interest in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Indenture Trustee) upon the overdue installments of interest at the Default Rate, such payments to

be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal of the Serial Mortgage Notes shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Serial Mortgage Notes for principal and interest, with interest upon the overdue principal, and (to the extent that such interest has been collected by the Indenture Trustee) upon overdue installments of interest at the Default Rate; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Serial Mortgage Notes, then to the payment of such principal and interest, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Serial Mortgage Note over any other Serial Mortgage Note, ratably to the aggregate of such principal and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to California Petroleum or any other person lawfully entitled thereto.

SECTION 4.4 Suits for Enforcement. In case an Indenture Event of Default has occurred, has not been waived and is continuing, the Indenture Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Serial Indenture by such appropriate judicial proceedings as the Indenture Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Serial Indenture or in aid of the exercise of any power granted in this Serial Indenture or to enforce any other legal or equitable right vested in the Indenture Trustee by this Serial Indenture or by law.

SECTION 4.5 Restoration of Rights on Abandonment of Proceedings. In case the Indenture Trustee shall have proceeded to enforce any right under this Serial Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Indenture Trustee, then and in every such case California Petroleum and the Indenture Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of California Petroleum, the Indenture Trustee and the Serial Noteholders shall continue as though no such proceedings had been taken.

SECTION 4.6 Limitations on Suits by Serial Noteholders. Subject to the provisions of Section 4.11, no holder of any Serial Mortgage Note shall have any right by virtue or by availing of any provision of this Serial Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Serial Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder,

unless such holder previously shall have given to the Indenture Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the holders of not less than 25% in aggregate principal amount of the Serial Mortgage Notes then Outstanding shall have made written request upon the Indenture Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Indenture Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings and no direction inconsistent with such written request shall have been given to the Indenture Trustee pursuant to Section 4.8; it being understood and intended, and being expressly covenanted by the taker and holder of every Serial Mortgage Note with every other taker and holder and the Indenture Trustee, that no one or more holders of Serial Mortgage Notes shall have any right in any manner whatever by virtue or by availing of any provision of this Serial Indenture to affect, disturb or prejudice the rights of any other holder of Serial Mortgage Notes, or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Serial Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Serial Mortgage Notes. For the protection and enforcement of the provisions of this Section, each and every Serial Noteholder and the Indenture Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 4.7 Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default. Except as provided in Section 2.6, no right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Serial Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Indenture Trustee or of any holder of any of the Serial Mortgage Notes to exercise any right or power accruing upon any Indenture Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein; and, subject to Section 4.6, every power and remedy given by this Serial Indenture or by law to the Indenture Trustee or to the Serial Noteholders may be exercised from time to time, and as often as shall be deemed expedient, by the Indenture Trustee or by the Serial Noteholders.

SECTION 4.8 Control by Serial Noteholders. The holders of a majority in aggregate principal amount of the Serial Mortgage Notes at the time Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee by this Serial Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Serial Indenture and provided further that (subject to the provisions of Section 5.1) the Indenture Trustee shall have the right to decline to follow any such direction if the Indenture Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Indenture Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or responsible officers of the Indenture Trustee shall determine that the action or proceedings so directed would involve the Indenture Trustee in personal liability or if the Indenture Trustee in good faith shall so determine that the actions or forebearances specified in or pursuant to such direction shall be unduly prejudicial to the interests of holders of the Serial Mortgage Notes not joining in the giving of said direction, it being understood that (subject to Section 5.1) the Indenture Trustee shall have no duty to ascertain whether or not such actions or forebearances are unduly prejudicial to such holders.

Nothing in this Serial Indenture shall impair the right of the Indenture Trustee in its discretion to take any action deemed proper by the Indenture Trustee and which is not inconsistent with such direction by Serial Noteholders.

SECTION 4.9 Waiver of Past Defaults. Prior to the declaration of the maturity of the Serial Mortgage Notes as provided in Section 4.1, the holders of a majority in aggregate principal amount of the Serial Mortgage Notes at the time Outstanding may on behalf of the holders of all the Serial Mortgage Notes waive any past Default or Indenture Event of Default hereunder and its consequences, except a Default (a) in the payment of principal of or interest on any of the Serial Mortgage Notes or (b) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the holder of each Serial Mortgage Note affected. In the case of any such waiver, California Petroleum, the Indenture Trustee and the holders of the Serial Mortgage Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Indenture Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Serial Indenture; but no such waiver shall extend to any subsequent or other Default or Indenture Event of Default or impair any right consequent thereon.

SECTION 4.10 Enforcement Notice. (a) If any Indenture Event of Default occurs and is continuing and if such Indenture Event of Default is actually known by a Responsible Officer of the Indenture Trustee charged with administration of this Serial Indenture, the Indenture Trustee shall mail to the Collateral Trustee and each holder of a Serial Mortgage Note, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of each Indenture Event of Default within 90 days after it occurs (an "Enforcement Notice"), unless such Indenture Event of Default has been cured; provided that, except in the case of a default in the payment of the principal of or interest on any Serial Mortgage Note, the Indenture Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Indenture Trustee in good faith determine that the withholding of such notice is in the interest of the holders of the Serial Mortgage Notes.

(b) So long as an Enforcement Notice is in effect, the Collateral Agreement provides that the Collateral Trustee shall exercise the rights and remedies respectively provided in the Collateral Agreement and the Related Security Documents subject to the direction of the Applicable Secured Parties (as defined in the Collateral Agreement) as provided herein and therein. The Collateral Trustee is not empowered to exercise any remedy under the Collateral Agreement or any of the Related Security Documents unless an Enforcement Notice is in effect.

(c) Except as otherwise provided by Section 4.10(e), an Enforcement Notice shall become effective upon receipt thereof by the Collateral Trustee. An Enforcement Notice, once effective, shall remain in effect unless and until it is canceled as provided in Section 4.10(d) hereof or deemed canceled as provided in Section 4.10(e) hereof.

(d) If the Indenture Trustee has given an Enforcement Notice, the Indenture Trustee shall be required to cancel such Enforcement Notice under the circumstances set forth in Section 4.1.

(e) Notwithstanding anything to the contrary contained in this Section 4.10, if the Collateral Trustee and the Indenture Trustee are the same Person, the Indenture Trustee shall not be required to deliver a notice to the Collateral Trustee in order for an Enforcement Notice to become effective or to be canceled. In any such case, an Enforcement Notice shall, for all purposes of the Collateral Agreement and the Related Security Documents, (i) be deemed to have been delivered and to have become effective immediately upon the Indenture Trustee being charged under this Section 4.10 with knowledge that (x) a Serial Mortgage Note has not been paid in full at the stated final maturity thereof or (y) an Indenture Event of Default has occurred under the terms of this Serial Indenture, and (ii) be deemed to have been canceled at such time as the Indenture Trustee would have been required to deliver a notice of

cancellation under Section 4.1 pursuant to this Section 4.10 were it not also the Collateral Trustee.

(f) The Indenture Trustee shall not be deemed to have knowledge of any Default or Indenture Event of Default except (i) any Indenture Event of Default occurring pursuant to Section 4.1(b) or (ii) any Default or Indenture Event of Default of which a Responsible Officer of the Indenture Trustee charged with administration of this Serial Indenture shall have received written notification or obtained actual knowledge.

SECTION 4.11 Unconditional Rights of Holders to Receive Principal and Interest. Notwithstanding any other provision in this Serial Indenture (but subject to the terms of the Collateral Trust Agreement), other than the provisions hereof limiting the right to recover amounts due on the Serial Mortgage Notes to recoveries from the property of the Trust Estate, the Holder of any Serial Mortgage Note shall have the right, to the extent permitted by applicable law, which right is absolute and unconditional except to the extent restricted by applicable law, (i) to receive payments of interest on such Serial Mortgage Note on each interest payment date, (ii) to receive payments of principal on such Serial Mortgage Note on such principal payment date (or, in the case of any Serial Mortgage Note called for redemption, on or after the date fixed for such redemption) and (iii) to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder; provided, however, no Holder of a Serial Mortgage Note shall have any right to institute any such suit, if and to the extent that the institution or prosecution thereof or the entry of a judgement therein would, under applicable law, result in the surrender, impairment or waiver of the lien of this Serial Indenture upon the Trust Estate.

ARTICLE FIVE

CONCERNING THE INDENTURE TRUSTEE.

SECTION 5.1 Duties and Responsibilities of the Indenture Trustee; During Default; Prior to Default. The Indenture Trustee, prior to the occurrence of an Indenture Event of Default and after the curing or waiving of all Indenture Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Serial Indenture. In case an Indenture Event of Default has occurred (which has not been cured or waived) the Indenture Trustee shall exercise such of the rights and powers vested in it by this Serial Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Serial Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(a) prior to the occurrence of an Indenture Event of Default and after the curing or waiving of all such Indenture Events of Default which may have occurred:

(i) the duties and obligations of the Indenture Trustee shall be determined solely by the express provisions of this Serial Indenture, and the Indenture Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Serial Indenture, and no implied covenants or obligations shall be read into this Serial Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on the part of the Indenture Trustee, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Serial Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Serial Indenture;

(b) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Indenture Trustee, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts; and

(c) the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Serial Mortgage Notes at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee, under this Serial Indenture.

None of the provisions contained in this Serial Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the

repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

This Section 5.1 is in furtherance of and subject to Sections 315 and 316 of the Trust Indenture Act.

SECTION 5.2 Certain Rights of the Indenture Trustee. In furtherance of and subject to the Trust Indenture Act, and subject to Section 5.1:

(a) the Indenture Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of California Petroleum mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Indenture Trustee by a copy thereof certified by the secretary or an assistant secretary of California Petroleum;

(c) the Indenture Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Indenture Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Serial Indenture at the request, order or direction of any of the Serial Noteholders pursuant to the provisions of this Serial Indenture, unless such Serial Noteholders shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Indenture Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Serial Indenture;

(f) prior to the occurrence of an Indenture Event of Default hereunder and after the curing or waiving of all Indenture Events of Default, the Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture,

note, coupon, security, or other paper or document unless requested in writing so to do by the holders of not less than a majority in aggregate principal amount of the Serial Mortgage Notes then Outstanding; provided

that, if the payment within a reasonable time to the Indenture Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Indenture Trustee, not reasonably assured to the Indenture Trustee by the security afforded to it by the terms of this Serial Indenture, the Indenture Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such examination shall be paid by California Petroleum or, if paid by the Indenture Trustee or any predecessor trustee, shall be repaid by California Petroleum upon demand; and

(g) the Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ and the Indenture Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

SECTION 5.3 Indenture Trustee Not Responsible for Recitals, Disposition of Serial Mortgage Notes or Application of Proceeds Thereof. The recitals contained herein and in the Serial Mortgage Notes, except the Indenture Trustee's certificates of authentication, shall be taken as the statements of California Petroleum, and the Indenture Trustee assumes no responsibility for the correctness of the same. The Indenture Trustee makes no representation as to the validity or sufficiency of this Serial Indenture or of the Serial Mortgage Notes. The Indenture Trustee shall not be accountable for the use or application by California Petroleum of any of the Serial Mortgage Notes or of the proceeds thereof.

SECTION 5.4 Indenture Trustee and Agents May Hold Serial Mortgage Notes; Collections, etc. The Indenture Trustee or any agent of California Petroleum or the Indenture Trustee, in its individual or any other capacity, may become the owner or pledgee of Serial Mortgage Notes with the same rights it would have if it were not the Indenture Trustee or such agent and may otherwise deal with California Petroleum and receive, collect, hold and retain collections from California Petroleum with the same rights it would have if it were not the Indenture Trustee or such agent.

SECTION 5.5 Moneys Held by Indenture Trustee. Subject to the provisions of Section 9.4 hereof, all moneys received by the Indenture Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. Neither the Indenture Trustee nor any agent of California Petroleum or the Indenture Trustee shall be under any liability for

interest on any moneys received by it hereunder except as provided in the Collateral Agreement.

SECTION 5.6 Compensation and Expenses. (a) California Petroleum shall on demand pay or reimburse the Indenture Trustee for (i) reasonable compensation to the Indenture Trustee, to the extent permitted by law (which shall not be limited by any provision of law in regard to compensation of fiduciaries or of a trustee of an express trust), for its services hereunder and (ii) all of the reasonable costs and expenses of the Indenture Trustee (including, without limitation, the reasonable compensation and expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ) (A) in connection with the preparation, execution and delivery of this Serial Indenture, the Collateral Agreement or the other Security Documents, any waiver or consent thereunder, any modification or termination thereof, or any Default or alleged Default; (B) if an Indenture Event of Default occurs, in connection with such Indenture Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings relating thereto; (C) in connection with the administration or protection of the Trust Estate, the sale or other disposition of any Collateral or the preservation, protection or defense of the Indenture Trustee's or the Collateral Trustee's rights under the Security Documents or in and to the Trust Estate, whether pursuant to the Collateral Agreement or pursuant hereto; or (D) in connection with any removal of the Indenture Trustee pursuant to subsection 5.9(a) hereof or of the Collateral Trustee pursuant to subsection 6.07(a) of the Collateral Agreement.

(b) California Petroleum shall indemnify and hold harmless the Indenture Trustee from and against any and all liabilities, obligations, losses, damages, penalties, judgments, actions, suits, proceedings, reasonable costs and expenses (including reasonable fees and disbursements of counsel) of any kind whatsoever which may be incurred by the Indenture Trustee in connection with any investigative, administrative or judicial proceeding (whether or not such indemnified party is designated a party to such proceeding) relating to this Serial Indenture, the Serial Mortgage Notes, the Trust Estate, the Collateral or the Security Documents, provided that the Indenture Trustee shall not have the right to be indemnified hereunder for its own negligence or bad faith as determined by a court of competent jurisdiction. In any suit, proceeding or action brought by the Indenture Trustee under or with respect to any contract, agreement, interest or obligation constituting part of the Collateral for any sum owing thereunder or hereunder, or to enforce any provisions thereof, California Petroleum agrees to save, indemnify and keep the Indenture Trustee harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of California Petroleum thereunder, arising out of a breach by California Petroleum of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, from or in favor of California Petroleum or its successors, and all such obligations of California Petroleum shall be

and remain enforceable against and only against California Petroleum and shall not be enforceable against the Indenture Trustee.

(c) In addition to, but without duplication of, its obligations under subsection (b) above, California Petroleum shall indemnify and hold harmless the Indenture Trustee from and against any and all losses, damages and expenses incurred by the Indenture Trustee as a result of any oil or other environmental damage resulting from the operation of any Vessel, including, without limitation, any liability under the Oil Pollution Act of 1990, as amended, or the laws of any other jurisdiction relating to oil spills.

(d) The Indenture Trustee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding Serial Mortgage Notes, it will not institute against, or join any other Person in instituting against, California Petroleum any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other similar proceeding under the laws of the United States or any state of the United States.

(e) The agreements in this Section 5.6 shall survive the termination of the other provisions of this Serial Indenture but shall not be secured by any Lien on the Collateral.

SECTION 5.7 Right of Indenture Trustee to Rely on Officers' Certificate, etc. Subject to Sections 5.1 and 5.2, whenever in the administration of the trusts of this Serial Indenture the Indenture Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Indenture Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Indenture Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Indenture Trustee, shall be full warrant to the Indenture Trustee for any action taken, suffered or omitted by it under the provisions of this Serial Indenture upon the faith thereof.

SECTION 5.8 Persons Eligible for Appointment as Indenture Trustee. The Indenture Trustee hereunder shall at all times be a bank or trust company in good standing, having power to act as Indenture Trustee hereunder and which is eligible to do so within the provisions of Section 310(a) of the Trust Indenture Act, incorporated under the laws of the United States of America or any State thereof or the District of Columbia and having its principal corporate trust office within the 48 contiguous States and shall also have capital, surplus and undivided profits of not less than \$10,000,000, if there be such an institution with such capital, surplus and undivided profits willing, qualified and able to accept the trust hereunder upon reasonable or customary terms.

SECTION 5.9 Resignation and Removal; Appointment of Successor Indenture Trustee. (a) The Indenture Trustee may at any time resign by giving written notice of resignation to the Owners, California Petroleum, the Designated Representative, Chevron, the Collateral Trustee and the Term Indenture Trustee and by mailing notice thereof by first-class mail to holders of Serial Mortgage Notes at their last addresses as they shall appear on the Serial Mortgage Note register. Upon receiving such notice of resignation (i) California Petroleum, with the consent of Chevron, if no Enforcement Notice is then in effect, or (ii) the holders of a majority in aggregate principal amount of Serial Mortgage Notes, if an Enforcement Notice is then in effect, shall promptly appoint a successor trustee by an instrument in writing delivered to the resigning Indenture Trustee, the successor trustee, Chevron, California Petroleum and Term Indenture Trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or Chevron, California Petroleum, the Collateral Trustee or any Serial Noteholder who has been a bona fide holder of a Serial Mortgage Note or Serial Mortgage Notes for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Indenture Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act after written request therefor by California Petroleum or by any Serial Noteholder who has been a bona fide holder of a Serial Mortgage Note or Serial Mortgage Notes for at least six months; or

(ii) the Indenture Trustee shall cease to be eligible in accordance with the provisions of Section 5.8 and shall fail to resign after written request therefor by California Petroleum or by any such Serial Noteholder; or

(iii) the Indenture Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver or liquidator of the Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case (x) California Petroleum or its Designated Representative, with the consent of Chevron, if no Enforcement Notice is then in effect, or (y) the holders of a majority in aggregate principal amount of Serial Mortgage Notes, if an Enforcement Notice is then in effect, may remove the Indenture Trustee and appoint a successor trustee by an instrument in writing delivered to the Indenture Trustee so

removed, the successor trustee, Chevron, the Collateral Trustee and the Term Indenture Trustee, or, subject to Section 315(e) of the Trust Indenture Act, Chevron, the Collateral Trustee or any Serial Noteholder who has been a bona fide holder of a Serial Mortgage Note or Serial Mortgage Notes for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Indenture Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Serial Mortgage Notes at the time Outstanding may at any time remove the Indenture Trustee and appoint a successor trustee by delivering to the Indenture Trustee so removed, to the successor trustee so appointed, to California Petroleum, Chevron, the Collateral Trustee and the Term Indenture Trustee, the evidence provided for in Section 6.1 of the action in that regard taken by the Serial Noteholders.

(d) Any resignation or removal of the Indenture Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section 5.9 shall become effective only upon acceptance of appointment by the successor trustee as provided in Section 5.10.

SECTION 5.10 Acceptance of Appointment by Successor Indenture Trustee. Any successor indenture trustee appointed as provided in Section 5.9 shall execute and deliver to California Petroleum, Chevron, the Collateral Trustee, and its predecessor indenture trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor indenture trustee shall become effective and such successor indenture trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of California Petroleum, Chevron, or of the successor indenture trustee, upon payment of its charges then unpaid, the indenture trustee ceasing to act shall, subject to Section 9.4, pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, California Petroleum and Chevron shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any indenture trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such indenture trustee to secure any amounts then due it pursuant to the provisions of Section 5.6.

Upon acceptance of appointment by a successor indenture trustee as provided in this Section 5.10, California Petroleum shall mail notice thereof by first-class mail to the holders of Serial Mortgage Notes at their last addresses as they shall appear in the Serial Mortgage Note register. If the acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 5.9. If California Petroleum fails to mail such notice within 10 days after acceptance of appointment by the successor indenture trustee, the successor indenture trustee shall cause such notice to be mailed at the expense of California Petroleum.

SECTION 5.11 Merger, Conversion, Consolidation or Succession to Business of Indenture Trustee. Any corporation into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder, provided that such corporation shall be eligible

under the provisions of Section 5.8, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Indenture Trustee shall succeed to the trusts created by this Serial Indenture any of the Serial Mortgage Notes shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor Indenture Trustee and deliver such Serial Mortgage Notes so authenticated; and, in case at that time any of the Serial Mortgage Notes shall not have been authenticated, any successor to the Indenture Trustee may authenticate such Serial Mortgage Notes either in the name of any predecessor hereunder or in the name of the successor Indenture Trustee; and in all such cases such certificate shall have the full force which it is anywhere in the Serial Mortgage Notes or in this Serial Indenture provided that the certificate of the Indenture Trustee shall have; provided, that the right to adopt the certificate of authentication of any predecessor Indenture Trustee or to authenticate Serial Mortgage Notes in the name of any predecessor Indenture Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE SIX

CONCERNING THE SERIAL NOTEHOLDERS.

SECTION 6.1 Evidence of Action Taken by Serial Noteholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Serial Indenture to be given or taken by Serial Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor

signed by such Serial Noteholders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Serial Indenture and (subject to Sections 5.1 and 5.2) conclusive in favor of the Indenture Trustee, California Petroleum and Chevron, if made in the manner provided in this Article.

SECTION 6.2 Proof of Execution of Instruments and of Holding of Serial Mortgage Notes; Record Date. Subject to Sections 5.1 and 5.2, the execution of any instrument by a Serial Noteholder or his agent or proxy may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Indenture Trustee or in such manner as shall be satisfactory to the Indenture Trustee. The holding of Serial Mortgage Notes shall be proved by the Serial Mortgage Note register or by a certificate of the registrar thereof. California Petroleum may set a record date for purposes of determining the identity of holders of Serial Mortgage Notes entitled to vote or consent to any action referred to in Section 6.1, which record date may be set at any time or from time to time by notice to the Indenture Trustee, for any date or dates (in the case of any adjournment or resolicitation) not more than 60 days nor less than five days prior to the proposed date of such vote or consent, and thereafter, notwithstanding any other provisions hereof, only holders of Serial Mortgage Notes of record on such record date shall be entitled to so vote or give such consent or to withdraw such vote or consent.

SECTION 6.3 Holders to Be Treated as Owners. California Petroleum, Chevron, the Indenture Trustee and any agent of California Petroleum, Chevron or the Indenture Trustee may deem and treat the person in whose name any Serial Mortgage Note shall be registered upon the Serial Mortgage Note register as the absolute owner of such Serial Mortgage Note (whether or not such Serial Mortgage Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of this Serial Indenture, interest on such Serial Mortgage Note and for all other purposes; and neither California Petroleum nor Chevron nor the Indenture Trustee nor any agent of California Petroleum, Chevron or the Indenture Trustee shall be affected by any notice to the contrary. All such payments so made to any such person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Serial Mortgage Note.

SECTION 6.4 Serial Mortgage Notes Deemed Not Outstanding. In determining whether the holders of the requisite aggregate principal amount of Serial Mortgage Notes have concurred in any direction, consent or waiver under this Serial Indenture, Serial Mortgage Notes which are owned by California Petroleum or any Affiliate thereof, or Chevron, or any Affiliate thereof, shall be disregarded and

deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Indenture Trustee shall be protected in relying on any such direction, consent or waiver only Serial Mortgage Notes which the Indenture Trustee knows are so owned shall be so disregarded. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Indenture Trustee in accordance with such advice. Upon request of the Indenture Trustee, California Petroleum or Chevron shall furnish to the Indenture Trustee promptly an Officers' Certificate listing and identifying all Serial Mortgage Notes, if any, known by California Petroleum or Chevron, as the case might be, to be owned or held by or for the account of any of the above-described persons; and, subject to Sections 5.1 and 5.2, the Indenture Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Serial Mortgage Notes not listed therein are Outstanding for the purpose of any such determination.

SECTION 6.5 Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Indenture Trustee, as provided in Section 6.1, of the taking of any action by the holders of the percentage in aggregate principal amount of the Serial Mortgage Notes specified in this Serial Indenture in connection with such action, any holder of a Serial Mortgage Note the serial number of which is shown by the evidence to be included among the serial numbers of the Serial Mortgage Notes the holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Serial Mortgage Note. Except as aforesaid any such action taken by the holder of any Serial Mortgage Note shall be conclusive and binding upon such holder and upon all future holders and owners of such Serial Mortgage Note and of any Serial Mortgage Notes issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon any such Serial Mortgage Note. Any action taken by the holders of the percentage in aggregate principal amount of the Serial Mortgage Notes specified in this Serial Indenture in connection with such action shall be conclusively binding upon California Petroleum, the Indenture Trustee and the holders of all the Serial Mortgage Notes.

ARTICLE SEVEN

SUPPLEMENTAL INDENTURES.

SECTION 7.1 Supplemental Indentures Without Consent of Serial Noteholders. Without the consent of any Holder of Serial Mortgage Notes, California Petroleum, when authorized by a resolution of its Board of Directors, Chevron and the Indenture Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Collateral Trustee as security for the Serial Mortgage Notes any property or assets;

(b) to evidence the succession of another corporation to Chevron, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of Chevron pursuant to Article Eight;

(c) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture; or to make such other provisions in regard to matters or questions arising under this Serial Indenture or under any supplemental indenture as they may deem necessary or desirable and which shall not adversely affect the interests of the holders of the Serial Mortgage Notes; and

(d) to comply with the requirements of the Commission in order to maintain the qualification of this Serial Indenture under the Trust Indenture Act.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Indenture Trustee shall not be obligated to enter into any such supplemental indenture which affects the Indenture Trustee's own rights, duties or immunities under this Serial Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section may be executed without the consent of the holders of any of the Serial Mortgage Notes at the time Outstanding, notwithstanding any of the provisions of Section 7.2.

SECTION 7.2 Supplemental Indentures With Consent of Serial Noteholders. With the consent (evidenced as provided in Article Six) of the holders of a majority in aggregate principal amount of the Serial Mortgage Notes at the time Outstanding, California Petroleum, when authorized by a resolution of its Board of Directors, Chevron and the Indenture Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Serial Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Serial Mortgage Notes; provided that no such supplemental indenture shall

(a) extend the final maturity or redemption date of any Serial Mortgage Note, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof or impair or affect the right of any Serial Noteholder to

institute suit for the payment thereof without the consent of the holder of each Serial Mortgage Note so affected, or (b) reduce the aforesaid percentage of Serial Mortgage Notes, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Serial Mortgage Notes then Outstanding; and provided further that no such supplemental indenture shall (i) change in any manner or eliminate Sections 3.5, 3.8 or 3.9 or any of the Indenture Events of Default set forth in Section 4.1 or (ii) effect any of the modifications described in clause (a) or (b) above, without the consent pursuant to Section 7.03(b) of the Collateral Agreement of the Collateral Trustee and the holders of a majority in aggregate principal amount of Term Mortgage Notes outstanding under the Term Indenture.

Upon the request of California Petroleum, accompanied by a copy of a resolution of the Board of Directors of California Petroleum certified by the Secretary or an Assistant Secretary of California Petroleum authorizing the execution of any such supplemental indenture, and Chevron and upon the filing with the Indenture Trustee of evidence of the consent of Serial Noteholders, the consent of Term Mortgage Noteholders (if applicable) and other documents, if any, required by Section 6.1, the Indenture Trustee shall join with California Petroleum and Chevron in the execution of such supplemental indenture unless such supplemental indenture affects the Indenture Trustee's own rights, duties or immunities under this Serial Indenture or otherwise, in which case the Indenture Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Serial Noteholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by California Petroleum, Chevron and the Indenture Trustee of any supplemental indenture pursuant to the provisions of this Section 7.2, California Petroleum shall mail a notice thereof by first-class mail to the holders of Serial Mortgage Notes at their addresses as they shall appear on the registry books of California Petroleum, setting forth in general terms the substance of such supplemental indenture. Any failure of California Petroleum to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 7.3 Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Serial Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Serial Indenture of the Indenture Trustee, Chevron, California Petroleum and the holders of Serial Mortgage Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and

all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Serial Indenture for any and all purposes.

SECTION 7.4 Documents to Be Given to Indenture Trustee. The Indenture Trustee, subject to the provisions of Sections 5.1 and 5.2, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the applicable provisions of this Serial Indenture.

SECTION 7.5 Notation on Serial Mortgage Notes in Respect of Supplemental Indentures. Serial Mortgage Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article may bear a notation in form approved by the Indenture Trustee as to any matter provided for by such supplemental indenture or as to any action taken at any such meeting. If California Petroleum, Chevron or the Indenture Trustee shall so determine, new Serial Mortgage Notes so modified as to conform, in the opinion of the Indenture Trustee, Chevron and California Petroleum, to any modification of this Serial Indenture contained in any such supplemental indenture may be prepared by California Petroleum, authenticated by the Indenture Trustee and delivered in exchange for the Serial Mortgage Notes then Outstanding.

ARTICLE EIGHT

CONSOLIDATION, MERGER, SALE OR CONVEYANCE.

SECTION 8.1 Covenant Not to Merge, Consolidate, Sell or Convey Property Except Under Certain Conditions. Chevron covenants that so long as any of the Serial Mortgage Notes are Outstanding, it will maintain its corporate existence, will not dissolve, sell or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided that Chevron may, without violating the covenants contained in this Section 8.1, consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, if the surviving, resulting or transferee corporation, as the case may be, (i) shall be incorporated and existing under the laws of one of the States of the United States of America, (ii) assumes, if such corporation is not Chevron, all of the obligations of Chevron hereunder and (iii) is not, after such transaction, otherwise in default under any provisions hereof.

SECTION 8.2 Successor Corporation Substituted. In case of any such consolidation, merger, sale or conveyance, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for Chevron, with the same effect as if it had been named herein.

In case of any such consolidation, merger, sale, lease or conveyance such changes in phraseology and form (but not in substance) may be made in the Serial Mortgage Notes thereafter to be issued as may be appropriate.

In the event of any such sale or conveyance (other than a conveyance by way of lease) Chevron or any successor corporation which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under this Serial Indenture and the Serial Mortgage Notes and may be liquidated and dissolved.

SECTION 8.3 Opinion of Counsel to Indenture Trustee. The Indenture Trustee, subject to the provisions of Sections 5.1 and 5.2, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Serial Indenture.

ARTICLE NINE

SATISFACTION AND DISCHARGE OF SERIAL INDENTURE; UNCLAIMED MONEYS.

SECTION 9.1 Satisfaction and Discharge of Serial Indenture. If at any time (a) California Petroleum shall have paid or caused to be paid the principal of and interest on all the Serial Mortgage Notes Outstanding hereunder, as and when the same shall have become due and payable, or (b) California Petroleum shall have delivered to the Indenture Trustee for cancellation all Serial Mortgage Notes theretofore authenticated (other than any Serial Mortgage Notes which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.6) or (c) (i) all such securities not theretofore delivered to the Indenture Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption, and (ii) California Petroleum shall have irrevocably deposited or caused to be deposited with the Indenture Trustee (or the Collateral Trustee on behalf of the Indenture Trustee) as trust funds the entire amount in cash or direct obligations of the United States of America, backed by its full faith and credit, maturing as to principal and interest in such amounts and at such times as will insure the availability of cash sufficient to pay at maturity or upon redemption all such Serial Mortgage Notes not

theretofore delivered to the Indenture Trustee for cancellation, including principal and interest due or to become due to such date of maturity as the case may be, and if, in any such case, California Petroleum shall also pay or cause to be paid all other sums payable hereunder by California Petroleum, then this Serial Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of apparently mutilated, defaced, destroyed, lost or stolen Serial Mortgage Notes, (iii) rights of holders to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor (but not upon acceleration), (iv) the rights, obligations and immunities of the Indenture Trustee hereunder and (v) the rights of the Serial Noteholders as beneficiaries hereof with respect to the property so deposited with or on behalf the Indenture Trustee payable to all or any of them), and the Indenture Trustee, on demand of California Petroleum accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of California Petroleum, shall execute proper instruments acknowledging such satisfaction of and discharging this Serial Indenture. California Petroleum agrees to reimburse the Indenture Trustee for any costs or expenses thereafter reasonably and properly incurred and to compensate the Indenture Trustee for any services thereafter reasonably and properly rendered by the Indenture Trustee in connection with this Serial Indenture or the Serial Mortgage Notes.

SECTION 9.2 Application by Indenture Trustee of Funds Deposited for Payment of Serial Mortgage Notes. Subject to Section 9.4, all moneys deposited with the Indenture Trustee (or the Collateral Trustee on behalf of the Indenture Trustee) pursuant to Section 9.1 shall be held in trust and applied by it (or the Collateral Trustee on behalf of the Indenture Trustee) to the payment, either directly or through any paying agent (including the Collateral Trustee), to the holders of the particular Serial Mortgage Notes for the payment or redemption of which such moneys have been deposited with the Indenture Trustee (or the Collateral Trustee on behalf of the Indenture Trustee), of all sums due and to become due thereon for principal and interest; but such money need not be segregated from other funds except to the extent required by law.

SECTION 9.3 Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Serial Indenture all moneys then held by any paying agent under the provisions of the Collateral Agreement in accordance with this Serial Indenture shall be paid to the Persons entitled thereto pursuant to the Related Security Documents and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 9.4 Return of Moneys Held by Indenture Trustee and Paying Agent Unclaimed for Two Years. Any moneys deposited with or paid to the Indenture Trustee or any paying agent for the payment of the principal of or interest on any Serial Mortgage Note and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and

payable, shall, upon the written request of California Petroleum and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to California Petroleum by the Indenture Trustee or such paying agent, and the holder of such Serial Mortgage Note shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to California Petroleum for any payment which such holder may be entitled to collect, and all liability of the Indenture Trustee or any paying agent with respect to such moneys shall thereupon cease.

ARTICLE TEN

MISCELLANEOUS PROVISIONS.

SECTION 10.1 Incorporators, Stockholders, Officers and Directors of California Petroleum Exempt from Individual Liability; Chevron and Chevron Transport not obligated on Serial Mortgage Notes. No recourse under or upon any obligation, covenant or agreement contained in this Serial Indenture, or in any Serial Mortgage Note, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer or director, as such, of California Petroleum or of any successor, either directly or through California Petroleum or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Serial Mortgage Notes by the holders thereof and as part of the consideration for the issue of the Serial Mortgage Notes. Further, California Petroleum, the Indenture Trustee, on behalf of the Serial Noteholders and all holders of Serial Mortgage Notes by acceptance thereof hereby consent and agree that the Serial Mortgage Notes are not obligations of, and are not guaranteed by, Chevron or Chevron Transport.

SECTION 10.2 Provisions of Serial Indenture for the Sole Benefit of Parties and Serial Noteholders. Nothing in this Serial Indenture or in the Serial Mortgage Notes, expressed or implied, shall give or be construed to give to any person, firm or corporation, other than the parties hereto and their successors and the holders of the Serial Mortgage Notes, any legal or equitable right, remedy or claim under this Serial Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the holders of the Serial Mortgage Notes.

SECTION 10.3 Successors and Assigns of California Petroleum Bound by Serial Indenture. All the covenants, stipulations, promises and agreements in this Serial Indenture contained by or on behalf of California Petroleum shall bind its successors and assigns, whether so expressed or not.

SECTION 10.4 Notices and Demands on California Petroleum, Indenture Trustee and Serial Noteholders. Any notice or demand which by any provision of this Serial Indenture is required or permitted to be given or served by the Indenture Trustee or by the holders of Serial Mortgage Notes to or on California Petroleum may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of California Petroleum is filed by California Petroleum with the Indenture Trustee) to California Petroleum Transport Corporation, c/o J H Management Corporation, Room 6/9, One International Place, Boston, MA 02110-2624. Any notice, direction, request or demand by California Petroleum or any Serial Noteholder to or upon the Indenture Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the Corporate Trust Office at 50 California Street, San Francisco, CA 94111.

Where this Serial Indenture provides for notice to holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each holder entitled thereto, at his last address as it appears in the Serial Mortgage Note register. In any case where notice to holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular holder shall affect the sufficiency of such notice with respect to other holders. Where this Serial Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by holders shall be filed with the Indenture Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to California Petroleum and Serial Noteholders when such notice is required to be given pursuant to any provision of this Serial Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 10.5 Officers' Certificates and Opinions of Counsel; Statements to Be Contained Therein. Upon any application or demand by California Petroleum to the Indenture Trustee to take any action under any of the provisions of this Serial Indenture, California Petroleum shall furnish to the Indenture Trustee an Officers' Certificate stating that all conditions precedent provided for in this Serial Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Serial Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Serial Indenture and delivered to the Indenture Trustee with respect to compliance with a condition or covenant provided for in this Serial Indenture shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of California Petroleum may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters with respect to information which is in the possession of California Petroleum, upon the certificate, statement or opinion of or representations by an officer or officers of California Petroleum, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of California Petroleum or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of California Petroleum, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with the Indenture Trustee shall contain a statement that such firm is independent.

SECTION 10.6 Payments Due on Saturdays, Sundays and Holidays. If the date of maturity of interest on or principal of the Serial Mortgage Notes, the date fixed for redemption of any Serial Mortgage Note or the date for the payment of any other amount due thereunder or hereunder shall not be a Business Day, then such payment need not be made on such date, but may be made on the next succeeding

Business Day with the same force and effect as if made on the date of maturity, the date fixed for redemption or such other date for payment, and, provided that payment is made on such next succeeding Business Day, no interest shall accrue for the period of such extension.

SECTION 10.7 Conflict of Any Provision of Serial Indenture with Trust Indenture Act. If and to the extent that any provision of this Serial Indenture limits, qualifies or conflicts with another provision included in this Serial Indenture by operation of Sections 310 to 317, inclusive, of the Trust Indenture Act (an "incorporated provision"), such incorporated provision shall control.

SECTION 10.8 New York Law to Govern. This Serial Indenture and each Serial Mortgage Note shall be deemed to be a contract under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State, except as may otherwise be required by mandatory provisions of law.

SECTION 10.9 Counterparts. This Serial Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 10.10 Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 10.11 Designated Representative. For purposes of this Serial Indenture, all notices, requests, demands or other communications to be given by California Petroleum hereunder may be given by California Petroleum's Designated Representative. Notice of the appointment of any such Designated Representative shall be given to the Indenture Trustee and shall be in writing signed by California Petroleum and acknowledged by such Designated Representative. The parties hereto shall be entitled to rely upon any such notices, requests, demands and other communications given by the Designated Representative as though the same had been given by California Petroleum.

ARTICLE ELEVEN

REDEMPTION OF SERIAL MORTGAGE NOTES.

SECTION 11.1 Mandatory Redemption; Prices. (a) Except as provided in this Section 11.1, the Serial Mortgage Notes may not be redeemed prior to their respective Maturity Dates.

(b) California Petroleum shall redeem the Outstanding Serial Mortgage Notes in part at 100% of the principal amount thereof together with accrued interest to the date fixed for redemption if a Total Loss occurs or is declared by Chevron Transport with respect to a Vessel. The aggregate principal amount of Serial Mortgage Notes to be redeemed pursuant to this Section 11.1(b) shall equal the Allocated Principal Amount of Serial Mortgage Notes for the related Vessel. The redemption date for any redemption pursuant to this Section 11.1(b) shall be the date which is 90 days after the occurrence of the Total Loss.

SECTION 11.2 Notice of Redemption; Partial Redemptions. Notice of redemption to the holders of Serial Mortgage Notes to be redeemed shall be given by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such holders of Serial Mortgage Notes at their last addresses as they shall appear upon the registry books. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives the notice. Failure to give notice by mail, or any defect in the notice to the holder of any Serial Mortgage Note designated for redemption as a whole or in part, shall not affect the validity of the proceedings for the redemption of any other Serial Mortgage Note.

The notice of redemption to each such holder shall specify the principal amount of each Serial Mortgage Note held by such holder to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of such Serial Mortgage Notes, that interest accrued to the date fixed for redemption will be paid as specified in said notice and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. If any Serial Mortgage Note is to be redeemed in part only the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Serial Mortgage Note, a new Serial Mortgage Note or Serial Mortgage Notes in principal amount equal to the unredeemed portion thereof will be issued.

The notice of redemption of Serial Mortgage Notes to be redeemed shall be given by California Petroleum or, at California Petroleum's request, by the Indenture Trustee in the name and at the expense of California Petroleum.

On or before the redemption date specified in the notice of redemption given as provided in this Section, California Petroleum shall deposit or cause to be deposited with the Indenture Trustee or with the paying agent an amount of money sufficient to redeem on the redemption date all the Serial Mortgage Notes so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption. If less than all the Outstanding Serial Mortgage Notes are to be redeemed California Petroleum will deliver to the Indenture Trustee at least 45 days prior to the date fixed for redemption an Officers' Certificate stating the aggregate principal amount of Serial Mortgage Notes to be redeemed.

If less than all the Serial Mortgage Notes are to be redeemed, the Indenture Trustee shall select Serial Mortgage Notes to be redeemed ratably from each holder such that the ratio of the principal amount of each series of Serial Mortgage Notes to be redeemed from each holder to the aggregate principal amount of such series of Serial Mortgage Notes Outstanding held by such holder shall, as nearly as practicable and subject to rounding, equal the ratio of the aggregate principal amount of all Serial Mortgage Notes to be redeemed on such redemption date to the aggregate principal amount of all Serial Mortgage Notes Outstanding. Serial Mortgage Notes may be redeemed in part in multiples of \$1,000 only. The Indenture Trustee shall promptly notify California Petroleum in writing of the Serial Mortgage Notes selected for redemption and, in the case of any Serial Mortgage Notes selected for partial redemption, the principal amount thereof to be redeemed. For all purposes of this Serial Indenture, unless the context otherwise requires, all provisions relating to the redemption of Serial Mortgage Notes shall relate, in the case of any Serial Mortgage Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Serial Mortgage Note which has been or is to be redeemed.

SECTION 11.3 Payment of Serial Mortgage Notes Called for Redemption. If notice of redemption has been given as above provided, the Serial Mortgage Notes or portions of Serial Mortgage Notes specified in such notice shall become due and payable on the date and at the place stated in such notice at 100% of the principal amount thereof, together with interest accrued to the date fixed for redemption, and on and after said date (unless California Petroleum shall default in the payment of such Serial Mortgage Notes at the redemption price, together with interest accrued to said date) interest on the Serial Mortgage Notes or portions of Serial Mortgage Notes so called for redemption shall cease to accrue and, except as provided in Sections 5.5 and 9.4, such Serial Mortgage Notes shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Serial Indenture, and the holders thereof shall have no right in respect of such Serial

Mortgage Notes except the right to receive the redemption price thereof and unpaid interest to the date fixed for redemption. On presentation and surrender of such Serial Mortgage Notes at a place of payment specified in said notice, said Serial Mortgage Notes or the specified portions thereof shall be paid and redeemed by California Petroleum at 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption;

provided that any semi-annual payment of interest becoming due on the date fixed for redemption shall be payable to the holders of such Serial Mortgage Notes registered as such on the relevant record date subject to the terms and provisions of Section 2.4 hereof.

If any Serial Mortgage Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the Default Rate.

Upon presentation of any Serial Mortgage Note redeemed in part only, California Petroleum shall execute and the Indenture Trustee shall authenticate and deliver to or on the order of the holder thereof, at the expense of California Petroleum, a new Serial Mortgage Note or Serial Mortgage Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Serial Mortgage Note so presented.

ARTICLE TWELVE

SECURITY.

SECTION 12.1 Security. The Serial Mortgage Notes will be secured by the Collateral pursuant to the Collateral Agreement and the other Security Documents. Each holder of a Serial Mortgage Note, by its acceptance thereof, consents and agrees to the terms of the Security Documents (including without limitation the provisions herein and therein providing for the release of the Collateral) as the same may be in effect or may be amended from time to time in accordance with their terms and authorizes and directs the Indenture Trustee and the Collateral Trustee to perform its respective obligations and exercise its respective rights under the Collateral Agreement and the other Security Documents in accordance therewith; provided that in the event the terms thereof limit, qualify or conflict with the duties imposed by the provisions of the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 12.2 Recording, etc. California Petroleum will cause the applicable Security Documents, including the Mortgages and any financing statements, all amendments or supplements to each of the foregoing and any other similar security documents as necessary, to be registered, recorded and filed or re-recorded, re-filed and renewed in such manner and in such place or places, if any, as may be required

by law or reasonably requested by the Indenture Trustee or the Collateral Trustee in order fully to preserve and protect the Lien of the Collateral Trustee securing the Serial Mortgage Notes (for the ratable benefit of the Serial Noteholders) and to effectuate and preserve the security of the Serial Noteholders and all rights of the Collateral Trustee and the Indenture Trustee.

California Petroleum shall furnish the Indenture Trustee:

(a) promptly after the execution and delivery of this Serial Indenture, and promptly after the execution and delivery of any other instrument of further assurance or amendment, an Opinion of Counsel either (i) stating that, in the opinion of such counsel, and as of the dated such opinion, this Serial Indenture, the Mortgages and applicable Security Documents and all other instruments of further assurance or amendment have been properly recorded, registered and filed, as appropriate, to the extent necessary to make effective the Lien intended to be created by such Security Documents and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that as to such Security Documents and such other instruments such recording, registering and filing are the only recordings, registerings and filings necessary to give notice thereof and that no re-recordings, re-registerings or re-filings are necessary to maintain such notice, and further stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of the Serial Noteholders, the Indenture Trustee and the Collateral Trustee hereunder and under the Security Documents or (ii) stating that, in the opinion of such counsel, no such action is necessary to make any other Lien created under any of the Security Documents effective as intended by such Security Documents.

(b) within 30 days after August 1 in each year beginning with the year 1995, an Opinion of Counsel, dated as of such date, either (i) stating that, in the opinion of such counsel, such action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of this Serial Indenture and all supplemental indentures, financing statements, continuation statements or other instruments of further assurance as is necessary to maintain the Lien of this Serial Indenture and the Security Documents and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of the Serial Noteholders, the Indenture Trustee and the Collateral Trustee hereunder and under the Security Documents or (ii) stating that, in the opinion of such counsel, no such action is necessary to maintain such Lien.

SECTION 12.3 Protection of the Trust Estate. The Indenture Trustee and the Collateral Trustee shall have the power to enforce the obligations of California Petroleum and Chevron under this Serial Indenture and California Petroleum under the Security Documents, to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral under any of the Security Documents and in the profits, rents, revenues and other income arising therefrom, including the power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair any Collateral or be prejudicial to the interests of the Serial Noteholders, the Indenture Trustee or the Collateral Trustee, to the extent permitted thereunder.

SECTION 12.4 Release of Lien. (a) Subject to the provisions of Section 7.2 and so long as no Enforcement Notice is in effect, Collateral may be released from the Lien and security created by this Serial Indenture or the Collateral Agreement and the Related Security Documents, as the case may be, at any time or from time to time in accordance with the provisions of the Related Security Documents, the Trust Indenture Act and as provided hereby. In the case of Collateral consisting of cash or Permitted Investments in the Trust Accounts, such Collateral shall be released as provided in the Collateral Agreement without the need for any Officer's Certificate, Opinion of Counsel, release, waiver or other action.

(b) Upon the request of California Petroleum pursuant to an Officer's Certificate and an Opinion of Counsel certifying that all conditions precedent hereunder have been met (to be provided at the sole cost and expense of California Petroleum) and upon the satisfaction of such conditions precedent hereunder, the Indenture Trustee shall release (i) Collateral, as to the release of which the consent of Serial Noteholders has been obtained, and (ii) all Collateral (except as provided in Article Nine hereof) upon discharge of this Serial Indenture in accordance with Article Nine hereof.

(c) Upon receipt of such Officer's Certificate, the Indenture Trustee must execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Collateral permitted to be released pursuant to this Serial Indenture or the Serial Indenture and the Related Security Documents, as the case may be.

(d) The release of any Collateral from the terms of this Serial Indenture or this Serial Indenture and the Related Security Documents, as the case may be, will not be deemed to impair the security under this Serial Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the terms hereof and of the Related Security Documents. To the extent

applicable, California Petroleum and any other obligor shall cause Section 314(d) of the Trust Indenture Act relating to the release of property from the Lien arising out of the Security Documents to be complied with. Any certificate or opinion required by Section 314(d) of the Trust Indenture Act may be made by any Responsible Officer of California Petroleum, provided that to the extent opinion shall be made by an independent engineer, appraiser or other expert (as such terms are set forth in Section 314(d) of the Trust Indenture Act), who is not an Affiliate of California Petroleum or any other obligor.

Whenever Collateral is to be released pursuant to this Section 12.4, the Indenture Trustee will execute any document or termination statement reasonably necessary to release the Lien of this Serial Indenture or this Serial Indenture and the Related Security Documents, as the case may be.

IN WITNESS WHEREOF, the parties hereto have caused this Serial Indenture to be duly executed this ____ day of ____, 1995 by their respective officers thereunto duly authorized and acknowledge that this Serial Indenture has been made and delivered in The City of New York, and this Serial Indenture shall be effective only upon such execution and delivery.

CALIFORNIA PETROLEUM
TRANSPORT CORPORATION

By _____

[CORPORATE SEAL]

Attest:

By _____

CHEMICAL TRUST COMPANY
OF CALIFORNIA,
not in its individual capacity,
except as expressly provided herein,
but as Indenture Trustee

By _____

CHEVRON CORPORATION

By _____

[CORPORATE SEAL]

Attest:

By _____

[FORM OF FACE OF SERIAL MORTGAGE NOTE]

Unless and until this Serial Mortgage Note is presented by an authorized representative of the Depository Trust Company ("DTC"), to California Petroleum Transport Corporation or its agents for registration of transfer, exchange or payment, and any Serial Mortgage Note issued is registered in the name of Cede & Co. or such other entity as is requested by an authorized representative of DTC (and any payment hereon is made to Cede & Co.), any transfer, pledge or other use hereof for value or otherwise by or to any Person is wrongful since the registered owner hereof, Cede & Co., has an interest herein.

No. \$

California Petroleum Transport Corporation
 ___% First Preferred Mortgage Notes Due ___

Payable from Charterhire Payments by
 CHEVRON TRANSPORT CORPORATION
 Whose Charter Obligations are Guaranteed by
 CHEVRON CORPORATION

California Petroleum Transport Corporation, a Delaware Corporation ("California Petroleum"), for value received hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars at the office or agency of Chemical Trust Company of California (the "Indenture Trustee") or its paying agent under the Serial Indenture dated as of {DATE}, 1995 among California Petroleum, solely for purposes of the Trust Indenture Act of 1939, as amended, Chevron Corporation ("Chevron"), and the Indenture Trustee (the "Serial Indenture"; terms defined in the Serial Indenture are used herein as so defined) maintained for such purpose in New York on ____, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months), semi-annually on _____ and _____ of each year, on said principal sum in like coin or currency at the rate per annum set forth above at said office or agency from the _____ or the _____, as the case may be, next preceding the date of this Serial Mortgage Note to which interest on the Serial Mortgage Notes has been paid or duly provided for, unless the date hereof is a date to which interest on the Serial Mortgage Notes has been paid or duly provided for, in which case from the date of this Serial Mortgage Note, or unless no interest has been

paid or duly provided for on the Serial Mortgage Notes, in which case from _____, 1995 until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after any _____ or _____ and before the following _____ or _____, as the case may be, this Serial Mortgage Note shall bear interest from such _____ or _____; provided that, if California Petroleum shall default in the payment of interest due on such _____ or _____ then this Serial Mortgage Note shall bear interest from the next preceding _____ or _____ to which interest on the Serial Mortgage Notes has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Serial Mortgage Notes since the original issue date of this Serial Mortgage Note, from _____, 1995. The interest so payable on any _____ or _____ will, except as otherwise provided in the Serial Indenture, be paid to the person in whose name this Serial Mortgage Note is registered at the close of business on the _____ or _____ preceding such _____ or _____, whether or not such day is a Business Day.

Interest is payable on demand at the Default Rate on any overdue payment of principal of, interest or any other amount payable on this Serial Mortgage Note from the due date for such payment to the date such amount is paid in full.

If any amount payable under this Serial Mortgage Note or under the Serial Indenture falls due on a day that is not a Business Day, then such amount shall be payable on the next succeeding Business Day without additional interest thereon for the period of such extension (provided that payment is made on such next succeeding Business Day).

Reference is made to the further provisions of this Serial Mortgage Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Serial Mortgage Note shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Indenture Trustee acting under the Serial Indenture.

IN WITNESS WHEREOF, California Petroleum has caused this instrument to be duly executed under its corporate seal.

Dated:

[Seal]

[FORM OF REVERSE OF SERIAL MORTGAGE NOTE]

California Petroleum Transport Corporation

___% First Preferred Mortgage Notes Due ___

Payable from Charterhire Payments by
CHEVRON TRANSPORT CORPORATION
Whose Charter Obligations are Guaranteed by
CHEVRON CORPORATION

This Serial Mortgage Note is one of a duly authorized issue of debt securities of California Petroleum maturing serially from 1996 to 2006, limited as to the maturity hereof to the aggregate principal amount of \$_____, and limited as to all maturities of Serial Mortgage Notes to the aggregate principal amount of \$167,500,000 (except as otherwise provided in the Serial Indenture), issued or to be issued pursuant to the Serial Indenture. Reference is hereby made to the Serial Indenture, all indentures supplemental thereto and the Collateral Agreement for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Indenture Trustee, California Petroleum, Chevron and the holders of the Serial Mortgage Notes.

This Serial Mortgage Note is secured by the Collateral pursuant to the Collateral Agreement and the other Security Documents. Each holder of this Serial Mortgage Note, by its acceptance thereof, consents and agrees to the terms of the Security Documents (including without limitation the provisions providing for the release of the Collateral provided for herein and therein) as the same may be in effect or may be amended from time to time in accordance with their terms and authorizes and directs the Indenture Trustee and the Collateral Trustee to perform their respective obligations and exercise their respective rights under the Collateral Agreement and the other Security Documents in accordance therewith; provided that in the event the terms thereof limit, qualify or conflict with the duties imposed by the provisions of the Trust Indenture Act, the Trust Indenture Act shall control.

In case an Indenture Event of Default shall have occurred and be continuing, the principal of all the Serial Mortgage Notes may be declared due and payable, in the manner and with the effect, and subject to the conditions, provided in the Serial Indenture. The Serial Indenture provides that in certain events such declaration and its consequences may be waived by the holders of a majority in aggregate principal amount of the Serial Mortgage Notes then Outstanding and that, prior to any such declaration, such holders may waive any past default under the Serial Indenture and its consequences except a default in the payment of principal of or interest on any of the Serial Mortgage Notes. Any such consent or waiver by the

holder of this Serial Mortgage Note (unless revoked as provided in the Serial Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Serial Mortgage Note and any Serial Mortgage Note which may be issued in exchange or substitution herefor, whether or not any notation thereof is made upon this Serial Mortgage Note or such other Serial Mortgage Notes.

The Serial Indenture permits California Petroleum, Chevron and the Indenture Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Serial Mortgage Notes at the time Outstanding, evidenced as provided in the Serial Indenture, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Serial Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Serial Mortgage Notes; provided that no such supplemental indenture shall (a) extend the final maturity or redemption dates of any Serial Mortgage Note, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any amount payable on the redemption hereof, or impair or affect the rights of any Serial Noteholder to institute suit for the payment thereof without the consent of the holder of each Serial Mortgage Note so affected; or (b) reduce the aforesaid percentage of Serial Mortgage Notes, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Serial Mortgage Notes then Outstanding; provided further that no such supplemental indenture shall (i) change in any manner or eliminate Sections 3.5, 3.8 or 3.9 of the Serial Indenture or any of the Indenture Events of Default set forth in Section 4.1 thereof or (ii) effect any of the modifications described in clause (a) or (b) above, without the consent pursuant to Section 7.03(b) of the Collateral Agreement of the Collateral Trustee and the holders of a majority in aggregate principal amount of Term Mortgage Notes outstanding under the Term Indenture.

No reference herein to the Serial Indenture and no provision of this Serial Mortgage Note or of the Serial Indenture shall alter or impair the obligation of California Petroleum, which is absolute and unconditional, to pay the principal of and interest on this Serial Mortgage Note at the place, times, and rate, and in the currency, herein prescribed.

The Serial Mortgage Notes are issuable only as registered Serial Mortgage Notes without coupons in denominations of \$_____ and any multiple of \$1,000.

Serial Mortgage Notes may be exchanged for a like aggregate principal amount of Serial Mortgage Notes of other authorized denominations at the office or agency of the Indenture Trustee maintained for such purpose and in the manner and subject to the limitations provided in the Serial Indenture.

Upon due presentment for registration of transfer of this Serial Mortgage Note as provided in the Serial Indenture, a new Serial Mortgage Note or Serial Mortgage Notes of authorized denominations, for a like aggregate principal amount, will be issued to the transferee as provided in the Serial Indenture. No service charge shall be made for any such transfer, but the Indenture Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Serial Mortgage Notes are also subject to redemption in relevant part at 100% of the principal amount thereof together with accrued interest to the date fixed for redemption, all as provided in the Serial Indenture if a Total Loss occurs or is declared with respect to a Vessel. The aggregate principal amount of each series of Serial Mortgage Notes to be redeemed pursuant to this paragraph shall equal the Allocated Principal Amount of such Serial Mortgage Notes for the related Vessel. The redemption date for any redemption pursuant to this paragraph shall be the date which is 90 days after the occurrence of the Total Loss.

Subject to payment by California Petroleum of a sum sufficient to pay the amount due on redemption, interest on this Serial Mortgage Note (or portion hereof if this Serial Mortgage Note is redeemed in part) shall cease to accrue upon the date duly fixed for redemption of this Serial Mortgage Note (or portion hereof if this Serial Mortgage Note is redeemed in part).

California Petroleum, Chevron, the Indenture Trustee, and any authorized agent of California Petroleum, Chevron or the Indenture Trustee, may deem and treat the registered holder hereof as the absolute owner of this Serial Mortgage Note (whether or not this Serial Mortgage Note shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than California Petroleum or the Indenture Trustee or any authorized agent of California Petroleum or the Indenture Trustee), for the purpose of receiving payment of, or on account of, the principal hereof and, subject to the provisions on the face hereof, interest hereon and for all other purposes, and neither California Petroleum nor Chevron nor the Indenture Trustee nor any authorized agent of California Petroleum or Chevron or the Indenture Trustee shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Serial Mortgage Note, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Serial Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of California Petroleum or of any successor corporation, either directly or through California Petroleum or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof

and as part of the consideration for the issue hereof, expressly waived and released. Each holder of this Serial Mortgage Note, by its acceptance thereof, consents and agrees that the Serial Mortgage Notes are not obligations of, and are not guaranteed by, Chevron Transport Corporation or Chevron Corporation.

[FORM OF INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Serial Mortgage Notes described in the within-mentioned Serial Indenture.

Chemical Trust Company of
California, as Indenture
Trustee

Authorized Officer

A-7

CALPETRO TANKERS (BAHAMAS III) LIMITED
Shipowner

and

CALIFORNIA PETROLEUM TRANSPORT CORPORATION
Mortgagee

FIRST PREFERRED SHIP MORTGAGE

on the

m.t. "William E. Crain"

_____, 1995

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First Preferred Ship Mortgage, dated as of _____, 1995 (as amended or supplemented from time to time, the "Mortgage"), from CalPetro Tankers (Bahamas III) Limited, a company incorporated with limited liability in the Bahamas whose registered office is at Mareva House, 4 George Street, Nassau, Bahamas (hereinafter called "the Shipowner") to California Petroleum Transport Corporation (the "Mortgagee").

WHEREAS, the Shipowner is the sole and unencumbered owner of the whole of the motor tanker "William E. Crain" (the "Vessel") duly registered in the name of the Shipowner under the laws and flag of Liberia on _____, 199_, built in 199_, having the following approximate dimensions and tonnages: length _ meters, breadth _ meters, depth _ meters, gross tonnage _____, net tonnage _____, and more particularly described in the Certificate of Registration with Official Number _ and with International Code Signal _____ and home port of Monrovia, Liberia;

WHEREAS, in order to secure the prompt and due payment to the Mortgagee of the Indebtedness (as defined herein) and any and all other sums which may be or become due to the Mortgagee under or pursuant to the Loan Agreements, this Mortgage and any other Security Document and also to secure the exact performance and observance and compliance with all and any of the covenants and agreements and terms and conditions contained in the Loan Agreements, this Mortgage and in the other Security Documents, the Shipowner has duly authorized the execution and delivery of this Mortgage in favor of the Mortgagee under and pursuant to Chapter 3 of Title 22 of the Code of Laws of 1956, as at any time amended, of the laws of the Republic of Liberia.

NOW, THEREFORE, in consideration of the premises and of the covenants herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

Capitalized terms used in this Mortgage and not otherwise defined herein shall have the meanings assigned to such terms in either Schedule 1 to this Mortgage or the Loan Agreements, and the definitions of such terms shall be equally applicable to both the singular and the plural forms of such terms.

ARTICLE II

MORTGAGE

Section 2.01 Grant of Mortgage.

In consideration of the premises and of other good and valuable consideration, the adequacy and receipt whereof are hereby acknowledged, and in order to secure the payment of the Indebtedness and the repayment of any costs of foreclosure or of retaking the Vessel, and the payment of all such other amounts as may hereafter become secured by this Mortgage in accordance with the terms hereof, and to secure the performance and observance of and compliance with the covenants, terms and conditions contained in this Mortgage, the Loan Agreements, and the other Security Documents to which the Shipowner is a party, the Shipowner has granted, conveyed, pledged and mortgaged and does by these presents grant, convey, pledge and mortgage to and in favor of the Mortgagee, its successors and assigns the whole of the Vessel, together with all of the boilers, engines, machinery, masts, spars, rigging, boats, cables, anchors, chains, tackle, apparel, furniture, fittings, freights and equipment thereunto appertaining or belonging, whether now owned or hereafter acquired, whether on board or not, and all additions, improvements and replacements hereafter made in or to the Vessel (the term "Vessel", as used herein, shall include the Vessel together with all of the foregoing and the Vessel's freights) To Have And To Hold the same unto the Mortgagee, its successors and assigns, forever upon the terms set forth in this Mortgage for the enforcement of the payment of the Indebtedness, the payment of any costs of foreclosure or retaking of the Vessel and all such other amounts as may hereafter become secured by this Mortgage in accordance with the terms hereof and to secure the performance and observance of and compliance with the covenants, terms and conditions contained in this Mortgage and the Security Documents, it being agreed that if any amount payable by the Shipowner under either Loan Agreement is not paid on its due date (whether formally demanded or not) the whole or the balance of the Indebtedness and all other amounts payable under the Security Documents shall forthwith on demand become payable; provided, however, and the conditions of these presents are such that, if the Shipowner shall pay or cause to be paid to the Mortgagee all of the Indebtedness as set forth in the Security Documents, and if the Shipowner shall pay all such other amounts as may hereafter become secured by this Mortgage and all expenses which the Mortgagee shall have paid or incurred to protect the security granted hereunder, and if the Shipowner shall perform, observe and comply with all and singular of the covenants, terms and conditions in this Mortgage, the Loan Agreements and the other Security Documents contained, expressed or implied, to be performed, observed or complied with by and on the part of the Shipowner or its successors or assigns, all without delay or fraud and according to the true intent and meaning hereof and therefor, then these presents and the rights of the Mortgagee under this Mortgage and the other Security Documents shall cease and, in such event, the Mortgagee agrees by accepting this Mortgage to execute, at the expense of the Shipowner, all such documents as the Shipowner may reasonably require to discharge this Mortgage under the laws of the Republic of Liberia; otherwise this Mortgage shall remain in full force and effect; provided further, however, the conditions of these presents are such that, if the Shipowner shall satisfy or cause

to be satisfied and pay or cause to be paid to the Mortgagee all of the Serial Obligations, then these presents and the rights of the Mortgagee under this Mortgage and the other Security Documents with respect to the Serial Loan Agreement shall cease and, in such event, this Mortgage shall secure all of the Indebtedness other than the Serial Obligations.

Section 2.02 Indebtedness.

(a) The Shipowner acknowledges that pursuant to the Loan Agreements it is jointly and severally liable with the Other Owners to the Mortgagee in the original principal amount of Two Hundred Eighty-Five Million Four Hundred Thousand United States Dollars (US\$285,400,000). The Shipowner shall repay the Obligations in accordance with terms and conditions of the Loan Agreements with the last installment due and payable on _____, 2015. The Shipowner further agrees to pay all other sums comprising the Indebtedness in accordance with the terms, conditions and provisions in the Loan Agreements and in this Mortgage and to perform, observe and comply with the covenants, terms and obligations and conditions on its part to be performed, observed and complied with contained or implied herein and in the Loan Agreements and in the other Security Documents.

(b) The Shipowner shall also pay to the Mortgagee upon the Mortgagee's first written demand all stamp duties, registration and/or recording fees, charges for certificates, valuation fees, costs and expenses (including, the fees and expenses of its attorneys) of any nature whatsoever incurred by the Mortgagee in connection with the preparation, completion, execution and registration of this Mortgage and all other claims, expenses, costs, payments, disbursements, losses, damages or liabilities which may be incurred by the Mortgagee by reason of the covenants and conditions contained herein, in the Loan Agreements or in the other Security Documents, together with interest thereon as herein or therein provided, and confirms that such obligations are secured by this Mortgage.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Shipowner.

The Shipowner hereby represents and warrants to the Mortgagee as follows:

(a) The Shipowner (i) is a company duly formed, validly existing and in good standing under the laws of The Bahamas and (ii) is duly authorized, to the extent necessary, to do business in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary. The Shipowner has not engaged in any business or activity other than as set forth in Section 5.04 of the Loan Agreements. The Shipowner has all requisite corporate power and authority to own and operate the property it purports to own and to carry on its business as now being conducted and as proposed to be conducted in respect of the Vessel.

(b) The Shipowner has all necessary corporate power and authority to execute, deliver and perform under this Mortgage, the Loan Agreements and each other Security Document to which it is a party.

(c) All action on the part of the Shipowner that is required for the authorization, execution, delivery and performance of this Mortgage, the Loan Agreements and each other Security Document to which it is a party, in each case has been duly and effectively taken; and the execution, delivery and performance of this Mortgage, the Loan Agreements and each such other Security Document do not require the approval or consent of any Person except for such consents and approvals as have been obtained on or prior to the date hereof.

(d) This Mortgage, the Loan Agreements and each other Security Document to which the Shipowner is a party have been duly executed and delivered by the Shipowner. Each of this Mortgage, the Loan Agreements and each other Security Document to which the Shipowner is a party constitute a legal, valid and binding obligation of the Shipowner, enforceable against it in accordance with the terms thereof, except as such enforceability (i) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights and remedies generally and (ii) is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(e) Neither the execution, delivery and performance of this Mortgage, the Loan Agreements or any other Security Document to which the Shipowner is a party nor the consummation of any of the transactions contemplated hereby or thereby nor performance of or compliance with the terms and conditions hereof or thereof (i) contravenes any Requirement of Law applicable to the Shipowner or to the Vessel, (ii) constitutes a default under any Security Document or (iii) results in the creation or imposition of any Liens on the Vessel (other than Permitted Liens) or results in the acceleration of any obligation.

(f) The Shipowner is in compliance with and not in default under any and all Requirements of Law applicable to the Shipowner and all terms and provisions of this Mortgage, the Loan Agreements and all Security Documents.

(g) All Governmental Approvals which are required to be obtained in the name of the Shipowner in connection with the operation and maintenance of the Vessel and the execution, delivery and performance by the Shipowner of this Mortgage have been obtained and are in effect as of the date hereof.

(h) There are no actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending against the Shipowner or the Vessel or, to the best of the Shipowner's knowledge, threatened against the Shipowner or the Vessel or pending or threatened against any property or other assets or rights of the Shipowner with respect to the Vessel, this Mortgage or any other Security Document.

(i) The Shipowner is the sole and lawful owner of the whole of the Vessel, free from all liens, security interests, mortgages, charges or encumbrances (other than this Mortgage, the Collateral Trust Agreement, the Indentures and Permitted Liens). The Shipowner shall defend for the benefit of the Mortgagee the title and possession of the mortgaged property and every part thereof against the claims and demands of all Persons.

(j) The Shipowner is, by this Mortgage and the recordation thereof, constituting in favor of the Mortgagee, among other things, all the rights of a First Preferred Ship Mortgage of the Vessel to secure the due and punctual payment of all amounts due and to become due to the Mortgagee pursuant to the terms and conditions of this Mortgage, the Loan Agreements, the other Security Documents and the documents contemplated hereby and thereby and the payment of all commissions and fees, costs, charges, expenses, expenditures and interest owing to the Mortgagee hereunder and thereunder, and the performance and observance of and compliance with all the covenants, terms, conditions and provisions of this Mortgage, the Loan Agreements, the other Security Documents and the documents contemplated hereby and thereby.

(k) No tax deficiencies and no past due obligations exist that materially affect the operations of the Shipowner, except those contested in good faith by appropriate proceedings for which adequate reserves with respect to such claims so contested have been set aside on the books of the Shipowner.

(l) The Shipowner is not liable for any material amount of sales, use or other similar tax in connection with the transactions described in this Mortgage, the Loan Agreements and the other Security Documents.

ARTICLE IV

COVENANTS

So long as any of the Indebtedness is outstanding or any of its obligations hereunder or under either Loan Agreement remain outstanding, the Shipowner covenants and agrees, subject to Section 6.01, with the Mortgagee as follows:

Section 4.01 Payment of Indebtedness.

The Shipowner shall repay to the Mortgagee the Indebtedness and at all times shall keep, perform and observe the covenants, conditions and agreements in this Mortgage and the other Security Documents contained, expressed or implied on its part to be kept, performed and observed for so long as any part of the Indebtedness remains outstanding.

Section 4.02 Corporate Existence.

The Shipowner is and shall remain a corporation qualified as a Foreign Maritime Entity as defined in Chapter 13 of the Liberian Corporation Business Act of 1977 as amended.

Section 4.03 Insurance.

(a) The Shipowner, at its expense (including payment of all premiums, costs and club calls, if any) shall effect or cause to be effected the following insurances and keep the following in full force and effect:

(i) hull and machinery insurance equal to the greater of (i) the Vessel's full commercial value and (ii) one hundred and fifteen percent (115%) of the aggregate outstanding principal balance of the Term Loan and the Serial Loan. Such Hull and Machinery insurance shall include the "Institute Pollution Hazard Clause" and the "Institute Liner Negligence and Additional Perils Clause". If the Vessel is laid up in port for an extended period, then, with the prior written consent of the Mortgagee, the Shipowner may obtain in lieu of the hull and machinery insurance referred to in this Section 4.03(a)(i) port risk insurance equal to the greater of (A) the Vessel's full commercial value or (B) one hundred and fifteen per cent (115%) of the aggregate outstanding principal balance of the Term Loan and Serial Loan. Such Port Risk insurance shall be effected on Institute of London Underwriters "Institute Port Risk Clauses" or American Institute "Port Risk Endorsement";

(ii) war risk hull and machinery insurance (including risks of mines) equal to the greater of (A) the Vessel's full commercial value or (B) one hundred and fifteen percent (115%) of the aggregate outstanding principal balance of the Term Loan and Serial Loan. Such war risk insurance shall be effected with a War Risks Association approved by the Mortgagee or on the full Institute of London Underwriters "Institute War and Strikes Clauses" or American Institute "Hull War Risks and Strikes Clauses";

(iii) mortgagee additional perils (oil pollution) insurance in an amount equal to the aggregate outstanding principal amount of the Term Loan related to the Vessel;

(iv) confiscation and requisition insurance to the extent and in the circumstances that a prudent shipowner would obtain and maintain such insurances;

(v) protection and indemnity insurance in the name of the Shipowner, which shall include freight, demurrage and defense coverage in an unlimited amount and coverage in respect of pollution risks for a minimum of five hundred million dollars (\$500,000,000) plus an additional two hundred million dollars (\$200,000,000) or such other amount as may be then customary for prudent shipowners to maintain, including coverage against liabilities to persons who have suffered any loss, damage or injury whatsoever in connection with anything done or not done by the Vessel, any charterer or the Shipowner in connection with the Vessel or the employment or use thereof (including in connection with any oil or other substance emanating from the Vessel or any other vessel with which the Vessel may be involved in collision) and against liability under the United States Oil Pollution Act of 1990 ("OPA") or any re-enactment or

modification thereof under the law of any country into whose jurisdiction the Vessel is permitted to come under the terms of the related charter;

(vi) such additional insurance as the Shipowner may deem necessary; provided, however, that all such additional insurance, including without limitation "disbursements," "increased value" or other "total loss only" insurance shall not be in amounts in excess of those permitted by the hull and machinery or war risk policies. Such hull and machinery insurance shall be effected on Institute of London Underwriters "Institute Time Clause - (Hulls)" or American Institute "Time (Hulls) Clauses" including four-fourths (4/4ths) Running Down Clause, except that three-fourths (3/4ths) Running Down Clause is allowed provided the remaining one-fourth (1/4th) Running Down Clause is fully covered by protection and indemnity insurance.

(vii) risks which are likely to arise due to the particular usage and trading of the Vessel including all risks customarily and usually covered by prudent shipowners; and

(viii) risks for which the Republic of Liberia may from time to time require insurance or for which the Mortgagee may from time to time (after receiving advice from its insurance advisers that a prudent shipowner would obtain and maintain a type and amount of insurance for such risks) require insurance.

Provided, however, that if the Vessel is subject to the Initial Charter or an Acceptable Replacement Charter, the insurance requirements of the related Initial Charter or Acceptable Replacement Charter will supersede the above insurance requirements.

(b) All insurance taken out or effected in connection with the Vessel pursuant to the provisions of Section 4.03(a) hereof shall be in a form and upon terms acceptable to the Mortgagee and shall, without limitation, be subject to the following:

(i) all such insurance shall be taken out in the name of the Shipowner with the Mortgagee's interest noted on the policies and cover notes;

(ii) all such insurance shall be placed in the English or American markets through first-class brokers and with first-class underwriters, insurance companies, protection and indemnity associations or protection and indemnity clubs. All insurance policies or entries shall provide that they are payable in Dollars. All insurance policies shall be valued policies and none shall provide for a deductible amount in excess of One Hundred Thousand United States Dollars (US\$100,000) or such other amount as prudent shipowners of vessels similar to the Vessel shall maintain. No insurance shall exclude liability for negligence of the master, officers, crew or pilots. Each policy or entry shall contain or be accompanied by a waiver, as against the Mortgagee, of any and all premiums and calls for which the Mortgagee might otherwise be or become liable as a loss payee or otherwise.

(iii) Each policy shall provide that it may not lapse, be terminated, cancelled or materially modified without fourteen (14) days' prior telex or telegraphic notice to the Mortgagee and any assignee, except only such notice as war risk underwriters shall be required to give pursuant to the automatic termination clause of current war risk policies.

(iv) Each policy shall include a provision agreeing that no breach of warranty or condition or want of due diligence on the part of the Shipowner or any agent of such Shipowner shall defeat recovery of any claim by the Collateral Trustee unless such provision shall conflict with the available reinsurance arrangements of the issuers of such policy.

(c) Each insurance policy taken out pursuant to Sections 4.03(a)(i) through (iii) and Section 4.03(a)(v) through (vii) shall contain the following notice of assignment and loss payable clause:

Notice of Assignment/Loss Payable Clause

California Petroleum Transport Corporation, as mortgagee (the "Mortgagee"), and CalPetro Tankers (Bahamas III) Limited (the "Shipowner"), owner of the m.t. William E. Crain (the "Vessel"), hereby give notice that by an assignment contained in an Assignment of Earnings and Insurances, dated as of _____, 1995, between the Shipowner and the Mortgagee, the Shipowner assigned to the Mortgagee as mortgagee of the Vessel, inter alia, all of its right, title and interest under, to and in all policies and contracts of insurance of whatsoever nature and all entries with protection and indemnity clubs or societies now or hereafter taken out in respect of the Vessel, its rights, disbursements, profits or otherwise.

All claims payable shall be subject to the following conditions:

(i) Any claim payable in respect of an actual or constructive or arranged or agreed or compromised total loss, or loss in the event of the confiscation, compulsory acquisition or requisition of the Vessel, for title or use, by any government of any country or any department, agency or representative thereof, pursuant to any present or future law, proclamation, order, decree or otherwise, shall be payable to the Mortgagee as mortgagee of the Vessel, provided always that the written consent of the Mortgagee shall be obtained prior to the arranged or agreed or compromised total loss being agreed with the underwriters (insurers);

(ii) All other claims shall be released to the repairer or salvor for the repair, salvage or other charges involved or to the Shipowner as reimbursement if it has fully repaired the damages and paid all of the salvage and other charges;

Notwithstanding the foregoing, if there exists an Event of Default under the First Preferred Ship Mortgage, dated _____, 1995, on the Vessel given by the Shipowner in favor of the Mortgagee and the brokers and/or underwriters (insurers) have been so notified by the Mortgagee, all claims shall be payable to the Mortgagee as mortgagee of the Vessel.

The underwriters (insurers) agree that the Mortgagee shall be advised immediately of the variation or termination of this policy (entry), and in the event of any failure by the Shipowner to pay premiums (dues or Club calls) as and when due the Mortgagee shall be given at least fourteen (14) days' prior telegraphic or telex notice of the cancellation or material alteration of this policy (entry).

The Mortgagee shall have no obligations whatsoever to pay any premiums or costs (dues or Club calls), but shall have the right to do so in the event of non-payment by the Shipowner. The underwriters (insurers) shall promptly advise the Mortgagee of any act of omission of which the Underwriters (insurers) are aware that might void this policy (entry) or make the same invalid or unenforceable in whole or in part.

(d) Each entry or insurance policy taken out pursuant to Section 4.01(a)(iv) shall bear the following Endorsement:

Endorsement

California Petroleum Transport Corporation, as mortgagee (the "Mortgagee") and CalPetro Tankers (Bahamas III) Limited (the "Shipowner"), owner of the m.t. William E. Crain (the "Vessel"), hereby give notice that by an assignment contained in an Assignment of Earnings and Insurances, dated as of _____, 1995, between the Shipowner and the Mortgagee, the Shipowner assigned to the Mortgagee as mortgagee of the Vessel all of its right, title and interest under, to and in all policies and contracts of insurance of whatsoever nature and all entries with protection and indemnity clubs or societies now or hereafter taken

out in respect of the Vessel, its rights, disbursements, profits or otherwise.

It is hereby noted that all claims shall be paid to the Shipowner unless and until the Mortgagee shall have given notice in writing that the Shipowner is in default under the First Preferred Ship Mortgage, _____, 1995, on the Vessel given by the Shipowner in favor of the Mortgagee in which event such claims shall be payable to the Mortgagee as mortgagee of the Vessel. Any modification of the terms of this insurance or cancellation or termination by reason of nonpayment of premiums, dues, assessments, contributions or other amounts which may become due shall not become effective against the interests of the Mortgagee, its successors or assigns until fourteen (14) days' prior telegraphic or telex notice is given to the Mortgagee, its successors or assigns of such modification, cancellation or termination.

(e) Certified copies of all binders and cover notes or other satisfactory written evidence showing that the required insurance of each type has been placed, maintained or renewed and that the premiums thereon have been paid shall be submitted to the Mortgagee on or before the date of this Mortgage and subsequently pro forma policies shall be submitted for approval at least seven (7) days before liability under any current or renewed insurance expires. No change shall be made in any insurance without the prior written approval of the Mortgagee. Certified copies of all policies, certificates of entry, contracts of insurance, cover notes and renewals thereof shall be delivered to and held by the Mortgagee, and the Shipowner shall furnish the Mortgagee with the original of the policies, when and if requested by the Mortgagee. On the Closing Date, on each date the Insurances are renewed as required by the terms hereof and each time there is a significant change in the insurance coverage carried on the Vessel, the Shipowner shall arrange for a detailed report signed by independent marine insurance brokers acceptable to the Mortgagee, describing the insurance coverage then carried and maintained on the Vessel (including the types of risk covered by such policies, the amount insured thereunder and the expiration date thereof) and stating that in the opinion of said insurance brokers such insurance is adequate and reasonable for the protection of the Mortgagee and that the Shipowner is in compliance with the insurance terms hereof.

(f) The Mortgagee is hereby authorized, but not required, in its own name and/or the Shipowner's name to demand, collect, give receipt for and prosecute all necessary actions in the courts to recover any and all insurance monies which may become due and payable to the Shipowner under any insurance required or permitted hereunder.

(g) If the Shipowner shall at any time fail to pay or to cause to be paid when due any insurance premiums, club calls or other costs related to obtaining or maintaining the insurance required hereunder, or to obtain any required insurance or to deliver to the Mortgagee all policies, certificates of entry, contracts of insurance, binders and cover notes and all renewals

thereof as required by the provisions of this Mortgage, the Mortgagee may, but shall not be required to, procure such insurances and/or pay unpaid premiums and other costs, and the cost and expense thereof, with interest at the Default Rate, shall be an indebtedness due from the Shipowner to the Mortgagee secured by this Mortgage and shall be paid by the Shipowner promptly on demand.

(h) The Shipowner shall cause each of its insurance brokers to deliver to the Mortgagee its undertaking substantially in the form of the letter attached hereto as Exhibit A and made a part hereof.

(i) The Shipowner shall not do any act or cause or permit any act to be done whereby any insurance shall be or may be suspended, impaired or defeated.

(j) The Shipowner agrees to do all such things whatsoever and prepare, execute and deliver all such documents whatsoever to enable the Mortgagee to collect and recover any monies which may become due in respect of the policies of insurance and entries and for that purpose (but without limitation) to permit the Mortgagee if necessary to sue in the name of the Shipowner.

(k) The Shipowner agrees not to employ the Vessel or suffer the Vessel to be employed otherwise than in conformity with the terms of the instruments of insurance aforesaid (including any warranties express or implied therein) without first obtaining the consent to such employment of the insurers and complying with such requirements as to extra premium or otherwise as the insurers may prescribe.

(1) The proceeds of any Insurances or entries shall be applied as follows:

(i) Until the occurrence of an Event of Default:

(A) Any claim under any Insurances (other than in respect of a Total Loss) or whether or not such claim is under the terms of the relevant loss payable clause payable directly to the Shipowner, shall be applied by the Shipowner in making good the loss or damage in respect of which it has been paid to the Shipowner in reimbursement of money expended by it for such purpose; and

(B) Any claim in respect of protection and indemnity insurance shall be paid directly to the person, firm or company to which the liability covered by such insurance was incurred or the Shipowner in reimbursement of moneys expended by it in satisfaction of such liability;

provided always that for as long as the Initial Charter in respect of the Vessel remains in force, all payments other than in respect of a Total Loss (which shall be made to the Mortgagee) shall be made to the Initial Charterer.

(ii) Upon the occurrence of an Event of Default, subject as provided above, any claim under any such insurance and entry shall be paid to the Mortgagee, as assignee of the related Shipowner, and shall be applied by the Mortgagee pursuant to the terms of the Initial Charter unless the Initial Charterer is in default thereunder in which event the Mortgagee shall apply such proceeds against payment of the Obligations.

(iii) Any claim under such insurance and entry in respect of a Total Loss shall be paid to the Mortgagee, as assignee of the related Shipowner, and shall be applied by the Mortgagee, after payment of the costs of collecting such claim, as follows:

First: To the payment of all reasonable expenses and charges, including the expenses of any taking, attorney's fees, court costs and any other expenses or advances made or incurred by the Mortgagee, the Indenture Trustees and the Collateral Trustee in the protection of its right or the pursuance of its remedies under this Mortgage, the Loan Agreements or the other Security Documents;

Second: To the payment of all amounts due to the Mortgagee in respect of taxes, indemnities, fees, expenses, premiums, purchase of liens or otherwise under the provisions of this Mortgage;

Third: To the payment of interest on the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balances, to but not including the Loss Date;

Fourth: To the payment to the Mortgagee in respect of principal of the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balances; and

Fifth: To the payment of any surplus thereafter remaining to the Shipowner or whomsoever may be lawfully entitled thereto.

Section 4.04 Defense of Title.

The Shipowner lawfully owns and is lawfully possessed of the Vessel free from any Lien whatsoever except this Mortgage and Permitted Liens and shall warrant and defend the title and possession thereto and to every part thereof for the benefit of the Mortgagee against the claims and demands of all persons whomsoever.

Section 4.05 Discharge of Liens.

The Shipowner shall pay and discharge or cause to be paid and discharged when due and payable unless contested in good faith from time to time all debts, damages and liabilities whatsoever which may have given or may give rise to maritime or possessory liens on or claims enforceable against the Vessel and all taxes, assessments, governmental charges, fines and penalties legally imposed on the Vessel or any income or proceeds therefrom or on the Shipowner, the Earnings and in event of arrest of the Vessel pursuant to legal process or in event of her detention in exercise or purported exercise of any such lien as aforesaid to procure the release of the Vessel from such arrest or detention as soon as possible upon receiving notice thereof but in any event within fifteen (15) days of receiving such notice by providing bail or otherwise as the circumstances may require.

Section 4.06. Liens.

(a) Neither the Shipowner nor its agent nor the master of the Vessel nor any charterer of the Vessel has or shall have any right, power or authority to create, incur or permit to be placed or imposed upon the property or any part thereof subject or intended to be subject to this Mortgage, any liens whatsoever without the prior written consent of the Mortgagee, other than for Permitted Liens, and liens created under the Collateral Trust Agreement and the Indentures. A properly certified copy of this Mortgage shall be carried with the ship's papers on board the Vessel, shall be exhibited to any person having business with the Vessel which might give rise to any lien other than Permitted Liens and shall be exhibited to any representative of the Mortgagee on demand.

(b) The Shipowner shall keep the Vessel free and clear of all liens, security interests, charges or encumbrances (except for the Initial Charter, the Collateral Trust Agreement, the Indentures and Permitted Liens).

Section 4.07 Use of Vessel.

(a) The Shipowner shall not cause or permit the Vessel to be operated in such a way as to jeopardize the safety of the Vessel, its Insurances or in any manner contrary to law, shall not engage in any unlawful trade or violate any applicable law, rule or regulation of the Republic of Liberia or any other jurisdiction in which the Vessel may operate from time to time or which may otherwise be applicable to the Vessel or the Shipowner or carry any cargo that shall expose the Vessel to penalty, confiscation, forfeiture, capture or condemnation, shall not do, suffer or permit to be done anything which can or may injuriously affect the registration or enrollment of the Vessel under the laws and regulations of the Republic of Liberia and shall at all times keep the Vessel duly documented thereunder.

(b) The Shipowner shall not employ the Vessel or suffer her employment in any trade or business which is forbidden by international law or is otherwise illicit or in carrying illicit or prohibited goods or otherwise use the Vessel in any manner whatsoever which renders her liable to condemnation or to destruction, seizure or confiscation and in event of hostilities in any part of the world (whether war is declared or not) not allow the Vessel to enter any zone

which is declared a war zone unless the Mortgagee shall have first given its consent thereto in writing and there shall have been effected by the Shipowner and at its expense such special insurance cover as the Mortgagee may require.

(c) The Shipowner shall not, during hostilities (whether or not a state of war shall have been formally declared) between any two or more nations or in which the United Nations Organization may be involved, or during any civil war, employ or permit the Vessel to be employed in any manner in carrying any goods that shall or may be declared to be contraband of war or that shall or may render her liable to confiscation, seizure, detention or destruction unless prior to such employment special war risks policies effected with such underwriters as the Mortgagee may approve and in all respects to the satisfaction of the Mortgagee shall have been effected, assigned and delivered to the Mortgagee.

(d) Upon request, the Shipowner shall give to the Mortgagee all information regarding the Vessel, her position and engagements in the possession of or available to the Shipowner.

(e) The Shipowner shall comply with and satisfy all of the material provisions of any applicable law, regulation, proclamation or order concerning financial responsibility for liabilities imposed on the Shipowner or the Vessel with respect to pollution by any state or nation or political subdivision thereof, including, if applicable, the United States Federal Water Pollution Control Act, OPA and the United States Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as any of the foregoing may at any time be amended, and shall maintain all certificates or other evidence of financial responsibility as may be required by any such law, regulation, proclamation or order with respect to the trade in which the Vessel is from time to time engaged and the cargo carried by it and shall upon request, furnish the Mortgagee with evidence that the Shipowner has acted in compliance with OPA and CERCLA.

Section 4.08 Notifications.

The Shipowner shall immediately notify the Mortgagee of:

(a) any marine disaster involving the Vessel that has occurred, or any serious damage suffered by the Vessel (such notice by the Shipowner to be given within twenty-four (24) hours after the event shall have come to its knowledge and shall furnish the Mortgagee with full information regarding any loss of life, other accidents or damage to the Vessel), and in such event the Mortgagee shall have the right to have an independent survey of the damage to the Vessel at the Shipowner's expense provided that the same shall not cause any undue delay in respect of the operation of the Vessel, and if such survey be requested, the Shipowner shall lend all needed assistance.

(b) any occurrence in consequence whereof the Vessel has become or is likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority that is not complied with immediately; and

(d) any complaint or libel filed against the Vessel, or any levy against the Vessel, or the fact that the Vessel has been taken into custody or detained by any proceedings in any court or tribunal or by any government of any country or other authority, any arrest of the Vessel or the exercise or purported exercise of any lien on the Vessel.

Section 4.09 Payment of Crew's Wages and Allotments.

The Shipowner shall promptly pay all tolls, dues and other outgoings whatsoever in respect of the Vessel and, as and when the Mortgagee may so require, furnish satisfactory evidence that the wages and allotment and insurance and pension contributions of the Master and crew are being regularly paid and that all deductions from crew's wages in respect of any tax liability are being properly accounted for.

Section 4.10 Charter of Vessel.

The Shipowner shall not, without the prior written consent of the Mortgagee, charter the Vessel by demise charter or by period, time or voyage charter for any period other than to the Initial Charterer under the Initial Charter or any other charterer under an Acceptable Replacement Charter. The Shipowner shall not modify, amend or supplement the terms of the Initial Charter without the prior written consent of the Mortgagee.

Section 4.11 Maintenance of Vessel.

The Shipowner shall at all times and without cost or expense to the Mortgagee or the Collateral Trustee maintain and preserve, or cause to be maintained and preserved, the Vessel, her equipment and machinery in good running order and repair so that the Vessel shall be, in so far as due diligence can make her so, tight, staunch, strong and well and sufficiently tackled, apparelled, furnished, equipped and in every respect seaworthy and in good operating condition as will entitle her to the highest classification of Det norske Veritas or such other classification society of like standing agreeable to the Mortgagee and the Collateral Trustee. The Vessel shall, and the Shipowner covenants that it shall, at all times comply strictly with all applicable laws, treaties and conventions of Republic of Liberia and rules and regulations issued thereunder and shall have on board as and when required by such rules and regulations valid certificates showing compliance therewith. The Shipowner shall not make or permit to be made any substantial change in the structure, type or speed of the Vessel or change in any of her rigs without first obtaining the written approval of the Mortgagee. The Shipowner shall cause all repairs to and/or replacements of any damaged worn or lost parts or equipment of the Vessel be effected in such manner both as regards workmanship and quality of materials so as not to diminish the value or class of the Vessel. The Shipowner shall submit the Vessel to such periodical or other surveys as may be required for classification purposes and shall if so required

by the Mortgagee supply to the Mortgagee on request copies of all surveys or reports issued in respect thereof.

Section 4.12 Statement of Classification Society.

The Shipowner shall furnish to the Mortgagee and the Collateral Trustee annually from the date hereof a certificate by Det norske Veritas (the "Classification Society") or such other classification society acceptable to the Mortgagee and the Collateral Trustee that such classification is maintained in the highest category for ships of the same type as the Vessel free of recommendations and notations which have not been complied with in accordance with their terms and to furnish the Mortgagee from time to time and at any time upon demand with all such information and copies of all such documents as the Mortgagee may require concerning the classification of the Vessel.

Section 4.13 Surveys of Vessel.

The Shipowner shall submit the Vessel or cause the Vessel to be submitted regularly to such periodical or other surveys as may be required for classification purposes and if so required supply and cause to be supplied to the Mortgagee copies of all survey reports issued in respect thereof.

Section 4.14 Access to Vessel.

The Shipowner shall use all reasonable endeavors to afford the Mortgagee and such Persons as the Mortgagee shall from time to time appoint for that purpose full and complete access to the Vessel at any time, on reasonable notice and in a manner which shall not interfere with the Vessel's trading requirements to view the state and condition thereof and her cargo and papers and to ascertain whether the Vessel is being properly repaired and maintained, and if default shall be made in keeping her in such good state of repair and in such working order and condition as herein mentioned (without prejudice however to any of the Mortgagee's rights under this Mortgage) the Mortgagee may (but shall not be obligated to) effect such repairs as shall in its opinion be necessary, and the Shipowner shall on demand repay to the Mortgagee every sum of money expended for the above purpose with interest at the Default Rate.

Section 4.15 Books and Records.

The Shipowner shall keep proper books of account in respect of the Vessel and as and when required by the Mortgagee make such books available for inspection for the Mortgagee and any Noteholder.

Section 4.16 Registration of Mortgage; Recordation of Mortgage.

(a) The Shipowner shall not change the flag or port of documentation of the Vessel or through any action or inaction cause the registration of the Vessel under the laws of the Republic of Liberia to be void or voidable or to lapse;

(b) The Shipowner shall cause this Mortgage to be recorded with the Deputy Commissioner for Maritime Affairs of the Republic of Liberia as prescribed by Chapter 3 of Title 22 of the Liberian Code of Laws of 1956 as amended and otherwise comply with and satisfy all the requirements and formalities established by the said Liberian Code of Laws and any other pertinent legislation of the Republic of Liberia to perfect this Mortgage as a valid and enforceable first and preferred lien upon the Vessel and shall furnish to the Mortgagee from time to time such evidence to the Mortgagee's satisfaction with respect to the Shipowner's compliance with the provisions of this Section.

Section 4.17 Notice of Mortgage.

(a) The Shipowner shall at all times carry on board the Vessel a duly certified copy of this Mortgage and any assignment thereof (which shall form a part of the Vessel's papers) and cause the same to be shown to any person having business with the Vessel which might create or imply any commitment or encumbrance whatsoever on the Vessel and place and maintain in a frame in a conspicuous place in the navigation room and in the cabin of the Master of the Vessel a printed notice such that the printed area covers a space not less than six inches wide by nine inches high in the following form:

"NOTICE OF FIRST MORTGAGE"

"This Vessel is owned by CalPetro Tankers (Bahamas III) Limited and is subject to a First Preferred Mortgage in favor of California Petroleum Transport Corporation, as mortgagee. Under the terms of the Mortgage, neither the Shipowner nor any charterer nor the master of this Vessel nor any other person has any power, right or authority whatever to create, incur or permit to be imposed on this Vessel any lien or encumbrance except for Master's and crew's wages for not more than three (3) months and salvage."

(b) Notwithstanding the requirement for the Shipowner to maintain the Notice of Mortgage described in Section 4.17(a), so long as the Initial Charter is in effect, the Shipowner shall maintain the Notice of First Mortgage described in Clause 14 of the Initial Charter.

Section 4.18 Further Assurances.

(a) The Shipowner shall pay to the Mortgagee on demand on a full indemnity basis all moneys whatsoever which the Mortgagee shall or may expend, be put to or become liable for in or about the protection maintenance or enforcement of the security created by this Mortgage and the other Security Documents or in or about the exercise by the Mortgagee of any of the powers vested in the Mortgagee hereunder or thereunder including any and all costs, charges, legal fees and expenses of the Mortgagee and shall pay interest thereon at the Default Rate until the date of repayment by the Shipowner both before and after judgment.

(b) The Shipowner shall do and permit to be done each and every act or thing whatsoever which the Mortgagee may require to be done for the purpose of enforcing the Mortgagee's rights hereunder and to allow the Mortgagee to use the Shipowner's name as may be required for that purpose.

Section 4.19. Withholding Tax.

The Shipowner shall take any lawful action to the extent necessary to prevent or avoid the imposition of any withholding taxes (other than any withholding tax with respect to charter hire to the extent required to be paid or reimbursed by any charterer pursuant to a charter) by any taxing jurisdiction (including The Bahamas) with respect to any payments under the Obligations, including changing its jurisdiction of incorporation or residence; provided however, that it shall not be required to take, or fail to take, any action (i) if in the opinion of counsel such act or failure to act would violate applicable law or (ii) if in the reasonable opinion of the Shipowner the actions necessary to avoid or prevent imposition of such withholding taxes would be unduly burdensome. For purposes of clause (ii) of this paragraph a requirement to change the jurisdiction of the Shipowner's incorporation or residence shall not be treated as unduly burdensome.

Section 4.20. Expenses.

The Shipowner shall upon demand pay to the Mortgagee (or as it may direct) the amount of all investigation expenses, mortgage taxes, recording charges, filing fees, revenue and documentary stamps and any other charges incurred by the Mortgagee in connection with the preparation, completion or registration of this Mortgage, including without limitation the reasonable expenses and fees of counsel to the Mortgagee. Likewise any and all expenses incurred at any time by the Mortgagee with respect to the mortgaged property or the protection or the enforcement of its rights hereunder or thereunder, including without limitation the expenses and fees of counsel to the Mortgagee, shall be paid by the Shipowner or, if paid by the Mortgagee, shall be paid by the Shipowner promptly upon demand together with interest thereon from the date of demand until such repayment at the Default Rate in effect from time to time. The payment of all expenses and other amounts under this Section 4.20 shall be secured by this Mortgage and no amounts payable by the Shipowner to the Mortgagee under this Section 4.20 shall in any circumstances be repayable to the Shipowner.

Section 4.21. Indebtedness.

The Shipowner will not directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to, or become responsible for the payment of any indebtedness, except for the obligations under the Shipowner's Loan Agreements.

Section 4.22. Business of Shipowner.

The Shipowner will not engage in any business other than the ownership and operation of its Vessel as described herein and in accordance with the Shipowner's charter and by-laws.

Section 4.23. No Bankruptcy Petition.

The Shipowner will not (i) commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to it, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to its debt, (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or any part of its assets, (iii) make a general assignment for the benefit of creditors or (iv) take any action in furtherance of, or consenting or acquiescing in, any of the foregoing.

Section 4.24. Consolidation, Merger and Sale of Assets.

The Shipowner shall not consolidate with, or merge with or into, any other Person or convey or transfer to any Person all or any part of the Vessel.

Section 4.25. Loans, Advances and Other Liabilities.

The Shipowner will not make any capital contributions, advances or loans to, or investments or purchases of capital stock in, any Person, except for Allowable Investments and Permitted Investments, as defined in the Collateral Trust Agreement.

Section 4.26. Restricted Payment.

The Shipowner will not make any Restricted Payment except as set forth in the Loan Agreements.

Section 4.27. Reports by the Shipowner. The Shipowner covenants:

(a) The Shipowner covenants to file with the Mortgagee, within 15 days after the Shipowner is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Shipowner may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, or, if the Shipowner is not required to file information, documents, or reports pursuant to either of such Sections of the Exchange Act, then to file with the Mortgagee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act, or, in respect of a security listed

and registered on a national securities exchange, as may be prescribed from time to time in such rules and regulations;

(b) The Shipowner covenants to file with the Mortgagee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents, and reports with respect to compliance by the Shipowner with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations;

(c) The Shipowner covenants to transmit to the Mortgagee in the manner and to the extent required by Section 313(c) of the Trust Indenture Act, within 30 days after the filing thereof with the Mortgagee, such summaries of any information, documents and reports required to be filed by the Shipowner pursuant to subsections (a) and (b) of this Section 4.27 as may be required by rules and regulations prescribed from time to time by the Commission; and

(d) The Shipowner covenants to furnish to the Mortgagee, on or before each August 1, commencing in 1995, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer of the Shipowner as to his or her knowledge of the Shipowner's compliance with all conditions and covenants under this Mortgage. For purposes of this subsection (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Mortgage.

ARTICLE V

EVENTS OF DEFAULT; REMEDIES

Section 5.01 Events of Default.

The following shall constitute Events of Default hereunder:

- (a) An Event of Default shall occur under either the Serial Loan Agreement, the Term Loan Agreement or any Other Loan Agreement;
- (b) Default in the payment of any sums payable under the Mortgage to the Mortgagee within two (2) Business Days after such amount was due;
- (c) Default by the Shipowner in the due observance or performance of any covenant set forth in Sections 4.02, 4.03, 4.04, 4.06, 4.10, 4.16, 4.24 and 4.26;
- (d) Default in any material respect in the performance, or breach in any material respect, of any covenant of the Shipowner (other than Sections 4.02, 4.03, 4.04, 4.06, 4.10, 4.16, 4.24 and 4.26) or if any representation or warranty of the Shipowner made in the Mortgage or in any certificate or other writing delivered pursuant thereto or in connection therewith with respect to or affecting the Vessel

shall prove to be inaccurate in any material respect as of the time when the same shall have been made, and, if such breach or default or inaccuracy is curable, continuance of such default or breach or inaccuracy for a period of 30 days after the earlier to occur of (a) actual knowledge of such default, breach or inaccuracy by the Shipowner or (b) the date on which there has been given by registered or certified mail to the Shipowner by the Mortgagee a written notice thereof;

- (e) The entry of a decree or order for relief by a court having jurisdiction over the Shipowner and its assets in any involuntary case under any applicable federal or state bankruptcy, insolvency, or other similar law of any relevant jurisdiction now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, or sequestrator (or other similar official) for the Shipowner or for any substantial part of its property, or ordering the winding up or liquidation of its respective affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;
- (f) The commencement by the Shipowner of a voluntary case under any applicable federal or state bankruptcy, insolvency, or other similar law of any relevant jurisdiction now or hereafter in effect in any jurisdiction, or the consent by the Shipowner to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of the Shipowner or any substantial part of its property, or the making by the Shipowner of any general assignment for the benefit of creditors, or the failure by the Shipowner generally to pay its debts as they become due, or the taking of action by the Shipowner in furtherance of any such action;
- (g) The Vessel is deemed a Total Loss and the insurance proceeds thereof have not been received by the Mortgagee within 60 days after the date on which the Vessel was deemed a Total Loss; provided, however, if the Vessel is under charter to the Charterer pursuant to the Charter, such an event shall be an Event of Default under this Mortgage if the Mortgagee has not received the amount payable by the Charterer in the event of a Total Loss pursuant to the Charter within 5 business days of the date on which such amounts are due pursuant to the Charter;
- (h) The Shipowner shall abandon the Vessel;
- (i) A default (as described in Clause 18 of the Initial Charter) shall have occurred under the Initial Charter; or
- (j) This Mortgage or any material provision hereof shall be deemed invalidated in whole or in part by any present or future law of the Republic of Liberia or decision of any competent court.

Section 5.02 Remedies.

In the event any one or more Events of Default shall have occurred and be continuing, then, in each and every such case the Mortgagee, shall have the right to:

- (a) declare immediately due and payable all of the Obligations (in which case all of the same shall be immediately due), and bring suit at law, in equity or in admiralty, as it may be advised, to recover judgment for the Obligations and collect the same out of any and all property of the Shipowner whether covered by the Mortgage or otherwise;
- (b) exercise all of the rights and remedies in foreclosure and otherwise given to mortgagees by the provisions of applicable law;
- (c) take and enter into possession of the Vessel, at any time, wherever the same may be, without court decision or other legal process and without being responsible for loss or damage and the Mortgagee may, without being responsible for loss or damage, hold, lay-up, lease, charter, operate or otherwise use such Vessel for such time and upon such terms as it may deem to be for its best advantage, and demand, collect and retain all hire, freights, earnings, issues, revenues, income, profits, return premiums, salvage awards or recoveries, recoveries in general average, and all other sums due or to become due in respect of such Vessel or in respect of any insurance thereon from any person whomsoever, accounting only for the net profits, if any, arising from such use of the Vessel and charging upon all receipts from use of the Vessel or from the sale thereof by court proceedings or by private sale all costs, expenses, charges, damages or losses by reason of such use, and if at any time the Mortgagee avails itself of the right given to it to take the Vessel: (i) the Mortgagee shall have the right to dock the Vessel for a reasonable time at any dock, pier or other premises of the Shipowner without charge, or to dock her at any other place at the cost and expense of the Shipowner, and (ii) the Mortgagee shall have the right to require the Shipowner to deliver, and the Shipowner shall on demand, at its own cost and expense, deliver to the Mortgagee the Vessel as demanded; and the Shipowner shall irrevocably instruct the master of the Vessel so long as the Mortgage is outstanding to deliver the Vessel to the Mortgagee as demanded;
- (d) sell the Vessel or any share therein with or without the benefit of any charter party or other engagement by public auction or private contract without legal process at any place in the world and upon such terms as the Mortgagee in its absolute discretion may determine with power to postpone any such sale and without being answerable for any loss occasioned by such sale or resulting from the postponement thereof and at any such public auction the Mortgagee may become the purchaser and shall have the right to set off the purchase price against the Obligations;

- (e) to require that all policies, contracts and other records relating to the Insurance (including details of and correspondence concerning outstanding claims) be forthwith delivered to such brokers as the Mortgagee may nominate;
- (f) to collect, recover, compromise and give a good discharge for all claims then outstanding or thereafter arising under any of the Insurance and to take over or institute (if necessary using the name of the Shipowner) all such proceedings in connection therewith as the Mortgagee in its absolute discretion thinks fit and to permit the brokers through whom collection or recovery is effected to charge and retain the usual brokerage therefor;
- (g) to discharge, compound, release or compromise claims in respect of the Vessel which have given or may give rise to any charge or lien on the Vessel or which are or may be enforceable by proceedings against the Vessel under the laws of all countries to whose jurisdiction the Vessel may from time to time become subject;
- (h) pending sale of the Vessel to remove the Vessel or to require the Vessel to be removed from any place where she may be or be lying to any port, harbor, dock or other location for the purposes of the Vessel docking, laying up, repair, management, employment, maintenance, or sale or to preserve or maintain the Mortgagee's security in the Vessel in such manner as the Mortgagee may in its complete discretion deem necessary;
- (i) to discharge, store, load, tranship and otherwise handle any cargo for the time being on board the Vessel without liability to any third party with regard thereto;
- (j) pending sale of the Vessel to manage, insure, maintain and repair the Vessel and to hold, lease, charter, operate, employ, lay up or otherwise use the Vessel in such manner and for such period as the Mortgagee in its absolute discretion deems expedient accounting only for the net profits (if any) of such use and for the purposes aforesaid the Mortgagee shall be entitled to do all acts and things incidental or conducive thereto and in particular to enter into such arrangements respecting the Vessel, her insurance, management, maintenance, repair, classification and employment and generally to do and cause to be done all such acts and things whatsoever and to make all such arrangements whatsoever in respect of the Vessel or the working of the same in all respects as if the Mortgagee were the absolute and sole owner of the Vessel and without being responsible for any loss and damage thereby incurred; and
- (k) to recover from the Shipowner on demand all expenses, payments, disbursements, costs, losses and damages as may be incurred by the Mortgagee whether the Mortgagee be in possession of the Vessel or not or in exercise by the Mortgagee of any of the powers herein contained together with interest thereon at the Default

Rate and such expenses, payments, disbursements, costs, losses and damages together with the said interest thereon shall, until paid by the Shipowner to the Mortgagee, be secured on the Vessel by this Mortgage.

Section 5.03 Sale of the Vessel.

(a) A sale of the Vessel made in pursuance of this Mortgage whether under the power of sale hereby granted or any judicial proceedings shall operate to divest all right, title and interest of any nature whatsoever of the Shipowner herein and thereto and shall bar the Shipowner, its successors and assigns and all persons claiming by, through or under them provided such sale is by auction and that nothing herein shall be deemed to derogate from the Shipowner's duty to the Mortgagee. Upon any such sale, the purchaser shall not be bound to see or inquire whether the Mortgagee's power of sale has risen in the manner provided by the Mortgage and the sale shall be within the power of the Mortgagee and the receipt of the Mortgagee for the purchase money shall effectively discharge the purchaser who shall not be concerned with the manner of application of the proceeds of sale or be in any way answerable or otherwise liable therefor. The Mortgagee may bid for and purchase the Vessel and upon compliance with the terms of sale may hold, retain and dispose of the Vessel without further accountability therefor.

(b) The Shipowner hereby irrevocably appoints the Mortgagee and its assigns as its true and lawful attorney with full power to act alone and with full power of substitution until the due discharge of this Mortgage in accordance with the laws of the Republic of Liberia to make all necessary transfers of the Vessel sold pursuant to Section 5.02, including, without limitation, executing and delivering all instruments of assignment and transfer or quitclaim as the Mortgagee may require and the Shipowner hereby does ratify and confirm all that its said attorneys shall lawfully do by virtue hereof. Nevertheless, the Shipowner shall if so requested by the Mortgagee ratify and confirm any such sale by executing and delivering to the purchaser or purchasers of the Vessel such proper bills of sale, conveyances, instruments of assignment and transfer or quitclaim and releases as may be designated in such request.

Section 5.04 Mortgagee as Attorney-in Fact.

The Mortgagee is hereby appointed attorney-in-fact of the Shipowner and upon the Indebtedness becoming due and payable in the name of the Shipowner to demand, collect, receive, compromise and sue for so far as may be permitted by law all freights, hire, earnings, issues, revenues, income and profits of the Vessel and all amounts due from underwriters under any insurance thereon as payment of losses or as return premiums or otherwise salvage awards and recoveries in general average or otherwise and all other sums due or to become due upon the Indebtedness becoming due and payable in respect of the Vessel or in respect of any insurance thereon from any person whomsoever and to make and give and execute in the name of the Shipowner acquittances, receipts, releases or other discharges for the same whether under seal or otherwise and to endorse and accept in the name of the Shipowner all checks, notes, drafts, warrants, agreements and all other instruments in writing with respect to the foregoing.

Section 5.05 Appointment of Receiver.

Whenever any right to enter and take possession of the Vessel accrues to the Mortgagee, the Mortgagee may require the Shipowner to deliver and the Shipowner shall on demand at its own cost and expense deliver to the Mortgagee the Vessel as demanded. If any legal proceedings shall be taken to enforce any right under this Mortgage, the Mortgagee shall be entitled as a matter of right to the appointment of a receiver of the Vessel and the freights, hire, earnings, issues, revenues, income and profits due or to become due and arising from the operation thereof.

Section 5.06 Arrest or Detention of Vessel.

In the event that the Vessel shall be arrested or detained by any marshal or other officer of any court of law, equity or admiralty jurisdiction in any country or nation of the world or by any government or other authority and shall not be released from arrest or detention within fifteen (15) days from the date of arrest or detention, the Shipowner hereby authorizes and empowers the Mortgagee, its successors or assigns, to apply for and receive possession of or to take possession of the Vessel with all the rights and powers that the Shipowner or its successors or assigns may have, possess and exercise in any such event, and this power of attorney shall be irrevocable and may be exercised not only by the Mortgagee but also by an assignee or appointee of the Mortgagee with full power of substitution to the same extent and effect as if such assignee or appointee has been named by express designation.

Section 5.07 Defense of Suits.

The Shipowner also authorizes and empowers the Mortgagee, and its successors, assigns and appointees, to appear in the name of the Shipowner, and its successors and assigns, in any court of any country or nation of the world where a suit is pending against the Vessel because of or on account of any alleged lien against the Vessel from which the Vessel has not been released and to take such proceedings and do such things as to them or any of them may seem proper toward the defense of such suit and the discharge of such lien, and all monies expended by them or any of them for the purpose of such defense and/or discharge shall be a debt due from the Shipowner, and its successors and assigns, to the Mortgagee, and its successors and assigns, and payment thereof together with interest thereon at the Default Rate (to the extent permitted by law) from time to time in effect shall be secured by the lien of this Mortgage in like manner and extent as if the amount and description thereof were written herein.

Section 5.08 Cumulative Rights, Powers and Remedies.

(a) Each and every right, power and remedy herein given to the Mortgagee shall be cumulative and shall be in addition to every other right, power and remedy herein given or now or hereafter existing at law, in equity, admiralty or by statute and each and every power and remedy whether herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee, and the exercise or

the beginning of the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other power or remedy.

(b) No delay or omission of the Mortgagee to exercise any right or power vested in it under the Security Documents or any of them shall impair such right or power or be construed as a waiver of or as acquiescence in any default by the Shipowner, nor shall the acceptance by the Mortgagee of any security or any payment on account of the Indebtedness, although made after default, be deemed a waiver of any right arising out of any future default or of any past default, and in the event of the Mortgagee at any time agreeing to waive any such right or power such waiver shall be revocable by the Mortgagee at any time and the right or power shall henceforth be again exercisable as though there had been no such waiver.

(c) In the event the Mortgagee shall have proceeded to enforce any right or pursue any power under this Mortgage by foreclosure, entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgagee, then and in every such case the Shipowner and the Mortgagee shall be restored to their former positions and rights hereunder with respect to the property subject or intended to be subject to this Mortgage and all rights, remedies and powers of the Mortgagee shall continue as if no such proceedings had been taken.

Section 5.09 Application of Proceeds.

The proceeds of any sale made either under the power of sale hereby granted to the Mortgagee or under a judgment or decree in any judicial proceeding for the foreclosure of this Mortgage or for the enforcement of any remedy granted to the Mortgagee hereunder, or any net earnings arising from the management, charter or other use of the Vessel by the Mortgagee under any of the powers herein reserved, any amounts on deposit to the credit of the Shipowner or the Mortgagee from earnings of the Vessel as provided herein and any other moneys received by the Mortgagee pursuant to the terms of this Mortgage or in any proceeding hereunder other than under Section 4.03(1)(ii), the application of which is not elsewhere herein specifically provided for, shall be applied as follows:

First: To the payment of all reasonable expenses and charges, including the expenses of any taking, attorney's fees, court costs and any other expenses or advances made or incurred by the Mortgagee in the protection of its right or the pursuance of its remedies under the Loan Agreements or this Mortgage;

Second: To the payment of all amounts due to the Mortgagee in respect of taxes, indemnities, fees, expenses, premiums, purchase of liens or otherwise under the provisions of this Mortgage;

Third: To the payment of interest on the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balances;

Fourth: To the payment of principal on the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balance;

Fifth: To the payment of any amount due and owing under the Other Loans, pro rata, in the event of an acceleration of the principal amount of such Other Loans; and

Sixth: To the payment of any surplus thereafter remaining to the Shipowner or whomsoever may be lawfully entitled thereto.

The Shipowner has and shall have no personal liability or obligation with respect to the amounts specified in paragraphs "FIRST" through "FIFTH" above, which are payable solely from the income and proceeds received by the Mortgagee from the Mortgagee's right, title and interest in and to the Vessel.

Section 5.10 Mortgagee's Right to Remedy Defaults.

If the Shipowner shall default in the performance or observance of any of the covenants in this Mortgage on its part to be performed or observed, the Mortgagee may in its discretion do any act or make any expenditures necessary to remedy such default, and the Shipowner shall promptly reimburse the Mortgagee, with interest at the Default Rate from time to time in effect, for any and all expenditures so made or incurred and until the Shipowner has so reimbursed the Mortgagee for such expenditures, the amount thereof shall be a debt due from the Shipowner to the Mortgagee and payment thereof shall be secured by the lien of this Mortgage in like manner and extent as if the amount and description thereof were written herein, but the Mortgagee, although privileged to do so, shall be under no obligation to the Shipowner to make any such expenditures and the making thereof shall not relieve the Shipowner of any default in that or any other respect. The Shipowner also shall reimburse the Mortgagee promptly with interest at the rates referred to above for any and all advances and expenses made or incurred by the Mortgagee at any time in taking the Vessel or otherwise protecting its rights hereunder and for any and all damages sustained by the Mortgagee from or by reason of any default or defaults of the Shipowner.

Section 5.11 Delegation of Powers.

The Mortgagee may delegate to any person or persons all or any of the trusts, powers or discretions vested in it pursuant to this Mortgage and any such delegations may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as the Mortgagee may in its absolute discretion deem appropriate.

Section 5.12 Legal Actions.

In addition to the other provisions hereof for enforcement of the rights of the Mortgagee under this Mortgage, the Mortgagee may, at its option, in the event of any default

by the Shipowner, bring an action, suit or other proceeding in rem against the
 Vessel to foreclose this Mortgage and sell the Vessel in any court in the
 Republic of Liberia or any other country in which the Vessel may be found; or an
 action, suit or other proceeding in personam against the Shipowner or any other
 person obligated under the Loan Agreements or any of the Security Documents to
 recover payment of any amount owing by the Shipowner or such other person and/or
 to foreclose this Mortgage and sell the Vessel in any country in which the
 Vessel or the Shipowner or any person so obligated may be found.

Section 5.13 Mortgage Subject to Rights of Initial Charterer under

 the Initial Charter.

So long as the Initial Charter is in effect, the rights of the
 Mortgagee set forth in this Article V are and shall be subject to the rights of
 the Initial Charterer under the Initial Charter. So long as the Initial
 Charterer shall not be in default under and pursuant to the terms of the Initial
 Charter, the Initial Charterer shall be entitled to quiet enjoyment of the
 Vessel.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01 Performance by Initial Charterer or Charterer Under an

 Acceptable Replacement Charter.

(a) It is hereby agreed by the parties hereto that, for the duration
 of the Initial Charter, when the Initial Charterer, or any charterer under an
 Acceptable Replacement Charter, performs and discharges its obligations under
 the Initial Charter respecting the Vessel, such performance of the said
 obligations by the Initial Charterer or by such charterer shall be deemed to be
 proper and due performance of the same obligations of the Shipowner under this
 Mortgage, the Assignment of Earnings and Insurances and other Security
 Documents, notwithstanding that the extent or manner of performance of
 Shipowner's obligations may differ from that of the Initial Charterer under the
 Initial Charter or of the charterer under an Acceptable Replacement Charter.

(b) So long as the Initial Charter is in effect, to the extent the
 Shipowner's approval under the Initial Charter is not to be unreasonably
 withheld, the approval by the Mortgagee under the corresponding provisions of
 this Mortgage also shall not be unreasonably withheld.

(c) So long as the Initial Charter is in effect, where any obligation
 with respect to the Vessel is undertaken by the Shipowner under this Mortgage or
 any other of the Security Documents but such obligation is not undertaken by the
 Initial Charterer under the Initial Charter, then the Shipowner shall not be
 treated as in default under this Mortgage if such obligation cannot be performed
 by virtue of the Initial Charter.

(d) The insurance coverage required under an Acceptable Replacement Charter or maintained by the Shipowner or charterer in connection with any other charter entered into after the termination of the related Initial Charter must be sufficient to maintain the credit rating of the Term Mortgage Notes by the Rating Agencies at least at the rating applicable to the Term Mortgage Notes immediately prior to the effectiveness of such Acceptable Replacement Charter or other charter.

Section 6.02 Discharge of Mortgage.

The Mortgagee agrees that upon payment of the Indebtedness it shall at the expense of the Shipowner discharge this Mortgage and transfer or release to the Shipowner all insurance policies and certificates of entry relating to the Vessel freed and discharged from the provisions herein contained.

Section 6.03 Indemnity.

The Shipowner assumes liability for and agrees to indemnify the Mortgagee and the Holders and their respective directors, officers, employees and agents from and against any and all liabilities, losses, damages, penalties, costs and expenses, including legal expenses, of whatsoever kind or nature, imposed on or asserted against any of the Mortgagee and the Holders and such directors, officers, employees and agents in any way relating to or arising out of the Vessel or the use thereof at any time by any party (other than by the Mortgagee after such time as the Mortgagee shall have taken possession of the Vessel pursuant to Section 5.02), including, without limitation, (i) latent and other defects whether or not discovered or discoverable by the Shipowner or any other person, (ii) claims for patent, trademark or copyright infringement, (iii) tort or damage claims of any kind, (iv) claims or penalties arising from any violation of the laws of any country or political subdivision thereof and (v) claims for environmental liability or in any way relating to applicable environmental laws.

Section 6.04 Governing Law.

THIS MORTGAGE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE REPUBLIC OF LIBERIA AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

Section 6.05 Severability.

If any provision of this Mortgage is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or Sections of this Mortgage, shall not affect the remaining portions of this Mortgage, or any part thereof.

Section 6.06 Notices.

All demands, notices and communications hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Mortgagee, at the following address: California Petroleum Transport Corporation, c/o JH Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, (b) in the case of the Shipowner, at the following address: Mareva House, 4 George Street, Nassau, Bahamas, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 6.07 Headings.

The captions or headings in this Mortgage are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Mortgage.

Section 6.08 General Interpretive Principles.

For purposes of this Mortgage except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Mortgage shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Mortgage;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Mortgage as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

Section 6.09 Successors and Assigns.

This Mortgage shall inure to the benefit of and be binding upon the Shipowner and the Mortgagee and their respective successors and assigns.

Section 6.10 Consent to Jurisdiction.

Any legal suit, action or proceeding against the Shipowner arising out of or relating to this Mortgage, the Loan Agreements or any other Security Document, or any transaction contemplated hereby or thereby, may be instituted in any federal or state court in The City of New York, State of New York and the Shipowner hereby waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and the Shipowner hereby irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Shipowner hereby irrevocably appoints and designates CT Corporation System, having an address at 1633 Broadway, New York, New York, its true and lawful attorney-in-fact and duly authorized agent for the limited purpose of accepting service of legal process and the Shipowner agrees that service of process upon such party shall constitute personal service of such process on the Shipowner. The Shipowner shall maintain the designation and appointment of such authorized agent until all amounts payable under this Mortgage, the Loan Agreements and the other Security Documents shall have been paid in full. If such agent shall cease to so act, the Shipowner shall immediately designate and appoint another such agent satisfactory to the Mortgagee and shall promptly deliver to the Mortgagee evidence in writing of such other agent's acceptance of such appointment.

Section 6.11 Payment.

All monies payable by the Shipowner to the Mortgagee shall be paid in Dollars without deduction for or on account of any present or future taxes or imposts whatsoever levied or assessed by or within any state or nation or any political subdivision or taxing authority thereof or therein and the Shipowner shall indemnify the Mortgagee against all such taxes or imposts. The Shipowner shall, subject to the prior written approval of the Mortgagee (such approval not to be unreasonably withheld), be entitled to take action in the name of the Mortgagee at the Shipowner's expense against any taxing authority in respect of any withholding or other taxes for which the Shipowner have indemnified the Mortgagee, and the Mortgagee agrees to reasonably cooperate with the Shipowner in taking such action. If as a result of any such action any moneys are received that are attributable to such indemnified taxes (including any interest thereon paid by such taxing authority) the same shall be recovered by the Shipowner.

Section 6.12 Recorded Amount.

For the purposes of the recording of this First Preferred Ship Mortgage as required by Chapter 3 of Title 22 (Maritime Law) of the Liberian Code of Laws of 1956, as amended, the total amount of this Mortgage is Two Hundred and Eighty-Five Million Four

Hundred Thousand United States Dollars (US\$285,400,000), and interest and the performance of the Mortgage covenants; the maturity date is the ___ day of _____, 2015, and the discharge amount is the same as the total amount. It is not intended that this Mortgage shall include property other than the Vessel, and it shall not include property other than the Vessel as the term "vessel" is used in Subsection (2) of Section 106 of the Title 22 of the Liberian Code of Laws of 1956, as amended. Notwithstanding the foregoing, for property other than the Vessel, if any should be determined to be covered by this Mortgage, the discharge amount is zero point zero one percent (0.01 %) of the total amount.

Section 6.13 No waiver of Preferred Status.

No provision of this Mortgage shall be deemed to be a stipulation that the Mortgagee waives the preferred status of this Mortgage given by Title 22 (Maritime Law) of the Liberian Code of Laws of 1956, as amended. Any provision of this Mortgage which would otherwise constitute such a stipulation, to such extent, shall have no force or effect.

IN WITNESS WHEREOF the Shipowner has signed this Mortgage on the day and year first before written.

CALPETRO TANKERS (BAHAMAS III)
LIMITED

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENT

STATE OF NEW YORK)
 :ss. :
COUNTY OF NEW YORK)

On this day of _____ 1995_, before me personally came _____ to me known, and known to me to be the person who executed the foregoing instrument, who being by me duly sworn, did depose and say that he resides at _____ that he is the attorney-in-fact for CalPetro Tankers (Bahamas III) Limited the corporation described in, and which executed the foregoing instrument; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

EXHIBIT A

BROKER'S LETTER OF UNDERTAKING

(date)

Re: CalPetro Tankers (Bahamas III) Limited
Owner of m.t. William E. Crain (the "Vessel")

We confirm that we have effected insurances for the account of the above Owner as set out in Appendix "A" attached hereto.

Pursuant to instructions received from CalPetro Tankers (Bahamas III) Limited (the "Owner"), and in consideration of your approving our appointment as Brokers in connection with the insurances covered by this letter, we hereby undertake:

1. to hold the Insurance Slips or Contracts, the Policies when issued, and any renewals of such Policies or new Policies or any Policies substituted (with your consent) therefor and the benefit of the insurance thereunder to your order in accordance with the terms of the Notice of Assignment and Loss Payable Clause set out in Appendix "B" attached hereto; and
2. to have endorsed on each and every Policy as and when the same is issued a copy of the Notice of Assignment and Loss Payable Clause in the form of Appendix "B" attached hereto dated and signed by the Shipowner and acknowledged by Underwriters in accordance with market practice; and
3. to advise you immediately of any material changes which may be made to the terms of the insurances or if we cease to be Brokers for purposes of said insurances; and
4. to advise you, not later than one month before expiry of said insurances, in the event of our not having received notice of renewal instructions from the Shipowner and/or its agents, and in the event of our receiving instructions to renew said insurances to advise you promptly of the details thereof.

Our above undertakings are given subject to our lien on the Policies for premiums for the Vessel and subject to our right of cancellation on default in payment of such premiums. We undertake to advise you immediately if any premiums are not paid to us by the applicable due date and not to exercise such rights of cancellation without giving you (i) fourteen (14) days' prior notice in writing, either by letter to the above address or by telex or cable to _____, respectively, and (ii) a reasonable opportunity of paying any premiums outstanding

except it is understood that in the case of War Risks the terms of the Automatic Termination of Cover Clause contained in the War Risks Policies shall override any undertakings given by us as Brokers. We further undertake and agree that in the event of a total loss of the Vessel, or an arranged, compromised or constructive total loss, our lien on the Policies and the proceeds thereof shall be limited to any other premiums or other amounts due in respect of Vessel or interest insured under the Policies.

Notwithstanding the terms of the said Loss Payable clause and the said Notice of Assignment, unless and until we receive notice from you to the contrary, we shall be empowered to arrange for a collision and/or salvage guaranty to be given in the event of bail being required in order to prevent the arrest of the Vessel or to secure the release of the Vessel from arrest following a casualty. We undertake to advise you immediately in the event of our having arranged for a collision and/or salvage guaranty. Where a guaranty has been given as aforesaid and the guarantor has paid an amount under the guaranty in respect of such claim, there shall be payable directly to the guarantor out of the proceeds of the said Policies an amount equal to the amount so paid.

Finally, it is understood that all claims shall be collected through us, as Brokers, and that in collecting such claims we are acting on your behalf as assignee of the insurances covered by this letter.

Yours faithfully,

[insert name of Broker]

By: _____
Director

SCHEDULE 1

DEFINED TERMS USED IN THE MORTGAGE

"Acceptable Replacement Charter" means any replacement charter which satisfies each of the following requirements: (i) the charter is a bareboat charter and requires that the charterer thereunder "gross up" charterhire payments to indemnify and hold the Holders of the Securities harmless from any withholding tax imposed on the charterhire payments or on the payments on the Securities; (ii) the charterhire payments payable during the non-cancelable term of such replacement charter, after giving effect to (1) any "gross up" of such amounts as a result of any withholding tax on such charterhire payments, (2) the receipt of the Termination Payment and (3) all fees and expenses incurred in connection with the rechartering of the Vessel, provide sufficient funds for the payment in full when due of (A) the Allocated Principal Amount of the Term Mortgage Notes for the related Vessel and interest thereon in accordance with the revised schedule of sinking fund and principal payments, that is applicable upon termination of the related Initial Charter, (B) the amount of Recurring Fees and Taxes for such Vessel, (C) the amount of Management Fees and Technical Advisor's Fees for such Vessel, (D) the amount of fees and expenses of the Indenture Trustee, the Collateral Trustee and the Designated Representative allocable to such Vessel and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses; and (iii) the Rating Agencies shall have confirmed in writing to the Trustee that the terms and conditions of such proposed charter will not result in the withdrawal or reduction of the then current ratings of the Term Mortgage Notes.

"Allowable Investments" means for the Shipowner, its investment in the Vessel and any Restricted Payment permitted to be made by the Shipowner and certain obligations incurred in the ordinary course of the performance of the Management Agreement.

"Assignment of Charter" means the assignment between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, together with the documents contemplated thereby, pursuant to which the Shipowner assigns to the Mortgagee all of its right, title and interest in, to and under the Initial Charter.

"Assignment of Earnings and Insurances" means the assignment between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, pursuant to which the Shipowner assigns to the Mortgagee all of its right, title and interest in, to and under the freights and hires (as well as any charters entered into after the Closing Date) with respect to the Vessel.

"Assignment of Guarantee" means the assignment between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, pursuant to which the Shipowner assigns to the Mortgagee all of its right, title and interest in, to and under the Chevron Guarantee.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's

principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Chevron" means Chevron Corporation, a Delaware corporation.

"Chevron Guarantee" means the guarantee of the obligations of the Initial Charterer under the Initial Charter given by Chevron.

"Classification Society" means Det norske Veritas or any other private organization which has as its purpose the supervision of vessels during their construction and afterward, in respect to their seaworthiness and upkeep, and the placing of vessels in grades or "classes" according to the society's rules for each particular type of vessel.

"Closing Date" means _____, 1995.

"Code" means the United States Internal Revenue Code of 1986 and the corresponding provisions of any successor statute.

"Collateral Trustee" means Chemical Trust Company of California.

"Commission" means the Securities and Exchange Commission.

"Compulsory Acquisition" means requisition for title or other compulsory acquisition of the Vessel (otherwise than by requisition for hire), capture, seizure, detention or confiscation of the Vessel by any government or by Persons acting or purporting to act on behalf of any government or governmental authority.

"Default Period " means the period commencing the date any payment hereunder was due to but not including the date such payment is paid in full.

"Default Rate " means a rate per annum for each day during the Default Period until such payment shall be paid in full equal to 1.50% above LIBOR at the commencement of such period.

"Dollar" or "\$" means the lawful currency of the United States of America.

"Earnings" includes all monies whatsoever due or to become due to the Shipowner at any time arising out of the use or operation of the Vessel or otherwise including (but without prejudice to the generality of the foregoing) all sums due and payable to the Shipowner under and pursuant to the Initial Charter and all freight, hire and passage monies and compensation payable to the Shipowner in the event of requisition of the Vessel for hire, remuneration for salvage and towage, services, demurrage and detention moneys and any other damages for breach (or payments for variation or termination) of any charterparty or any contract of employment of the Vessel and all earnings of the Vessel due or to become due to the Shipowner.

"Event of Default" means an Event of Default under Section _____ of the Loan Agreement.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Governmental Approval " means any authorization, consent, approval, license, franchise, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration by or with any Governmental Authority relating to the ownership of the Collateral or to the execution, delivery or performance of the Loan Agreement or any Security Document.

"Governmental Authority" means the federal government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over the Shipowner or operation of the Vessels.

"Indebtedness" means the payment, performance or other obligations of any kind whatsoever of the Shipowner under and pursuant to the Loan Agreements and the Security Documents, together with interest thereon, and all other sums which may be or become due to the Mortgagee under or pursuant to the terms thereof and hereof.

"Initial Charter" means with respect to each Vessel, the Bareboat Charter, dated as of _____, between the Charterer and the Shipowner.

"Initial Charterer" means Chevron Transport Corporation.

"Insurance" means any policies and contracts of insurance and entries in any protection and indemnity or war risks association which are effected by or on behalf of the Shipowner in respect of the Vessel or otherwise in connection with the Vessel, including but not limited to any insurance monies received by the Shipowner pursuant to clauses 12 and 13 of the Initial Charter and including all claims and returns of premiums thereunder and including any compensation payable by whomsoever to the Shipowner by virtue of requisition of the Vessel for title or confiscation or seizure of the Vessel by any government or person or agency purporting to act on behalf of any government.

"Issue of One Debenture" means each Issue of One Debenture between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, pursuant to which the Shipowner grants to the Mortgagee a security interest in all of its assets.

"Law" means any statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Lien" means any mortgage, lien (statutory or other), pledge, security interest, encumbrance, claim, hypothecation, assignment for security, deposit arrangement or preference or other security agreement of any kind or nature whatsoever. For purposes of the Loan Agreement, a Person shall be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Loan Agreements" means, collectively, the Serial Loan Agreement and the Term Loan Agreement.

"Management Agreement" means the management agreement between the Shipowner, the Manager and Barber Ship Management Group.

"Manager" means the Person performing the duties of the Manager under the Management Agreement, initially P.D. Gram & Co. ans.

"Net Income" means the net income (loss) of the Shipowner for a period, determined on a consolidated basis, in accordance with generally accepted accounting principles, together with any related provision for taxes.

"Obligations" means, collectively, the Serial Obligations and the Term Obligations.

"Other Loan Agreements" means, collectively, the six loan agreements, two each between the Mortgagee and each of the Other Owners relating to the Other Loans.

"Other Loans" means each of the loans from California Petroleum Transport Corporation to each of the Other Owners made on the Closing Date, having an aggregate initial principal amount of \$_____.

"Other Owners" means Calpetro Tankers (Bahamas I) Limited, Calpetro Tankers (Bahamas II) Limited and Calpetro Tankers (IOM) Limited.

"Payment Date" means each ____ and ____ commencing _____, 1995.

"Permitted Liens" means the Charter, any Acceptable Replacement Charter or other charter for the Vessel, liens for crew's wages accrued for not more than three months or for collision or salvage, liens in favor of suppliers of necessities or other similar liens arising in the ordinary course of its business (accrued for not more than three months) or liens for loss, damage or expense, which are fully covered by insurance or, in respect of which, a bond or other security has been posted by the Shipowner with the appropriate court or other tribunal to prevent the arrest or secure the release of the Vessel from arrest on account of such claim or lien; provided, however, that so long as the Charter is in effect "Permitted Liens" shall mean those liens, claims and encumbrances permitted under the Charter.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Proceeding" means any suit in equity, action at law, or other judicial or administrative proceeding.

"Purchase Agreement" means the Purchase Agreement, dated as of _____ between the Shipowner and the Initial Charterer wherein the Shipowner purchases the Vessel from the Initial Charterer.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Rating Group and Duff & Phelps Credit Rating Co.

"Requirement of Law" means, as to any Person, the certificate of incorporation and bylaws or partnership agreement or other organizational or governing documents of such Person, and, any Law applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject.

"Security Documents" means the Loan Agreements, the Other Loan Agreements, the Mortgage, the Assignment of Charter, the Assignment of Earnings and Insurances, the Assignment of Guarantee, the Stock Pledge Agreement, the Assignment of Management Agreement, the Assignment of Purchase Agreement, the Issue of One Debenture, collectively.

"Serial Loan" means the loan in the initial principal amount of \$ made by the Mortgagee to the Shipowner under the Serial Loan Agreement.

"Serial Loan Agreement" means the Loan Agreement, dated as of _____ 1, 1995, between the Shipowner and the Mortgagee.

"Serial Obligations" means the payment, performance or obligations of any kind or nature whatsoever by the Shipowner under and pursuant to the Serial Loan Agreements, any Security Document and any instrument, agreement or document referred to therein.

"State" means any state of the United States of America and, in addition, the District of Columbia.

"Stock Pledge Agreement" means the Stock Pledge Agreement, dated as of _____, 1, 1995, between the Mortgagee and California Tankers Investments Limited.

"Term Loan" means the loan in the initial principal amount of \$ made by the Mortgagee to the Shipowner under the Term Loan Agreement.

"Term Loan Agreement" means the Loan Agreement, dated as of _____
1, 1995, between the Shipowner and the Mortgagee.

"Term Obligations" means the payment, performance or obligations of
any kind or nature whatsoever of the Shipowner under and pursuant to the Term
Loan Agreements, any Security Document and any instrument, agreement or document
referred to therein.

"Total Loss" means either (a) actual or constructive or compromised or
arranged total loss of the Vessel, (b) Compulsory Acquisition of the Vessel or
(c) if so declared by the Initial Charterer at any time and in its sole
discretion a requisition for hire of the Vessel for a period in excess of 180
days.

DEED OF COVENANTS

TO ACCOMPANY FIRST PRIORITY
STATUTORY MORTGAGE OF A SHIP

by

CALPETRO TANKERS (BAHAMAS I) LIMITED
Shipowner

to

CALIFORNIA PETROLEUM TRANSPORT CORPORATION
Mortgagee

Dated _____, 1995

m/t _____

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Deed of Covenants, dated _____, 1995 (as amended or supplemented from time to time, the "Deed"), from CalPetro Tankers (Bahamas I) Limited, a company incorporated with limited liability in the Bahamas whose registered office is at Mareva House, 4 George Street, Nassau, Bahamas (hereinafter called "the Shipowner") to California Petroleum Transport Corporation (the "Mortgagee").

WHEREAS, the Shipowner is the absolute and unencumbered owner of the whole of the motor tanker "Condoleezza Rice" (the "Vessel") duly registered in the name of the Shipowner under the laws and flag of The Commonwealth of the Bahamas on _____, 199_, built in 199_, having the following approximate dimensions and tonnages: length ___ meters, breadth ___ meters, depth ___ meters, gross tonnage _____, net tonnage _____, and more particularly described in the Certificate of Registration with Official Number _____ and with International Code Signal _____ and home port of Nassau, Bahamas;

WHEREAS, contemporaneously with the execution of this Deed there has been executed and registered by the Shipowner in favor of the Mortgagee a First Priority Statutory Bahamian Mortgage (to secure an account current) (the "Statutory Mortgage") constituting a first priority statutory mortgage of the whole of the Vessel and the Shipowner has agreed to execute this Deed collateral thereto and to the security thereby created;

WHEREAS, in order to secure the prompt and due payment to the Mortgagee of the Indebtedness (as defined herein) and any and all other sums which may be or become due to the Mortgagee under or pursuant to the Loan Agreements, this Deed, the Statutory Mortgage and any other Security Document and also to secure the exact performance and observance and compliance with all and any of the covenants and agreements and terms and conditions contained in the Loan Agreements, this Deed, the Statutory Mortgage and in the other Security Documents, the Shipowner has duly authorized the execution and delivery of this Deed and the Statutory Mortgage in favor of the Mortgagee under and pursuant to the laws of the Commonwealth of the Bahamas.

NOW, THEREFORE, in consideration of the premises and of the covenants herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. -----

Capitalized terms used in this Deed and the Statutory Mortgage and not otherwise defined herein shall have the meanings assigned to such terms in either Schedule 1 to this Deed or the Loan Agreements, and the definitions of such terms shall be equally applicable to both the singular and the plural forms of such terms.

ARTICLE II

MORTGAGE

Section 2.01 Grant of Mortgage.

In consideration of the premises and of other good and valuable consideration, the adequacy and receipt whereof are hereby acknowledged, and in order to secure the payment of the Indebtedness and the repayment of any costs of foreclosure or of retaking the Vessel, and the payment of all such other amounts as may hereafter become secured by this Deed and Statutory Mortgage in accordance with the terms hereof and thereof, and to secure the performance and observance of and compliance with the covenants, terms and conditions contained in this Deed, the Statutory Mortgage, the Loan Agreements, and the other Security Documents to which the Shipowner is a party, the Shipowner has granted, conveyed, pledged and mortgaged and does by these presents grant, convey, pledge and mortgage to and in favor of the Mortgagee, its successors and assigns the whole of the Vessel, together with all of the boilers, engines, machinery, masts, spars, rigging, boats, cables, anchors, chains, tackle, apparel, furniture, fittings, freights and equipment thereunto appertaining or belonging, whether now owned or hereafter acquired, whether on board or not, and all additions, improvements and replacements hereafter made in or to the Vessel (the term "Vessel", as used herein, shall include the Vessel together with all of the foregoing and the Vessel's freights) To Have And To Hold the same unto the Mortgagee, its successors and assigns, forever upon the terms set forth in this Deed and the Statutory Mortgage for the enforcement of the payment of the Indebtedness, the payment of any costs of foreclosure or retaking of the Vessel and all such other amounts as may hereafter become secured by this Deed and the Statutory Mortgage in accordance with the terms hereof and thereof and to secure the performance and observance of and compliance with the covenants, terms and conditions contained in this Deed, the Statutory Mortgage and the Security Documents, it being agreed that if any amount payable by the Shipowner under either Loan Agreement is not paid on its due date (whether formally demanded or not) the whole or the balance of the Indebtedness and all other amounts payable under the Security Documents shall forthwith on demand become payable; provided, however, and the conditions of these presents are such that, if the Shipowner shall pay or cause to be paid to the Mortgagee all of the Indebtedness as set forth in the Security Documents, and if the Shipowner shall pay all such other amounts as may hereafter become secured by this Mortgage and all expenses which the Mortgagee shall have paid or incurred to protect the security granted hereunder, and if the Shipowner shall perform, observe and comply with all and singular of the covenants, terms and conditions in this Deed, the Statutory Mortgage, the Loan Agreements and the other Security Documents contained, expressed or implied, to be performed, observed or complied with by and on the part of the Shipowner or its successors or assigns, all without delay or fraud and according to the true intent and meaning hereof and therefor, then these presents and the rights of the Mortgagee under this Mortgage and the other Security Documents shall cease and, in such event, the Mortgagee agrees by accepting this Deed and the Statutory Mortgage to execute, at the expense of the Shipowner, all such documents as the Shipowner may reasonably require to discharge this Deed and the Statutory Mortgage under the laws of the Commonwealth of the

Bahamas; otherwise this Deed and the Statutory Mortgage shall remain in full force and effect; provided further, however, the conditions of these presents are such that, if the Shipowner shall satisfy or cause to be satisfied and pay or cause to be paid to the Mortgagee all of the Serial Obligations, then these presents and the rights of the Mortgagee under this Deed and the Statutory Mortgage and the other Security Documents with respect to the Serial Loan Agreement shall cease and, in such event, this Deed and the Statutory Mortgage shall secure all of the Indebtedness other than the Serial Obligations.

Section 2.02 Indebtedness.

(a) The Shipowner acknowledges that pursuant to the Loan Agreements it is jointly and severally liable with the Other Owners to the Mortgagee in the original principal amount of Two Hundred Eighty-Five Million Four Hundred Thousand United States Dollars (US\$285,400,000). The Shipowner shall repay the Obligations in accordance with terms and conditions of the Loan Agreements with the last installment due and payable on _____, 2015. The Shipowner further agrees to pay all other sums comprising the Indebtedness in accordance with the terms, conditions and provisions in the Loan Agreements and in this Deed and the Statutory Mortgage and to perform, observe and comply with the covenants, terms and obligations and conditions on its part to be performed, observed and complied with contained or implied herein and in the Loan Agreements and in the other Security Documents.

(b) The Shipowner shall also pay to the Mortgagee upon the Mortgagee's first written demand all stamp duties, registration and/or recording fees, charges for certificates, valuation fees, costs and expenses (including, the fees and expenses of its attorneys) of any nature whatsoever incurred by the Mortgagee in connection with the preparation, completion, execution and registration of this Deed and the Statutory Mortgage and all other claims, expenses, costs, payments, disbursements, losses, damages or liabilities which may be incurred by the Mortgagee by reason of the covenants and conditions contained herein, in the Loan Agreements or in the other Security Documents, together with interest thereon as herein or therein provided, and confirms that such obligations are secured by this Deed and the Statutory Mortgage.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Shipowner.

The Shipowner hereby represents and warrants to the Mortgagee as follows:

(a) The Shipowner (i) is a company duly formed, validly existing and in good standing under the laws of The Bahamas and (ii) is duly authorized, to the extent necessary, to do business in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary. The Shipowner has not engaged in any business or activity

other than as set forth in Section 5.04 of the Loan Agreements. The Shipowner has all requisite corporate power and authority to own and operate the property it purports to own and to carry on its business as now being conducted and as proposed to be conducted in respect of the Vessel.

(b) The Shipowner has all necessary corporate power and authority to execute, deliver and perform under this Deed and the Statutory Mortgage, the Loan Agreements and each other Security Document to which it is a party.

(c) All action on the part of the Shipowner that is required for the authorization, execution, delivery and performance of this Deed and the Statutory Mortgage, the Loan Agreements and each other Security Document to which it is a party, in each case has been duly and effectively taken; and the execution, delivery and performance of this Deed, the Statutory Mortgage, the Loan Agreements and each such other Security Document do not require the approval or consent of any Person except for such consents and approvals as have been obtained on or prior to the date hereof.

(d) This Deed, the Statutory Mortgage, the Loan Agreements and each other Security Document to which the Shipowner is a party have been duly executed and delivered by the Shipowner. Each of this Deed, the Statutory Mortgage, the Loan Agreements and each other Security Document to which the Shipowner is a party constitute a legal, valid and binding obligation of the Shipowner, enforceable against it in accordance with the terms thereof, except as such enforceability (i) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights and remedies generally and (ii) is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(e) Neither the execution, delivery and performance of this Deed, the Statutory Mortgage, the Loan Agreements or any other Security Document to which the Shipowner is a party nor the consummation of any of the transactions contemplated hereby or thereby nor performance of or compliance with the terms and conditions hereof or thereof (i) contravenes any Requirement of Law applicable to the Shipowner or to the Vessel, (ii) constitutes a default under any Security Document or (iii) results in the creation or imposition of any Liens on the Vessel (other than Permitted Liens) or results in the acceleration of any obligation.

(f) The Shipowner is in compliance with and not in default under any and all Requirements of Law applicable to the Shipowner and all terms and provisions of this Deed, the Statutory Mortgage, the Loan Agreements and all Security Documents.

(g) All Governmental Approvals which are required to be obtained in the name of the Shipowner in connection with the operation and maintenance of the Vessel and the execution, delivery and performance by the Shipowner of this Deed and the Statutory Mortgage have been obtained and are in effect as of the date hereof.

(h) There are no actions, suits or proceedings at law or in equity or by or before

any Governmental Authority now pending against the Shipowner or the Vessel or, to the best of the Shipowner's knowledge, threatened against the Shipowner or the Vessel or pending or threatened against any property or other assets or rights of the Shipowner with respect to the Vessel, this Deed, the Statutory Mortgage or any other Security Document.

(i) The Shipowner is the sole and lawful owner of the whole of the Vessel, free from all liens, security interests, mortgages, charges or encumbrances (other than this Deed, the Statutory Mortgage, the Collateral Trust Agreement, the Indentures and Permitted Liens). The Shipowner shall defend for the benefit of the Mortgagee the title and possession of the mortgaged property and every part thereof against the claims and demands of all Persons.

(j) The Shipowner is, by this Deed and the Statutory Mortgage and the recordation thereof, constituting in favor of the Mortgagee, among other things, all the rights of a First Priority Statutory Mortgage of the Vessel to secure the due and punctual payment of all amounts due and to become due to the Mortgagee pursuant to the terms and conditions of this Deed, the Statutory Mortgage, the Loan Agreements, the other Security Documents and the documents contemplated hereby and thereby and the payment of all commissions and fees, costs, charges, expenses, expenditures and interest owing to the Mortgagee hereunder and thereunder, and the performance and observance of and compliance with all the covenants, terms, conditions and provisions of this Deed, the Statutory Mortgage, the Loan Agreements, the other Security Documents and the documents contemplated hereby and thereby.

(k) No tax deficiencies and no past due obligations exist that materially affect the operations of the Shipowner, except those contested in good faith by appropriate proceedings for which adequate reserves with respect to such claims so contested have been set aside on the books of the Shipowner.

(l) The Shipowner is not liable for any material amount of sales, use or other similar tax in connection with the transactions described in this Deed, the Statutory Mortgage, the Loan Agreements and the other Security Documents.

ARTICLE IV

COVENANTS

So long as any of the Indebtedness is outstanding or any of its obligations hereunder or under either Loan Agreement remain outstanding, the Shipowner covenants and agrees, subject to Section 6.01, with the Mortgagee as follows:

Section 4.01 Payment of Indebtedness. -----

The Shipowner shall repay to the Mortgagee the Indebtedness and at all times shall keep, perform and observe the covenants, conditions and agreements in this Deed, the Statutory Mortgage and the other Security Documents contained, expressed or implied on its part

to be kept performed and observed for so long as any part of the Indebtedness remains outstanding.

Section 4.02 Corporate Existence.

The Shipowner is and shall remain a corporation qualified under the laws of the Bahamas.

Section 4.03 Insurance.

(a) The Shipowner, at its expense (including payment of all premiums, costs and club calls, if any) shall effect or cause to be effected the following insurances and keep the following in full force and effect:

(i) hull and machinery insurance equal to the greater of (i) the Vessel's full commercial value and (ii) one hundred and fifteen percent (115%) of the aggregate outstanding principal balance of the Term Loan and the Serial Loan. Such Hull and Machinery insurance shall include the "Institute Pollution Hazard Clause" and the "Institute Liner Negligence and Additional Perils Clause". If the Vessel is laid up in port for an extended period, then, with the prior written consent of the Mortgagee, the Shipowner may obtain in lieu of the hull and machinery insurance referred to in this Section 4.03(a)(i) port risk insurance equal to the greater of (A) the Vessel's full commercial value or (B) one hundred and fifteen percent (115%) of the aggregate outstanding principal balance of the Term Loan and Serial Loan. Such Port Risk insurance shall be effected on Institute of London Underwriters "Institute Port Risk Clauses" or American Institute "Port Risk Endorsement";

(ii) war risk hull and machinery insurance (including risks of mines) equal to the greater of (A) the Vessel's full commercial value or (B) one hundred and fifteen percent (115%) of the aggregate outstanding principal balance of the Term Loan and Serial Loan. Such war risk insurance shall be effected with a War Risks Association approved by the Mortgagee or on the full Institute of London Underwriters "Institute War and Strikes Clauses" or American Institute "Hull War Risks and Strikes Clauses";

(iii) mortgagee additional perils (oil pollution) insurance in an amount equal to the aggregate outstanding principal amount of the Term Loan related to the Vessel;

(iv) confiscation and requisition insurance to the extent and in the circumstances that a prudent shipowner would obtain and maintain such insurances;

(v) protection and indemnity insurance in the name of the Shipowner, which shall include freight, demurrage and defense coverage in an unlimited amount and coverage in respect of pollution risks for a minimum of five hundred million dollars (\$500,000,000) plus an additional two hundred million dollars (\$200,000,000) or such

other amount as may be then customary for prudent shipowners to maintain, including coverage against liabilities to persons who have suffered any loss, damage or injury whatsoever in connection with anything done or not done by the Vessel, any charterer or the Shipowner in connection with the Vessel or the employment or use thereof (including in connection with any oil or other substance emanating from the Vessel or any other vessel with which the Vessel may be involved in collision) and against liability under the United States Oil Pollution Act of 1990 ("OPA") or any re-enactment or modification thereof under the law of any country into whose jurisdiction the Vessel is permitted to come under the terms of the related charter;

(vi) such additional insurance as the Shipowner may deem necessary; provided, however, that all such additional insurance, including without limitation "disbursements," "increased value" or other "total loss only" insurance shall not be in amounts in excess of those permitted by the hull and machinery or war risk policies. Such hull and machinery insurance shall be effected on Institute of London Underwriters "Institute Time Clause - (Hulls)" or American Institute "Time (Hulls) Clauses" including four-fourths (4/4ths) Running Down Clause, except that three-fourths (3/4ths) Running Down Clause is allowed provided the remaining one-fourth (1/4th) Running Down Clause is fully covered by protection and indemnity insurance;

(vii) risks which are likely to arise due to the particular usage and trading of the Vessel including all risks customarily and usually covered by prudent shipowners; and

(viii) risks for which the Bahamas may from time to time require insurance or for which the Mortgagee may from time to time (after receiving advice from its insurance advisers that a prudent shipowner would obtain and maintain a type and amount of insurance for such risks) require insurance.

Provided, however, that if the Vessel is subject to the Charter or an Acceptable Replacement Charter, the insurance requirements of the related Charter or an Acceptable Replacement Charter will supersede the above insurance requirements.

(b) All insurance taken out or effected in connection with the Vessel pursuant to the provisions of Section 4.03(a) hereof shall be in a form and upon terms acceptable to the Mortgagee and shall, without limitation, be subject to the following:

(i) all such insurance shall be taken out in the name of the Shipowner with the Mortgagee's interest noted on the policies and cover notes;

(ii) all such insurance shall be placed in the English or American markets through first-class brokers and with first-class underwriters, insurance companies, protection and indemnity associations or protection and indemnity clubs. All insurance policies or entries shall provide that they are payable in Dollars. All insurance policies

shall be valued policies and none shall provide for a deductible amount in excess of One Hundred Thousand United States Dollars (US\$100,000) or such other amount as prudent shipowners of vessels similar to the Vessel shall maintain. No insurance shall exclude liability for negligence of the master, officers, crew or pilots. Each policy or entry shall contain or be accompanied by a waiver, as against the Mortgagee, of any and all premiums and calls for which the Mortgagee might otherwise be or become liable as a loss payee or otherwise.

(iii) Each policy shall provide that it may not lapse, be terminated, cancelled or materially modified without fourteen (14) days' prior telex or telegraphic notice to the Mortgagee and any assignee, except only such notice as war risk underwriters shall be required to give pursuant to the automatic termination clause of current war risk policies.

(iv) Each policy shall include a provision agreeing that no breach of warranty or condition or want of due diligence on the part of the Shipowner or any agent of the Shipowner shall defeat recovery of any claim by the Collateral Trustee, as assignee of the Mortgagee, unless such provision shall conflict with the available reinsurance arrangements of the Issuers of such policy.

(c) Each insurance policy taken out pursuant to Sections 4.03(a)(i) through (iii) and Section 4.03(a)(v) through (vii) shall contain the following notice of assignment and loss payable clause:

Notice of Assignment/Loss Payable Clause

California Petroleum Transport Corporation, as mortgagee (the "Mortgagee"), and CalPetro Tankers (Bahamas I) Limited (the "Shipowner"), owner of the m.t. Condoleezza Rice (the "Vessel"), hereby give notice that by an assignment contained in an Assignment of Earnings and Insurances, dated as of _____, 1995, between the Shipowner and the Mortgagee, the Shipowner assigned to the Mortgagee as mortgagee of the Vessel, inter alia, all of its right, title and interest under, to and in all policies and contracts of insurance of whatsoever nature and all entries with protection and indemnity clubs or societies now or hereafter taken out in respect of the Vessel, its rights, disbursements, profits or otherwise.

All claims payable shall be subject to the following conditions:

(i) Any claim payable in respect of an actual or constructive or arranged or agreed or compromised total loss, or loss in the event of the confiscation, compulsory acquisition or

requisition of the Vessel, for title or use, by any government of any country or any department, agency or representative thereof, pursuant to any present or future law, proclamation, order, decree or otherwise, shall be payable to the Mortgagee as mortgagee of the Vessel, provided always that the written consent of the Mortgagee shall be obtained prior to the arranged or agreed or compromised total loss being agreed with the underwriters (insurers);

(ii) All other claims shall be released to the repairer or salvor for the repair, salvage or other charges involved or to the Shipowner as reimbursement if it has fully repaired the damages and paid all of the salvage and other charges;

Notwithstanding the foregoing, if there exists an Event of Default under the First Priority Statutory Mortgage and Deed of Covenants collateral thereto, dated _____, 1995, on the Vessel given by the Shipowner in favor of the Mortgagee and the brokers and/or underwriters (insurers) have been so notified by the Mortgagee, all claims shall be payable to the Mortgagee as mortgagee of the Vessel.

The underwriters (insurers) agree that the Mortgagee shall be advised immediately of the variation or termination of this policy (entry), and in the event of any failure by the Shipowner to pay premiums (dues or Club calls) as and when due the Mortgagee shall be given at least fourteen (14) days' prior telegraphic or telex notice of the cancellation or material alteration of this policy (entry).

The Mortgagee shall have no obligations whatsoever to pay any premiums or costs (dues or Club calls), but shall have the right to do so in the event of non-payment by the Shipowner. The underwriters (insurers) shall promptly advise the Mortgagee of any act of omission of which the Underwriters (insurers) are aware that might void this policy (entry) or make the same invalid or unenforceable in whole or in part.

(d) Each entry or insurance policy taken out pursuant to Section 4.01(a)(iv) shall bear the following Endorsement:

Endorsement

California Petroleum Transport Corporation, as mortgagee

(the "Mortgagee") and CalPetro Tankers (Bahamas I) Limited (the "Shipowner"), owner of the m.t. Condoleezza Rice (the "Vessel"), hereby give notice that by an assignment contained in an Assignment of Earnings and Insurances, dated as of _____, 1995, between the Shipowner and the Mortgagee, the Shipowner assigned to the Mortgagee as mortgagee of the Vessel all of its right, title and interest under, to and in all policies and contracts of insurance of whatsoever nature and all entries with protection and indemnity clubs or societies now or hereafter taken out in respect of the Vessel, its rights, disbursements, profits or otherwise.

It is hereby noted that all claims shall be paid to the Shipowner unless and until the Mortgagee shall have given notice in writing that the Shipowner is in default under the First Priority Statutory Mortgage and Deed of Covenants collateral thereto, dated as of _____, 1995, on the Vessel given by the Shipowner in favor of the Mortgagee in which event such claims shall be payable to the Mortgagee as mortgagee of the Vessel. Any modification of the terms of this insurance or cancellation or termination by reason of nonpayment of premiums, dues, assessments, contributions or other amounts which may become due shall not become effective against the interests of the Mortgagee, its successors or assigns until fourteen (14) days' prior telegraphic or telex notice is given to the Mortgagee, its successors or assigns of such modification, cancellation or termination.

(e) Certified copies of all binders and cover notes or other satisfactory written evidence showing that the required insurance of each type has been placed, maintained or renewed and that the premiums thereon have been paid shall be submitted to the Mortgagee on or before the date of this Deed and the Statutory Mortgage and subsequently pro forma policies shall be submitted for approval at least seven (7) days before liability under any current or renewed insurance expires. No change shall be made in any insurance without the prior written approval of the Mortgagee. Certified copies of all policies, certificates of entry, contracts of insurance, cover notes and renewals thereof shall be delivered to and held by the Mortgagee, and the Shipowner shall furnish the Mortgagee with the original of the policies, when and if requested by the Mortgagee. On the Closing Date, on each date the Insurances are renewed as required by the terms hereof and each time there is a significant change in the insurance coverage carried on the Vessel, the Shipowner shall arrange for a detailed report signed by independent marine insurance brokers acceptable to the Mortgagee, describing the insurance coverage then carried and maintained on the Vessel (including the types of risk covered by such policies, the amount insured thereunder and the expiration date thereof) and stating that in the opinion of said insurance brokers such insurance is adequate and reasonable for the protection of the Mortgagee and that the Shipowner is in compliance with the insurance terms hereof.

(f) The Mortgagee is hereby authorized, but not required, in its own name and/or the Shipowner's name to demand, collect, give receipt for and prosecute all necessary actions in the courts to recover any and all insurance monies which may become due and payable to the Shipowner under any insurance required or permitted hereunder.

(g) If the Shipowner shall at any time fail to pay or to cause to be paid when due any insurance premiums, club calls or other costs related to obtaining or maintaining the insurance required hereunder, or to obtain any required insurance or to deliver to the Mortgagee all policies, certificates of entry, contracts of insurance, binders and cover notes and all renewals thereof as required by the provisions of this Deed and the Statutory Mortgage, the Mortgagee may, but shall not be required to, procure such insurances and/or pay unpaid premiums and other costs, and the cost and expense thereof, with interest at the Default Rate, shall be an indebtedness due from the Shipowner to the Mortgagee secured by this Deed and the Statutory Mortgage and shall be paid by the Shipowner promptly on demand.

(h) The Shipowner shall cause each of its insurance brokers to deliver to the Mortgagee its undertaking substantially in the form of the letter attached hereto as Exhibit A and made a part hereof.

(i) The Shipowner shall not do any act or cause or permit any act to be done whereby any insurance shall be or may be suspended, impaired or defeated.

(j) The Shipowner agrees to do all such things whatsoever and prepare, execute and deliver all such documents whatsoever to enable the Mortgagee to collect and recover any monies which may become due in respect of the policies of insurance and entries and for that purpose (but without limitation) to permit the Mortgagee if necessary to sue in the name of the Shipowner.

(k) The Shipowner agrees not to employ the Vessel or suffer the Vessel to be employed otherwise than in conformity with the terms of the instruments of insurance aforesaid (including any warranties express or implied therein) without first obtaining the consent to such employment of the insurers and complying with such requirements as to extra premium or otherwise as the insurers may prescribe.

(l) The proceeds of any Insurances or entries shall be applied as follows:

(i) Until the occurrence of an Event of Default:

(A) Any claim under any Insurances (other than in respect of a Total Loss) or whether or not such claim is under the terms of the relevant loss payable clause payable directly to the Shipowner, shall be applied by the Shipowner in making good the loss or damage in respect of which it has been paid to the Shipowner in reimbursement of money expended by it for such purpose; and

(B) Any claim in respect of protection and indemnity insurance shall be paid directly to the person, firm or company to which the liability covered by such insurance was incurred or the Shipowner in reimbursement of moneys expended by it in satisfaction of such liability;

provided always that for as long as the Charter in respect of the Vessel remains in force, all payments other than in respect of a Total Loss (which shall be made to the Mortgagee) shall be made to the Charterer.

(ii) Upon the occurrence of an Event of Default, subject as provided above, any claim under any such insurance and entry shall be paid to the Mortgagee, as assignee of the related Shipowner, and shall be applied by the Mortgagee pursuant to the terms of the Charter unless the Charterer is in default thereunder in which event the Mortgagee shall apply such proceeds against payment of the Obligations.

(iii) Any claim under such insurance and entry in respect of a Total Loss shall be paid to the Mortgagee, as assignee of the related Shipowner, and shall be applied by the Mortgagee, after payment of the costs of collecting such claim, as follows:

First: To the payment of all reasonable expenses and charges, including the expenses of any taking, attorney's fees, court costs and any other expenses or advances made or incurred by the Mortgagee, the Indenture Trustees and the Collateral Trustee in the protection of its right or the pursuance of its remedies under this Deed and the Statutory Mortgage, the Loan Agreements or the other Security Documents;

Second: To the payment of all amounts due to the Mortgagee in respect of taxes, indemnities, fees, expenses, premiums, purchase of liens or otherwise under the provisions of this Deed and the Statutory Mortgage;

Third: To the payment of interest on the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balances, to but not including the Loss Date;

Fourth: To the payment to the Mortgagee in respect of principal of the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balances; and

Fifth: To the payment of any surplus thereafter remaining to the Shipowner or whomsoever may be lawfully entitled thereto.

Section 4.04 Defense of Title.

The Shipowner lawfully owns and is lawfully possessed of the Vessel free from

any Lien whatsoever except this Deed, the Statutory Mortgage and Permitted Liens and shall warrant and defend the title and possession thereto and to every part thereof for the benefit of the Mortgagee against the claims and demands of all persons whomsoever.

Section 4.05 Discharge of Liens.

The Shipowner shall pay and discharge or cause to be paid and discharged when due and payable unless contested in good faith from time to time all debts, damages and liabilities whatsoever which may have given or may give rise to maritime or possessory liens on or claims enforceable against the Vessel and all taxes, assessments, governmental charges, fines and penalties legally imposed on the Vessel or any income or proceeds therefrom or on the Shipowner, the Earnings and in event of arrest of the Vessel pursuant to legal process or in event of her detention in exercise or purported exercise of any such lien as aforesaid to procure the release of the Vessel from such arrest or detention as soon as possible upon receiving notice thereof but in any event within fifteen (15) days of receiving such notice by providing bail or otherwise as the circumstances may require.

Section 4.06. Liens.

(a) Neither the Shipowner nor its agent nor the master of the Vessel nor any charterer of the Vessel has or shall have any right, power or authority to create, incur or permit to be placed or imposed upon the property or any part thereof subject or intended to be subject to this Deed and Statutory Mortgage, any liens whatsoever without the prior written consent of the Mortgagee, other than for Permitted Liens, and liens created under the Collateral Trust Agreement and the Indentures. A properly certified copy of this Deed and the Statutory Mortgage shall be carried with the ship's papers on board the Vessel, shall be exhibited to any person having business with the Vessel which might give rise to any lien other than Permitted Liens and shall be exhibited to any representative of the Mortgagee on demand.

(b) The Shipowner shall keep the Vessel free and clear of all liens, security interests, charges or encumbrances (except for the Charter, the Collateral Trust Agreements and the Indentures and Permitted Liens).

Section 4.07 Use of Vessel.

(a) The Shipowner shall not cause or permit the Vessel to be operated in such a way as to jeopardize the safety of the Vessel, its Insurances or in any manner contrary to law, shall not engage in any unlawful trade or violate any applicable law, rule or regulation of the Bahamas or any other jurisdiction in which the Vessel may operate from time to time or which may otherwise be applicable to the Vessel or the Shipowner or carry any cargo that shall expose the Vessel to penalty, confiscation, forfeiture, capture or condemnation, shall not do or suffer or permit to be done anything which can or may injuriously affect the registration or enrolment of the Vessel under the laws and regulations of Bahamas and shall at all times keep the Vessel duly documented thereunder.

(b) The Shipowner shall not employ the Vessel or suffer her employment in

any trade or business which is forbidden by international law or is otherwise illicit or in carrying illicit or prohibited goods or otherwise use the Vessel in any manner whatsoever which renders her liable to condemnation or to destruction, seizure or confiscation and in event of hostilities in any part of the world (whether war is declared or not) not allow the Vessel to enter any zone which is declared a war zone unless the Mortgagee shall have first given its consent thereto in writing and there shall have been effected by the Shipowner and at its expense such special insurance cover as the Mortgagee may require.

(c) The Shipowner shall not, during hostilities (whether or not a state of war shall have been formally declared) between any two or more nations or in which the United Nations Organization may be involved, or during any civil war, employ or permit the Vessel to be employed in any manner in carrying any goods that shall or may be declared to be contraband of war or that shall or may render her liable to confiscation, seizure, detention or destruction unless prior to such employment special war risks policies effected with such underwriters as the Mortgagee may approve and in all respects to the satisfaction of the Mortgagee shall have been effected, assigned and delivered to the Mortgagee.

(d) Upon request, the Shipowner shall give to the Mortgagee all information regarding the Vessel, her position and engagements in the possession of or available to the Shipowner.

(e) The Shipowner shall comply with and satisfy all of the material provisions of any applicable law, regulation, proclamation or order concerning financial responsibility for liabilities imposed on the Shipowner or the Vessel with respect to pollution by any state or nation or political subdivision thereof, including, if applicable, the United States Federal Water Pollution Control Act, OPA and the United States Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as any of the foregoing may at any time be amended, and shall maintain all certificates or other evidence of financial responsibility as may be required by any such law, regulation, proclamation or order with respect to the trade in which the Vessel is from time to time engaged and the cargo carried by it and shall upon request, furnish the Mortgagee with evidence that the Shipowner has acted in compliance with OPA and CERCLA.

Section 4.08 Notifications.

The Shipowner shall immediately notify the Mortgagee of:

(a) any marine disaster involving the Vessel that has occurred, or any serious damage suffered by the Vessel (such notice by the Shipowner to be given within twenty-four (24) hours after the event shall have come to its knowledge and shall furnish the Mortgagee with full information regarding any loss of life, other accidents or damage to the Vessel), and in such event the Mortgagee shall have the right to have an independent survey of the damage to the Vessel at the Shipowner's expense provided that the same shall not cause any undue delay in respect of the operation of the Vessel, and if such

survey be requested, the Shipowner shall lend all needed assistance.

(b) any occurrence in consequence whereof the Vessel has become or is likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority that is not complied with immediately; and

(d) any complaint or libel filed against the Vessel, or any levy against the Vessel, or the fact that the Vessel has been taken into custody or detained by any proceedings in any court or tribunal or by any government of any country or other authority, any arrest of the Vessel or the exercise or purported exercise of any lien on the Vessel.

Section 4.09 Payment of Crew's Wages and Allotments.

The Shipowner shall promptly pay all tolls, dues and other outgoings whatsoever in respect of the Vessel and, as and when the Mortgagee may so require, furnish satisfactory evidence that the wages and allotment and insurance and pension contributions of the Master and crew are being regularly paid and that all deductions from crew's wages in respect of any tax liability are being properly accounted for.

Section 4.10 Charter of Vessel.

The Shipowner shall not, without the prior written consent of the Mortgagee, charter the Vessel by demise charter or by period, time or voyage charter for any period other than to the Charterer under the Charter or any other charterer under an Acceptable Replacement Charter. The Shipowner shall not modify, amend or supplement the terms of the Charter without the prior written consent of the Mortgagee.

Section 4.11 Maintenance of Vessel.

The Shipowner shall at all times and without cost or expense to the Mortgagee or the Collateral Trustee maintain and preserve, or cause to be maintained and preserved, the Vessel, her equipment and machinery in good running order and repair so that the Vessel shall be, in so far as due diligence can make her so, tight, staunch, strong and well and sufficiently tackled, apparelled, furnished, equipped and in every respect seaworthy and in good operating condition as will entitle her to the highest classification of Det norske Veritas or such other classification society of like standing agreeable to the Mortgagee and the Trustee. The Vessel shall, and the Shipowner covenants that it shall, at all times comply strictly with all applicable laws, treaties and conventions of Bahamas and rules and regulations issued thereunder and shall have on board as and when required by such rules and regulations valid certificates showing compliance therewith. The Shipowner shall not make or permit to be made any substantial change in the structure, type or speed of the Vessel or change in any of her rigs without first

obtaining the written approval of the Mortgagee. The Shipowner shall cause all repairs to and/or replacements of any damaged worn or lost parts or equipment of the Vessel be effected in such manner both as regards workmanship and quality of materials so as not to diminish the value or class of the Vessel. The Shipowner shall submit the Vessel to such periodical or other surveys as may be required for classification purposes and shall if so required by the Mortgagee supply to the Mortgagee on request copies of all surveys or reports issued in respect thereof.

Section 4.12 Statement of Classification Society.

The Shipowner shall furnish to the Mortgagee and the Collateral Trustee annually from the date hereof a certificate by Det norske Veritas (the "Classification Society") or such other classification society acceptable to the Mortgagee and the Collateral Trustee that such classification is maintained in the highest category for ships of the same type as the Vessel free of recommendations and notations which have not been complied with in accordance with their terms and to furnish the Mortgagee from time to time and at any time upon demand with all such information and copies of all such documents as the Mortgagee may require concerning the classification of the Vessel.

Section 4.13 Surveys of Vessel.

The Shipowner shall submit the Vessel or cause the Vessel to be submitted regularly to such periodical or other surveys as may be required for classification purposes and if so required supply and cause to be supplied to the Mortgagee copies of all survey reports issued in respect thereof.

Section 4.14 Access to Vessel.

The Shipowner shall use all reasonable endeavors to afford the Mortgagee and such Persons as the Mortgagee shall from time to time appoint for that purpose full and complete access to the Vessel at any time, on reasonable notice and in a manner which shall not interfere with the Vessel's trading requirements to view the state and condition thereof and her cargo and papers and to ascertain whether the Vessel is being properly repaired and maintained, and if default shall be made in keeping her in such good state of repair and in such working order and condition as herein mentioned (without prejudice however to any of the Mortgagee's rights under this Deed and the Statutory Mortgage) the Mortgagee may (but shall not be obligated to) effect such repairs as shall in its opinion be necessary, and the Shipowner shall on demand repay to the Mortgagee every sum of money expended for the above purpose with interest at the Default Rate.

Section 4.15 Books and Records.

The Shipowner shall keep proper books of account in respect of the Vessel and as and when required by the Mortgagee make such books available for inspection for the Mortgagee.

Section 4.16 Registration of Statutory Mortgage; Recordation of

Statutory Mortgage.

(a) The Shipowner shall not change the flag or port of documentation of the Vessel or through any action or inaction cause the registration of the Vessel under the laws of the Commonwealth of the Bahamas to be void or voidable or to lapse;

(b) The Shipowner shall cause this Statutory Mortgage to be recorded or filed in a central office or at the home port of the Vessel and in accordance with the applicable provisions of the law of the Bahamas and will otherwise comply with and satisfy all the requirements and formalities established by the provisions of the law of the Bahamas and any other pertinent legislation of the Bahamas to perfect this Statutory Mortgage as a valid and enforceable first and preferred lien upon the Vessel and maintain this Deed as a first priority assignment of, charge over, and security interest in the Vessel or other property assigned thereunder and shall furnish to the Mortgagee from time to time such evidence to the Mortgagee's satisfaction with respect to the Shipowner's compliance with the provisions of this Section.

Section 4.17 Notice of Mortgage.

(a) The Shipowner shall at all times carry on board the Vessel a duly certified copy of this Deed and a properly certified copy of the Statutory Mortgage and any assignment thereof (which shall form a part of the Vessel's papers) and cause the same to be shown to any person having business with the Vessel which might create or imply any commitment or encumbrance whatsoever on the Vessel and place and maintain in a frame in a conspicuous place in the navigation room and in the cabin of the Master of the Vessel a printed notice such that the printed area covers a space not less than six inches wide by nine inches high in the following form:

"NOTICE OF FIRST MORTGAGE"

"This Vessel is owned by CalPetro Tankers (Bahamas I) Limited and is subject to a First Priority Statutory Mortgage and Deed of Covenants collateral thereto in favor of California Petroleum Transport Corporation, as mortgagee. Under the terms of said Deed, neither the Shipowner nor any charterer nor the master of this Vessel nor any other person has any power, right or authority whatever to create incur or permit to be imposed on this Vessel any lien or encumbrance except for Master's and crew's wages for not more than three (3) months and salvage."

(b) Notwithstanding the requirement for the Shipowner to maintain the Notice of Mortgage described in Section 4.17(a), so long as the Charter is in effect, the Shipowner shall maintain the Notice of First Mortgage described in Clause 14 of the Charter.

Section 4.18 Further Assurances.

(a) The Shipowner shall pay to the Mortgagee on demand on a full indemnity basis all moneys whatsoever which the Mortgagee shall or may expend, be put to or become liable for in or about the protection maintenance or enforcement of the security created by this Deed, the Statutory Mortgage and the other Security Documents or in or about the exercise by the Mortgagee of any of the powers vested in the Mortgagee hereunder or thereunder including any and all costs, charges, legal fees and expenses of the Mortgagee and shall pay interest thereon at the Default Rate until the date of repayment by the Shipowner both before and after judgment.

(b) The Shipowner shall do and permit to be done each and every act or thing whatsoever which the Mortgagee may require to be done for the purpose of enforcing the Mortgagee's rights hereunder and to allow the Mortgagee to use the Shipowner's name as may be required for that purpose.

Section 4.19. Withholding Tax.

The Shipowner shall take any lawful action to the extent necessary to prevent or avoid the imposition of any withholding taxes (other than any withholding tax with respect to charterhire to the extent required to be paid or reimbursed by any charterer pursuant to a charter) by any taxing jurisdiction (including The Bahamas) with respect to any payments under the Obligations, including changing its jurisdiction of incorporation or residence; provided however, that it shall not be required to take, or fail to take, any action (i) if in the opinion of counsel such act or failure to act would violate applicable law or (ii) if in the reasonable opinion of the Shipowner the actions necessary to avoid or prevent imposition of such withholding taxes would be unduly burdensome. For purposes of clause (ii) of this paragraph a requirement to change the jurisdiction of the Shipowner's incorporation or residence shall not be treated as unduly burdensome.

Section 4.20. Expenses.

The Shipowner shall upon demand pay to the Mortgagee (or as it may direct) the amount of all investigation expenses, mortgage taxes, recording charges, filing fees, revenue and documentary stamps and any other charges incurred by the Mortgagee in connection with the preparation, completion or registration of this Deed and the Statutory Mortgage, including without limitation the reasonable expenses and fees of counsel to the Mortgagee. Likewise any and all expenses incurred at any time by the Mortgagee with respect to the mortgaged property or the protection or the enforcement of its rights hereunder or thereunder, including without limitation the expenses and fees of counsel to the Mortgagee, shall be paid by the Shipowner or, if paid by the Mortgagee, shall be paid by the Shipowner promptly upon demand together with interest thereon from the date of demand until such repayment at the Default Rate in effect from time to time. The payment of all expenses and other amounts under this Section 4.20 shall be secured by this Deed and the Statutory Mortgage and no amounts payable by the Shipowner to

the Mortgagee under this Section 4.20 shall in any circumstances be repayable to the Shipowner.

Section 4.21. Indebtedness.

The Shipowner will not directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to, or become responsible for the payment of any indebtedness, except for the obligations under the Shipowner's Loan Agreements.

Section 4.22. Business of Shipowner.

The Shipowner will not engage in any business other than the ownership and operation of its Vessel as described herein and in accordance with the Shipowner's charter and by-laws.

Section 4.23. No Bankruptcy Petition.

The Shipowner will not (i) commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to it, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to its debt, (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or any part of its assets, (iii) make a general assignment for the benefit of creditors or (iv) take any action in furtherance of, or consenting or acquiescing in, any of the foregoing.

Section 4.24. Consolidation, Merger and Sale of Assets.

The Shipowner shall not consolidate with, or merge with or into, any other Person or convey or transfer to any Person all or any part of the Vessel.

Section 4.25. Loans, Advances and Other Liabilities.

The Shipowner will not make any capital contributions, advances or loans to, or investments or purchases of capital stock in, any Person, except for Allowable Investments and Permitted Investments, as defined in the Collateral Trust Agreement.

Section 4.26. Restricted Payment.

The Shipowner will not make any Restricted Payment except as set forth in the Loan Agreements.

Section 4.27. Reports by the Shipowner. The Shipowner covenants:

- (a) to file with the Mortgagee, within 15 days after the Shipowner is required to file the same with the Commission, copies of the annual reports and of

the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Shipowner may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, or, if the Shipowner is not required to file information, documents, or reports pursuant to either of such Sections of the Exchange Act, then to file with the Mortgagee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act, or, in respect of a security listed and registered on a national securities exchange, as may be prescribed from time to time in such rules and regulations;

- (b) to file with the Mortgagee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents, and reports with respect to compliance by the Shipowner with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations;
- (c) to transmit to the Mortgagee in the manner and to the extent required by Section 313(c) of the Trust Indenture Act, within 30 days after the filing thereof with the Mortgagee, such summaries of any information, documents and reports required to be filed by the Shipowner pursuant to subsections (a) and (b) of this Section 4.27 as may be required by rules and regulations prescribed from time to time by the Commission; and
- (d) furnish to the Mortgagee, on or before each August 1, commencing in 1995, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer of the Shipowner as to his or her knowledge of the Shipowner's compliance with all conditions and covenants under this Mortgage. For purposes of this subsection (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Mortgage.

ARTICLE V

EVENTS OF DEFAULT; REMEDIES

Section 5.01 Events of Default.

The following shall constitute Events of Default hereunder:

- (a) An Event of Default shall occur under either the Serial Loan Agreement, the Term Loan Agreement or any Other Loan Agreement;
- (b) Default in the payment of any sums payable under the Deed and the Statutory Mortgage to the Mortgagee within two (2) Business Days after such amount was due;
- (c) Default by the Shipowner in the due observance or performance of any covenant set forth in Sections 4.02, 4.03, 4.04, 4.06, 4.10, 4.16, 4.24 and 4.26;
- (d) Default in any material respect in the performance, or breach in any material respect, of any covenant of the Shipowner (other than Sections 4.02, 4.03, 4.04, 4.06, 4.10, 4.16, 4.24 and 4.26) or if any representation or warranty of the Shipowner made in the Deed or the Statutory Mortgage or in any certificate or other writing delivered pursuant thereto or in connection therewith with respect to or affecting the Vessels shall prove to be inaccurate in any material respect as of the time when the same shall have been made, and, if such breach or default or inaccuracy is curable, continuance of such default or breach or inaccuracy for a period of 30 days after the earlier to occur of (a) actual knowledge of such default, breach or inaccuracy by the Shipowner or (b) the date on which there has been given by registered or certified mail to the Shipowner by the Mortgagee a written notice thereof;
- (e) The entry of a decree or order for relief by a court having jurisdiction over the Shipowner and its assets in any involuntary case under any applicable federal or state bankruptcy, insolvency, or other similar law of any relevant jurisdiction now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, or sequestrator (or other similar official) for the Shipowner or for any substantial part of its property, or ordering the winding up or liquidation of its respective affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;
- (f) The commencement by the Shipowner of a voluntary case under any applicable federal or state bankruptcy, insolvency, or other similar law of any relevant jurisdiction now or hereafter in effect in any jurisdiction, or the consent by the Shipowner to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of the Shipowner or any substantial part of its property, or the making by the Shipowner of any general assignment for the benefit of creditors, or the failure by the Shipowner generally to pay its debts as they become due, or the taking of action by the Shipowner in furtherance of any such action;
- (g) The Vessel is deemed a Total Loss and the insurance proceeds thereof have not been received by the Mortgagee within 60 days after the date on which the Vessel

was deemed a Total Loss; provided, however, if the Vessel is under charter to the Charterer pursuant to the Charter, such an event shall be an Event of Default under this Deed and the Statutory Mortgage if the Mortgagee has not received the amount payable by the Charterer in the event of a Total Loss pursuant to the Charter within 5 business days of the date on which such amounts are due pursuant to the Charter;

- (h) The Shipowner shall abandon the Vessel;
- (i) A default (as described in Clause 18 of the Charter) shall have occurred under the Charter; or
- (j) This Deed and the Statutory Mortgage or any material provision hereof or thereof shall be deemed invalidated in whole or in part by any present or future law of the Bahamas or decision of any competent court.

Section 5.02 Remedies.

In the event any one or more Events of Default shall have occurred and be continuing, then, in each and every such case the Mortgagee, shall have the right to:

- (a) declare immediately due and payable all of the Obligations (in which case all of the same shall be immediately due), and bring suit at law, in equity or in admiralty, as it may be advised, to recover judgment for the Obligations and collect the same out of any and all property of the Shipowner whether covered by the Deed, the Statutory Mortgage or otherwise;
- (b) exercise all of the rights and remedies in foreclosure and otherwise given to mortgagees by the provisions of applicable law;
- (c) take and enter into possession of the Vessel, at any time, wherever the same may be, without court decision or other legal process and without being responsible for loss or damage and the Mortgagee may, without being responsible for loss or damage, hold, lay-up, lease, charter, operate or otherwise use such Vessel for such time and upon such terms as it may deem to be for its best advantage, and demand, collect and retain all hire, freights, earnings, issues, revenues, income, profits, return premiums, salvage awards or recoveries, recoveries in general average, and all other sums due or to become due in respect of such Vessel or in respect of any insurance thereon from any person whomsoever, accounting only for the net profits, if any, arising from such use of the Vessel and charging upon all receipts from use of the Vessel or from the sale thereof by court proceedings or by private sale all costs, expenses, charges, damages or losses by reason of such use, and if at any time the Mortgagee avails itself of the right given to it to take the Vessel: (i) the Mortgagee shall have the right to dock the Vessel for a

reasonable time at any dock, pier or other premises of the Shipowner without charge, or to dock her at any other place at the cost and expense of the Shipowner, and (ii) the Mortgagee shall have the right to require the Shipowner to deliver, and the Shipowner shall on demand, at its own cost and expense, deliver to the Mortgagee the Vessel as demanded; and the Shipowner shall irrevocably instruct the master of the Vessel so long as the Deed and the Statutory Mortgage are outstanding to deliver the Vessel to the Mortgagee as demanded;

- (d) sell the Vessel or any share therein with or without the benefit of any charter party or other engagement by public auction or private contract without legal process at any place in the world and upon such terms as the Mortgagee in its absolute discretion may determine with power to postpone any such sale and without being answerable for any loss occasioned by such sale or resulting from the postponement thereof and at any such public auction the Mortgagee may become the purchaser and shall have the right to set off the purchase price against the Obligations;
- (e) to require that all policies, contracts and other records relating to the Insurance (including details of and correspondence concerning outstanding claims) be forthwith delivered to such brokers as the Mortgagee may nominate;
- (f) to collect, recover, compromise and give a good discharge for all claims then outstanding or thereafter arising under any of the Insurance and to take over or institute (if necessary using the name of the Shipowner) all such proceedings in connection therewith as the Mortgagee in its absolute discretion thinks fit and to permit the brokers through whom collection or recovery is effected to charge and retain the usual brokerage therefor;
- (g) to discharge, compound, release or compromise claims in respect of the Vessel which have given or may give rise to any charge or lien on the Vessel or which are or may be enforceable by proceedings against the Vessel under the laws of all countries to whose jurisdiction the Vessel may from time to time become subject;
- (h) pending sale of the Vessel to remove the Vessel or to require the Vessel to be removed from any place where she may be or be lying to any port, harbor, dock or other location for the purposes of the Vessel docking, laying up, repair, management, employment, maintenance, or sale or to preserve or maintain the Mortgagee's security in the Vessel in such manner as the Mortgagee may in its complete discretion deem necessary;
- (i) to discharge, store, load, tranship and otherwise handle any cargo for the time being on board the Vessel without liability to any third party with regard thereto;

- (j) pending sale of the Vessel to manage, insure, maintain and repair the Vessel and to hold, lease, charter, operate, employ, lay up or otherwise use the Vessel in such manner and for such period as the Mortgagee in its absolute discretion deems expedient accounting only for the net profits (if any) of such use and for the purposes aforesaid the Mortgagee shall be entitled to do all acts and things incidental or conducive thereto and in particular to enter into such arrangements respecting the Vessel, her insurance, management, maintenance, repair, classification and employment and generally to do and cause to be done all such acts and things whatsoever and to make all such arrangements whatsoever in respect of the Vessel or the working of the same in all respects as if the Mortgagee were the absolute and sole owner of the Vessel and without being responsible for any loss and damage thereby incurred; and
- (k) to recover from the Shipowner on demand all expenses, payments, disbursements, costs, losses and damages as may be incurred by the Mortgagee whether the Mortgagee be in possession of the Vessel or not or in exercise by the Mortgagee of any of the powers herein contained together with interest thereon at the Default Rate and such expenses, payments, disbursements, costs, losses and damages together with the said interest thereon shall, until paid by the Shipowner to the Mortgagee, be secured on the Vessel by this Deed and the Statutory Mortgage.

Section 5.03 Sale of the Vessel.

(a) A sale of the Vessel made in pursuance of this Deed and the Statutory Mortgage whether under the power of sale hereby granted or any judicial proceedings shall operate to divest all right, title and interest of any nature whatsoever of the Shipowner herein and thereto and shall bar the Shipowner its successors and assigns and all persons claiming by through or under them provided such sale is by auction and that nothing herein shall be deemed to derogate from the Shipowner's duty to the Mortgagee. Upon any such sale, the purchaser shall not be bound to see or inquire whether the Mortgagee's power of sale has risen in the manner provided by the Deed and the Statutory Mortgage and the sale shall be within the power of the Mortgagee and the receipt of the Mortgagee for the purchase money shall effectively discharge the purchaser who shall not be concerned with the manner of application of the proceeds of sale or be in any way answerable or otherwise liable therefor. The Mortgagee may bid for and purchase the Vessel and upon compliance with the terms of sale may hold, retain and dispose of the Vessel without further accountability therefor.

(b) The Shipowner hereby irrevocably appoints the Mortgagee and its assigns as its true and lawful attorney with full power to act alone and with full power of substitution until the due discharge of this Deed and the Statutory Mortgage in accordance with the laws of the Bahamas to make all necessary transfers of the Vessel sold pursuant to Section 5.02, including, without limitation, executing and delivering all instruments of assignment and transfer or quitclaim as the Mortgagee may require and the Shipowner hereby does ratify and confirm all that its said attorneys shall lawfully do by virtue hereof. Nevertheless, the Shipowner shall

if so requested by the Mortgagee ratify and confirm any such sale by executing and delivering to the purchaser or purchasers of the Vessel such proper bills of sale, conveyances, instruments of assignment and transfer or quitclaim and releases as may be designated in such request.

Section 5.04 Mortgagee as Attorney-in Fact.

The Mortgagee is hereby appointed attorney-in-fact of the Shipowner and upon the Indebtedness becoming due and payable in the name of the Shipowner to demand, collect, receive, compromise and sue for so far as may be permitted by law all freights, hire, earnings, issues, revenues, income and profits of the Vessel and all amounts due from underwriters under any insurance thereon as payment of losses or as return premiums or otherwise salvage awards and recoveries in general average or otherwise and all other sums due or to become due upon the Indebtedness becoming due and payable in respect of the Vessel or in respect of any insurance thereon from any person whomsoever and to make and give and execute in the name of the Shipowner acquittances, receipts, releases or other discharges for the same whether under seal or otherwise and to endorse and accept in the name of the Shipowner all checks, notes, drafts, warrants, agreements and all other instruments in writing with respect to the foregoing.

Section 5.05 Appointment of Receiver.

Whenever any right to enter and take possession of the Vessel accrues to the Mortgagee, the Mortgagee may require the Shipowner to deliver and the Shipowner shall on demand at its own cost and expense deliver to the Mortgagee the Vessel as demanded. If any legal proceedings shall be taken to enforce any right under this Deed and the Statutory Mortgage, the Mortgagee shall be entitled as a matter of right to the appointment of a receiver of the Vessel and the freights, hire, earnings, issues, revenues, income and profits due or to become due and arising from the operation thereof.

Section 5.06 Arrest or Detention of Vessel.

In the event that the Vessel shall be arrested or detained by any marshal or other officer of any court of law, equity or admiralty jurisdiction in any country or nation of the world or by any government or other authority and shall not be released from arrest or detention within fifteen (15) days from the date of arrest or detention, the Shipowner hereby authorizes and empowers the Mortgagee, its successors or assigns, to apply for and receive possession of or to take possession of the Vessel with all the rights and powers that the Shipowner or its successors or assigns may have, possess and exercise in any such event, and this power of attorney shall be irrevocable and may be exercised not only by the Mortgagee but also by an assignee or appointee of the Mortgagee with full power of substitution to the same extent and effect as if such assignee or appointee has been named by express designation.

Section 5.07 Defense of Suits.

The Shipowner also authorizes and empowers the Mortgagee, and its successors,

assigns and appointees, to appear in the name of the Shipowner, and its successors and assigns, in any court of any country or nation of the world where a suit is pending against the Vessel because of or on account of any alleged lien against the Vessel from which the Vessel has not been released and to take such proceedings and do such things as to them or any of them may seem proper toward the defense of such suit and the discharge of such lien, and all monies expended by them or any of them for the purpose of such defense and/or discharge shall be a debt due from the Shipowner, and its successors and assigns, to the Mortgagee, and its successors and assigns, and payment thereof together with interest thereon at the Default Rate (to the extent permitted by law) from time to time in effect shall be secured by the lien of this Deed and the Statutory Mortgage in like manner and extent as if the amount and description thereof were written herein.

Section 5.08 Cumulative Rights, Powers and Remedies.

(a) Each and every right, power and remedy herein given to the Mortgagee shall be cumulative and shall be in addition to every other right, power and remedy herein given or now or hereafter existing at law, in equity, admiralty or by statute and each and every power and remedy whether herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee, and the exercise or the beginning of the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other power or remedy.

(b) No delay or omission of the Mortgagee to exercise any right or power vested in it under the Security Documents or any of them shall impair such right or power or be construed as a waiver of or as acquiescence in any default by the Shipowner, nor shall the acceptance by the Mortgagee of any security or any payment on account of the Indebtedness, although made after default, be deemed a waiver of any right arising out of any future default or of any past default, and in the event of the Mortgagee at any time agreeing to waive any such right or power such waiver shall be revocable by the Mortgagee at any time and the right or power shall henceforth be again exercisable as though there had been no such waiver.

(c) In the event the Mortgagee shall have proceeded to enforce any right or pursue any power under this Deed and the Statutory Mortgage by foreclosure, entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgagee, then and in every such case the Shipowner and the Mortgagee shall be restored to their former positions and rights hereunder with respect to the property subject or intended to be subject to this Deed and the Statutory Mortgage and all rights, remedies and powers of the Mortgagee shall continue as if no such proceedings had been taken.

Section 5.09 Application of Proceeds.

The proceeds of any sale made either under the power of sale hereby granted to the Mortgagee or under a judgment or decree in any judicial proceeding for the foreclosure of this Deed and the Statutory Mortgage or for the enforcement of any remedy granted to the

Mortgagee hereunder, or any net earnings arising from the management, charter or other use of the Vessel by the Mortgagee under any of the powers herein reserved, any amounts on deposit to the credit of the Shipowner or the Mortgagee from earnings of the Vessel as provided herein and any other moneys received by the Mortgagee pursuant to the terms of this Deed and the Statutory Mortgage or in any proceeding hereunder other than under Section 4.03(1)(ii), the application of which is not elsewhere herein specifically provided for, shall be applied as follows:

First: To the payment of all reasonable expenses and charges, including the expenses of any taking, attorney's fees, court costs and any other expenses or advances made or incurred by the Mortgagee in the protection of its right or the pursuance of its remedies under the Loan Agreements, this Deed or the Statutory Mortgage;

Second: To the payment of all amounts due to the Mortgagee in respect of taxes, indemnities, fees, expenses, premiums, purchase of liens or otherwise under the provisions of this Deed and the Statutory Mortgage;

Third: To the payment of interest on the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balances;

Fourth: To the payment of principal on the Term Loan and Serial Loan, pro rata, in accordance with their respective outstanding balance;

Fifth: To the payment of any amounts due and owing under the Other Loans, pro rata, in the event of an acceleration of the principal amount of such Other Loans; and

Sixth: To the payment of any surplus thereafter remaining to the Shipowner or whomsoever may be lawfully entitled thereto.

The Shipowner has and shall have no personal liability or obligation with respect to the amounts specified in paragraphs "FIRST" through "FIFTH" above, which are payable solely from the income and proceeds received by the Mortgagee from the Mortgagee's right, title and interest in and to the Vessel.

Section 5.10 Mortgagee's Right to Remedy Defaults.

If the Shipowner shall default in the performance or observance of any of the covenants in this Deed or the Statutory Mortgage on its part to be performed or observed, the Mortgagee may in its discretion do any act or make any expenditures necessary to remedy such default, and the Shipowner shall promptly reimburse the Mortgagee, with interest at the Default Rate from time to time in effect, for any and all expenditures so made or incurred and until the Shipowner has so reimbursed the Mortgagee for such expenditures, the amount thereof shall be

a debt due from the Shipowner to the Mortgagee and payment thereof shall be secured by the lien of this Deed and the Statutory Mortgage in like manner and extent as if the amount and description thereof were written herein, but the Mortgagee, although privileged to do so, shall be under no obligation to the Shipowner to make any such expenditures and the making thereof shall not relieve the Shipowner of any default in that or any other respect. The Shipowner also shall reimburse the Mortgagee promptly with interest at the rates referred to above for any and all advances and expenses made or incurred by the Mortgagee at any time in taking the Vessel or otherwise protecting its rights hereunder and for any and all damages sustained by the Mortgagee from or by reason of any default or defaults of the Shipowner.

Section 5.11 Delegation of Powers.

The Mortgagee may delegate to any person or persons all or any of the trusts, powers or discretions vested in it pursuant to this Deed and the Statutory Mortgage and any such delegations may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as the Mortgagee may in its absolute discretion deem appropriate.

Section 5.12 Legal Actions.

In addition to the other provisions hereof for enforcement of the rights of the Mortgagee under this Deed and the Statutory Mortgage, the Mortgagee may, at its option, in the event of any default by the Shipowner, bring an action, suit or other proceeding in rem against the Vessel to foreclose this Deed and the

Statutory Mortgage and sell the Vessel in any court in the Bahamas or any other country in which the Vessel may be found; or an action, suit or other proceeding in personam against the Shipowner or any other person obligated under the Loan

Agreements or any of the Security Documents to recover payment of any amount owing by the Shipowner or such other person and/or to foreclose this Deed and the Statutory Mortgage and sell the Vessel in any country in which the Vessel or the Shipowner or any person so obligated may be found.

Section 5.13 Deed and Statutory Mortgage Subject to Rights of

Charterer under the Charter.

So long as the Charter is in effect, the rights of the Mortgagee set forth in this Article V are and shall be subject to the rights of the Charterer under the Charter. So long as the Charterer shall not be in default under and pursuant to the terms of the Charter, the Charterer shall be entitled to quiet enjoyment of the Vessel.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01 Performance by Charterer or Charterer Under an

Acceptable Replacement Charter.

(a) It is hereby agreed by the parties hereto that, for the duration of the Charter, when the Charterer or any charterer under an Acceptable Replacement Charter performs and discharges its obligations under the Charter respecting the Vessel, such performance of the said obligations by the Charterer shall be or by such charterer deemed to be proper and due performance of the same obligations of the Shipowner under this Deed, the Statutory Mortgage, the Assignment of Earnings, and Insurances and other Security Documents, notwithstanding that the extent or manner of performance of the Shipowner's obligations may differ from that of the Charterer under the Charter or of the charterer under an Acceptable Replacement Charter.

(b) So long as the Charter is in effect, to the extent the Shipowner's approval under the Charter is not to be unreasonably withheld, the approval by the Mortgagee under the corresponding provisions of this Deed also shall not be unreasonably withheld.

(c) So long as the Charter is in effect, where any obligation with respect to the Vessel is undertaken by the Shipowner under this Deed, the Statutory Mortgage or any other of the Security Documents but such obligation is not undertaken by the Charterer under the Charter, then the Shipowner shall not be treated as in default under this Deed and the Statutory Mortgage if such obligation cannot be performed by virtue of the Charter.

(d) The insurance coverage required under an Acceptable Replacement Charter or maintained by the Shipowner or charterer in connection with any other charter entered into after the termination of the related Charter must be sufficient to maintain the credit rating of the Term Mortgage Notes by the Rating Agencies at least at the rating applicable to the Term Mortgage Notes immediately prior to the effectiveness of such Acceptable Replacement Charter or other charter.

Section 6.02 Discharge of Mortgage.

The Mortgagee agrees that upon payment of the Indebtedness it shall at the expense of the Shipowner discharge this Deed and the Statutory Mortgage and transfer or release to the Shipowner all insurance policies and certificates of entry relating to the Vessel freed and discharged from the provisions herein contained.

Section 6.03 Indemnity.

The Shipowner assumes liability for and agrees to indemnify the Mortgagee and the Holders and their respective directors, officers, employees and agents from and against any and all liabilities, losses, damages, penalties, costs and expenses, including legal expenses, of whatsoever kind or nature, imposed on or asserted against any of the Mortgagee and the Holders and such directors, officers, employees and agents in any way relating to or arising out of the Vessel or the use thereof at any time by any party (other than by the Mortgagee after such time as the Mortgagee shall have taken possession of the Vessel pursuant to Section 5.02), including, without limitation, (i) latent and other defects whether or not discovered or discoverable by the Shipowner or any other person, (ii) claims for patent, trademark or copyright infringement, (iii) tort or damage claims of any kind, (iv) claims or penalties arising from any violation of the laws of any country or political subdivision thereof and (v) claims for environmental liability or in any way relating to applicable environmental laws.

Section 6.04 Governing Law.

THIS DEED SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF THE BAHAMAS AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

Section 6.05 Severability.

If any provision of this Deed and the Statutory Mortgage is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or Sections of this Deed or the Statutory Mortgage, shall not affect the remaining portions of this Deed and the Statutory Mortgage, or any part thereof.

Section 6.06 Notices.

All demands, notices and communications hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Mortgagee, at the following address: California Petroleum Transport Corporation, c/o JH Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, (b) in the case of the Shipowner, at the following address: Mareva House, 4 George Street, Nassau, Bahamas, or at other such address

as shall be designated by such party in a written notice to the other parties.

Section 6.07 Headings.

The captions or headings in this Deed are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Deed or the Statutory Mortgage.

Section 6.08 General Interpretive Principles.

For purposes of this Deed except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Deed shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Deed;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Deed and the Statutory Mortgage as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

Section 6.09 Successors and Assigns.

This Deed and the Statutory Mortgage shall inure to the benefit of and be binding upon the Shipowner and the Mortgagee and their respective successors and assigns.

Section 6.10 Consent to Jurisdiction.

Any legal suit, action or proceeding against the Shipowner arising out of or relating to this Deed, the Statutory Mortgage, the Loan Agreements or any other Security Document, or any transaction contemplated hereby or thereby, may be instituted in any federal or state court in The City of New York, State of New York and the Shipowner hereby waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and the Shipowner hereby irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Shipowner hereby irrevocably appoints and designates CT Corporation System, having an address at 1633 Broadway, New York, New York, its true and lawful attorney-in-fact and duly authorized agent for the limited purpose of accepting service of legal process and the Shipowner agrees that service of process upon such party shall constitute personal service of such process on the Shipowner. The Shipowner shall maintain the designation and appointment of such authorized agent until all amounts payable under this Deed, the Statutory Mortgage, the Loan Agreements and the other Security Documents shall have been paid in full. If such agent shall cease to so act, the Shipowner shall immediately designate and appoint another such agent satisfactory to the Mortgagee and shall promptly deliver to the Mortgagee evidence in writing of such other agent's acceptance of such appointment.

Section 6.11 Payment.

All monies payable by the Shipowner to the Mortgagee shall be paid in Dollars without deduction for or on account of any present or future taxes or imposts whatsoever levied or assessed by or within any state or nation or any political subdivision or taxing authority thereof or therein and the Shipowner shall indemnify the Mortgagee against all such taxes or imposts. The Shipowner shall, subject to the prior written approval of the Mortgagee (such approval not to be unreasonably withheld), be entitled to take action in the name of the Mortgagee at the Shipowner's expense against any taxing authority in respect of any withholding or other taxes for which the Shipowner have indemnified the Mortgagee, and the Mortgagee agrees to reasonably cooperate with the Shipowner in taking such action. If as a result of any such action any moneys are received that are attributable to such indemnified taxes (including any interest thereon paid by such taxing authority) the same shall be recovered by the Shipowner.

Section 6.12 Recorded Amount.

For the purposes of the recording this First Priority Statutory Mortgage under the law of the Bahamas, the total amount of this Deed and the Statutory Mortgage is Two Hundred and Eighty-Five Million Four Hundred Thousand United States Dollars (US\$285,400,000), and interest and the performance of the Deed and Statutory Mortgage covenants; the maturity date is the ___ day of _____, 2015, and the discharge amount is the same as the total amount. It is not intended that this Deed and the Statutory Mortgage shall include property other than the Vessel, and it shall not include property other than the Vessel as the term "vessel" is used in the

provisions of the law of the Bahamas. Notwithstanding the foregoing, for property other than the Vessel, if any should be determined to be covered by this Deed and the Statutory Mortgage, the discharge amount is zero point zero one percent (0.01%) of the total amount.

Section 6.13 No waiver of Preferred Status.

No provision of this Deed and the Statutory Mortgage shall be deemed to be a stipulation that the Mortgagee waives the priority status of the Statutory Mortgage given by the laws of the Bahamas. Any provision of this Mortgage which would otherwise constitute such a stipulation, to such extent, shall have no force or effect.

IN WITNESS whereof the Shipowner has signed this Deed on the day and year first before written.

CALPETRO TANKERS (BAHAMAS I)
LIMITED

By: -----
Name: -----
Title: -----

ACKNOWLEDGEMENT

STATE OF NEW YORK)
 :ss.:
COUNTY OF NEW YORK)

On this day of _____ 1995, before me personally came _____ to me known, and known to me to be the person who executed the foregoing instrument, who being by me duly sworn, did depose and say that he resides at _____ that he is the attorney-in-fact for CalPetro Tankers (Bahamas I) Limited the corporation described in, and which executed the foregoing instrument; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

EXHIBIT A

BROKER'S LETTER OF UNDERTAKING

(date)

Re: CalPetro Tankers (Bahamas III) Limited
Owner of m.t. Condoleezza Rice (the "Vessel")

We confirm that we have effected insurances for the account of the above Owner as set out in Appendix "A" attached hereto.

Pursuant to instructions received from CalPetro Tankers (Bahamas III) Limited (the "Owner"), and in consideration of your approving our appointment as Brokers in connection with the insurances covered by this letter, we hereby undertake:

1. to hold the Insurance Slips or Contracts, the Policies when issued, and any renewals of such Policies or new Policies or any Policies substituted (with your consent) therefor and the benefit of the insurance thereunder to your order in accordance with the terms of the Notice of Assignment and Loss Payable Clause set out in Appendix "B" attached hereto; and
2. to have endorsed on each and every Policy as and when the same is issued a copy of the Notice of Assignment and Loss Payable Clause in the form of Appendix "B" attached hereto dated and signed by the Shipowner and acknowledged by Underwriters in accordance with market practice; and
3. to advise you immediately of any material changes which may be made to the terms of the insurances or if we cease to be Brokers for purposes of said insurances; and
4. to advise you, not later than one month before expiry of said insurances, in the event of our not having received notice of renewal instructions from the Shipowner and/or its agents, and in the event of our receiving instructions to renew said insurances to advise you promptly of the details thereof.

Our above undertakings are given subject to our lien on the Policies for premiums for the Vessel and subject to our right of cancellation on default in payment of such premiums. We undertake to advise you immediately if any premiums are not paid to us by the applicable due date and not to exercise such rights of cancellation without giving you (i) fourteen (14) days' prior notice in writing, either by letter to the above address or by telex or cable to _____, respectively, and (ii) a reasonable opportunity of paying any premiums

outstanding except it is understood that in the case of War Risks the terms of the Automatic Termination of Cover Clause contained in the War Risks Policies shall override any undertakings given by us as Brokers. We further undertake and agree that in the event of a total loss of the Vessel, or an arranged, compromised or constructive total loss, our lien on the Policies and the proceeds thereof shall be limited to any other premiums or other amounts due in respect of Vessel or interest insured under the Policies.

Notwithstanding the terms of the said Loss Payable clause and the said Notice of Assignment, unless and until we receive notice from you to the contrary, we shall be empowered to arrange for a collision and/or salvage guaranty to be given in the event of bail being required in order to prevent the arrest of the Vessel or to secure the release of the Vessel from arrest following a casualty. We undertake to advise you immediately in the event of our having arranged for a collision and/or salvage guaranty. Where a guaranty has been given as aforesaid and the guarantor has paid an amount under the guaranty in respect of such claim, there shall be payable directly to the guarantor out of the proceeds of the said Policies an amount equal to the amount so paid.

Finally, it is understood that all claims shall be collected through us, as Brokers, and that in collecting such claims we are acting on your behalf as assignee of the insurances covered by this letter.

Yours faithfully,

[insert name of Broker]

By:

Director

SCHEDULE 1

DEFINED TERMS USED IN THE DEED

"Acceptable Replacement Charter" means any replacement charter which satisfies each of the following requirements: (i) the charter is a bareboat charter and requires that the charterer thereunder "gross up" charterhire payments to indemnify and hold the Holders of the Securities harmless from any withholding tax imposed on the charterhire payments or on the payments on the Securities; (ii) the charterhire payments payable during the non-cancelable term of such replacement charter, after giving effect to (1) any "gross up" of such amounts as a result of any withholding tax on such charterhire payments, (2) the receipt of the Termination Payment and (3) all fees and expenses incurred in connection with the rechartering of the Vessel, provide sufficient funds for the payment in full when due of (A) the Allocated Principal Amount of the Term Mortgage Notes for the related Vessel and interest thereon in accordance with the revised schedule of sinking fund and principal payments, that is applicable upon termination of the related Charter, (B) the amount of Recurring Fees and Taxes for such Vessel, (C) the amount of Management Fees and Technical Advisor's Fees for such Vessel, (D) the amount of fees and expenses of the Indenture Trustee, the Collateral Trustee and the Designated Representative allocable to such Vessel and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses; and (iii) the Rating Agencies shall have confirmed in writing to the Trustee that the terms and conditions of such proposed charter will not result in the withdrawal or reduction of the then current ratings of the Term Mortgage Notes.

"Allowable Investments" means for the Shipowner, its investment in the Vessel and any Restricted Payment permitted to be made by the Shipowner and certain obligations incurred in the ordinary course of the performance of the Management Agreement.

"Assignment of Charter" means the assignment between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, together with the documents contemplated thereby, pursuant to which the Shipowner assigns to the Mortgagee all of its right, title and interest in, to and under the Charter.

"Assignment of Earnings and Insurances" means the assignment between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, pursuant to which the Shipowner assigns to the Mortgagee all of its right, title and interest in, to and under the freights and hires (as well as any charters entered into after the Closing Date) with respect to the Vessel.

"Assignment of Guarantee" means the assignment between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, pursuant to which the Shipowner assigns to the Mortgagee all of its right, title and interest in, to and under the Chevron Guarantee.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's

principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Charter" means that certain Bareboat Charter, dated as of July 1, 1995, between the Charterer and Shipowner.

"Charterer" means Chevron Transport Corporation.

"Chevron" means Chevron Corporation.

"Chevron Guarantee" means the guarantee of the obligations of the Charterer under the Charter given by Chevron.

"Classification Society" means Det norske Veritas or any other private organization which has as its purpose the supervision of vessels during their construction and afterward, in respect to their seaworthiness and upkeep, and the placing of vessels in grades or "classes" according to the society's rules for each particular type of vessel.

"Closing Date" means July __, 1995.

"Code" means the United States Internal Revenue Code of 1986 and the corresponding provisions of any successor statute.

"Collateral Trustee" means Chemical Trust Company of California.

"Commission" means the Securities and Exchange Commission.

"Compulsory Acquisition" means requisition for title or other compulsory acquisition of the Vessel (otherwise than by requisition for hire), capture, seizure, detention or confiscation of the Vessel by any other government or by Persons acting or purporting to act on behalf of any government or governmental authority.

"Default Period" means the period commencing the date any payment hereunder was due to but not including the date such payment is paid in full.

"Default Rate" means a rate per annum for each day during the Default Period until such payment shall be paid in full equal to 1.50% above LIBOR at the commencement of such period.

"Dollar" or "\$" means the lawful currency of the United States of America.

"Earnings" includes all monies whatsoever due or to become due to the Shipowner at any time arising out of the use or operation of the Vessel or otherwise including (but without prejudice to the generality of the foregoing) all sums due and payable to the Shipowner under and pursuant to the Charter and all freight, hire and passage monies and compensation payable

to the Shipowner in the event of requisition of the Vessel for hire, remuneration for salvage and towage, services, demurrage and detention moneys and any other damages for breach (or payments for variation or termination) of any charterparty or any contract of employment of the Vessel and all earnings of the Vessel due or to become due to the Shipowner.

"Event of Default" means an Event of Default under Section ____ of the Loan Agreement.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Governmental Approval" means any authorization, consent, approval, license, franchise, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration by or with any Governmental Authority relating to the ownership of the Collateral or to the execution, delivery or performance of the Loan Agreement or any Security Document.

"Governmental Authority" means the federal government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over the Shipowner or operation of the Vessels.

"Indebtedness" means the payment, performance or other obligations of any kind whatsoever of the Shipowner under and pursuant to the Loan Agreements and the Security Documents, together with interest thereon, and all other sums which may be or become due to the Deed and the Statutory Mortgagee under or pursuant to the terms thereof and hereof.

"Insurance" means any policies and contracts of insurance and entries in any protection and indemnity or war risks association which are effected by or on behalf of the Shipowner in respect of the Vessel or otherwise in connection with the Vessel, including but not limited to any insurance monies received by the Shipowner pursuant to clauses 12 and 13 of the Charter and including all claims and returns of premiums thereunder and including any compensation payable by whomsoever to the Shipowner by virtue of requisition of the Vessel for title or confiscation or seizure of the Vessel by any government or person or agency purporting to act on behalf of any government.

"Issue of One Debenture" means each Issue of One Debenture between the Shipowner and the Mortgagee, as amended from time to time in accordance with the terms thereof, pursuant to which the Shipowner grants to the Mortgagee a security interest in all of its assets.

"Law" means any statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Lien" means any mortgage, lien (statutory or other), pledge, security interest,

encumbrance, claim, hypothecation, assignment for security, deposit arrangement or preference or other security agreement of any kind or nature whatsoever. For purposes of the Loan Agreement, a Person shall be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Loan Agreements" means, collectively, the Serial Loan Agreement and the Term Loan Agreement.

"Management Agreement" means the management agreement between the Shipowner, the Manager and Barber Ship Management Group.

"Manager" means the Person performing the duties of the Manager under the Management Agreement, initially P.D. Gram & Co. ans.

"Obligations" means, collectively, the Serial Obligations and the Term Obligations.

"Optional Termination Date" means either _____, 2005, _____ 2007 or _____ 2009.

"Other Loan Agreements" means, collectively, the six loan agreements, two each between the Mortgagee and each of the Other Owners relating to the Other Loans.

"Other Loans" means each of the loans from California Petroleum Transport Corporation to each of the Other Owners made on the Closing Date, having an aggregate initial principal amount of \$_____..

"Other Owners" means Calpetro Tankers (Bahamas I) Limited, Calpetro Tankers (Bahamas II) Limited and Calpetro Tankers (IOM) Limited.

"Payment Date" means each _____ and _____ commencing _____ 1995.

"Permitted Liens" means the Charter, any Acceptable Replacement Charter or other charter for the Vessel, liens for crew's wages accrued for not more than three months or for collision or salvage, liens in favor of suppliers of necessities or other similar liens arising in the ordinary course of its business (accrued for not more than three months) or liens for loss, damage or expense, which are fully covered by insurance or, in respect of which, a bond or other security has been posted by the Shipowner with the appropriate court or other tribunal to prevent the arrest or secure the release of the Vessel from arrest on account of such claim or lien; provided, however, that so long as the Charter is in effect "Permitted Liens" shall mean those liens, claims and encumbrances permitted under the Charter.

"Person" means an individual, a partnership, a corporation, a joint venture, an

unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Proceeding" means any suit in equity, action at law, or other judicial or administrative proceeding.

"Purchase Agreement" means the Purchase Agreement, dated as of _____, between the Shipowner and the Charterer wherein the Shipowner purchases the Vessel from the Charterer.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Rating Group and Duff & Phelps Credit Rating Co.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or partnership agreement or other organizational or governing documents of such Person, and, any Law applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject.

"Security Documents" means the Loan Agreements, the Other Loan Agreements, the Deed, the Statutory Mortgage, the Assignment of Charter, the Assignment of Earnings and Insurances, the Assignment of Guarantee, the Stock Pledge Agreement, the Assignment of Management Agreement, the Assignment of Purchase Agreement, the Issue of One Debenture, collectively.

"Serial Loan" means the loan in the initial principal amount of \$ _____ made by the Mortgagee to the Shipowner under the Serial Loan Agreement.

"Serial Loan Agreement" means the Loan Agreement, dated as of _____ 1, 1995, between the Shipowner and the Mortgagee.

"Serial Obligations" means the payment, performance or obligations of any kind or nature whatsoever by the Shipowner under and pursuant to the Serial Loan Agreements, any Security Document and any instrument, agreement or document referred to therein.

"State" means any state of the United States of America and, in addition, the District of Columbia.

"Stock Pledge Agreement" means the Stock Pledge Agreement, dated as of _____, 1 1995, between the Mortgagee and California Tankers Investments Limited.

"Term Loan" means the loan in the initial principal amount of \$ _____ made by the Mortgagee to the Shipowner under the Term Loan Agreement.

"Term Loan Agreement" means the Loan Agreement, dated as of _____ 1, 1995,

between the Shipowner and the Mortgagee.

"Term Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Shipowner under and pursuant to the Term Loan Agreements, any Security Document and any instrument, agreement or document referred to therein.

"Total Loss" means either (a) actual or constructive or compromised or arranged total loss of the Vessel, (b) Compulsory Acquisition of the Vessel or (c) if so declared by the Charterer at any time and in its sole discretion a requisition for hire of the Vessel for a period in excess of 180 days.

"Trustee" means Chemical Trust Company of California.

California Petroleum Transport Corporation

and

CalPetro Tankers (Bahamas I) Limited

ASSIGNMENT OF GUARANTEE

Dated as of _____ 1, 1995

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Assignment of Guarantee, dated as of _____ 1, 1995 (the "Assignment"), between California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware (the "Lender") and CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas (the "Owner").

PRELIMINARY STATEMENT

The Owner has requested that the Lender make two loans to the Owner: one loan in the aggregate principal amount equal to \$_____ (the "Term Loan") and one series of loans in the aggregate principal amount equal to \$_____ (collectively, the "Serial Loans" and, collectively with the Term Loan, the "Loans"). The Loans will be made pursuant to the terms and conditions of two Loan Agreements, each dated as of the date hereof, each between the Lender and the Owner. The net proceeds of the Serial Loans and the Term Loan will be used by the Owner to acquire the m.t. _____ (the "Vessel") from Chevron Transport Corporation (the "Initial Charterer"). The Vessel will be bareboat chartered to the Initial Charterer pursuant to the Bareboat Charter (the "Initial Charter"), dated as of the date hereof, between the Owner and the Initial Charterer. The obligations of the Initial Charterer under the Initial Charter will be guaranteed by Chevron Corporation (the "Guarantor") pursuant to a Guarantee, dated as of the date hereof (the "Guarantee"). As collateral security for its obligations under the Loan Agreements, the Owner will assign, pledge, mortgage and grant the Lender a security interest in, inter alia, the Vessel, the Initial Charter and the Guarantee.

NOW, THEREFORE, in consideration of the premises and of the covenants herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Assignment shall have the meanings assigned to such terms in Schedule 1 to this Assignment, and the definitions of such terms shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

ASSIGNMENT

Section 2.01 Security Interest. This Assignment is made and

delivered as security for the Serial Obligations and the Term Obligations, equally and ratably; provided, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Loan Agreement, this Assignment will be security solely and exclusively for the Term Obligations.

Section 2.02 Assignment. (a) In order to provide for the payment of

and as security for the Serial Obligations and the Term Obligations, equally and ratably, the Owner has sold, assigned, transferred, set over and granted a security interest and does hereby sell, assign, transfer, set over and grant a security interest unto the Lender, its successors and assigns, for its and their respective successors' and assigns' own proper use and benefit, all of the Owner's

right, title and interest in and to the Guarantee, including without limitation any moneys whatsoever payable to the Owner under the Guarantee, together with the income and proceeds thereof and all other rights and benefits whatsoever accruing to the Owner under the Guarantee; provided, however, that the Owner shall keep the Lender fully and effectively indemnified from and against all actions, losses, claims, proceedings, costs, demands and liabilities which may be suffered by the Lender under or by virtue of the Guarantee or this Assignment; provided further, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Loan Agreement, the sale, assignment, transfer and grant of security interest made by the Owner pursuant to the terms of this Assignment will be solely and exclusively for the benefit of the Lender as Lender under the Term Loan Agreement and this Assignment will be security solely and exclusively for the Term Obligations.

(b) Any and all rights assigned herein may be further assigned by the Lender, including, without being limited to, assignments in connection with the enforcement of the assignments made by this Assignment and any subsequent holder of this Assignment shall succeed to and have all the rights and powers of the Lender under this Assignment.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE OWNER

The Owner hereby represents and warrants to the Lender as follows:

Section 3.01 Organization, Power and Status of the Owner. The Owner

(a) is a corporation duly formed, validly existing and in good standing under the laws of The Bahamas and (b) is duly authorized, to the extent necessary, to do business in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary. The Owner has all requisite corporate power and authority to own and operate the property it purports to own and to carry on its business as now being conducted and as proposed to be conducted in respect of the Vessel.

Section 3.02 Authorization; Enforceability; Execution and Delivery.

(a) The Owner has all necessary corporate power and authority to execute, deliver and perform under this Assignment.

(b) All action on the part of the Owner that is required for the authorization, execution, delivery and performance of this Assignment has been duly and effectively taken; and the execution, delivery and performance of this Assignment does not require the approval or consent of any Person except for such consents and approvals as have been obtained on or prior to the Closing Date.

(c) This Assignment has been duly executed and delivered by the Owner. This Assignment constitutes the legal, valid and binding obligation of the Owner, enforceable against it in accordance with the terms thereof.

Section 3.03 No Conflicts; Laws and Consents; No Default. (a)

Neither the execution, delivery and performance of this Assignment nor the consummation of any of the transactions contemplated hereby nor performance of or compliance with the terms and

conditions hereof (i) contravenes any Requirement of Law applicable to the Owner or (ii) constitutes a default under any Security Document.

(b) The Owner is in compliance with and not in default under any and all Requirements of Law applicable to the Owner and all terms and provisions of this Assignment.

Section 3.04 Governmental Approvals. All Governmental Approvals

which are required to be obtained in the name of the Owner in connection with the execution, delivery and performance by the Owner of this Assignment have been obtained and are in effect on the Closing Date.

Section 3.05 Litigation. There are no actions, suits or proceedings

at law or in equity or by or before any Governmental Authority now pending against the Owner or, to the best of the Owner's knowledge, threatened against the Owner or pending or threatened against any property or other assets or rights of the Owner with respect to this Assignment.

Section 3.06 No Prior Assignment. The Owner has not assigned or

pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the Guarantee or any part of the rights, titles and interests hereby assigned, to anyone other than the Lender, or its successors or assigns.

ARTICLE IV

COVENANTS OF THE OWNER

The Owner hereby covenants and agrees that so long as any of the Serial Obligations or Term Obligations remains outstanding:

Section 4.01 Consent of Guarantor. On the Closing Date, the Owner

shall deliver to the Guarantor a copy of this Assignment and shall procure the execution by the Guarantor of the Consents and Acknowledgment set out in Exhibit A hereto and deliver said Consents and Acknowledgment to the Lender on the Closing Date.

Section 4.02 Enforcement of Guarantee. (a) The Owner will do or

permit to be done each and every act or thing which the Lender may from time to time require to be done for the purpose of enforcing the Lender's rights under the Guarantee and this Assignment.

(b) If an Event of Default shall occur under either the Term Loan Agreement or the Serial Loan Agreement, the Owner shall cause all moneys hereby assigned or agreed to be assigned or arising from or in connection with any of the rights, title, interest and benefits of the Owner under the Guarantee shall be paid to the credit of Account No. _____ of the Lender at Chemical Trust Company of California, or to such other account as the Lender may from time to time direct.

(c) The Owner will not exercise any right or powers conferred on it by the Guarantee in connection with any default or alleged default by the Guarantor thereunder (including without limitation the right of termination and substitution) unless and until requested

so to do by the Lender whereupon the Owner agrees that it will do so provided always that the Lender shall not be responsible in any way whatsoever in the event that the exercise of any right or power (including the right of termination and substitution) be thereafter adjudged improper or to constitute a repudiation of the Guarantee by the Owner.

Section 4.03 Amendment of Guarantee; Assignment of Guarantee. (a)

The Owner will not, except with the previous written consent of the Lender, agree to any variation of the Guarantee or release the Guarantor from any of its obligations thereunder or waive any breach of the Guarantor's obligations thereunder or consent to any such act or omission of the Guarantor as would otherwise constitute such breach.

(b) The Owner will not, except with the previous written consent of the Lender, assign the Guarantee to any other Person.

Section 4.04 Further Assurances. The Owner will at any time and from

time to time, upon the written request of the Lender, promptly and duly execute and deliver any and all such further instruments and documents and take such action as the Lender may deem desirable in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

Section 4.05 Lender as Attorney-in-Fact of Owner. The Owner hereby

constitutes the Lender, and its successors and assigns, its true and lawful attorney-in-fact, irrevocably, with full power in its own name, in the name of its agents or nominees or in the name of the Owner or otherwise, to ask, require, demand, receive, enforce and give acquittance for, any and all moneys and claims for moneys due and to become due and payable under or arising out of the Guarantee, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Lender may seem to be necessary or advisable under this Assignment. Any action or proceeding brought by the Lender pursuant to any of the provisions of this Assignment or otherwise and any claim made by the Lender hereunder may be compromised, withdrawn or otherwise dealt with by the Lender without any notice to or approval of the Owner.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01 Amendment. This Assignment may be amended from time to

time by written agreement signed by the parties hereto.

Section 5.02 Severability. If any provision of this Assignment is

held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Assignment contained, shall not affect the remaining portions of this Assignment, or any part thereof.

Section 5.03 Notices. All demands, notices and communications

hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Lender, at the following address: c/o JH Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, (b) in the case of the Owner, at the following address: United House, 14-16 Nelson Street, Douglas, Isle of Man, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 5.04 Consent to Jurisdiction. Any legal suit, action or

proceeding against the Owner arising out of or relating to this Assignment, or any transaction contemplated hereby, may be instituted in any federal or state court in The City of New York, State of New York and the Owner hereby waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and the Owner hereby irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Owner hereby irrevocably appoints and designates CT Corporation System, having an address at 1633 Broadway, New York, New York, its true and lawful attorney-in-fact and duly authorized agent for the limited purpose of accepting servicing of legal process and the Owner agrees that service of process upon such party shall constitute personal service of such process on such Person. The Owner shall maintain the designation and appointment of such authorized agent until all amounts payable under this Assignment shall have been paid in full. If such agent shall cease to so act, the Owner shall immediately designate and appoint another such agent satisfactory to the Lender and shall promptly deliver to the Lender evidence in writing of such other agent's acceptance of such appointment.

Section 5.05 Captions. The captions or headings in this Assignment

are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assignment.

Section 5.06 Governing Law. This Assignment shall be governed by and

interpreted in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law.

Section 5.07 No Partnership. Nothing herein contained shall be

deemed or construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 5.08 Counterparts. This Assignment may be executed in any

number of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 5.09 Survival. The representations, covenants and agreements

contained in or made pursuant to this Assignment in respect of either party hereto shall survive the execution and delivery of this Assignment and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 5.10 Integration. This Assignment and the Schedule and

Exhibits hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 5.11 Reproduction of Documents. This Assignment and all

documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 5.12 Successors and Assigns; Assignment. This Assignment

shall be binding upon and inure to the benefit of the Owner and the Lender and their respective successors and assigns. The Owner shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender. The Lender, at its sole option, shall have the right to assign this Assignment, the Serial Loan Agreement, the Term Loan Agreement, the Security Documents and any of its rights and interest hereunder and thereunder.

Section 5.13 General Interpretive Principles. For purposes of this

Assignment except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Assignment shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Assignment;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Assignment as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

Section 5.14 Effective Date of Transaction. Notwithstanding and the

fact that this Assignment is dated as of _____ 1, 1995, the transactions
set forth herein shall not be effective until the Closing Date.

IN WITNESS WHEREOF, the Owner and the Lender have caused this Assignment to be duly executed and delivered by their respective officers thereunto duly authorized all as of the day and year first above written.

CALIFORNIA PETROLEUM TRANSPORT
CORPORATION, as Lender

By: _____
Name: _____
Title: _____

CALPETRO TANKERS (BAHAMAS I) LIMITED,
as Owner

By: _____
Name: _____
Title: _____

LETTER OF ACKNOWLEDGMENT
TO ASSIGNMENT OF GUARANTEE

Chemical Trust Company of California,
as Collateral Trustee
California Petroleum Transport Corporation,
as Lender

Dear Sirs:

Chevron Corporation (the "Guarantor") hereby acknowledges notice of and consents to the terms of (i) the Assignment of Guarantee (the "Assignment") dated the ___ day of _____, 1995 and made between Calpetro Tankers (Bahamas I) Limited (the "Owner") and California Petroleum Transport Corporation (the "Lender") as adequate notice of such assignment to the Lender of the Guarantee (as defined in the Assignment) and of all the right, title and interest of the Owner in, to and under the Guarantee and (ii) the Collateral Assignment of Guarantee (the "Collateral Assignment") dated the _____ day of _____, 1995 and made by and between the Lender and Chemical Trust Company of California (the "Collateral Trustee") as adequate notice of the further assignment of the Guarantee and all of the right, title and interest of the Lender in, to and under the Guarantee. Any capitalized term not otherwise defined herein shall have the meaning assigned to such term in the Assignment.

The Guarantor confirms that it (a) has reviewed the terms of the Initial Charter and (b) understands the rights and obligations of Chevron Transport Corporation (the "Charterer") pursuant to the terms and conditions thereof.

Notwithstanding anything to the contrary contained in the Guarantee including without limitation the Guarantor's right to terminate the Guarantee as provided therein, so long as the Initial Charter, the Assignment and the Collateral Assignment are each in effect and the Collateral Trustee has rights in the Initial Charter and the Guarantee, the Guarantor hereby agrees the Guarantee will continue in full force and effect and that, upon notification to the Guarantor of the occurrence of an Event of Default under the Initial Charter, the Guarantor shall (i) perform any and all obligations which the Guarantor is obligated to perform according to the Guarantee and (ii) pay any and all sums which the Guarantor is obligated to pay according to the Guarantee, as modified by the terms of this Letter of Consent, directly to the Collateral Trustee at Account No. _____, at _____, or otherwise to such other account as the Collateral Trustee may, at any time or from time to time, designate by notice to the Guarantor in writing.

Payments to the Collateral Trustee shall not be subject to any right of set-off or defense by way of counterclaim or otherwise which the Guarantor may have against the Owner or any entity substituted for it and all payments once made to the Collateral Trustee will be final, and once paid the Guarantor will not, for any reason whatsoever, seek to recover from the

Collateral Trustee any such payment made to the Collateral Trustee by virtue of the Assignment or this Letter of Consent.

The Guarantor confirms to the Lender and the Collateral Trustee that (a) the Guarantor is a corporation duly organized and existing in good standing under the laws of the State of Delaware, (b) the making and performance of this Letter of Consent in accordance with its terms have been duly authorized by all necessary corporate action on the part of the Guarantor, do not contravene the Guarantor's Certificate of Incorporation or any indenture, credit agreement or other contractual agreement to which the Guarantor is a party or by which it is bound or any law binding on the Guarantor, (c) the making and performance of the Guarantee in accordance with its terms have been duly authorized by all necessary corporate action on the part of the Guarantor, do not require any stockholder approval, do not contravene the Guarantor's Certificate of Incorporation or any indenture, credit agreement or other contractual agreement to which the Guarantor is a party or by which it is bound, and do not, as to the making thereof, contravene any law binding on the Guarantor and, to the best knowledge of the Guarantor do not, as to the performance thereof, contravene any law binding on the Guarantor, (d) the Guarantee constituted as of the date thereof and at all times thereafter, to and including the date of this Letter of Consent, a binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, and this Letter of Consent is a binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, (e) the terms of the Guarantee remain in full force and effect and it constitutes, as modified by this Letter of Consent, the entire agreement between the parties thereto, (f) the terms of the Guarantee have not been varied or modified, other than pursuant to the terms of this Letter of Consent, and the terms of the Guarantee will not after the date hereof be varied or modified without the prior written consent of the Collateral Trustee and (g) the Guarantor has received no prior notice of any assignment by the Owner of any interest in the Guarantee.

The Guarantor covenants, so long as any Initial Charter is in effect:

(a) to file with the Trustee, within 15 days after the Guarantor is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Guarantor may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, or, if the Guarantor is not required to file information, documents, or reports pursuant to either of such Sections of the Exchange Act, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange, as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Guarantor with the conditions and covenants provided for in the Serial Indenture as may be required from time to time by such rules and regulations;

(c) to transmit to the holders of the Serial Mortgage Notes in the manner and to the extent required by Section 313(c) of the Trust Indenture Act, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Guarantor pursuant to subsections (a) and (b) of this Letter of Consent as may be required by rules and regulations prescribed from time to time by the Commission; and

(d) furnish to the Trustee, on or before each August 1, commencing in 1995, a brief certificate from the principal executive officer principal financial officer or principal accounting officer of the Guarantor as to his or her knowledge of the Guarantor's compliance with all conditions and covenants under the Serial Indenture. For purposes of this subsection (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under the Serial Indenture.

CHEVRON CORPORATION, as Guarantor

Dated: _____, 1995

By: _____

SCHEDULE 1

DEFINED TERMS USED IN THE ASSIGNMENT

"Assignment of Charter" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Initial Charter to secure its obligations under the Loan Agreements.

"Assignment of Earnings and Insurances" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the freights and hires (as well as any charters entered into after the Closing Date) with respect to the Vessel to secure its obligations under the Loan Agreements.

"Assignment" or "Assignment of Guarantee" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Guarantee to secure its obligations under the Loan Agreements.

"Assignment of Management Agreement" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Management Agreement to secure its obligations under the Loan Agreements.

"Assignment of Purchase Agreement" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Purchase Agreement to secure its obligations under the Loan Agreements.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Closing Date" means _____, 1995.

"Collateral" means (i) an assignment of the Initial Charter, (ii) a mortgage on the Vessel, (iii) an assignment of the earnings and insurances on the Vessel, (iv) an assignment of the Guarantee, (v) an assignment of the Management Agreement relating to the Vessel, (vi) an assignment of the Purchase Agreement, (vii) the pledge of the shares of the Owner by Owner's shareholder and (viii) a blanket security interest on all of the assets of the Owner now existing or hereafter created, together with all income and proceeds thereof.

"Commission" means the Securities and Exchange Commission.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Event of Default" means an Event of Default under Section 6.01 of the Loan Agreements.

"Governmental Approval" means any authorization, consent, approval, license, franchise, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration by or with any Governmental Authority relating to the ownership of the Collateral or to the execution, delivery or performance of the Loan Agreement or any Security Document.

"Governmental Authority" means the federal government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over the Owner or operation of the Vessels.

"Guarantor" means Chevron Corporation, a Delaware corporation.

"Guarantee" means the Guarantee, dated _____ 1, 1995 from the Guarantor.

"Indentures" means the Indenture, dated as of _____ 1, 1995 between the Owner and the Trustee pursuant to which the Term Mortgage Notes will be issued and the Indenture, dated as of _____ 1, 1995 between the Lender and the Trustee pursuant to which the Serial Mortgage Notes will be issued.

"Initial Charter" means the Bareboat Charter, dated _____ 1, 1995 between the Initial Charterer and the Owner.

"Initial Charterer" means Chevron Transport Corporation, a Liberian corporation.

"Issue of One Debenture" means each Issue of One Debenture between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner grants to the Lender a security interest in all of its assets.

"Law" means any statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Lender" means California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware.

"Loan Agreements" means, collectively, the Serial Loan Agreement and the Term Loan Agreement.

"Loans" means, collectively, the Serial Loans and the Term Loan.

"Management Agreement" means the agreement, dated the Closing Date, among the Owner, the Manager and the Technical Adviser.

"Manager" means the Person performing the duties of the Manager under the Management Agreement, initially P.D. Gram & Co. ans.

"Mortgage" means, with respect to the Vessel, the first preferred ship mortgages on the Vessel granted by the Owner to the Lender, as amended from time to time in accordance with the terms of such Mortgage.

"Owner" means CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas.

"Payment Date" means each _____ and _____ commencing _____ 1995.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Purchase Agreement" means the Vessel Purchase Agreement, dated as of _____, between the Owner and the Initial Charterer wherein the Owner purchases the Vessel from the Initial Charterer.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or partnership agreement or other organizational or governing documents of such Person, and, any Law applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject.

"Securities" means, collectively, the Term Mortgage Notes and the Serial Mortgage Notes.

"Security Documents" means the Term Loan Agreement, the Serial Loan Agreement, the Mortgage, the Assignment of Charter, the Assignment of Earnings and Insurances, the Assignment of Guarantee, the Assignment of Management Agreement, the Assignment of Purchase Agreement and the Issue of One Debenture, collectively.

"Serial Loan Agreement" the Loan Agreement, dated as of _____ 1, 1995 between the Lender and the Owner pursuant to which the Lender will make the Serial Loan to the Owner.

"Serial Loans" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from _____, 1996 to _____, 2006 in the initial aggregate amount of \$167,500,000 issued by the Lender concurrently with the issuance of the Term Mortgage Notes.

"Serial Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Owner under and pursuant to the Serial Loan Agreement, any Security Document and any instrument, agreement or document referred to therein.

"State" means any state of the United States of America and, in addition, the District of Columbia.

"Technical Adviser" means the person performing the duties of the Technical Adviser under the Management Agreement, initially Barber Ship Management Group.

"Term Loan" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

"Term Loan Agreement" means the Loan Agreement, dated as of _____ 1, 1995 between the Owner and the Lender pursuant to which the Lender makes the Term Loan to the Owner.

"Term Mortgage Notes" means ___% First Preferred Mortgage Notes Due 2015 in the initial aggregate amount of \$117,900,000 issued by the Lender concurrently with the issuance of the Serial Mortgage Notes.

"Term Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Owner under and pursuant to the Term Loan Agreement, any Security Document and any instrument, agreement or document referred to therein.

"Trustee" means Chemical Trust Company of California.

"Vessel" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

California Petroleum Transport Corporation

and

Chemical Trust Company of California

COLLATERAL ASSIGNMENT OF GUARANTEE

Dated as of _____ 1, 1995

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Collateral Assignment of Guarantee, dated as of _____ 1, 1995 (the "Assignment"), between California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware (the "Issuer") and Chemical Trust Company of California (the "Collateral Trustee").

PRELIMINARY STATEMENT

Issuer has authorized the issue of the Serial Mortgage Notes and the Term Mortgage Notes (collectively, the "Notes"). The Notes will be issued pursuant to the terms and conditions of the Indentures, each dated as of the date hereof, each between the Issuer and the Collateral Trustee, as indenture trustee. The net proceeds of the Notes will be used by the Issuer to make two loans to CalPetro Tankers (Bahamas I) Limited (the "Owner") pursuant to the Loan Agreements, which will be used by the Owner to acquire the m.t. _____ (the "Vessel") from Chevron Transport Corporation (the "Initial Charterer"). The Vessel will be bareboat chartered to the Initial Charterer pursuant to the Bareboat Charter (the "Initial Charter"), dated as of the date hereof, between the Owner and the Initial Charterer. As collateral security for its obligations under the Indentures, the Issuer will assign, pledge, mortgage and grant to the Collateral Trustee a security interest in, inter alia, all of the Issuer's right, title and interest in and to the Guarantee (the "Guarantee") dated _____, 1995, from Chevron Corporation ("Chevron") and the Assignment of Guarantee.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and of other valuable consideration, receipt of which is hereby acknowledged, the Collateral Trustee and the Issuer hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Assignment shall have the meanings assigned to such terms in Schedule 1 to this Assignment, and the definitions of such terms shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

ASSIGNMENT

Section 2.01 Security Interest. This Assignment is made and

delivered as security for the Serial Obligations and the Term Obligations, equally and ratably; provided, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Indenture, this Assignment will be security solely and exclusively for the Term Obligations.

Section 2.02 Assignment. In order to provide for the payment of and

as security for the Serial Obligations and the Term Obligations, equally and ratably, the Issuer has sold, assigned, transferred, set over and granted a security interest and does hereby sell, assign, transfer, set over and grant a security interest unto the Collateral Trustee, its successors and assigns, for its and their respective successors' and assigns' own proper use and benefit, all of

the Issuer's right, title and interest in and to the Guarantee and the Assignment of Guarantee, including without limitation any moneys whatsoever payable to the Issuer under the Guarantee and the Assignment of Guarantee, together with the income and proceeds thereof and all other rights and benefits whatsoever accruing to the Issuer under the Guarantee and the Assignment of Guarantee; provided, however, that the Issuer shall keep the Collateral Trustee fully and effectively indemnified from and against all actions, losses, claims, proceedings, costs, demands and liabilities which may be suffered by the Collateral Trustee under or by virtue of the Guarantee, the Assignment of Guarantee or this Assignment; provided further, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Indenture, the sale, assignment, transfer and grant of security interest made by the Issuer pursuant to the terms of this Assignment will be solely and exclusively for the benefit of the Collateral Trustee as Collateral Trustee under the Term Indenture and this Assignment will be security solely and exclusively for the Term Obligations.

Section 2.03 Issuer to Remain Liable. (a) Anything in this

Assignment contained to the contrary notwithstanding, the Issuer shall remain liable under the Assignment of Guarantee, and shall observe, perform and fulfill all of the conditions and obligations to be observed, performed and fulfilled by it thereunder, and the Collateral Trustee shall have no obligation or liability of any kind whatsoever thereunder or by reason of or arising out of this Assignment, nor shall the Collateral Trustee be under any liability whatsoever in the event of any failure by the Issuer to perform its obligations thereunder or be required or obligated in any manner to observe, perform or fulfill any of the conditions or obligations of the Issuer thereunder or pursuant thereto, or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or the Issuer thereunder, or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to the Collateral Trustee or to which the Collateral Trustee may be entitled hereunder at any time or times.

(b) Any and all rights assigned herein may be further assigned by the Collateral Trustee, including, without being limited to, assignments in connection with the enforcement of the assignments made by this Assignment and any subsequent holder of this Assignment shall succeed to and have all the rights and powers of the Collateral Trustee under this Assignment.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

The Issuer hereby represents and warrants to the Collateral Trustee as follows:

Section 3.01 Organization, Power and Status of the Issuer. The

Issuer (a) is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware and (b) is duly authorized, to the extent necessary, to do business in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary. The Issuer has all requisite corporate power and authority to own and operate the property it purports to own and to carry on its business as now being conducted and as proposed to be conducted in respect of the Vessel.

Section 3.02 Authorization; Enforceability; Execution and Delivery.

(a) The Issuer has all necessary corporate power and authority to execute, deliver and perform under this Assignment.

(b) All action on the part of the Issuer that is required for the authorization, execution, delivery and performance of this Assignment has been duly and effectively taken; and the execution, delivery and performance of this Assignment does not require the approval or consent of any Person except for such consents and approvals as have been obtained on or prior to the Closing Date.

(c) This Assignment has been duly executed and delivered by the Issuer. This Assignment constitutes the legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof.

Section 3.03 No Conflicts; Laws and Consents; No Default. (a)

Neither the execution, delivery and performance of this Assignment nor the consummation of any of the transactions contemplated hereby nor performance of or compliance with the terms and conditions hereof (i) contravenes any Requirement of Law applicable to the Issuer or (ii) constitutes a default under any Security Document.

(b) The Issuer is in compliance with and not in default under any and all Requirements of Law applicable to the Issuer and all terms and provisions of this Assignment.

Section 3.04 Governmental Approvals. All Governmental Approvals

which are required to be obtained in the name of the Issuer in connection with the execution, delivery and performance by the Issuer of this Assignment have been obtained and are in effect on the Closing Date.

Section 3.05 Litigation. There are no actions, suits or proceedings

at law or in equity or by or before any Governmental Authority now pending against the Issuer or, to the best of the Issuer's knowledge, threatened against the Issuer or pending or threatened against any property or other assets or rights of any of the Issuer with respect to this Assignment.

Section 3.06 No Prior Assignment. The Issuer has not assigned or

pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the Guarantee, the Assignment of Guarantee or any part of the rights, titles and interests hereby assigned, to anyone other than the Collateral Trustee, or its successors or assigns.

Section 3.07 The Assignment of Guarantee. The Assignment of

Guarantee constitutes the legal, valid and binding obligation of the Issuer and of the Issuer as "Lender" thereunder and is in full force and effect in the form of Exhibit "A" attached hereto; there are no amendments, additions, addenda or modifications thereto; said Exhibit "A" represents the entirety of the chartering and other arrangements referred to therein; and neither of the parties thereto is in default thereunder.

ARTICLE IV

COVENANTS OF THE ISSUER

The Issuer hereby covenants and agrees that so long as any of the Serial Mortgage Notes or Term Mortgage Notes remains outstanding:

Section 4.01 Consent of Chevron and Owner. On the Closing Date, the

Issuer shall deliver to Chevron and the Owner a copy of this Assignment and shall procure the execution by Chevron and the Owner of the Consents and Acknowledgment set out in Exhibits A-1 and A-2 hereto and deliver said Consents and Acknowledgment to the Collateral Trustee on the Closing Date.

Section 4.02 Enforcement of Assignment of Guarantee. (a) The Issuer

will do or permit to be done each and every act or thing which the Collateral Trustee may from time to time require to be done for the purpose of enforcing the Collateral Trustee's rights under the Guarantee, the Assignment of Guarantee and this Assignment.

(b) If an Event of Default shall occur under either the Term Indenture or the Serial Indenture, the Issuer shall cause all moneys hereby assigned or agreed to be assigned or arising from or in connection with any of the rights, title, interest and benefits of the Issuer under the Guarantee and the Assignment of Guarantee to be paid to the credit of Account No. _____ of the Collateral Trustee at Chemical Trust Company of California, or to such other account as the Collateral Trustee may from time to time direct.

(c) The Issuer will not exercise any right or powers conferred on it by the Assignment of Guarantee in connection with any default or alleged default by Chevron or the Owner thereunder or under the Guarantee (including without limitation the right of termination and substitution) unless and until requested so to do by the Collateral Trustee whereupon the Issuer agrees that it will do so provided always that the Collateral Trustee shall not be responsible in any way whatsoever in the event that the exercise of any right or power (including the right of termination and substitution) be thereafter adjudged improper or to constitute a repudiation of the Assignment of Guarantee by the Issuer.

Section 4.03 Amendment of Assignment of Guarantee; Collateral

Assignment of Guarantee. (a) The Issuer will not, except with the previous

written consent of the Collateral Trustee, agree to any variation of the Guarantee or the Assignment of Guarantee or release Chevron or the Owner from any of its obligations thereunder or waive any breach of Chevron or the Owner's obligations thereunder or consent to any such act or omission of Chevron or the Owner as would otherwise constitute such breach.

(b) The Issuer will not, except with the previous written consent of the Collateral Trustee, assign the Guarantee or Assignment of Guarantee to any other Person.

Section 4.04 Performance of Obligations. The Issuer will perform its

obligations under the Assignment of Guarantee and use its best endeavors to cause the Owner to perform its obligations under the Assignment of Guarantee.

Section 4.05 Notices. The Issuer will send a copy of all notices

received or given by it under the Assignment of Guarantee forthwith to the Collateral Trustee.

Section 4.06 Further Assurances. The Issuer will at any time and

from time to time, upon the written request of the Collateral Trustee, promptly and duly execute and deliver any and all such further instruments and documents and take such action as the Collateral Trustee may deem desirable in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

Section 4.07 Collateral Trustee as Attorney-in-Fact of Issuer. The

Issuer hereby constitutes the Collateral Trustee, and its successors and assigns, its true and lawful attorney-in-fact, irrevocably, with full power in its own name, in the name of its agents or nominees or in the name of the Issuer or otherwise, to ask, require, demand, receive, enforce and give acquittance for, any and all moneys and claims for moneys due and to become due and payable under or arising out of the Guarantee or the Assignment of Guarantee, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Collateral Trustee may deem to be necessary or advisable under this Assignment. Any action or proceeding brought by the Collateral Trustee pursuant to any of the provisions of this Assignment or otherwise and any claim made by the Collateral Trustee hereunder may be compromised, withdrawn or otherwise dealt with by the Collateral Trustee without any notice to or approval of the Issuer.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01 Amendment. This Assignment may be amended from time to

time by written agreement signed by the parties hereto.

Section 5.02 Severability. If any provision of this Assignment is

held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Assignment contained, shall not affect the remaining portions of this Assignment, or any part thereof.

Section 5.03 Notices. All demands, notices and communications

hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Collateral Trustee, at the following address: c/o JH Management Corporation, Room 6/9, One International Place, Boston Massachusetts 02110-2624, (b) in the case of the Issuer, at the following address: United House, 14-16 Nelson Street, Douglas, Isle of Man, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 5.04 Captions. The captions or headings in this Assignment

are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assignment.

Section 5.05 Governing Law. This Assignment shall be governed by and

interpreted in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law.

Section 5.06 No Partnership. Nothing herein contained shall be

deemed or construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 5.07 Counterparts. This Assignment may be executed in any

number of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 5.08 Survival. The representations, covenants and agreements

contained in or made pursuant to this Assignment in respect of either party hereto shall survive the execution and delivery of this Assignment and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 5.09 Integration. This Assignment and the Schedule and

Exhibits hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 5.10 Reproduction of Documents. This Assignment and all

documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 5.11 Successors and Assigns; Assignment. This Assignment

shall be binding upon and inure to the benefit of the Issuer and the Collateral Trustee and their respective successors and assigns. Neither the Issuer nor the Collateral Trustee shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the other party.

Section 5.12 General Interpretive Principles. For purposes of this

Assignment except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Assignment shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Assignment;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Assignment as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

Section 5.13 Effective Date of Transaction. Notwithstanding and the

fact that this Assignment is dated as of _____ 1, 1995, the transactions set forth herein shall not be effective until the Closing Date.

IN WITNESS WHEREOF, the Issuer and the Collateral Trustee have caused this Assignment to be duly executed and delivered by their respective officers thereunto duly authorized all as of the day and year first above written.

CALIFORNIA PETROLEUM TRANSPORT
CORPORATION, as Collateral Trustee

By: _____
Name: _____
Title: _____

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Issuer

By: _____
Name: _____
Title: _____

LETTER OF ACKNOWLEDGEMENT
TO COLLATERAL ASSIGNMENT OF GUARANTEE

_____, 1995

CHEMICAL TRUST COMPANY OF
CALIFORNIA, as Collateral Trustee

Dear Sirs:

The undersigned hereby consents to and acknowledges receipt of a signed copy of the Collateral Assignment of Guarantee (the "Assignment"), dated as of _____ 1, 1995, between California Petroleum Transport Corporation (the "Issuer") and yourselves as adequate notice of such assignment to you of the Assignment of Guarantee (as defined in the Assignment) and of all the right, title and interest of the Issuer in, to and under the Assignment of Guarantee.

So long as the Assignment remains effective, we hereby agree that, upon your notification to us of the occurrence of an Event of Default under the Term Indenture or Serial Indenture referred to in the Assignment, we shall pay any and all sums which we are legally obligated to pay to the Issuer or otherwise as stated in and according to the Assignment of Guarantee directly to your Account No. _____, at _____, or otherwise to such other account as you may at any time or from time to time, designate by notice to us in writing.

Payments of moneys under the Assignment of Guarantee may be adjusted, reduced or withheld only as expressly provided therein. Payments to you shall not be subject to any right of set-off or defense by way of counterclaim or otherwise which the undersigned may have against the Issuer or any entity substituted for it other than under the Assignment of Guarantee and all payments once made to you will be final, and once paid we will not, for any reason whatsoever, seek to recover from you any such payment made to you by virtue of the Assignment or this Letter of Consent.

We confirm that the terms of the Guarantee (as defined in the Assignment) remain in full force and effect and constitute the entire agreement between the parties thereto with respect to the Guarantee and that the undersigned is not presently in breach of the terms of the Assignment of Guarantee. We further confirm that the terms of the Guarantee have not been varied or modified and that the terms of the Guarantee will not after the date hereof be varied or modified without your prior written consent.

We confirm that we have received no prior notice of any assignment by the Issuer of any interest in the Assignment of Guarantee.

The undersigned will not permit any amendment, modification, cancellation or other alteration in the Guarantee.

CALPETRO TANKERS (BAHAMAS I) LIMITED,
as Owner

By: _____

Name: _____

Title: _____

LETTER OF ACKNOWLEDGMENT
TO COLLATERAL ASSIGNMENT OF GUARANTEE

Chemical Trust Company of California,
as Collateral Trustee
California Petroleum Transport Corporation,
as Lender

Dear Sirs:

Chevron Corporation (the "Guarantor") hereby acknowledges notice of and consents to the terms of (i) the Assignment of Guarantee (the "Assignment") dated the ___ day of _____, 1995 and made between Calpetro Tankers (Bahamas I) Limited (the "Owner") and California Petroleum Transport Corporation (the "Lender") as adequate notice of such assignment to the Lender of the Guarantee (as defined in the Assignment) and of all the right, title and interest of the Owner in, to and under the Guarantee and (ii) the Collateral Assignment of Guarantee (the "Collateral Assignment") dated the _____ day of _____, 1995 and made by and between the Lender and Chemical Trust Company of California (the "Collateral Trustee") as adequate notice of the further assignment of the Guarantee and all of the right, title and interest of the Lender in, to and under the Guarantee. Any capitalized term not otherwise defined herein shall have the meaning assigned to such term in the Assignment.

The Guarantor confirms that it (a) has reviewed the terms of the Initial Charter and (b) understands the rights and obligations of Chevron Transport Corporation (the "Charterer") pursuant to the terms and conditions thereof.

Notwithstanding anything to the contrary contained in the Guarantee including without limitation the Guarantor's right to terminate the Guarantee as provided therein, so long as the Initial Charter, the Assignment and the Collateral Assignment are each in effect and the Collateral Trustee has rights in the Initial Charter and the Guarantee, the Guarantor hereby agrees the Guarantee will continue in full force and effect and that, upon notification to the Guarantor of the occurrence of an Event of Default under the Initial Charter, the Guarantor shall (i) perform any and all obligations which the Guarantor is obligated to perform according to the Guarantee and (ii) pay any and all sums which the Guarantor is obligated to pay according to the Guarantee, as modified by the terms of this Letter of Consent, directly to the Collateral Trustee at Account No. _____, at _____, or otherwise to such other account as the Collateral Trustee may at any time or from time to time, designate by notice to the Guarantor in writing.

Payments to the Collateral Trustee shall not be subject to any right of set-off or defense by way of counterclaim or otherwise which the Guarantor may have against the Owner or any entity substituted for it and all payments once made to the Collateral Trustee will be final, and once paid the Guarantor will not, for any reason whatsoever, seek to recover from the

Lender any such payment made to the Lender by virtue of the Assignment or this Letter of Consent.

The Guarantor confirms to the Lender and the Collateral Trustee that (a) the Guarantor is a corporation duly organized and existing in good standing under the laws of the State of Delaware, (b) the making and performance of this Letter of Consent in accordance with its terms have been duly authorized by all necessary corporate action on the part of the Guarantor, do not contravene the Guarantor's Certificate of Incorporation or any indenture, credit agreement or other contractual agreement to which the Guarantor is a party or by which it is bound or any law binding on the Guarantor, (c) the making and performance of the Guarantee in accordance with its terms have been duly authorized by all necessary corporate action on the part of the Guarantor, do not require any stockholder approval, do not contravene the Guarantor's Certificate of Incorporation or any indenture, credit agreement or other contractual agreement to which the Guarantor is a party or by which it is bound, and do not, as to the making thereof, contravene any law binding on the Guarantor and, to the best knowledge of the Guarantor do not, as to the performance thereof, contravene any law binding on the Guarantor, (d) the Guarantee constituted as of the date thereof and at all times thereafter, to and including the date of this Letter of Consent, a binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, and this Letter of Consent is a binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, (e) the terms of the Guarantee remain in full force and effect and it constitutes, as modified by this Letter of Consent, the entire agreement between the parties thereto, (f) the terms of the Guarantee have not been varied or modified, other than pursuant to the terms of this Letter of Consent, and the terms of the Guarantee will not after the date hereof be varied or modified without the prior written consent of the Collateral Trustee and (g) the Guarantor has received no prior notice of any assignment by the Owner of any interest in the Guarantee.

The Guarantor covenants, so long as any Initial Charter is in effect:

(a) to file with the Trustee, within 15 days after the Guarantor is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Guarantor may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, or, if the Guarantor is not required to file information, documents, or reports pursuant to either of such Sections of the Exchange Act, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange, as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Guarantor with the conditions and covenants provided for in the Serial Indenture as may be required from time to time by such rules and regulations;

(c) to transmit to the holders of the Serial Mortgage Notes in the manner and to the extent required by Section 313(c) of the Trust Indenture Act, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Guarantor pursuant to subsections (a) and (b) of this Letter of Consent as may be required by rules and regulations prescribed from time to time by the Commission; and

(d) furnish to the Trustee, on or before each August 1, commencing in 1995, a brief certificate from the principal executive officer principal financial officer or principal accounting officer of the Guarantor as to his or her knowledge of the Guarantor's compliance with all conditions and covenants under the Serial Indenture. For purposes of this subsection (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under the Serial Indenture.

CHEVRON CORPORATION, as Guarantor

Dated: _____, 1995

By: _____

SCHEDULE 1

DEFINED TERMS USED IN THE ASSIGNMENT

"Assignment of Charter" means the assignment between the Issuer and the Owner, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Issuer all of its right, title and interest in, to and under the Initial Charter to secure its obligations under the Loan Agreements.

"Assignment of Mortgage" means between the Issuer and the Collateral Trustee, as amended from time to time in accordance with the terms thereof pursuant to which the Issuer assigns to the Collateral Trustee all of its right, title and interest in, to and under the Mortgage to secure its obligations under the Indenture.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Chevron" means Chevron Corporation, a Delaware corporation.

"Closing Date" means _____, 1995.

"Collateral Assignment of Charter" means the assignment between the Issuer and the Collateral Trustee, as amended from time to time in accordance with the terms thereof, pursuant to which the Issuer assigns to the Collateral Trustee all of its right, title and interest in, to and under the Assignment of Charter to secure its obligations under the Indentures.

"Collateral Assignment of Guarantee" means the assignment between the Issuer and the Collateral Trustee, as amended from time to time in accordance with the terms thereof, pursuant to which the Issuer assigns to the Collateral Trustee all of its right, title and interest in, to and under the Assignment of Guarantee to secure its obligations under the Indentures.

"Collateral Trustee" means Chemical Trust Company of California.

"Event of Default" means an Event of Default under Section 4.01 of the Indentures.

"Governmental Approval" means any authorization, consent, approval, license, franchise, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration by or with any Governmental Authority relating to the ownership of the Collateral or to the execution, delivery or performance of any Security Document.

"Governmental Authority" means the federal government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over the Issuer or operation of the Vessels.

"Guarantee" means the guarantee of the obligations of the Initial Charterer under the Initial Charter given by Chevron.

"Indentures" means the Indenture, dated as of _____ 1, 1995 between the Issuer and the Collateral Trustee pursuant to which the Term Mortgage Notes will be issued and the Indenture, dated as of _____ 1, 1995 between the Collateral Trustee and the Issuer pursuant to which the Serial Mortgage Notes will be issued.

"Initial Charter" means with respect to each Vessel, the Bareboat Charter, dated _____, between the Initial Charterer and the Owner.

"Initial Charterer" means Chevron Transport Corporation, a Liberian corporation.

"Issuer" means California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware.

"Law" means any statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Mortgage" means, with respect to the Vessel, the first preferred ship mortgages on the Vessel granted by the Owner to the Issuer, as amended from time to time in accordance with the terms of such Mortgage.

"Owner" means CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or partnership agreement or other organizational or governing documents of such Person, and, any Law applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject.

"Security Documents" means the Collateral Trust Agreement, Collateral Assignment of Charter, the Collateral Assignment of Guarantee and the Assignment of Mortgage, collectively.

"Serial Indenture" the Indenture, dated as of _____ 1, 1995 between the Issuer and the Trustee pursuant to which the Issuer issues the Serial Mortgage Notes.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from _____, 1996 to _____, 2006 in the initial aggregate

amount of \$167,500,000 issued by the Issuer concurrently with the issuance of the Term Mortgage Notes.

"Serial Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Issuer under and pursuant to the Serial Indenture, any Security Document and any instrument, agreement or document referred to therein.

"State" means any state of the United States of America and, in addition, the District of Columbia.

"Term Indenture" means the Indenture, dated as of _____ 1, 1995 between the Issuer and the Trustee pursuant to which the Issuer issues the Term Mortgage.

"Term Mortgage Notes" means ___% First Preferred Mortgage Notes Due 2015 in the initial aggregate amount of \$117,900,000 issued by the Issuer concurrently with the issuance of the Serial Mortgage Notes.

"Term Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Issuer under and pursuant to the Term Indenture, any Security Document and any instrument, agreement or document referred to therein.

"Trustee" means Chemical Trust Company of California.

"Vessel" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

California Petroleum Transport Corporation

and

CalPetro Tankers (Bahamas I) Limited

ASSIGNMENT OF CHARTER

Dated as of _____ 1, 1995

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Assignment of Charter, dated as of _____ 1, 1995 (the "Assignment"), between California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware (the "Lender") and CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas (the "Owner").

PRELIMINARY STATEMENT

The Owner has requested that the Lender make two loans to the Owner: one loan in the aggregate principal amount equal to \$_____ (the "Term Loan") and one series of loans in the aggregate principal amount equal to \$_____ (collectively, the "Serial Loans" and, collectively with the Term Loan, the "Loans"). The Loans will be made pursuant to the terms and conditions of two Loan Agreements, each dated as of the date hereof, each between the Lender and the Owner. The net proceeds of the Serial Loans and the Term Loan will be used by the Owner to acquire the m.t. _____ (the "Vessel") from Chevron Transport Corporation (the "Initial Charterer"). The Vessel will be bareboat chartered to the Initial Charterer pursuant to the Bareboat Charter (the "Initial Charter"), dated as of the date hereof, between the Owner and the Initial Charterer. As collateral security for its obligations under the Loan Agreements, the Owner will assign, pledge, mortgage and grant the Lender a security interest in, inter alia, the Vessel, the Initial Charter and the earnings and insurances of the Vessel.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and of other valuable consideration, receipt of which is hereby acknowledged, the Owner and the Lender hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Assignment shall have the meanings assigned to such terms in Schedule 1 to this Assignment, and the definitions of such terms shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

ASSIGNMENT

Section 2.01 Security Interest. This Assignment is made and

delivered as security for the Serial Obligations and the Term Obligations, equally and ratably; provided, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Loan Agreement, this Assignment will be security solely and exclusively for the Term Obligations.

Section 2.02 Assignment. In order to provide for the payment of and

as security for the Serial Obligations and the Term Obligations, equally and ratably, the Owner has sold, assigned, transferred, set over and granted a security interest and does hereby sell, assign, transfer, set over and grant a security interest unto the Lender, its successors and assigns, for its and their respective successors' and assigns' own proper use and benefit, all of the Owner's

right, title and interest in and to the Initial Charter, including without limitation any moneys whatsoever payable to the Owner under the Initial Charter, together with the income and proceeds thereof and all other rights and benefits whatsoever accruing to the Owner under the Initial Charter; provided, however, that the Owner shall keep the Lender fully and effectively indemnified from and against all actions, losses, claims, proceedings, costs, demands and liabilities which may be suffered by the Lender under or by virtue of the Initial Charter or this Assignment; provided further, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Loan Agreement, the sale, assignment, transfer and grant of security interest made by the Owner pursuant to the terms of this Assignment will be solely and exclusively for the benefit of the Lender as Lender under the Term Loan Agreement and this Assignment will be security solely and exclusively for the Term Obligations.

Section 2.03 Owner to Remain Liable. (a) Anything in this

Assignment contained to the contrary notwithstanding, the Owner shall remain liable under the Initial Charter, and shall observe, perform and fulfill all of the conditions and obligations to be observed, performed and fulfilled by it thereunder, and the Lender shall have no obligation or liability of any kind whatsoever thereunder or by reason of or arising out of this Assignment, nor shall the Lender be under any liability whatsoever in the event of any failure by the Owner to perform its obligations thereunder or be required or obligated in any manner to observe, perform or fulfill any of the conditions or obligations of the Owner thereunder or pursuant thereto, or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or the Owner thereunder, or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to the Lender or to which the Lender may be entitled hereunder at any time or times.

(b) Any and all rights assigned herein may be further assigned by the Lender, including, without being limited to, assignments in connection with the enforcement of the assignments made by this Assignment and any subsequent holder of this Assignment shall succeed to and have all the rights and powers of the Lender under this Assignment.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE OWNER

The Owner hereby represents and warrants to the Lender as follows:

Section 3.01 Organization, Power and Status of the Owner. The Owner

(a) is a corporation duly formed, validly existing and in good standing under the laws of The Bahamas and (b) is duly authorized, to the extent necessary, to do business in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary. The Owner has all requisite corporate power and authority to own and operate the property it purports to own and to carry on its business as now being conducted and as proposed to be conducted in respect of the Vessel.

Section 3.02 Authorization; Enforceability; Execution and Delivery.

(a) The Owner has all necessary corporate power and authority to execute, deliver and perform under this Assignment.

(b) All action on the part of the Owner that is required for the authorization, execution, delivery and performance of this Assignment has been duly and effectively taken; and the execution, delivery and performance of this Assignment does not require the approval or consent of any Person except for such consents and approvals as have been obtained on or prior to the Closing Date.

(c) This Assignment has been duly executed and delivered by the Owner. This Assignment constitutes the legal, valid and binding obligation of the Owner, enforceable against it in accordance with the terms thereof.

Section 3.03 No Conflicts; Laws and Consents; No Default. (a)

Neither the execution, delivery and performance of this Assignment nor the consummation of any of the transactions contemplated hereby nor performance of or compliance with the terms and conditions hereof (i) contravenes any Requirement of Law applicable to the Owner or (ii) constitutes a default under any Security Document.

(b) The Owner is in compliance with and not in default under any and all Requirements of Law applicable to the Owner and all terms and provisions of this Assignment.

Section 3.04 Governmental Approvals. All Governmental Approvals

which are required to be obtained in the name of the Owner in connection with the execution, delivery and performance by the Owner of this Assignment have been obtained and are in effect on the Closing Date.

Section 3.05 Litigation. There are no actions, suits or proceedings

at law or in equity or by or before any Governmental Authority now pending against the Owner or, to the best of the Owner's knowledge, threatened against the Owner or pending or threatened against any property or other assets or rights of the Owner with respect to this Assignment.

Section 3.06 No Prior Assignment. The Owner has not assigned or

pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the Initial Charter or any part of the rights, titles and interests hereby assigned, to anyone other than the Lender, or its successors or assigns.

Section 3.07 The Initial Charter. The Initial Charter constitutes

the legal, valid and binding obligation of the Initial Charterer and of the Owner as "Owners" thereunder and is in full force and effect in the form of Exhibit "A" attached hereto; there are no amendments, additions, addenda or modifications thereto; said Exhibit "A" represents the entirety of the chartering and other arrangements referred to therein; and neither of the parties thereto is in default thereunder.

ARTICLE IV

COVENANTS OF THE OWNER

The Owner hereby covenants and agrees that so long as any of the Serial Obligations or Term Obligations remains outstanding:

Section 4.01 Consent of Initial Charterer. On the Closing Date, the

Owner shall deliver to the Initial Charterer a copy of this Assignment and shall procure the execution by the Initial Charterer of the Consents and Acknowledgment set out in Exhibit A hereto and deliver said Consents and Acknowledgment to the Lender on the Closing Date.

Section 4.02 Enforcement of Initial Charter. (a) The Owner will do

or permit to be done each and every act or thing which the Lender may from time to time require to be done for the purpose of enforcing the Lender's rights under the Initial Charter and this Assignment.

(b) If an Event of Default shall occur under either the Term Loan Agreement or the Serial Loan Agreement, the Owner shall cause all moneys hereby assigned or agreed to be assigned or arising from or in connection with any of the rights, title, interest and benefits of the Owner under the Initial Charter shall be paid to the credit of Account No. _____ of the Lender at Chemical Trust Company of California, or to such other account as the Lender may from time to time direct.

(c) The Owner will not exercise any right or powers conferred on it by the Initial Charter in connection with any default or alleged default by the Initial Charterer thereunder (including without limitation the right of termination and substitution) unless and until requested so to do by the Lender whereupon the Owner agrees that it will do so provided always that the Lender shall not be responsible in any way whatsoever in the event that the exercise of any right or power (including the right of termination and substitution) be thereafter adjudged improper or to constitute a repudiation of the Initial Charter by the Owner.

Section 4.03 Amendment of Initial Charter; Assignment of Initial

Charter. (a) The Owner will not, except with the previous written consent of

the Lender, agree to any variation of the Initial Charter or release the Initial Charterer from any of its obligations thereunder or waive any breach of the Initial Charterer's obligations thereunder or consent to any such act or omission of the Initial Charterer as would otherwise constitute such breach.

(b) The Owner will not, except with the previous written consent of the Lender, assign the Initial Charter to any other Person.

Section 4.04 Performance of Obligations. The Owner will perform its

obligations under the Initial Charter and will use its best efforts to cause the Initial Charterer to perform its obligations under the Initial Charter.

Section 4.05 Notices. The Owner will send a copy of all notices

received or given by it under the Initial Charter forthwith to the Lender.

Section 4.06 Further Assurances. The Owner will at any time and from

time to time, upon the written request of the Lender, promptly and duly execute and deliver any and all such further instruments and documents and take such action as the Lender may deem desirable in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

Section 4.07 Lender as Attorney-in-Fact of Owner. The Owner hereby

constitutes the Lender, and its successors and assigns, its true and lawful attorney-in-fact, irrevocably, with full power in its own name, in the name of its agents or nominees or in the name of the Owner or otherwise, to ask, require, demand, receive, enforce and give acquittance for, any and all moneys and claims for moneys due and to become due and payable under or arising out of the Initial Charter, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Lender may seem to be necessary or advisable under this Assignment. Any action or proceeding brought by the Lender pursuant to any of the provisions of this Assignment or otherwise and any claim made by the Lender hereunder may be compromised, withdrawn or otherwise dealt with by the Lender without any notice to or approval of the Owner.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01 Amendment. This Assignment may be amended from time to

time by written agreement signed by the parties hereto.

Section 5.02 Severability. If any provision of this Assignment is

held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Assignment contained, shall not affect the remaining portions of this Assignment, or any part thereof.

Section 5.03 Notices. All demands, notices and communications

hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Lender, at the following address: c/o JH Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, (b) in the case of the Owner, at the following address: United House, 14-16 Nelson Street, Douglas, Isle of Man, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 5.04 Consent to Jurisdiction. Any legal suit, action or

proceeding against the Owner arising out of or relating to this Assignment, or any transaction contemplated hereby, may be instituted in any federal or state court in The City of New York, State of New York and the Owner hereby waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and the Owner hereby irrevocably

submits to the jurisdiction of any such court in any such suit, action or proceeding. The Owner hereby irrevocably appoints and designates CT Corporation System, having an address at 1633 Broadway, New York, New York, its true and lawful attorney-in-fact and duly authorized agent for the limited purpose of accepting servicing of legal process and the Owner agrees that service of process upon such party shall constitute personal service of such process on such Person. The Owner shall maintain the designation and appointment of such authorized agent until all amounts payable under this Assignment shall have been paid in full. If such agent shall cease to so act, the Owner shall immediately designate and appoint another such agent satisfactory to the Lender and shall promptly deliver to the Lender evidence in writing of such other agent's acceptance of such appointment.

Section 5.05 Captions. The captions or headings in this Assignment

are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assignment.

Section 5.06 Governing Law. This Assignment shall be governed by and

interpreted in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law.

Section 5.07 No Partnership. Nothing herein contained shall be

deemed or construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 5.08 Counterparts. This Assignment may be executed in any

number of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 5.09 Survival. The representations, covenants and agreements

contained in or made pursuant to this Assignment in respect of either party hereto shall survive the execution and delivery of this Assignment and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 5.10 Integration. This Assignment and the Schedule and

Exhibits hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 5.11 Reproduction of Documents. This Assignment and all

documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of

business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 5.12 Successors and Assigns; Assignment. This Assignment

shall be binding upon and inure to the benefit of the Owner and the Lender and their respective successors and assigns. The Owner shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender. The Lender, at its sole option, shall have the right to assign this Assignment, the Serial Loan Agreement, the Term Loan Agreement, the Security Documents and any of its rights and interest hereunder and thereunder.

Section 5.13 General Interpretive Principles. For purposes of this

Assignment except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Assignment shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Assignment;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Assignment as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

Section 5.14 Effective Date of Transaction. Notwithstanding and the

fact that this Assignment is dated as of _____ 1, 1995, the transactions set forth herein shall not be effective until the Closing Date.

IN WITNESS WHEREOF, the Owner and the Lender have caused this Assignment to be duly executed and delivered by their respective officers thereunto duly authorized all as of the day and year first above written.

CALIFORNIA PETROLEUM TRANSPORT
CORPORATION, as Lender

By: _____
Name: _____
Title: _____

CALPETRO TANKERS (BAHAMAS I) LIMITED, as Owner

By: _____
Name: _____
Title: _____

LETTER OF ACKNOWLEDGMENT
TO ASSIGNMENT OF CHARTER

_____, 1995

CALIFORNIA PETROLEUM TRANSPORT
CORPORATION, as Lender

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Collateral Trustee

Dear Sirs:

The undersigned hereby consents to and acknowledges receipt of (i) a signed copy of the Assignment of Charter (the "Assignment"), dated as of _____ 1, 1995, between CalPetro Tankers (Bahamas I) Limited (the "Owner") and California Petroleum Transport Corporation (the "Lender") as adequate notice of such assignment to the Lender of the Initial Charter (as defined in the Assignment) and of all the right, title and interest of the Owner in, to and under the Initial Charter and (ii) a signed copy of the Collateral Assignment of Charter (the "Collateral Assignment"), dated as of _____ 1, 1995, between the Lender and Chemical Trust Company of California (the "Collateral Trustee") as adequate notice of such further assignment to the Collateral Trustee of the Initial Charter and all of the right, title and interest of the Lender in, to and under the Initial Charter.

So long as the Assignment remains effective, we hereby agree that (a) upon notification to us of the occurrence of an Event of Default under the Term Loan Agreement or Serial Loan Agreement referred to in the Assignment, we shall pay any and all sums which we are legally obligated to pay to the Owner or otherwise as stated in and according to the Initial Charter directly to the Collateral Trustee's Account No. _____, at _____, or otherwise to such other account as you may at any time or from time to time, designate by notice to us in writing and (b) with respect to each of the insurances, if any, obtained pursuant to Clause 11 of the Initial Charter, the Lender and the Collateral Trustee shall, if possible, be named additional assureds.

Payments of moneys under the Initial Charter may be adjusted, reduced or withheld only as expressly provided therein. Payments to the Collateral Trustee shall not be subject to any right of set-off or defense by way of counterclaim or otherwise which the undersigned may have against the Owner or any entity substituted for it other than under the Initial Charter and all payments once made to you will be final, and once paid we will not, for any reason whatsoever, seek to recover from the Collateral Trustee any such payment made to the Collateral Trustee by virtue of the Assignment, the Collateral Assignment or this Letter of Consent.

We confirm that the terms of the Initial Charter remain in full force and effect and constitute the entire agreement between the parties thereto with respect to the Vessel and that the Owner is not presently to our knowledge in breach of the terms of the Initial Charter. We further confirm that the terms of the Initial Charter have not been varied or modified and that the terms of the Initial Charter will not after the date hereof be varied or modified without the prior written consent of the Collateral Trustee.

We confirm that we have received no prior notice of any assignment by the Owner of any interest in the Initial Charter.

The undersigned will not permit any amendment, modification, cancellation or other alteration in the Initial Charter, nor will it consent to or accept the substitution thereunder of any party for the Owner without your prior written consent.

CHEVRON TRANSPORT CORPORATION, as Initial
Charterer

By: _____
Name: _____
Title: _____

SCHEDULE 1

DEFINED TERMS USED IN THE ASSIGNMENT

"Assignment" or "Assignment of Charter" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Initial Charter to secure its obligations under the Loan Agreements.

"Assignment of Earnings and Insurances" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the freights and hires (as well as any charters entered into after the Closing Date) with respect to the Vessel to secure its obligations under the Loan Agreements.

"Assignment of Guarantee" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Chevron Guarantee to secure its obligations under the Loan Agreements.

"Assignment of Management Agreement" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Management Agreement to secure its obligations under the Loan Agreements.

"Assignment of Purchase Agreement" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Purchase Agreement to secure its obligations under the Loan Agreements.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Chevron" means Chevron Corporation, a Delaware corporation.

"Chevron Guarantee" means the guarantee of the obligations of the Initial Charterer under the Initial Charter under the Initial Charter given by Chevron.

"Closing Date" means _____, 1995.

"Collateral" means (i) an assignment of the Initial Charter, (ii) a mortgage on the Vessel, (iii) an assignment of the earnings and insurances on the Vessel, (iv) an assignment of the Chevron Guarantee, (v) an assignment of the Management Agreement relating to the Vessel, (vi) an assignment of the Purchase Agreement, (vii) the pledge of the shares of the Owner by Owner's shareholder and (viii) a blanket security interest on all of the assets of the Owner now existing or hereafter created, together with all income and proceeds thereof.

"Event of Default" means an Event of Default under Section 6.01 of the Loan Agreements.

"Governmental Approval" means any authorization, consent, approval, license, franchise, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration by or with any Governmental Authority relating to the ownership of the Collateral or to the execution, delivery or performance of the Loan Agreement or any Security Document.

"Governmental Authority" means the federal government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over the Owner or operation of the Vessels.

"Indentures" means the Indenture, dated as of _____ 1, 1995 between the Owner and the Trustee pursuant to which the Term Mortgage Notes will be issued and the Indenture, dated as of _____ 1, 1995 between the Lender and the Trustee pursuant to which the Serial Mortgage Notes will be issued.

"Initial Charter" means with respect to each Vessel, the Bareboat Charter, dated _____, between the Initial Charterer and the Owner.

"Initial Charterer" means Chevron Transport Corporation, a Liberian corporation.

"Issue of One Debenture" means each Issue of One Debenture between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner grants to the Lender a security interest in all of its assets.

"Law" means any statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Lender" means California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware.

"Loan Agreements" means, collectively, the Serial Loan Agreement and the Term Loan Agreement.

"Loans" means, collectively, the Serial Loans and the Term Loan.

"Loss Date" means the date which is 90 days after the occurrence of a Total Loss of the Vessel.

"Management Agreement" means the agreement, dated the Closing Date, among the Owner, the Manager and the Technical Adviser.

"Manager" means the Person performing the duties of the Manager under the Management Agreement, initially P.D. Gram & Co. ans.

"Mortgage" means, with respect to the Vessel, the first preferred ship mortgages on the Vessel granted by the Owner to the Lender, as amended from time to time in accordance with the terms of such Mortgage.

"Owner" means CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas.

"Payment Date" means each _____ and _____ commencing _____ 1995.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Purchase Agreement" means the Vessel Purchase Agreement, dated as of _____, between the Owner and the Initial Charterer wherein the Owner purchases the Vessel from the Initial Charterer.

"Registration Jurisdiction" means the jurisdiction in which the Vessel is or will be registered.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or partnership agreement or other organizational or governing documents of such Person, and, any Law applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject.

"Securities" means, collectively, the Term Mortgage Notes and the Serial Mortgage Notes.

"Security Documents" means the Term Loan Agreement, the Serial Loan Agreement, the Mortgage, the Assignment of Charter, the Assignment of Earnings and Insurances, the Assignment of Guarantee, the Assignment of Management Agreement, the Assignment of Purchase Agreement, the Issue of One Debenture, collectively.

"Serial Loan Agreement" the Loan Agreement, dated as of _____ 1, 1995 between the Lender and the Owner pursuant to which the Lender will make the Serial Loan to the Owner.

"Serial Loans" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from _____, 1996 to _____, 2006 in the initial aggregate amount of \$168,500,000 issued by the Lender concurrently with the issuance of the Term Mortgage Notes.

"Serial Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Owner under and pursuant to the Serial Loan Agreement, any Security Document and any instrument, agreement or document referred to therein.

"State" means any state of the United States of America and, in addition, the District of Columbia.

"Technical Adviser" means the person performing the duties of the Technical Adviser under the Management Agreement, initially Barber Ship Management Group.

"Term Loan" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

"Term Loan Agreement" means the Loan Agreement, dated as of _____ 1, 1995 between the Owner and the Lender pursuant to which the Lender makes the Term Loan to the Owner.

"Term Mortgage Notes" means ___% First Preferred Mortgage Notes Due 2015 in the initial aggregate amount of \$117,900,000 issued by the Lender concurrently with the issuance of the Serial Mortgage Notes.

"Term Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Owner under and pursuant to the Term Loan Agreement, any Security Document and any instrument, agreement or document referred to therein.

"Trustee" means Chemical Trust Company of California.

"Vessel" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

California Petroleum Transport Corporation

and

Chemical Trust Company of California

COLLATERAL ASSIGNMENT OF CHARTER

Dated as of _____ 1, 1995

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Collateral Assignment of Charter, dated as of _____ 1, 1995 (the "Assignment"), between California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware (the "Issuer") and Chemical Trust Company of California (the "Collateral Trustee").

PRELIMINARY STATEMENT

Issuer has authorized the issuance of the Serial Mortgage Notes and the Term Mortgage Notes (collectively, the "Notes"). The Notes will be issued pursuant to the terms and conditions of the Indentures, each dated as of the date hereof, each between the Issuer and the Collateral Trustee, as indenture trustee. The net proceeds of the Notes will be used by the Issuer to make two loans to CalPetro Tankers (Bahamas I) Limited (the "Owner") pursuant to the Loan Agreements, which will be used by the Owner to acquire the m.t. _____ (the "Vessel") from Chevron Transport Corporation (the "Initial Charterer"). The Vessel will be bareboat chartered to the Initial Charterer pursuant to the Bareboat Charter (the "Initial Charter"), dated as of the date hereof, between the Owner and the Initial Charterer. As collateral security for its obligations under the Indentures, the Issuer will assign, pledge, mortgage and grant the Collateral Trustee a security interest in, inter alia, all of the Issuer's right, title and interest in and to the Initial Charter and the Assignment of Charter.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and of other valuable consideration, receipt of which is hereby acknowledged, the Collateral Trustee and the Issuer hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Assignment shall have the meanings assigned to such terms in Schedule 1 to this Assignment, and the definitions of such terms shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

ASSIGNMENT

Section 2.01 Security Interest. This Assignment is made and

delivered as security for the Serial Obligations and the Term Obligations, equally and ratably; provided, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Indenture, this Assignment will be security solely and exclusively for the Term Obligations.

Section 2.02 Assignment. In order to provide for the payment of and

as security for the Serial Obligations and the Term Obligations, equally and ratably, the Issuer has sold, assigned, transferred, set over and granted a security interest and does hereby sell, assign, transfer, set over and grant a security interest unto the Collateral Trustee, its successors and assigns, for its and their respective successors' and assigns' own proper use and benefit, all of the Issuer's right, title and interest in and to the Initial Charter and the Assignment of Charter,

including without limitation any moneys whatsoever payable to the Issuer under the Initial Charter and the Assignment of Charter, together with the income and proceeds thereof and all other rights and benefits whatsoever accruing to the Issuer under the Initial Charter and the Assignment of Charter; provided, however, that the Issuer shall keep the Collateral Trustee fully and effectively indemnified from and against all actions, losses, claims, proceedings, costs, demands and liabilities which may be suffered by the Collateral Trustee under or by virtue of the Initial Charter, Assignment of Charter or this Assignment; provided further, however, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Indenture, the sale, assignment, transfer and grant of security interest made by the Issuer pursuant to the terms of this Assignment will be solely and exclusively for the benefit of the Collateral Trustee as Collateral Trustee under the Term Indenture and this Assignment will be security solely and exclusively for the Term Obligations.

Section 2.03 Issuer to Remain Liable. (a) Anything in this

Assignment contained to the contrary notwithstanding, the Issuer shall remain liable under the Assignment of Charter, and shall observe, perform and fulfill all of the conditions and obligations to be observed, performed and fulfilled by it thereunder, and the Collateral Trustee shall have no obligation or liability of any kind whatsoever thereunder or by reason of or arising out of this Assignment, nor shall the Collateral Trustee be under any liability whatsoever in the event of any failure by the Issuer to perform its obligations thereunder or be required or obligated in any manner to observe, perform or fulfill any of the conditions or obligations of the Issuer thereunder or pursuant thereto, or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or the Issuer thereunder, or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to the Collateral Trustee or to which the Collateral Trustee may be entitled hereunder at any time or times.

(b) Any and all rights assigned herein may be further assigned by the Collateral Trustee, including, without being limited to, assignments in connection with the enforcement of the assignments made by this Assignment and any subsequent holder of this Assignment shall succeed to and have all the rights and powers of the Collateral Trustee under this Assignment.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

The Issuer hereby represents and warrants to the Collateral Trustee as follows:

Section 3.01 Organization, Power and Status of the Issuer. The

Issuer (a) is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware and (b) is duly authorized, to the extent necessary, to do business in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary. The Issuer has all requisite corporate power and authority to own and operate the property it purports to own and to carry on its business as now being conducted and as proposed to be conducted in respect of the Vessel.

Section 3.02 Authorization; Enforceability; Execution and Delivery.

(a) The Issuer has all necessary corporate power and authority to execute, deliver and perform under this Assignment.

(b) All action on the part of the Issuer that is required for the authorization, execution, delivery and performance of this Assignment has been duly and effectively taken; and the execution, delivery and performance of this Assignment does not require the approval or consent of any Person except for such consents and approvals as have been obtained on or prior to the Closing Date.

(c) This Assignment has been duly executed and delivered by the Issuer. This Assignment constitutes the legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof.

Section 3.03 No Conflicts; Laws and Consents; No Default. (a)

Neither the execution, delivery and performance of this Assignment nor the consummation of any of the transactions contemplated hereby nor performance of or compliance with the terms and conditions hereof (i) contravenes any Requirement of Law applicable to the Issuer or (ii) constitutes a default under any Security Document.

(b) The Issuer is in compliance with and not in default under any and all Requirements of Law applicable to the Issuer and all terms and provisions of this Assignment.

Section 3.04 Governmental Approvals. All Governmental Approvals

which are required to be obtained in the name of the Issuer in connection with the execution, delivery and performance by the Issuer of this Assignment have been obtained and are in effect on the Closing Date.

Section 3.05 Litigation. There are no actions, suits or proceedings

at law or in equity or by or before any Governmental Authority now pending against the Issuer or, to the best of the Issuer's knowledge, threatened against the Issuer or pending or threatened against any property or other assets or rights of any of the Issuer with respect to this Assignment.

Section 3.06 No Prior Assignment. The Issuer has not assigned or

pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the Initial Charter and the Assignment of Charter or any part of the rights, titles and interests hereby assigned, to anyone other than the Collateral Trustee, or its successors or assigns.

Section 3.07 The Assignment of Charter. The Assignment of Charter

constitutes the legal, valid and binding obligation of the Issuer and of the Issuer as "Lender" thereunder and is in full force and effect in the form of Exhibit "A" attached hereto; there are no amendments, additions, addenda or modifications thereto; said Exhibit "A" represents the entirety of the chartering and other arrangements referred to therein; and neither of the parties thereto is in default thereunder.

ARTICLE IV

COVENANTS OF THE ISSUER

The Issuer hereby covenants and agrees that so long as any of the Serial Mortgage Notes or Term Mortgage Notes remains outstanding:

Section 4.01 Consent of Initial Charterer and Owner. On the Closing

Date, the Issuer shall deliver to the Initial Charterer and the Owner a copy of this Assignment and shall procure the execution by the Initial Charterer and the Owner of the Consents and Acknowledgment set out in Exhibits A-1 and A-2 hereto and deliver said Consents and Acknowledgment to the Collateral Trustee on the Closing Date.

Section 4.02 Enforcement of Assignment of Charter. (a) The Issuer

will do or permit to be done each and every act or thing which the Collateral Trustee may from time to time require to be done for the purpose of enforcing the Collateral Trustee's rights under the Initial Charter, the Assignment of Charter and this Assignment.

(b) If an Event of Default shall occur under either the Term Indenture or the Serial Indenture, the Issuer shall cause all moneys hereby assigned or agreed to be assigned or arising from or in connection with any of the rights, title, interest and benefits of the Issuer under the Initial Charter and the Assignment of Charter to be paid to the credit of Account No. _____ of the Collateral Trustee at Chemical Trust Company of California, or to such other account as the Collateral Trustee may from time to time direct.

(c) The Issuer will not exercise any right or powers conferred on it by the Assignment of Charter in connection with any default or alleged default by the Initial Charterer or Owner thereunder or under the Initial Charter (including without limitation the right of termination and substitution) unless and until requested so to do by the Collateral Trustee whereupon the Issuer agrees that it will do so provided always that the Collateral Trustee shall not be responsible in any way whatsoever in the event that the exercise of any right or power (including the right of termination and substitution) be thereafter adjudged improper or to constitute a repudiation of the Assignment of Charter by the Issuer.

Section 4.03 Amendment of Assignment of Charter; Collateral

Assignment of Charter. (a) The Issuer will not, except with the previous

written consent of the Collateral Trustee, agree to any variation of the Initial Charter or the Assignment of Charter or release the Owner or the Initial Charterer from any of its obligations thereunder or waive any breach of the Owner's obligations thereunder or under the Initial Charter or consent to any such act or omission of the Owner or the Initial Charterer as would otherwise constitute such breach.

(b) The Issuer will not, except with the previous written consent of the Collateral Trustee, assign the Initial Charter or the Assignment of Charter to any other Person.

Section 4.04 Performance of Obligations. The Issuer will perform its

obligations under the Assignment of Charter and use its best endeavors to cause the Owner to perform its obligations under the Assignment of Charter.

Section 4.05 Notices. The Issuer will send a copy of all notices

received or given by it under the Assignment of Charter forthwith to the Collateral Trustee.

Section 4.06 Further Assurances. The Issuer will at any time and

from time to time, upon the written request of the Collateral Trustee, promptly and duly execute and deliver any and all such further instruments and documents and take such action as the Collateral Trustee may deem desirable in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

Section 4.07 Collateral Trustee as Attorney-in-Fact of Issuer. The

Issuer hereby constitutes the Collateral Trustee, and its successors and assigns, its true and lawful attorney-in-fact, irrevocably, with full power in its own name, in the name of its agents or nominees or in the name of its agents or nominees or in the name of the Issuer or otherwise, to ask, require, demand, receive, enforce and give acquittance for, any and all moneys and claims for moneys due and to become due and payable under or arising out of the Initial Charter or the Assignment of Charter, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Collateral Trustee may deem to be necessary or advisable under this Assignment. Any action or proceeding brought by the Collateral Trustee pursuant to any of the provisions of this Assignment or otherwise and any claim made by the Collateral Trustee hereunder may be compromised, withdrawn or otherwise dealt with by the Collateral Trustee without any notice to or approval of the Issuer.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01 Amendment. This Assignment may be amended from time to

time by written agreement signed by the parties hereto.

Section 5.02 Severability. If any provision of this Assignment is

held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Assignment contained, shall not affect the remaining portions of this Assignment, or any part thereof.

Section 5.03 Notices. All demands, notices and communications

hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Issuer, at the following address: c/o JH Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, (b) in the case of the Collateral Trustee, at the following address: _____, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 5.04 Captions. The captions or headings in this Assignment

are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assignment.

Section 5.05 Governing Law. This Assignment shall be governed by and

interpreted in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law.

Section 5.06 No Partnership. Nothing herein contained shall be

deemed or construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 5.07 Counterparts. This Assignment may be executed in any

number of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 5.08 Survival. The representations, covenants and agreements

contained in or made pursuant to this Assignment in respect of either party hereto shall survive the execution and delivery of this Assignment and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 5.09 Integration. This Assignment and the Schedule and

Exhibits hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 5.10 Reproduction of Documents. This Assignment and all

documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 5.11 Successors and Assigns; Assignment. This Assignment

shall be binding upon and inure to the benefit of the Issuer and the Collateral Trustee and their respective successors and assigns. Neither the Issuer nor the Collateral Trustee shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the other party.

Section 5.12 General Interpretive Principles. For purposes of this

Assignment except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Assignment shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Assignment;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Assignment as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

Section 5.13 Effective Date of Transaction. Notwithstanding and the

fact that this Assignment is dated as of _____ 1, 1995, the transactions set forth herein shall not be effective until the Closing Date.

IN WITNESS WHEREOF, the Issuer and the Collateral Trustee have caused this Assignment to be duly executed and delivered by their respective officers thereunto duly authorized all as of the day and year first above written.

CALIFORNIA PETROLEUM TRANSPORT
CORPORATION, as Collateral Trustee

By: _____
Name: _____
Title: _____

CHEMICAL TRUST COMPANY OF CALIFORNIA, as
Issuer

By: _____
Name: _____
Title: _____

LETTER OF ACKNOWLEDGMENT
TO COLLATERAL ASSIGNMENT OF CHARTER

_____, 1995

CALIFORNIA PETROLEUM TRANSPORT
CORPORATION, as Lender

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Collateral Trustee

Dear Sirs:

The undersigned hereby consents to and acknowledges receipt of (i) a signed copy of the Assignment of Charter (the "Assignment"), dated as of _____, 1995, between CalPetro Tankers (Bahamas I) Limited (the "Owner") and yourselves as adequate notice of such assignment to California Petroleum Transport Corporation (the "Lender") of the Initial Charter (as defined in the Assignment) and of all the right, title and interest of the Owner in, to and under the Initial Charter and (ii) a signed copy of the Collateral Assignment of Charter (the "Collateral Assignment"), dated as of _____, 1995, between the Lender and Chemical Trust Company of California (the "Collateral Trustee") as adequate notice of such further assignment to the Collateral Trustee of the Initial Charter and all of the right, title and interest of the Lender in, to and under the Initial Charter.

So long as the Assignment remains effective, we hereby agree that (a) upon your notification to us of the occurrence of an Event of Default under the Term Loan Agreement or Serial Loan Agreement referred to in the Assignment, we shall pay any and all sums which we are legally obligated to pay to the Owner or otherwise as stated in and according to the Initial Charter directly to the Collateral Trustee's Account No. _____, at _____, or otherwise to such other account as you may at any time or from time to time, designate by notice to us in writing and (b) with respect to each of the insurances, if any, obtained pursuant to the provisions of Clause 11 of the Initial Charter the Lender and the Collateral Trustee shall, if possible, be named additional assureds.

Payments of moneys under the Initial Charter may be adjusted, reduced or withheld only as expressly provided therein. Payments to the Collateral Trustee shall not be subject to any right of set-off or defense by way of counterclaim or otherwise which the undersigned may have against the Owner or any entity substituted for it other than under the Initial Charter and all payments once made to you will be final, and once paid we will not, for any reason whatsoever, seek to recover any such payment made to the Collateral Trustee by virtue of the Assignment, the Collateral Assignment or this Letter of Consent.

We confirm that the terms of the Initial Charter remain in full force and effect and constitute the entire agreement between the parties thereto with respect to the Vessel and that the Owner is not presently to our knowledge in breach of the terms of the Initial Charter. We further confirm that the terms of the Initial Charter have not been varied or modified and that the terms of the Initial Charter will not after the date hereof be varied or modified without the prior written consent of the Collateral Trustee.

We confirm that we have received no prior notice of any assignment by the Owner of any interest in the Initial Charter.

The undersigned will not permit any amendment, modification, cancellation or other alteration in the Initial Charter, nor will it consent to or accept the substitution thereunder of any party for the Owner without your prior written consent.

CHEVRON TRANSPORT CORPORATION, as Initial
Charterer

By: _____
Name: _____
Title: _____

LETTER OF ACKNOWLEDGMENT
TO COLLATERAL ASSIGNMENT OF CHARTER

_____, 1995

CHEMICAL TRUST COMPANY OF
CALIFORNIA, as Collateral Trustee

Dear Sirs:

The undersigned hereby consents to and acknowledges receipt of a signed copy of the Collateral Assignment of Charter (the "Assignment"), dated as of _____ 1, 1995, between California Petroleum Transport Corporation (the "Issuer") and yourselves as adequate notice of such assignment to you of the Assignment of Charter (as defined in the Assignment) and of all the right, title and interest of the Issuer in, to and under the Assignment of Charter.

So long as the Assignment remains effective, we hereby agree that, upon your notification to us of the occurrence of an Event of Default under the Term Indenture or Serial Indenture referred to in the Assignment, we shall pay any and all sums which we are legally obligated to pay to the Issuer or otherwise as stated in and according to the Assignment of Charter directly to your Account No. _____, at _____, or otherwise to such other account as you may at any time or from time to time, designate by notice to us in writing.

Payments of moneys under the Assignment of Charter may be adjusted, reduced or withheld only as expressly provided therein. Payments to you shall not be subject to any right of set-off or defense by way of counterclaim or otherwise which the undersigned may have against the Issuer or any entity substituted for it other than under the Assignment of Charter and all payments once made to you will be final, and once paid we will not, for any reason whatsoever, seek to recover any such payment made to you by virtue of the Assignment or this Letter of Consent.

We confirm that the terms of the Assignment of Charter remain in full force and effect and constitute the entire agreement between the parties thereto with respect to the Charter and that the Issuer is not presently to our knowledge in breach of the terms of the Assignment of Charter. We further confirm that the terms of the Assignment of Charter have not been varied or modified and that the terms of the Assignment of Charter will not after the date hereof be varied or modified without your prior written consent.

We confirm that we have received no prior notice of any assignment by the Issuer of any interest in the Assignment of Charter.

The undersigned will not permit any amendment, modification, cancellation or other alteration in the Assignment of Charter, nor will it consent to or accept the substitution thereunder of any party for the Issuer without your prior written consent.

CALPETRO TANKERS (BAHAMAS I) LIMITED, as
Owner

By: _____
Name: _____
Title: _____

SCHEDULE 1

DEFINED TERMS USED IN THE ASSIGNMENT

"Assignment of Charter" means the assignment between the Issuer and the Owner, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Issuer all of its right, title and interest in, to and under the Initial Charter to secure its obligations under the Loan Agreements.

"Assignment of Guarantee" means the assignment between the Owner and the Issuer, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Issuer all of its right, title and interest in, to and under the Chevron Guarantee to secure its obligations under the Loan Agreements.

"Assignment of Mortgage" means the assignment of the Mortgage between the Issuer and the Owner, as amended from time to time in accordance with the terms thereof, pursuant to which the Issuer assigns to the Collateral Trustee all of its right, title and interest in, to and under the Mortgage with respect to secure its obligations under the Indentures.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Chevron" means Chevron Corporation, a Delaware corporation.

"Chevron Guarantee" means the guarantee of the obligations of the Initial Charterer under the Initial Charter given by Chevron.

"Closing Date" means _____, 1995.

"Collateral Assignment of Charter" means the assignment between the Issuer and the Collateral Trustee, as amended from time to time in accordance with the terms thereof, pursuant to which the Issuer assigns to the Collateral Trustee all of its right, title and interest in, to and under the Assignment of Charter to secure its obligations under the Indentures.

"Collateral Assignment of Guarantee" means the assignment between the Issuer and the Collateral Trustee, as amended from time to time in accordance with the terms thereof, pursuant to which the Issuer assigns to the Collateral Trustee all of its right, title and interest in, to and under the Assignment of Guarantee to secure its obligations under the Indentures.

"Collateral Trustee" means Chemical Trust Company of California.

"Event of Default" means an Event of Default under Section 4.01 of the Indentures.

"Governmental Approval" means any authorization, consent, approval, license, franchise, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration by or with any

Governmental Authority relating to the ownership of the Collateral or to the execution, delivery or performance of any Security Document.

"Governmental Authority" means the federal government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over the Issuer or operation of the Vessels.

"Indentures" means the Indenture, dated as of _____ 1, 1995 between the Issuer and the Trustee pursuant to which the Term Mortgage Notes will be issued and the Indenture, dated as of _____ 1, 1995 between the Trustee and the Issuer pursuant to which the Serial Mortgage Notes will be issued.

"Initial Charter" means with respect to each Vessel, the Bareboat Charter, dated _____, between the Initial Charterer and the Owner.

"Initial Charterer" means Chevron Transport Corporation, a Liberian corporation.

"Issuer" means California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware.

"Law" means any statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Mortgage" means, with respect to the Vessel, the first preferred ship mortgages on the Vessel granted by the Owner to the Issuer, as amended from time to time in accordance with the terms of such Mortgage.

"Owner" means CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or partnership agreement or other organizational or governing documents of such Person, and, any Law applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject.

"Security Documents" means the Collateral Trust Agreement, the Collateral Assignment of Charter, the Collateral Assignment of Guarantee, and the Assignment of Mortgage, collectively.

"Serial Indenture" the Indenture, dated as of _____ 1, 1995 between the Owner and the Issuer pursuant to which the Issuer issues the Serial Mortgage Notes.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from _____, 1996 to _____, 2006 in the initial aggregate amount of \$168,500,000 issued by the Issuer concurrently with the issuance of the Term Mortgage Notes.

"Serial Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Issuer under and pursuant to the Serial Indenture, any Security Document and any instrument, agreement or document referred to therein.

"State" means any state of the United States of America and, in addition, the District of Columbia.

"Term Indenture" means the Term Indenture, dated as of _____ 1, 1995 between the Trustee and the Issuer pursuant to which the Issuer issues the Term Mortgage Notes.

"Term Mortgage Notes" means ___% First Preferred Mortgage Notes Due 2015 in the initial aggregate amount of \$117,900,000 issued by the Issuer concurrently with the issuance of the Serial Mortgage Notes.

"Term Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Issuer under and pursuant to the Term Indenture, any Security Document and any instrument, agreement or document referred to therein.

"Trustee" means Chemical Trust Company of California.

"Vessel" shall have the meaning assigned to such term in the Preliminary Statement of this Assignment.

P.D. Gram & Co. ans, Manager

Barber Ship Management A.S., Technical Adviser

CalPetro Tankers (Bahamas I) Limited

Management and Remarketing Agreement

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This Management and Remarketing Agreement, dated as of _____ 1, 1995 (the "Agreement"), among CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas (the "Owner"), P.D. Gram & Co. ans, a company organized under the laws of the Kingdom of Norway (the "Manager") and Barber Ship Management A.S., a company organized under the laws of the Kingdom of Norway (the "Technical Adviser").

PRELIMINARY STATEMENT

Concurrently herewith, the Owner is purchasing the m.t. _____ (the "Vessel") pursuant to the Purchase Agreement (the "Purchase Agreement"), dated as of the date hereof, between the Owner and Chevron Transport Corporation (the "Initial Charterer"). The Owner is obtaining loans (the "Loans") to finance its acquisition of the Vessel from California Petroleum Transport Corporation (the "Lender"). As security for the Loans, the Owner is, inter alia, granting to the Lender a mortgage on the Vessel (the "Mortgage") and an assignment of this Agreement. The Vessel will be bareboat chartered to the Initial Charterer pursuant to a Bareboat Charter (the "Initial Charter"), dated as of the date hereof, between the Owner and the Initial Charterer. The Owner desires to engage the Manager to provide management services for the Vessel and the Owner and the Technical Adviser to provide technical advice with respect to the Vessel.

The Manager and the Technical Adviser are willing to provide such services as to the Owner pursuant to this Agreement upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and of other good and valuable consideration, the receipt of which is hereby acknowledged, the Owner, the Manager and the Technical Adviser hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Agreement shall have the meanings assigned to such terms in Schedule 1 to this Agreement, and the definitions of such terms shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

ADMINISTRATIVE MANAGEMENT OF THE OWNER

Section 2.01 Appointment of Manager as Manager of Administrative

Obligations of Owner. The Owner hereby appoints the Manager and the Manager

hereby accepts its appointment as manager of the administrative and corporate obligations of the Owner.

Section 2.02 Administrative Responsibilities of Manager. (a) The

Manager hereby covenants and agrees with the Owner that the Manager shall or shall cause its designee to do the following:

- (i) issue the shares of the Owner's capital stock;
- (ii) maintain the register of shareholders;
- (iii) maintain the books and records and the company minutes of the Owner;
- (iv) call and hold the annual general meeting of the shareholders of the Owner;
- (v) prepare and file the annual financial statements and annual tax returns of the Owner, if required;
- (vi) provide all office staff and accommodation of the Owner;

(vii) prepare and submit invoices to the Owner or to the Owner's assignee for the cost and expense of (A) registering the Vessel in the name of the Owner under the laws of the Registration Jurisdiction, (B) recording the Mortgage under the laws of the Registration Jurisdiction, (C) maintaining the documentation of the Vessel under the laws of the Registration Jurisdiction, (D) the annual corporate fees of the Owner, (E) the annual fees of the officers and directors of the Owner, (F) the annual premiums for directors and officers liability insurance for the directors and officers of the Owner and (G) any other expenses properly incurred on behalf of the Owner.

(b) The Owner hereby acknowledges that the Manager has designated BDO Binder to perform the administrative and corporate responsibilities set forth in Section 2.02(a) hereof.

ARTICLE III

ADMINISTRATIVE MANAGEMENT OF THE VESSEL

Section 3.01 Appointment of Manager as Manager of the Vessel. The

Owner hereby appoints the Manager and the Manager hereby accepts its appointment to act as administrative manager of the Vessel from and after the date hereof to the date the Vessel is disposed of by the Owner.

Section 3.02 Responsibilities of the Manager. From and after the

Closing Date, the Manager hereby covenants and agrees with the Owner that:

(a) From and after the Closing Date to the date the Initial Charterer terminates the Initial Charter pursuant to the provisions thereof (the "Termination Date"), the Manager shall monitor and enforce the performance by the Initial Charterer of its obligations under and pursuant to the Initial Charter. Thereafter, if the Owner enters into an Acceptable Replacement Charter or Substitute Charter, the Manager shall monitor and enforce the performance by any

subsequent charterer (a "Subsequent Charterer") of its obligations under and pursuant to an Acceptable Replacement Charter or Substitute Charter. In no event shall the Manager be responsible for the costs and expenses incurred in connection with the enforcement of the Initial Charter, any Acceptable Replacement Charter or Substitute Charter.

(b) The Manager shall review the insurance certificates provided by the Initial Charterer (or Subsequent Charterer) pursuant to the terms of the Initial Charter (or Acceptable Replacement Charter or Substitute Charter) to determine whether such certificates comply with the terms of the Initial Charter (or Acceptable Replacement Charter or Substitute Charter); provided, however, that in no event shall the Manager be liable for the placement of additional insurance on the Vessel or the payment or advancement of any premiums or calls.

(c) The Manager shall handle and process any claims arising in connection with the insurances of the Vessel in accordance with Clause 11 of the Initial Charter (or the pertinent provisions of the Acceptable Replacement Charter or Substitute Charter).

(d) The Manager shall review any and all assignments and subcharters of the Vessel to determine if they meet the requirements of the Initial Charter (or Acceptable Replacement Charter or Substitute Charter).

(e) The Manager shall review any and all approvals or consents requested by the Initial Charterer (or Subsequent Charterer) pursuant to the terms of the Initial Charter (or Acceptable Replacement Charter or Substitute Charter) and advise the Owner or the Owner's assignee with respect to same.

(f) The Manager shall provide the services of such officers and other staff of suitable skills and experience from among the members of the staff of the Manager as may be necessary in order properly to perform the services referred to herein.

(g) The Manager shall provide office equipment and the use of accounting or computing equipment when required and the necessary executive, clerical and secretarial personnel for the performance of the services herein set out.

(h) The Manager shall keep all such books and records of things done and transactions performed on behalf of the Owner as the Owner or the Trustee may require.

(i) The Manager shall prepare and deliver to the Owner and the Trustee on each _____ of each year commencing _____, 1996, an annual report describing the current conditions in the tanker market (e.g., supply of ----- vessels and new buildings, current charterhire rates for the long-term bareboat market and for the spot market).

Section 3.03 Manager to Act as Attorney-in-Fact of Owner. The Owner -----
hereby constitutes the Manager, and its successors and assigns, its true and lawful attorney, irrevocably, with full power in its own name, in the name of its agents or nominees or in the name of the Owner or otherwise, to execute any and all documents, instruments, agreements and applications for and on behalf of the Owner relating to or in connection with (i) the registration of the Vessel under the laws of the Registration Jurisdiction, (ii) the monitoring and enforcement of the terms

and conditions of the Initial Charter (or Acceptable Replacement Charter or Substitute Charter) and (iii) the performance by the Owner of its obligations under the Initial Charter (or Acceptable Replacement Charter or Substitute Charter) as the Manager may deem to be necessary or advisable.

Section 3.04 Manager to Act as Owner's Remarketing Agent. The Owner

hereby appoints and the Manager accepts appointment as the Owner's exclusive marketing agent with respect to the sale and/or charter of the Vessel on the terms and conditions set forth in this Agreement.

Section 3.05 Manager's Remarketing Obligations. (a) The Manager

shall commence marketing of the Vessel upon receipt of written notice (the "Commencement Notice") from the Owner (which notice shall also be provided to the Technical Adviser) stating that the Initial Charterer has given the Owner notice of the Initial Charter's election to terminate the Initial Charter.

(b) The Manager shall promptly consult with the Nominated Brokers, solicit bids for and advise the Owner and the Trustee, as assignee of the Owner, as to the availability of an Acceptable Replacement Charter.

(c) In the event that the Manager notifies the Trustee, as assignee of the Owner, and the Owner that an Acceptable Replacement Charter is commercially unavailable, then the Manager shall be directed by notice in writing from the Owner or the Trustee, as assignee of the Owner, to solicit bids for the sale of the Vessel, either directly or through the Nominated Brokers or such other brokers as may be appointed with the consent of the Owner and the Trustee.

(d) The Manager shall forward to the Trustee the highest cash bid for the sale of such Vessel received after the receipt of the Commencement Notice to the date which is one week prior to the next succeeding principal payment date (the "Remarketing Period") that will result when added to the Termination Payment made by the Initial Charterer in the realization of net proceeds of sale of such Vessel in an amount of US Dollars that shall be not less than the then outstanding principal balance of the Term Loan, together with accrued interest thereon; provided, however, if there are no such bids, the Manager shall forward to the Trustee all other cash bids received during the Remarketing Period by the Manager for the sale of the Vessel. The Trustee shall instruct the Manager whether or not to accept any such bid.

(e) In the event that there are no bids for the sale of the Vessel or the Trustee instructs the Manager not to accept any bid for the sale of the Vessel, then the Manager shall consult with the Owner, the Trustee and the Nominated Brokers, or such other brokers as may be appointed with the consent of the Owner and the Trustee, and shall attempt to recharter the Vessel upon such terms as it shall, in its sole discretion, deem appropriate so long as (i) such charter is an arms' length agreement, (ii) the charterhire payable thereunder during the term thereof is an amount sufficient to (A) make the mandatory sinking fund payments, together with all interest payable thereon, due on the Term Mortgage Notes, (B) pay Recurring Fees and Taxes for such Vessel, (C) to pay the Management Fees and Technical Advisor's Fees for such Vessel and (D) to pay the amount of fees and expenses of the Indenture Trustee and Collateral

Trustee allocable to such Vessel and (iii) such charter terminates no later than _____, 2015.

(f) If the Manager is unable to obtain any bids for the recharter of the Vessel, it shall promptly advise the Owner and the Trustee and recommend what alternatives are available for the employment or disposition of the Vessel.

Section 3.06 Manager's Activities on Behalf of Owner. In connection

with the performance of its services hereunder on behalf of the Owner, the Manager shall not perform such services from an office or fixed place of business in the United States within the meaning of sections 864 or 887(b)(4) of the Code and shall use its best efforts to avoid treatment of the Owner as being engaged in a trade or business in the United States or having any such office or fixed place of business in the United States.

ARTICLE IV

TECHNICAL ADVISER OBLIGATIONS

Section 4.01 Appointment of Technical Adviser. The Owner hereby

appoints and the Technical Adviser hereby accepts its appointment as Technical Adviser with respect to the Vessel.

Section 4.02 Responsibilities of the Technical Adviser Prior to

Termination of Initial Charter. (a) Upon receipt of a notice from the Manager

requesting that the Vessel be inspected, the Technical Adviser shall inspect the Vessel and furnish a copy of the report regarding such inspection to the Manager, the Owner and the Trustee.

(b) At the time of the special survey of the Vessel, the Technical Adviser shall inspect the Vessel and furnish a copy of the report regarding such inspection to the Manager, the Owner and the Trustee.

(c) Immediately after receipt of the Commencement Notice, the Technical Adviser shall inspect the Vessel and furnish a copy of the report regarding such inspection to the Manager, the Owner and the Trustee.

(d) In the event the Initial Charterer redelivers the Vessel to the Owner and if the Manager notifies the Technical Adviser that the Manager deems an inspection advisable, the Technical Adviser shall inspect the Vessel to determine the condition and fitness of the Vessel and her machinery and equipment to determine what repairs or work is necessary in order to place the Vessel in the same or as good structure, state and condition in which the Vessel was in as of the Closing Date, ordinary wear and tear excepted; provided, however, in no event shall the Technical Adviser or the Manager be liable or responsible for the payment or advancement of any amounts required in connection with the repair of the Vessel.

(e) In the event a diver's survey is conducted pursuant to the terms of the Initial Charter, the Technical Adviser shall send a representative to observe the survey and shall thereafter furnish a copy of the written report relating to such survey to the Manager, the Owner

and the Trustee; provided, however, in no event shall the Technical Adviser or the Manager be liable or responsible for the payment or advancement of any amounts required in connection with the repair of the Vessel.

(f) On or about _____ of each year commencing _____, 1996, the Technical Adviser shall prepare and deliver to the Manager, the Owner and the Trustee an annual report on the condition of the Vessel as of such date.

Section 4.03 Responsibilities of the Technical Adviser After

Termination of Initial Charter. From and after the Initial Charterer terminates

the Initial Charter, the Owner may engage the Technical Adviser to provide technical management services for the Owner. The Owner and the Technical Adviser shall enter into an agreement at that time with respect to the nature of the services to be provided by the Technical Adviser and the Technical Adviser's compensation therefor.

ARTICLE V

GENERAL PROVISIONS REGARDING
THE MANAGER AND THE TECHNICAL ADVISER

Section 5.01 No Duties Except As Specified in Agreement or

Instructions. (a) Neither the Manager nor the Technical Adviser shall have any

duty or obligation to manage, make any payment in respect of, register, record, sell, repair, advance any amounts in connection with the repair of, dispose of or otherwise deal with the Vessel or any part thereof, or otherwise take or refrain from taking any action under, or in connection with, any document contemplated hereby to which either the Manager or the Technical Adviser is a party, except as expressly provided by the terms of this Agreement. No implied duties or obligations shall be read into this Agreement against either the Manager or the Technical Adviser.

(b) Under no circumstances shall either the Manager or the Technical Adviser be liable for (i) the Owner's obligations under the Loan Agreements, the Loans, the Security Documents, the Initial Charter or the indebtedness evidenced by the Securities or (ii) the validity or sufficiency of the Loan Agreements or any of the Security Documents. Neither the Manager nor the Technical Adviser shall assume any liability, duty or obligation to any Person, other than as expressly provided for herein.

(c) Neither the Manager nor the Technical Adviser shall have any duty to conduct any affirmative investigation, other than as specifically set forth in this Agreement, as to the Initial Charterer's (or Acceptable Replacement Charterer's or Subsequent Charterer's) performance of its obligations under the Initial Charter or the condition of the Vessel.

(d) No provision of this Agreement shall be construed to relieve the Manager or the Technical Adviser from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct. The duties and obligations of the Manager and the Technical Adviser shall be determined solely by the express provisions of this Agreement and neither the Manager nor the Technical Adviser shall be liable except for the performance of its respective duties and obligations as specifically set forth in this Agreement.

No implied covenants or obligations shall be read into this Agreement against the Manager or the Technical Adviser and, in the absence of bad faith on the part of the Manager and the Technical Adviser, the Manager and the Technical Adviser may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Manager or the Technical Adviser, respectively, and conforming to the requirements of this Agreement.

(e) The Manager and the Technical Adviser may consult with counsel and any advice or opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel.

(f) The right of the Manager and the Technical Adviser to perform any discretionary act enumerated in this Agreement shall not be construed as a duty, and neither the Manager nor the Technical Adviser shall be answerable for other than its gross negligence or willful misconduct in the performance of such act, and the delivery hereunder to the Manager or the Technical Adviser, respectively, of any notice, document or report shall not give rise to an affirmative obligation on the part of the Manager or the Technical Adviser to take any action with respect thereto, except as otherwise expressly provided herein.

Section 5.02 Resignation of Manager. The Manager may resign its

duties at any time upon 30 days prior written notice to the Owner and the Trustee. The Manager may be removed by the Owner with or without cause upon 30 days prior written notice to the Manager and the Trustee; provided, however, if the Owner removes the Manager without cause, the Manager shall be entitled to receive the compensation described in Section 5.05(a) hereof through the date which is 90 days after the receipt of such notice. In the event of the resignation or removal of the Manager, a successor manager shall be appointed by the Owner. The Owner shall give the Trustee notice of the successor manager's acceptance of such appointment and shall cause such successor to execute any and all documents requested by the Trustee to evidence such successor's acceptance of all of the obligations of the Manager pursuant to this Agreement.

Section 5.03 Resignation of Technical Adviser. The Technical Adviser

may resign its duties at any time upon 30 days prior written notice to the Owner and the Trustee. The Technical Adviser may be removed by the Owner with or without cause upon 30 days prior written notice to the Technical Adviser and the Trustee; provided, however, if the Owner removes the Technical Adviser without cause the Technical Adviser shall be entitled to receive the compensation described in Section 5.05(b) hereof through the date which is 90 days after the receipt of such notice. In the event of the resignation or removal of the Technical Adviser, a successor technical adviser shall be appointed by the Owner. The Owner shall give the Trustee notice of the successor technical adviser's acceptance of such appointment and shall cause such successor to execute any and all documents requested by the Trustee to evidence such successor's acceptance of all of the obligations of the Technical Adviser pursuant to this Agreement.

Section 5.04 Indemnification. (a) The Owner shall indemnify the

Manager and its successors and assigns, and hold them harmless against and from, any and all liabilities, obligations, losses, damages, taxes, penalties, claims, actions, suits, costs, expenses (including

legal fees and expenses) of any kind and nature whatsoever (collectively, "Expenses") which may be imposed on, incurred by or asserted at any time against the Manager (whether or not indemnified against by other parties) in any way relating to or arising out of this Agreement, the Indentures or any Security Document; provided, however, that the Owner shall not be required to indemnify the Manager for Expenses arising or resulting from its own willful misconduct or gross negligence.

(b) The Owner shall indemnify the Technical Adviser and its successors and assigns, and hold them harmless against and from, any and all Expenses which may be imposed on, incurred by or asserted at any time against the Technical Adviser (whether or not indemnified against by other parties) in any way relating to or arising out of this Agreement, the Indenture or any Security Document; provided, however, that the Owner shall not be required to indemnify the Technical Adviser for Expenses arising or resulting from its own willful misconduct or gross negligence.

Section 5.05 Compensation. (a) For the first three years of the term

of this Agreement, the Manager shall receive as compensation for its services hereunder an amount equal to \$13,625 per annum, payable semi-annually in arrears on each Payment Date as provided in Section 3.03 of the Collateral Trust Agreement. In addition, the Manager shall be entitled to a fee equal to the product of (i) \$3,000 and (ii) a fraction the numerator of which is one (1) and the denominator of which is the number of Vessels subject to the lien of the Collateral Trust Agreement per annum during such period, payable annually in arrears. Thereafter, the Manager's compensation for its services hereunder shall increase by four percent (4%) per annum.

(b) For the first three years of the term of this Agreement, the Technical Adviser shall receive as compensation for its services hereunder an amount equal to \$10,000 per annum, payable semi-annually in arrears on each Payment Date as provided in the Section 3.03 of the Collateral Trust Agreement. Thereafter, the Technical Adviser's compensation for its services shall increase by four percent (4%) per annum. In addition, the Technical Adviser shall be entitled to an inspection fee of \$600 per inspection together with the reimbursement of its reasonable travel costs and expenses incurred in connection with each inspection performed by the Technical Adviser pursuant to the terms of this Agreement and the fees, charges and reasonable travel costs and expenses of any sub-contractor hired by the Technical Adviser in connection therewith.

(c) Whenever any payment to the Manager or the Technical Adviser under this Agreement shall be due on a day other than a Business Day, the date of payment thereof shall be extended to the next succeeding Business Day, unless such extension would cause payment to be made in the next succeeding calendar month, in which case such date shall be advanced to the next preceding Business Day.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01 Amendment. This Agreement may be amended from time to

time by written agreement signed by the parties hereto upon the written consent of the Trustee.

Section 6.02 Severability. If any provision of this Agreement is

held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Agreement contained, shall not affect the remaining portions of this Agreement, or any part thereof.

Section 6.03 Notices. All demands, notices and communications

hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Manager, at the following address: Bryggegaten 5, Aker Brygge, P.O. Box 1803 VIKA, 0123 Oslo, Norway, (b) in the case of the Technical Adviser, at the following address: _____, (c) in the case of the Owner, at the following address: United House, 14-16 Nelson Street, Douglas, Isle of Man, (d) in the case of the Trustee, at the following address: _____, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 6.04 Captions. The captions or headings in this Agreement

are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 6.05 Governing Law. This Agreement shall be governed by and

interpreted in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law.

Section 6.06 No Demise. Nothing herein contained shall be construed

as creating a demise of the Vessel to the Manager or to the Technical Adviser.

Section 6.07 No Partnership. Nothing herein contained shall be

deemed or construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 6.08 Counterparts. This Agreement may be executed in any

number of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 6.09 Survival. The representations, covenants and agreements

contained in or made pursuant to this Agreement in respect of either party hereto shall survive the execution and delivery of this Agreement and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 6.10 Integration. This Agreement and the Schedule and

Exhibits hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 6.11 Reproduction of Documents. This Agreement and all

documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 6.12 General Interpretive Principles. For purposes of this

Agreement except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Agreement shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Indenture;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

IN WITNESS WHEREOF, the Manager, the Technical Adviser and the Owner have caused this Indenture to be duly executed and delivered by their respective officers thereunto duly authorized and their respective seals, duly attested, to be hereunto affixed, all as of the day and year first above written.

P.D. GRAM & CO. AS, as Manager

By: _____
Name: _____
Title: _____

BARBER SHIP MANAGEMENT GROUP, as Technical Adviser

By: _____
Name: _____
Title: _____

CALPETRO TANKERS (BAHAMAS I) LIMITED, as Owner

By: _____
Name: _____
Title: _____

SCHEDULE 1

DEFINED TERMS USED IN THE MANAGEMENT AND REMARKETING AGREEMENT

"Acceptable Replacement Charter" means any replacement charter which satisfies each of the following requirements: (i) the charter is a bareboat charter and requires that the charterer thereunder "gross up" charterhire payments to indemnify and hold the Holders of the Securities harmless from any withholding tax imposed on the charterhire payments or on the payments on the Securities; (ii) the charterhire payments payable during the non-cancelable term of such replacement charter, after giving effect to (1) any "gross up" of such amounts as a result of any withholding tax on such charterhire payments, (2) the receipt of the Termination Payment and (3) all fees and expenses incurred in connection with the recharter of the Vessel, provide sufficient funds for the payment in full of (A) the Allocated Principal Amount of the Term Mortgage Notes for the related Vessel and interest thereon in accordance with the revised schedule of sinking fund and principal payments, that is applicable upon termination of the related Initial Charter, (B) the amount of Recurring Fees and Taxes for such Vessel, (C) the amount of Management Fees and Technical Advisor's Fees for such Vessel, (D) the amount of fees and expenses of the Indenture Trustee, the Collateral Trustee and the Designated Representative allocable to such Vessel and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses; and (iii) the Rating Agencies shall have confirmed in writing to the Trustee that the terms and conditions of such proposed charter will not result in the withdrawal or reduction of the then current ratings of the Term Mortgage Notes.

"Agreement" means this Management and Remarketing Agreement, dated as of _____ 1, 1995, among the Owner, the Manager and the Technical Adviser.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Closing Date" means _____, 1995.

"Collateral Trust Agreement" means the collateral trust agreement, dated as of the date hereof, among the Lender, the Collateral Trustee and the Trustee.

"Collateral Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as collateral trustee under the Collateral Trust Agreement.

"Code" means the United States Internal Revenue Code of 1986 and the corresponding provisions of any successor statute.

"Commencement Date" means the date on which the Vessel is accepted by the Initial Charterer under the Initial Charter.

"Commencement Notice" shall have the meaning assigned to such term in Section 3.05(a) of this Agreement.

"Expenses" shall have the meaning assigned to such term in Section 5.04 of this Agreement.

"Holder" means the Person in whose name a Security is registered in the related securities register.

"Indentures" means the Indenture, dated as of _____ 1, 1995 between the Lender and the Trustee pursuant to which the Term Mortgage Notes will be issued and the Indenture, dated as of _____ 1, 1995 between the Lender and the Trustee pursuant to which the Serial Mortgage Notes will be issued.

"Initial Charter" means with respect to each Vessel, the Bareboat Charter, dated as of _____ 1, 1995, between the Initial Charterer and the Owner.

"Initial Charterer" means Chevron Transport Corporation.

"Lender" means California Petroleum Transport Corporation.

"Loan Agreements" means the Loan Agreement, dated as of _____ 1, 1995, between the Owner and the Lender, as it may be supplemented or amended from time to time in accordance with its terms, pursuant to which the Lender makes the Serial Loans to the Owner and the Loan Agreement, dated as of _____ 1, 1995, between the Owner and the Lender, as it may be supplemented or amended from time to time in accordance with its terms, pursuant to which the Lender makes the Term Loan to the Owner.

"Loans" means, collectively, the Serial Loans and the Term Loan.

"Manager" means P.D. Gram & Co. as, a company organized under the laws of the Kingdom of Norway.

"Mortgage" shall mean the First Preferred Ship Mortgage, dated the Closing Date, from the Owner to the Lender.

"Nominated Brokers" means McQuilling Brokerage Partners, Inc. and ACM Shipping Limited.

"Optional Termination Date" means the [8th, 10th, 12th or 14th] [9th, 11th, 13th or 15th] [10th, 12th, 14th or 16th] [11th, 13th or 15th] anniversary of the Commencement Date.

"Owner" means CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas.

"Payment Date" means each _____ and _____, commencing _____, 1995.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Purchase Agreement" means the Vessel Purchase Agreement, dated as of _____, 1995 between the Owner and the Initial Charterer wherein the Owner purchases the Vessel from the Initial Charterer.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Rating Group and Duff & Phelps Credit Rating Co.

"Registration Jurisdiction" means the jurisdiction in which the Vessel is or will be registered.

"Remarketing Period" shall have the meaning assigned to such term in Section 3.05(d) of this Agreement.

"Securities" means, collectively, the Term Mortgage Notes and the Serial Mortgage Notes.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from _____, 1996 to _____, 2006 issued in the initial aggregate amount of \$167,500,000 concurrently with the offering of the Term Mortgage Notes.

"Serial Loans" means the loans from the Lender to the Owner in the amount of \$_____.

"State" means any state of the United States of America and, in addition, the District of Columbia.

"Subsequent Charterer" shall have the meaning assigned to such term in Section 3.02(a) of this Agreement.

"Substitute Charter" means a replacement charter after the termination of the Initial Charter which is not an Acceptable Replacement Charter.

"Technical Adviser" means Barber Ship Management Group, a company organized under the laws of the Kingdom of Norway.

"Term Loan" means the loan from the Lender to the Owner in the amount of \$_____.

"Term Mortgage Notes" means ___% First Preferred Mortgage Notes Due 2015 in the initial aggregate amount of \$117,900,000 issued by California Petroleum under the Indenture.

"Termination Date" means the date on which the Initial Charter is terminated by the Initial Charterer pursuant to the terms thereof.

"Termination Payment" means the payment made by the Initial Charterer pursuant to the Initial Charter in the event the Initial Charterer elects to terminate the Initial Charter on any Optional Termination Date.

"Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as indenture trustee under the Indentures.

"Vessel" means the m.t. _____.

California Petroleum Transport Corporation

and

CalPetro Tankers (Bahamas I) Limited

TERM LOAN AGREEMENT

Dated as of _____ 1, 1995

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Term Loan Agreement, dated as of _____ 1, 1995 (the "Loan Agreement"), between California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware (the "Lender") and CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas (the "Owner").

PRELIMINARY STATEMENT

The Owner has requested that the Lender make a loan to the Owner in the aggregate principal amount equal to \$_____ (the "Term Loan"). Concurrently herewith, the Owner is requesting that the Lender make a series of loans to the Owner in the aggregate principal amount equal to \$_____ (collectively, the "Serial Loans"). The net proceeds of the Serial Loans and the Term Loan will be used by the Owner to acquire the m.t. _____ (the "Vessel") from Chevron Transport Corporation (the "Initial Charterer"). The Vessel will be bareboat chartered to the Initial Charterer pursuant to the Bareboat Charter (the "Initial Charter"), dated as of the date hereof, between the Owner and the Initial Charterer. As collateral security for its obligations hereunder, the Owner will assign, pledge, mortgage and grant to the Lender a security interest in, inter alia, the Vessel, the Initial Charter and the earnings and insurances of the Vessel.

The Lender is willing to make the Term Loan to the Owner pursuant to this Loan Agreement upon the terms and subject to the conditions contained herein:

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and of other valuable consideration, receipt of which is hereby acknowledged, the Owner and the Lender hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Loan Agreement shall have the meanings assigned to such terms in Schedule 1 to this Loan Agreement, and the definitions of such terms shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

THE TERM LOAN

Section 2.01 The Term Loan. The Lender agrees upon the terms and

subject to the conditions hereof to make the Term Loan to the Owner on the Closing Date in the initial principal amount of \$_____.

Section 2.02 Interest. Interest on the outstanding principal balance

of the Term Loan shall be payable at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the ____% (the "Interest Rate"). Interest shall be

payable in arrears on each Payment Date. If the Owner shall default in the payment of the principal of, or interest on the Term Loan or any other amounts becoming due thereunder, the Owner shall, on demand, pay interest on such unpaid amounts, to the extent permitted by applicable law, during the Default Period at a rate per annum equal to the Default Rate.

Section 2.03 Repayment of Principal. Principal on the Term Loan

shall be payable on each Payment Date commencing the First Principal Payment Date in the amounts set forth in Schedule 2 set forth hereto; provided, however, if the Initial Charterer terminates the Initial Charter on an Optional Termination Date, then Principal on the Term Loan shall be payable on each Payment Date commencing on the next Payment Date on which Principal is due in the amounts set forth in Schedule 3-A, Schedule 3-B, Schedule 3-C and Schedule 3-D, as applicable.

Section 2.04 Mandatory Prepayment of the Term Loan. (a) In the

event the Vessel is a Total Loss, the Owner shall prepay the outstanding principal balance of the Term Loan on the Loss Date, together with an amount equal to all accrued interest thereon to but not including the Loss Date; provided, however, in the event the Total Loss Proceeds are in an amount less than the sum of the outstanding principal balance of the Term Loan and the Serial Loans, together with an amount equal to all accrued interest thereon to but not including the Loss Date, then the Owner shall prepay the outstanding principal balance of the Term Loan and the Serial Loans, together with an amount equal to all accrued interest thereon to but not including the Loss Date, pro rata, in accordance with their respective outstanding principal balances.

(b) In the event the Vessel is sold pursuant to Section 5.12, the Owner shall use the entire net proceeds of such sale to prepay the outstanding principal balance of the Term Loan. Such prepayment shall be in full and complete satisfaction of the Owner's obligations hereunder.

Section 2.05 Voluntary Prepayment of the Term Loan. The Term Loan is

not subject to voluntary prepayment by the Owner prior to _____, 2005. Thereafter, with the prior written consent of the Lender, the Owner may prepay the Term Loan, in whole or in part, together with all interest accrued and unpaid thereon.

Section 2.06 Maximum Interest Rate. Nothing herein shall require the

Owner to pay interest at a rate exceeding the maximum rate permissible by applicable law. If the Interest Rate payable by the Owner on any date would exceed the maximum rate permissible by applicable law, the Interest Rate shall automatically be reduced to such maximum permitted amount. Any interest actually received for any period in excess of such maximum allowable amount for such period shall be deemed to have been applied as a prepayment of principal of the Term Loan.

Section 2.07 Manner of Payment. (a) All payments due to the Lender

under this Loan Agreement shall be made without any reduction or deduction whatsoever, including any reduction or deduction for any set-off, recoupment or counterclaim.

(b) Whenever any payment to the Lender under this Loan Agreement shall be due on a day other than a Business Day, the date of payment thereof shall be extended to the next succeeding Business Day. If the date for any payment under this Loan Agreement is extended, such payment shall bear interest for such extended period at the applicable Interest Rate.

(c) Any payment received by the Lender hereunder shall be applied as follows: first, toward the payment of interest on overdue payments at the -----
Default Rate, then due and payable; second, toward the payment of all interest -----
then due and payable on the Term Loan; third, toward the payment of the -----
principal then due and payable on the Term Loan due on the related Payment Date (or, if the payment relates to the mandatory prepayment of the Term Loan pursuant to Section 2.04, pro rata, in accordance with the outstanding principal balance of the Term Loan and the Serial Loans then outstanding); and fourth, -----
toward any unpaid expenses of the Lender in connection with this Loan Agreement or any other Security Documents.

(d) Payment of sums due under the provisions of this Loan Agreement shall be made by wire transfer to the Lender's nominated bank and receipt of such wire transfer by such bank by 10:00 a.m. New York time on the due date for payment.

Section 2.09 Transfer of Loan Agreement. This Loan Agreement, and -----

the right to receive all payments of principal, interest and any other amounts hereunder, may be transferred by the Lender only upon surrender thereof of this Loan Agreement to the Owner (except to the Collateral Trustee pursuant to the Collateral Trust Agreement). The Owner shall, upon such surrender, accompanied by a written request of the Lender, execute and deliver in replacement thereof a new Loan Agreement with the Lender's transferee.

Section 2.10 Joint and Several Obligation. In consideration of the -----

Other Owners agreeing to be jointly and severally liable with the Owner for all the Owner's obligations and liabilities hereunder and under the Serial Loan Agreement, the Owner hereby covenants and agrees with the Lender that the Owner will be jointly and severally liable with the Other Owners on the Other Loans, but only to the extent of the proceeds received by the Lender (or the Lender's successors and assigns) from the Lender's right, title and interest in and to the Collateral.

Section 2.11 Non-Recourse Obligations. The Lender, and any -----

subsequent assignee or transferee of this Loan Agreement, hereby agrees that the Owner has and shall have no personal liability or obligation with respect to the payment of the Term Loan, the Serial Loans or the Other Loans, and that the Term Loan, the Serial Loans and the Other Loans are payable solely from the proceeds received by the Lender (or the Lender's successors and assigns) from the Lender's right, title and interest in and to the Collateral.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE OWNER

The Owner hereby represents and warrants to the Lender as follows:

Section 3.01 Organization, Power and Status of the Owner. The Owner

(a) is a corporation duly formed, validly existing and in good standing under the laws of The Bahamas and (b) is duly authorized, to the extent necessary, to do business in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary. The Owner has all requisite corporate power and authority to own and operate the property it purports to own and to carry on its business as now being conducted and as proposed to be conducted in respect of the Vessel.

Section 3.02 Authorization; Enforceability; Execution and Delivery.

(a) The Owner has all necessary corporate power and authority to execute, deliver and perform under this Loan Agreement and each other Security Document to which it is a party.

(b) All action on the part of the Owner that is required for the authorization, execution, delivery and performance of this Loan Agreement and each other Security Document to which it is a party, in each case has been duly and effectively taken; and the execution, delivery and performance of this Loan Agreement and each such other Security Document does not require the approval or consent of any Person except for such consents and approvals as have been obtained on or prior to the Closing Date.

(c) This Loan Agreement and each other Security Document to which the Owner is a party has been duly executed and delivered by it. Each of this Loan Agreement and each other Security Document to which the Owner is a party constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms thereof.

Section 3.03 No Conflicts; Laws and Consents; No Default. (a)

Neither the execution, delivery and performance of this Loan Agreement and each other Security Document to which the Owner is a party nor the consummation of any of the transactions contemplated hereby or thereby nor performance of or compliance with the terms and conditions hereof or thereof (i) contravenes any Requirement of Law applicable to the Owner or any of the Collateral, (ii) constitutes a default under any Security Document or (iii) results in the creation or imposition of any Lien on any of the Collateral (other than the Lien created by any of the Security Documents) or results in the acceleration of any obligation.

(b) The Owner is in compliance with and not in default under any and all Requirements of Law applicable to the Owner and all terms and provisions of this Loan Agreement and all other Security Documents.

Section 3.04 Governmental Approvals. All Governmental Approvals

which are required to be obtained in the name of the Owner in connection with (a) the construction, operation and maintenance of the Vessel and (b) the execution, delivery and performance by the Owner of this Loan Agreement and the Security Documents have been obtained and are in effect on the Closing Date.

Section 3.05 Litigation. There are no actions, suits or proceedings

at law or in equity or by or before any Governmental Authority now pending against the Owner or, to the best of the Owner's knowledge, threatened against the Owner or pending or threatened against any property or other assets or rights of any of the Owner with respect to this Loan Agreement and any other Security Document.

Section 3.06 Taxes. The Owner has filed, or caused to be filed, all

tax and information returns that are required to have been filed by it in any jurisdiction and has paid, or caused to be paid, all taxes shown to be due and payable on such returns and all other taxes and assessments payable by it, including, without limitation, any taxes payable by the Owner with respect to its Vessel and its interest in the Initial Charter, to the extent the same have become due and payable.

ARTICLE IV

CONDITION PRECEDENT

Section 4.01 Condition Precedent. The obligation of the Lender to

make the Term Loan hereunder is subject to the issuance of the Securities by the Lender under the Indentures.

ARTICLE V

COVENANTS OF THE OWNER

The Owner hereby covenants and agrees that so long as this Loan Agreement remains outstanding:

Section 5.01 Payment of Principal and Interest; Payment of Taxes.

(a) The Owner will duly and punctually pay the principal of and interest on the Term Loan in accordance with the terms of this Loan Agreement.

(b) The Owner will take all actions as are necessary to insure that all taxes and governmental claims, if any, in respect of the Owner's activities and assets are promptly paid.

Section 5.02 Corporate Existence. (a) The Owner will keep in full

effect its existence, rights and franchises as a corporation under the laws of The Commonwealth of the Bahamas, and will obtain and preserve its qualification as a foreign entity in each jurisdiction

in which such qualification is necessary to protect the validity and enforceability of this Loan Agreement and any of the other Security Documents to which it is a party.

(b) The Owner shall not amend its Memorandum of Association or Articles of Association without the prior written consent of the Lender.

Section 5.03 Performance of Obligations. The Owner will not take, or

fail to take, any action, and will use its best efforts not to permit any action to be taken by others, which would release any Person from any of such Person's covenants or obligations under any agreement or instrument included in the Collateral, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such agreement or instrument, except as expressly permitted in this Loan Agreement.

Section 5.04 Activities of the Owners. The Owner shall not engage in

any activities other than (i) to enter into, or become a party to, a Purchase Agreement with the Initial Charterer for the Vessel, (ii) to register the Vessel under and pursuant to the laws of the Registration Jurisdiction, (iii) to enter into, or become a party to, the Initial Charter with the Initial Charterer and any additional charters or contracts of affreightment occasioned by the termination of the Initial Charter, (iv) to borrow the Term Loan and the Serial Loans from the Lender and to become jointly and severally liable with the Other Owners on the Other Loans, (v) to assign, grant, transfer, pledge, mortgage or convey its Vessel and its freights and earnings to the Lender, (vi) to enter into, perform its obligations under, and perform any other activities contemplated by, the Loan Agreements, the Mortgage, the Initial Charter, the Assignment of Earnings and Insurances, the Assignment of Charter, the Management Agreement, the Issue of One Debenture, the Assignment of Management Agreement and the Assignment of Purchase Agreement and (vii) to engage only in those activities, including the entering into performing and/or delivering any and all applications, licenses, agreements, necessary, suitable or convenient to accomplish the foregoing or incidental thereto or connected therewith.

Section 5.05 No Bankruptcy Petition. The Owner shall not (i)

commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to it, or seeking reorganization, arrangement, adjustment, wind-up, liquidation, dissolution, composition or other relief with respect to it or its debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or any part of its assets, (iii) make a general assignment for the benefit of creditors, or (iv) take any action in furtherance of, or consenting or acquiescing in, any of the foregoing.

Section 5.06 Other Debt. The Owner shall not after the Closing Date,

contract for, create, incur, assume or suffer to exist any indebtedness other than the Serial Loans, except (i) trade payables and expense accruals incurred in the ordinary course and which are incidental to the purposes permitted pursuant to Section 5.04 hereof and (ii) indebtedness contemplated by this Loan Agreement or any of the other Security Documents.

Section 5.07 Guarantees, Loans, Advances and Other Liabilities. The

Owner shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring payment or performance on any obligation of another Person or such Person's capability of so doing, or otherwise), endorse (except for the endorsement of checks for collection or deposit) or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stock or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person except the Owner's obligations as under the Other Loans.

Section 5.08 Consolidation, Merger and Sale of Assets. The Owner

shall not consolidate with, or merge with or into, any other Person or convey or transfer to any Person all or any part of the Collateral.

Section 5.09 Capital Expenditures. The Owner shall not make any

expenditure (by long-term or operating lease or otherwise) for capital assets (both realty and personalty) other than for the purchase of its Vessel.

Section 5.10 Books and Records. The Owner shall at all times keep

proper books and records of all of its business and financial affairs in accordance with generally accepted accounting principles, as in effect on the date hereof in the jurisdiction in which its chief executive office is located. The Owner shall keep books of account or records concerning its accounts, inventory, contract rights, equipment and proceeds at its offices located at United House, 14-16 Nelson Street, Douglas, Isle of Man.

Section 5.11 Restricted Payments. Prior to the First Principal

Payment Date, the Owner shall not make any Restricted Payment. On and after the First Principal Payment Date, the Owner may make a Restricted Payment if (a) no default under the Mortgage shall have occurred and be continuing, (b) the Serial Notes shall have been repaid in full and (c) the Vessel shall be on charter to the Initial Charterer or under an Acceptable Replacement Charter to a charterer whose unsecured credit ratings from the Rating Agencies are at least equal to the respective unsecured ratings of Chevron and the terms of such charters shall be at least sufficient to pay in full all of the remaining payments of principal and interest outstanding on the Term Loan.

Section 5.12 Acceptable Replacement Charter. (a) In the event the

Initial Charterer terminates the Initial Charter, the Owner shall cooperate with the Manager and the Trustee to locate an Acceptable Replacement Charter. In the event an Acceptable Replacement Charter is available the Owner shall enter into such Acceptable Replacement Charter and assign all of its right, title and interest in, to and under such Acceptable Replacement Charter to the Lender as collateral for the Owner's obligations hereunder.

(b) In the event an Acceptable Replacement Charter is not available, the Owner shall instruct the Manager to solicit bids for the sale of the Vessel. In the event the Manager notifies the Owner that the Manager has obtained a cash bid that results in the realization of net proceeds in an amount that is equal to or greater than the outstanding principal balance of the Term Loan, together with accrued interest thereon, the Owner shall execute any and all documents, instruments and agreements necessary or advisable to effectuate the sale that would result in the greatest cash net proceeds.

(c) If no bid meets the requirements set forth in Section 5.12(b) hereof, then the Owner shall consult with the Manager and the Trustee pursuant to the Management Agreement and consider bids regarding the disposition of the Vessel. If the Lender, or the Lender's assignee, consents in writing, the Owner shall accept the highest bid available for the sale of the Vessel. If the Lender, or the Lender's assignee, does not so consent, the Owner shall recharter the Vessel pursuant to a charter that the Manager, in its sole discretion, deems appropriate so long as (i) such charter is an arms' length agreement, (ii) the charterhire payable thereunder during the term thereof is an amount sufficient to (A) make the mandatory sinking fund payments, together with all interest payable thereon, due on the Term Mortgage Notes, (B) pay Recurring Fees and Taxes for such Vessel, (C) to pay the Management Fees and Technical Advisor's Fees for such Vessel and (D) to pay the amount of fees and expenses of the Indenture Trustee and Collateral Trustee allocable to such Vessel and (iii) such charter terminates no later than _____, 2014.

Section 5.13 Provision of Reports and Information. The Owner shall

provide to the Lender any and all information and reports required to be
furnished or provided by it pursuant to the Act.

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

Section 6.01 Events of Default. Any one or more of the following

events shall constitute an Event of Default:

(a) if the Owner shall default in the making of any payment of all or any part of the principal of, interest on, or other amount or charge due under this Loan Agreement, whether at the stated maturity thereof or at any date fixed for payment by acceleration, by notice of prepayment or otherwise, and the continuance of such default for a period of two Business Days after the due date therefor;

(b) if the Owner shall default in the performance or observance of any covenant contained in Sections 5.02, 5.03, 5.10 and 5.12 of this Loan Agreement, and the continuance of such default for a period of 30 days after written notice thereof by the Lender;

(c) if the Owner shall default in the performance or observance of any covenant contained in Article V hereof (other than Sections 5.01, 5.02, 5.03, 5.10 and 5.12 of this Loan Agreement);

(d) if any representation or warranty made by the Owner herein, in any Security Document or in any document or certificate furnished by the Owner in connection herewith or therewith or pursuant hereto or thereto shall at any time prove to have been false, incorrect or misleading in any material respect at the time made or deemed to be made;

(e) a decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Owner and such decree or order shall have remained in force undischarged or unstayed for a period of sixty (60) days;

(f) The Owner shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to such party or of or relating to all or substantially all of such party's property;

(g) The Owner shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors, or voluntarily suspend payment of its obligations; or

(h) if an Event of Default as defined in the Mortgage shall occur and be continuing.

Section 6.02 Enforcement of Remedies. After an Event of Default shall

have occurred and be continuing, then and in every such case the Lender may exercise any or all of the rights and powers and pursue any and all of the remedies pursuant to this Article and any of the other Security Documents, and to the extent permitted by applicable law, may, provided the Lender pursuant to Section 6.03 hereof shall have declared the unpaid principal amount of the Term Loan immediately due and payable, take possession of all or any part of the Collateral and may exclude the Owner and all Persons claiming under it wholly or partly therefrom.

Section 6.03 Acceleration of Term Loan. Upon the occurrence and

during the continuance of an Event of Default hereunder, the Lender may declare the unpaid principal amount of the Term Loan, together with accrued interest thereon to be immediately due and payable, upon which declaration such principal amount and such accrued interest shall immediately become due and payable without further act or notice of any kind.

Section 6.04 Specific Remedies. Upon the occurrence and during the

continuance of an Event of Default and provided that the Lender pursuant to Section 6.03 hereof shall have declared the unpaid principal amount of the Term Loan immediately due and payable:

(a) At the request of the Lender, the Owner shall promptly execute and deliver to the Lender such instruments and other documents as the Lender may deem necessary or advisable to enable the Lender or an agent or representative designated by the Lender, at such time or times and place or places as the Lender may specify, to obtain possession of all or any part of the Collateral to which possession the Lender shall at the time be entitled hereunder. If the Owner shall for any reason fail to execute and deliver such instruments and documents after such request by the Lender, the Lender may obtain a judgment conferring on the Lender the right to such possession immediately and requiring the Owner to deliver such instruments and documents to the Lender, to the entry of which judgment the Owner hereby specifically consents.

(b) The Lender may proceed to enforce the rights of the Lender by directing payment to it of all monies payable under any agreement or undertaking constituting a part of the Collateral, by proceedings in any court of competent jurisdiction for the appointment of a receiver or for sale of all or any part of the Collateral possession to which the Lender shall at the time be entitled hereunder or for foreclosure of such Collateral, and by any other action, suit, remedy or proceeding authorized or permitted by this Loan Agreement or by law or by equity, and may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Lender asserted or upheld in any bankruptcy, receivership or other judicial proceedings.

(c) The Lender shall be entitled to set-off against and withdraw all amounts constituting a part of the Collateral and to apply the same as follows:

First: To the payment of all reasonable expenses and charges, including the expenses of any taking, attorney's fees, court costs and other expenses or advances made or incurred by the Lender in connection with the ascertainment or protection of its rights and the pursuance of its remedies hereunder or under any of the Security Documents (including, without limitation, the reasonable fees and disbursements of counsel);

Second: To the payment of all amounts due to the Lender in respect of taxes, indemnities, fees, expenses, premiums, purchase of liens or otherwise under the provisions hereof or under any of the Security Documents;

Third: To the payment of interest on the Serial Loans and Term Loan, pro rata, in accordance with their respective outstanding balances;

Fourth: To the payment of principal on the Serial Loans and the Term Loan, pro rata, in accordance with their respective outstanding balances;

Fifth: To the payment of any amount due and owing under the Other Loans, pro rata, in the event of an acceleration of the principal amount of such Other Loans; and

Sixth: To the payment of any surplus thereafter remaining to the Owner or whomsoever may be lawfully entitled thereto.

(d) Without limiting the foregoing, the Lender, its assigns and its legal representatives shall have all the remedies of a secured party under applicable law and such further remedies as from time to time may hereafter be provided pursuant to such law for a secured party. In exercising its power of sale, the Lender shall be entitled to add to the Term Loan any and all of the Lender's expenses. In exercising its power of sale under this Loan Agreement, the Lender may sell such portion of the Collateral or any part thereof, either as one unit or in separate units, all as the Lender may in its discretion elect; and the Lender may so sell the aforesaid properties, rights and interests or any part thereof either separately from or together with the whole or any part of other property which may constitute security for any obligation with respect to the Term Loan, all as the Lender may in its discretion elect.

Section 6.05 Rights and Remedies Cumulative. Each and every right,

power and remedy herein specifically given to the Lender under this Loan Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Lender, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Lender in the exercise of any right, remedy or power or in the pursuance of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Owner or to be an acquiescence therein.

Section 6.06 Restoration of Rights and Remedies. In case the Lender

shall have proceeded to enforce any right, power or remedy under this Loan Agreement by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Lender, then and in every such case the Owner and the Lender shall be restored to their former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Lender shall continue as if no such proceedings had been taken.

Section 6.07 Waiver of Past Defaults. Any past default hereunder

with respect to the Term Loan or its consequences may be waived by the Lender. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01 Amendment. This Loan Agreement may be amended from time

to time by written agreement signed by the parties hereto.

Section 7.02 Severability. If any provision of this Loan Agreement

is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Loan Agreement contained, shall not affect the remaining portions of this Loan Agreement, or any part thereof.

Section 7.03 Notices. All demands, notices and communications

hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Lender, at the following address: c/o JH Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, (b) in the case of the Owner, at the following address: United House, 14-16 Nelson Street, Douglas, Isle of Man, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 7.04 Consent to Jurisdiction. Any legal suit, action or

proceeding against the Owner arising out of or relating to this Loan Agreement, or any transaction contemplated hereby, may be instituted in any federal or state court in The City of New York, State of New York and the Owner hereby waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and the Owner hereby irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Owner hereby irrevocably appoints and designates CT Corporation System, having an address at 1633 Broadway, New York, New York, its true and lawful attorney-in-fact and duly authorized agent for the limited purpose of accepting servicing of legal process and the Owner agrees that service of process upon such party shall constitute personal service of process on the Owner. The Owner shall maintain the designation and appointment of such authorized agent until all amounts payable under this Loan Agreement shall have been paid in full. If such agent shall cease to so act, the Owner shall immediately designate and appoint another such agent

satisfactory to the Lender and shall promptly deliver to the Lender evidence in writing of such other agent's acceptance of such appointment.

Section 7.05 Captions. The captions or headings in this Loan

Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 7.06 Governing Law. This Loan Agreement shall be governed by

and interpreted in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law.

Section 7.07 No Partnership. Nothing herein contained shall be

deemed or construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 7.08 Counterparts. This Loan Agreement may be executed in

any number of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 7.09 Survival. The representations, covenants and agreements

contained in or made pursuant to this Loan Agreement in respect of either party hereto shall survive the execution and delivery of this Loan Agreement and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 7.10 Integration. This Loan Agreement and the Schedule and

Exhibits hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 7.11 Reproduction of Documents. This Loan Agreement and all

documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 7.12 Successors and Assigns; Assignment. This Loan Agreement

shall be binding upon and inure to the benefit of the Owner and the Lender and their respective successors and assigns. The Owner shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender. Subject to Section 2.09 hereof, the Lender, at its sole option, shall have the right to assign this Loan Agreement, the Serial Notes, the Security Documents and any of its rights and interest hereunder and thereunder.

Section 7.13 General Interpretive Principles. For purposes of this

Loan Agreement except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Loan Agreement shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Loan Agreement;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

Section 7.14 Effective Date of Transaction. Notwithstanding the fact

that this Loan Agreement is dated as of _____ 1, 1995, the transactions set forth herein shall not be effective until the Closing Date.

IN WITNESS WHEREOF, the Owner and the Lender have caused this Loan Agreement to be duly executed and delivered by their respective officers thereunto duly authorized all as of the day and year first above written.

CALIFORNIA PETROLEUM TRANSPORT
CORPORATION, as Lender

By: _____
Name: _____
Title: _____

CALPETRO TANKERS (BAHAMAS I) LIMITED,
as Owner

By: _____
Name: _____
Title: _____

SCHEDULE 1

DEFINED TERMS USED IN THE LOAN AGREEMENT

"Act" means the United States Securities Act of 1933, as amended.

"Acceptable Replacement Charter" means any replacement charter which satisfies each of the following requirements: (i) the charter is a bareboat charter and requires that the charterer thereunder "gross up" charterhire payments to indemnify and hold the Holders of the Securities harmless from any withholding tax imposed on the charterhire payments or on the payments on the Securities; (ii) the charterhire payments payable during the non-cancelable term of such replacement charter, after giving effect to (1) any "gross up" of such amounts as a result of any withholding tax on such charterhire payments, (2) the receipt of the Termination Payment and (3) all fees and expenses incurred in connection with the rechartering of the Vessel, provide sufficient funds for the payment in full when due of (A) the outstanding principal balance of the Term Loan and interest thereon in accordance with the revised schedule of principal payments, that is applicable upon termination of the related Initial Charter, (B) the amount of Recurring Fees and Taxes for such Vessel, (C) the amount of Management Fees and Technical Advisor's Fees for such Vessel, (D) the amount of fees and expenses of the Indenture Trustee, the Collateral Trustee and the Designated Representative allocable to such Vessel and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses; and (iii) the Rating Agencies shall have confirmed in writing to the Trustee that the terms and conditions of such proposed charter will not result in the withdrawal or reduction of the then current ratings of the Term Mortgage Notes.

"Affiliate" means with respect to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Assignment of Charter" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, together with the documents contemplated thereby, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Initial Charter.

"Assignment of Earnings and Insurances" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the freights and hires (as well as any charters entered into after the Closing Date) with respect to the Vessel.

"Assignment of Guarantee" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the

Owner assigns to the Lender all of its right, title and interest in, to and under the Chevron Guarantee.

"Assignment of Management Agreement" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Management Agreement to secure its obligations under the Loan Agreements.

"Assignment of Purchase Agreement" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Purchase Agreement to secure its obligations under the Loan Agreements.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Trustee's principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of, such Person's capital stock, whether outstanding on the Closing Date or issued after the Closing Date, and any and all rights, warrants or options exchangeable for or convertible into such capital stock.

"Chevron" means Chevron Corporation, a Delaware corporation.

"Chevron Guarantee" means the guarantee of the obligations of the Initial Charterer under the Initial Charter given by Chevron dated _____ 1, 1995.

"Closing Date" means _____ 1, 1995.

"Code" means the United States Internal Revenue Code of 1986 and the corresponding provisions of any successor statute.

"Collateral" means (i) an assignment of the Initial Charter, (ii) a mortgage on the Vessel, (iii) an assignment of the earnings and insurances on the Vessel, (iv) an assignment of the Chevron Guarantee, (v) an assignment of the Management Agreement relating to the Vessel, (vi) an assignment of the Purchase Agreement, (vii) the pledge of the shares of the Owner by Owner's shareholder and (viii) a blanket security interest on all of the assets of the Owner now existing or hereafter created, together with all income and proceeds thereof.

"Collateral Trust Agreement" means the collateral trust agreement, dated as of the date hereof, among the Lender, the Collateral Trustee and the Trustee.

"Collateral Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as indenture trustee under the Collateral Trust Agreement.

"Commencement Date" means the date on which the Vessel is accepted by the Initial Charterer under the Initial Charter.

"Compulsory Acquisition" means requisition for title or other compulsory acquisition of the Vessel (otherwise than by requisition for hire), capture, seizure, detention or confiscation of the Vessel by any other government or by Persons acting or purporting to act on behalf of any government or governmental authority.

"Default Period" means the period commencing the date any payment hereunder was due to but not including the date such payment is paid in full.

"Default Rate" means a rate per annum for each day during the Default Period until such payment shall be paid in full equal to 1.50% above LIBOR at the commencement of such period.

"Event of Default" means an Event of Default under Section 6.01 of the Loan Agreement.

"First Principal Payment Date" means _____, the Payment Date immediately succeeding the Payment Date on which the Serial Loans are paid in full.

"Governmental Approval" means any authorization, consent, approval, license, franchise, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration by or with any Governmental Authority relating to the ownership of the Collateral or to the execution, delivery or performance of the Loan Agreement or any Security Document.

"Governmental Authority" means the federal government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over the Owner or operation of the Vessels.

"Holder" means the Person in whose name a Security is registered in the related securities register.

"Indentures" means the Indenture, dated as of _____ 1, 1995 between the Owner and the Trustee pursuant to which the Term Mortgage Notes will be issued and the Indenture, dated as of _____ 1, 1995 between the Lender and the Trustee pursuant to which the Serial Mortgage Notes will be issued.

"Initial Charter" means with respect to each Vessel, the Bareboat Charter, dated _____, between the Initial Charterer and the Owner.

"Initial Charterer" means Chevron Transport Corporation, a Liberian corporation.

"Interest Rate" shall have the meaning assigned to such term in Section 2.02 of the Loan Agreement.

"Issue of One Debenture" means each Issue of One Debenture between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner grants to the Lender a security interest in all of its assets.

"Law" means any statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Lender" means California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware, together with its successors and assigns.

"LIBOR" means the rate calculated on the basis of the offered rates for deposits in dollars for a one-month period which appear on the Reuters Screen LIBO Page as of 11:00 A.M., London time, on the date that is two London Banking Days preceding the date of calculation. If at least two such offered rates appear on the Reuters Screen LIBO Page, LIBOR will be the arithmetic mean of such offered rates (rounded to the nearest .0001 percentage point). If, at any time of determination, the Reuters Screen LIBO Page is not available, LIBOR will be calculated as the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective ratio per annum at which deposits in dollars for a one month period are offered to each of three reference banks in the London interbank market at approximately 11:00 A.M., London time, on the date that is two London Banking Days preceding the date of calculation. Each of the Initial Charterer and the Collateral Trustee (as assignee of the Owner) will select a reference bank and the third reference bank will be selected by the Initial Charterer and the Collateral Trustee together or, failing agreement, by the previously selected reference banks together.

"Lien" means any mortgage, lien (statutory or other), charge, pledge, security interest, encumbrance, claim, hypothecation, assignment for security, deposit arrangement or preference or other security agreement of any kind or nature whatsoever. For purposes of the Loan Agreement, a Person shall be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Loan Agreement" means this Term Loan Agreement, dated as of _____, 1995, between the Owner and the Lender.

"Loan Agreements" means, collectively, this Loan Agreement and the Serial Loan Agreement, dated the date hereof, between the Owner and the Lender wherein the Lender makes the Serial Loans to the Owners.

"London Banking Day" means any day on which dealings in deposits in United States dollars are carried on in the London interbank market and on which commercial banks are open for domestic and international business (including dealings in United States dollar deposits) in London and New York.

"Loss Date" means the date which is 90 days after the occurrence of a Total Loss of the Vessel.

"Management Agreement" means the agreement, dated the Closing Date, among the Owner, the Manager and the Technical Adviser.

"Manager" means the Person performing the duties of the Manager under the Management Agreement, initially P.D. Gram & Co. ans.

"Mortgage" means, with respect to the Vessel, the first preferred ship mortgages on the Vessel granted by the Owner to the Lender, as amended from time to time in accordance with the terms of such Mortgage.

"Optional Termination Date" means the [8th, 10th, 12th or 14th] [9th, 11th, 13th or 15th] [10th, 12th, 14th or 16th] [11th, 13th or 15th] anniversary of the Commencement Date.

"Other Owners" means Calpetro Tankers (Bahamas II) Limited, Calpetro Tankers (Bahamas III) Limited and Calpetro Tankers (IOM) Limited.

"Other Loans" means each of the loans from California Petroleum Transport Corporation to each of the Other Owners made on the Closing Date, having an aggregate initial principal amount of \$_____.

"Owner" means CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas.

"Payment Date" means each _____ and _____ commencing _____ 1995.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Purchase Agreement" means the Vessel Purchase Agreement, dated as of _____, between the Owner and the Initial Charterer wherein the Owner purchases the Vessel from the Initial Charterer.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Rating Group and Duff & Phelps Credit Rating Co.

"Recurring Fees and Taxes" means any registration fees and tonnage taxes necessary to maintain the documentation of the Vessel under the laws of the registry or port of documentation of the Vessel, any periodic fees necessary to maintain the corporate status of the Owner, any filing or other fees necessary to maintain the status of the Owner as a reporting company under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and to comply with any covenants of the Owner under the Mortgage, any fees and expenses (including the cost of insurance required by the Mortgage and not maintained by the charterer under the charter to which such Vessel is then subject) necessary to comply with any covenants under the Mortgage, any other fees and expenses contemplated to be paid pursuant to the Management Agreement which the Manager certifies to the Collateral Trustee are qualified to be paid thereunder and any accounting or other professional fees and other expenses, including any fees and expenses of the Rating Agencies, incurred in connection with the foregoing. In addition, Recurring Fees and Taxes will include the Owner's pro rata portion of the fees and expenses, including any accounting, administrative or other professional fees, necessary to maintain the registration of the Notes under the United States Securities Act of 1933, as amended to maintain the corporate status of the Lender and the status of the Lender as a reporting company (if necessary) under the Exchange Act, to pay any facilitation or management fees and to comply with any covenants under the Indentures or the Collateral Agreement.

"Registration Jurisdiction" means the jurisdiction in which the Vessel is or will be registered.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or partnership agreement or other organizational or governing documents of such Person, and, any Law applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject.

"Restricted Payment" means any of the following: (i) the declaration or payment of any dividend or any other distribution on Capital Stock of the Owner or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of the Owner (other than dividends or distributions payable solely in Capital Stock or in options, warrants or other rights to purchase Capital Stock, (ii) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Owner and (iii) the making of any loans or advances to any Affiliate of the Owner.

"Securities" means, collectively, the Term Mortgage Notes and the Serial Mortgage Notes.

"Security Documents" means the Loan Agreement, the Mortgage, the Assignment of Charter, the Assignment of Earnings and Insurances, the Assignment of Guarantee, the Assignment of Management Agreement and the Issue of One Debenture, collectively.

"Serial Loans" shall have the meaning assigned to such term in the Preliminary Statement of this Loan Agreement.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from _____, 1996 to _____, 2006 in the initial aggregate amount of \$167,500,000 issued by the Lender concurrently with the issuance of the Term Mortgage Notes.

"Technical Adviser" means the person performing the duties of the Technical Adviser under the Management Agreement, initially Barber Ship Management Group.

"Term Loan" shall have the meaning assigned to such term in the Preliminary Statement of this Loan Agreement.

"Term Mortgage Notes" means ___% First Preferred Mortgage Notes Due 2015 in the initial aggregate amount of \$117,900,000 issued by the Lender concurrently with the issuance of the Serial Mortgage Notes.

"Termination Date" means the date on which the Initial Charter is terminated by the Initial Charterer pursuant to the terms thereof.

"Termination Payment" means the payment made by the Initial Charterer pursuant to the Initial Charter in the event the Initial Charterer elects to terminate the Initial Charter on any Optional Termination Date.

"Total Loss" means either (a) an actual or constructive or compromised or arranged total loss of the Vessel, (b) a Compulsory Acquisition of the Vessel or (c) if so declared by the Initial Charterer at any time and in its sole discretion a requisition for hire of the Vessel for a period in excess of 180 days.

"Total Loss Proceeds" means all compensation, damages and other payments (including insurance proceeds other than certain liability insurance proceeds) received by the Trustee from any Person, including any governmental authority, with respect to or in connection with a Total Loss.

"Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as indenture trustee under the Indentures.

"Vessel" shall have the meaning assigned to such term in the Preliminary Statement of this Loan Agreement.

=====

COLLATERAL TRUST AGREEMENT

Among

CALIFORNIA PETROLEUM TRANSPORT CORPORATION

CALPETRO TANKERS (BAHAMAS I) LIMITED

CALPETRO TANKERS (BAHAMAS II) LIMITED

CALPETRO TANKERS (IOM) LIMITED

CALPETRO TANKERS (BAHAMAS III) LIMITED

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Collateral Trustee

CHEMICAL TRUST COMPANY OF CALIFORNIA
as Serial Indenture Trustee

and

CHEMICAL TRUST COMPANY OF CALIFORNIA
as Term Indenture Trustee

Dated as of _____, 1995

=====

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COLLATERAL TRUST AGREEMENT ("Collateral Agreement"), dated as of _____, 1995 among CALIFORNIA PETROLEUM TRANSPORT CORPORATION, a Delaware corporation ("California Petroleum"), CHEMICAL TRUST COMPANY OF CALIFORNIA, as Collateral Trustee, CHEMICAL TRUST COMPANY OF CALIFORNIA, as Serial Indenture Trustee, CALPETRO TANKERS (BAHAMAS I) LIMITED, CALPETRO TANKERS (BAHAMAS II) LIMITED, CALPETRO TANKERS (IOM) LIMITED, CALPETRO TANKERS (BAHAMAS III) LIMITED, and CHEMICAL TRUST COMPANY OF CALIFORNIA, as Term Indenture Trustee.

W I T N E S S E T H:

WHEREAS, capitalized terms used herein shall have the respective meanings set forth or referred to in Article One hereof;

WHEREAS, California Petroleum, the Serial Indenture Trustee and solely for purposes of the Trust Indenture Act, Chevron, are entering into the Serial Indenture pursuant to which California Petroleum, as agent for, and on behalf of, the Owners, will issue Serial Mortgage Notes in the aggregate principal amount of \$168,500,000, and California Petroleum and the Term Indenture Trustee are entering into the Term Indenture pursuant to which California Petroleum, as agent for, and on behalf of, the Owners, will issue Term Mortgage Notes in the aggregate principal amount of \$117,900,000;

WHEREAS, California Petroleum is entering into a Serial Loan Agreement and a Term Loan Agreement with each Owner pursuant to which California Petroleum will loan to such Owner an allocable amount of the proceeds of the sale of the Serial Mortgage Notes and the Term Mortgage Notes, respectively, in order to facilitate the acquisition of the Vessels by the Owners and the charter of the Vessels to Chevron Transport;

WHEREAS, each Owner, in order to secure its obligations to California Petroleum under its Serial Loan Agreement and Term Loan Agreement, is entering into a Mortgage, an Assignment of Initial Charter, an Assignment of Earnings and Insurances, an Assignment of Initial Charter Guarantee, an Assignment of Management Agreement and an Issue of One Debenture;

WHEREAS, Chevron is entering into the Initial Charter Guarantees;

WHEREAS, in order to further secure the obligations of each Owner to California Petroleum under its respective Serial Loan Agreement and Term Loan Agreement, all of the issued and outstanding shares of each Owner have been pledged to California Petroleum pursuant to the Stock Pledges;

WHEREAS, in order to secure its obligations under the Serial Indenture and the Term Indenture, California Petroleum is entering into this Collateral Agreement pursuant to which California Petroleum is assigning and pledging to the Collateral Trustee all of its right title and interest in, to and under all of the Security Documents, whether now existing or arising hereafter, as described herein; and

WHEREAS, the Serial Indenture and the Term Indenture each provides that a condition to its effectiveness is the execution and delivery of a collateral trust agreement substantially in the form of this Collateral Agreement;

GRANTING CLAUSE

NOW, THEREFORE, in consideration of the mutual promises contained herein and to provide for the equal and ratable security of each Secured Party with respect to the Secured Obligations owed to it and in consideration of the premises and of the covenants in the Indentures and in the Notes and of the purchase of the Notes by their holders, and of the sum of \$1 paid to California Petroleum by the Collateral Trustee at or before the delivery of this Collateral Agreement, the receipt and sufficiency of which is hereby acknowledged, California Petroleum has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged, granted a security interest in and confirmed, and California Petroleum does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and grant a security interest in and confirm to the Collateral Trustee, its successors and assigns, in trust for the equal and ratable security and benefit of the Indenture Trustees for the benefit of holders from time to time of Secured Obligations, a first priority security interest in and first Lien on all estate, right, title and interest of California Petroleum in, to and under the following described property, rights and privileges, whether now owned or existing or hereafter acquired or arising and regardless of where located, which collectively, including all property specifically subjected to the Lien of this Collateral Agreement by the terms hereof, by any supplement or amendment hereto, are included within the Trust Estate, subject to the other terms and conditions of this Collateral Agreement:

(1) Each Vessel, in accordance with the terms and conditions of the related Mortgage and Assignment of Mortgage;

(2) Each Initial Charter, in accordance with the terms and conditions of the related Assignment of Initial Charter and Collateral Assignment of Initial Charter;

(3) Each Initial Charter Guarantee, in accordance with the terms and conditions of the related Assignment of Initial Charter Guarantee and Collateral Assignment of Initial Charter Guarantee;

(4) Each Management Agreement, in accordance with the terms of the related Assignment of Management Agreement;

(5) Each Vessel Purchase Agreement, in accordance with the terms of the related Assignment of Vessel Purchase Agreement;

(6) Each Assignment of Earnings and Insurances;

(7) Each Issue of One Debenture;

(8) The Pledged Stock, in accordance with the Stock Pledge;

(9) Each Loan Agreement;

(10) Any additional security agreement, assignment or mortgage document entered into by any Owner from time to time in connection with such Owner's Loan Agreements;

(11) All rights of California Petroleum to receive payments of any kind, to execute any election or option or to give or receive any notice, consent, waiver or approval under or in respect of any of the foregoing documents and instruments;

(12) All the charterhire, tolls, rents, issues, profits, products, revenues and other income (including sales proceeds) of the property subjected or required to be subjected to the Lien of this Collateral Agreement, and all of the estate, right, title and interest of California Petroleum in and to the same and every part of said property;

(13) All moneys and securities, including the Trust Accounts and any Permitted Investments, now or hereafter paid or deposited or required to be paid or deposited to or with the Collateral Trustee by or for the account of California Petroleum or otherwise pursuant to any term of any Security Document, and held or required to be held by the Collateral Trustee hereunder;

(14) All requisition proceeds with respect to any Vessel or any part thereof (to the extent of California Petroleum's interest therein pursuant to the terms of the Mortgage) and all insurance proceeds with respect to any Vessel or any part thereof

(to the extent of California Petroleum's interest therein pursuant to the terms of the Mortgage);

(15) Any Acceptable Replacement Charter or other charter assigned to California Petroleum pursuant to the Assignment of Earnings and Insurances; and

(16) All income, payments and proceeds of the foregoing.

HABENDUM CLAUSE

TO HAVE AND TO HOLD the aforesaid property unto the Collateral Trustee, its successors and assigns, in trust for the equal and ratable benefit and security of each Secured Party with respect to the Secured Obligations owed to it and for the uses and purposes and subject to the terms and conditions set forth in this Collateral Agreement.

It is expressly agreed that anything contained in this Collateral Agreement to the contrary notwithstanding, California Petroleum shall remain liable under the Security Documents to perform all of the obligations assumed by it under any of those documents, all in accordance with and pursuant to the terms and provisions of those documents, and the Collateral Trustee and the Secured Parties shall have no obligation or liability under the Security Documents by reason of or arising out of the assignment under this Collateral Agreement, nor shall the Collateral Trustee or the Secured Parties be required or obligated in any manner to perform or fulfill any obligations of California Petroleum under or pursuant to the Security Documents or, except as expressly provided in this Collateral Agreement, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

As between the holders of the Serial Mortgage Notes, on the one hand, and the holders of the Term Mortgage Notes, on the other hand, it is hereby agreed that the following property included in the Trust Estate shall be held by the Collateral Trustee hereunder for the equal and ratable benefit of the holders of the Secured Obligations other than the holders of the Serial Mortgage Notes at the times and under the circumstances set forth below:

From and after the satisfaction and payment in full of all of an Owner's obligations under and pursuant to a Serial Loan Agreement, the Collateral relating to such Vessel including, without limitation, (i) the related Initial Charter (including any Termination Payment made thereunder), (ii) any amounts received under the related Security Documents in connection with the

occurrence of a Total Loss with respect to such Vessel, (iii) any amounts received under the related Security Documents in connection with the exercise of any remedies thereunder and (iv) all payments under the related Term Loan Agreement by the related Owner.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED by California Petroleum that all the Secured Obligations are to be secured and that all the Trust Estate is to be held, subject to the further covenants, conditions, uses and trusts herein set forth, and California Petroleum, for itself and its successors and assigns, does hereby covenant and agree to and with the Collateral Trustee and its successors in said trust for the benefit of those who shall hold the Secured Obligations or any of them, as set forth herein.

ARTICLE ONE

DEFINITIONS AND CERTAIN OTHER GENERAL PROVISIONS

Section 1.01 Definitions. (a) The following terms, as used herein, have the following respective meanings:

"Acceptable Replacement Charter" means any replacement charter which satisfies each of the following requirements: (i) the charter is a bareboat charter and requires that the charterer thereunder "gross up" charterhire payments to indemnify and hold the holders of the Term Mortgage Notes harmless from any withholding tax imposed on the charterhire payments or on the payments of the Term Mortgage Notes, (ii) the charterhire payments payable during the non-cancellable term of such replacement charter, after giving effect to (1) any "gross up" of such amounts as a result of any withholding tax on such charterhire payments, (2) the receipt of the Termination Payment and (3) all fees and expenses incurred in connection with the recharter of the Vessel, provide sufficient funds for the payment in full when due of (A) the Allocated Principal Amount of the Term Mortgage Notes for the related Vessel and interest thereon in accordance with the revised schedule of sinking fund and principal payments, that is applicable upon termination of the related Initial Charter, (B) the amount of Recurring Fees and Taxes for such Vessel, (C) the amount of Management Fees and Technical Advisor's Fees for such Vessel, (D) the amount of fees and expenses of the Indenture Trustee, Trustee Fees and Designated Representative's Fee allocable to such Vessel and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses and (iii) the Rating Agencies shall have confirmed in writing to the Indenture Trustee that the terms and conditions of such proposed charter will not result in the withdrawal or reduction of the then current ratings of the Term Mortgage Notes.

"Affiliate" means with respect to any Person (the "relevant Person") (i) any other Person that directly, or indirectly through one or more intermediaries, controls the relevant Person (a "Controlling Person") or (ii) any Person (other than the relevant Person) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Allocated Principal Amount" means (i) when used with reference to the Serial Mortgage Notes relating to any Vessel at any time, an aggregate principal amount of outstanding Serial Mortgage Notes equal to the aggregate principal amount of Serial Loans of the related Owner then outstanding and (ii) when used with reference to the Term Mortgage Notes relating to any Vessel at any time, an aggregate principal amount of outstanding Term Mortgage Notes equal to the aggregate principal amount of the Term Loans of the related Owner then outstanding, plus any payment of principal, if any, on such Term Loans since the last date on which payment of principal on the Term Mortgage Notes was made.

"Applicable Secured Parties" means (i) at any time when an Enforcement Notice delivered by the Serial Indenture Trustee is in effect and no Enforcement Notice delivered by the Term Indenture Trustee is in effect, the Majority Serial Noteholders, (ii) at any time when an Enforcement Notice delivered by the Term Indenture Trustee is in effect and no Enforcement Notice delivered by the Serial Indenture Trustee is in effect, the Majority Term Noteholders and (iii) at any time when an Enforcement Notice delivered by both the Serial Indenture Trustee and the Term Indenture Trustee are in effect, the Majority Noteholders.

"Assignment of Earnings and Insurances" means, for each Vessel, the Assignment of Earnings and Insurances, dated the date hereof, between the related Owner and California Petroleum, as the same may be amended from time to time.

"Assignment of Guarantee" means, for each Initial Charter Guarantee, the Assignment of Guarantee, dated the date hereof, between the Owner of the related Vessel and California Petroleum, as the same may be amended from time to time.

"Assignment of Initial Charter" means, for each Initial Charter, the Assignment of Initial Charter, dated the date hereof, between the Owner of the related Vessel and California Petroleum, as the same may be amended from time to time.

"Assignment of Management Agreement" means, for each Management Agreement, the Assignment of Management Agreement, dated the date hereof, between the Owner of the related Vessel and California Petroleum, as the same may be amended from time to time.

"Assignment of Mortgage" means, for each Mortgage, the Assignment of Mortgage between California Petroleum and the Collateral Trustee, as the same may be amended from time to time.

"Assignment of Vessel Purchase Agreement" means, for each Vessel, the Vessel Purchase Agreement Assignment, dated the date of the Vessel Purchase Agreement for such Vessel, between the related Owner and California Petroleum.

"Authorized Officer" of any Person means the President of such Person.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended.

"Business Day" means any day except a Saturday or a Sunday or other day on which commercial banks are authorized by law to close in New York City or in the city and state where the Collateral Trustee's principal offices are located.

"Casualty Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(f).

"Charter Event of Default" means, for each Initial Charter, each of the events designated as a default in Clause 17 of such Initial Charter.

"Charterhire" means, for each Initial Charter, the scheduled payments of charterhire thereunder.

"Chevron" means Chevron Corporation, a Delaware corporation.

"Chevron Transport" means Chevron Transport Corporation, a Liberian corporation.

"Closing Date" means _____, 1995.

"Collateral" means the property in which the Collateral Trustee, in its own right or as assignee of California Petroleum, is granted a Lien from time to time under any Security Document, which lien or security interest has not been released in accordance with the terms hereof or thereof.

"Collateral Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(g).

"Collateral Assignment of Initial Charter" means for any Initial Charter, the Collateral Assignment of Initial Charter, dated the date of the related Initial Charter, between California Petroleum and the Collateral Trustee, as amended from time to time.

"Collateral Assignment of Guarantee" means, for any Initial Charter Guarantee, the Collateral Assignment of Guarantee, dated the date of the related Initial Charter, between California Petroleum and the Collateral Trustee, as the same may be amended from time to time.

"Collateral Trustee" means Chemical Trust Company of California, in its capacity as trustee under this Collateral Agreement, or any other Person acting from time to time as trustee hereunder.

"Compulsory Acquisition" means requisition of title or other compulsory acquisition of any Vessel (otherwise than by requisition for hire), capture, seizure, condemnation, destruction, detention or confiscation of such Vessel by any government or by persons acting or purporting to act on behalf of any governmental authority.

"Default" means any Event of Default or any event or condition which, with the giving of notice or lapse of time, or both would constitute an Event of Default.

"Designated Representative" means the Person designated by California Petroleum pursuant to the Designated Representative Agreement, dated the date hereof, between California Petroleum and CalPetro Holdings Limited to be California Petroleum's representative under Section 10.11 of the Serial Indenture and Section 9.11 of the Term Indenture, respectively, and Section 7.12 hereof. Initially the Designated Representative is CalPetro Holdings Limited.

"Designated Representative's Fee" means the fee received by the Designated Representative as compensation for its services during the period from the Closing Date until the third anniversary of the Closing Date, in an amount equal \$15,000 per annum, from the third anniversary to the eighth anniversary, in an amount equal to \$20,000.00 per annum, from the eighth anniversary to the thirteenth anniversary, in an amount equal to \$25,000 per annum, from the thirteenth anniversary to the eighteenth anniversary, in an amount equal to \$30,000 per annum, and thereafter in an amount equal to \$35,000 per annum, payable semi-annually in arrears.

"Distribution Date" means each date fixed by the Collateral Trustee for a distribution to the Secured Parties of funds, if any, held in the Collateral Account pursuant to clause (i) of the first paragraph of Section 3.01(g) or the second paragraph

of Section 3.01(g), which shall be the date from time to time determined by the Collateral Trustee or requested by the Applicable Secured Parties.

"Enforcement Notice" means a notice delivered or deemed delivered to the Collateral Trustee pursuant to Section 4.10 of the Term Indenture or the Serial Indenture stating that an Indenture Event of Default under such Indenture has occurred and is continuing.

"Equity Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(e).

"Equity Remainder" means, for any Vessel on the applicable Payment Date for so long as the Initial Charter with respect to such Vessel remains in effect, the positive difference, if any, between (a) \$100,000 and (b) the sum of (i) the Management Fee and the Technical Advisor's Fee for such Vessel deposited into the Operating Account on such Payment Date and the immediately preceding Payment Date, (ii) the aggregate amount of Recurring Fees and Taxes for such Vessel deposited into the Operating Account on such Payment Date and the immediately preceding Payment Date and (iii) the allocable portion of the fees and expenses of the Indenture Trustee, the Collateral Trustee and the Designated Representative. On and after the termination of such Initial Charter, the "Equity Remainder" for such Vessel on the applicable Payment Date shall be zero.

"Equity Transfer Date" means the Payment Date scheduled to occur on _____ of each year, commencing _____, 1996.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Indenture Event of Default" has the meaning ascribed to the term "Event of Default" in the Serial Indenture or the Term Indenture.

"Indenture Trustees" means the Serial Indenture Trustee and the Term Indenture Trustee, collectively.

"Indentures" means the Serial Indenture and the Term Indenture, collectively.

"Initial Charter" means, for each Vessel, the bareboat charter between the related Owner and Chevron Transport dated the Closing Date, as the same may be amended from time to time.

"Initial Charter Guarantee" means, for any Vessel, the Guarantee together with the consent to assignment of guarantee, dated the date of the related Initial Charter, given by Chevron to the related Owner in connection with the related Initial Charter.

"Initial Charter Period" means for any Initial Charter the period from the date of commencement of such Initial Charter to the expiration or earlier termination of such Initial Charter pursuant to the terms and conditions thereof.

"Initial Charterer" means, for each Initial Charter, Chevron Transport as the Charterer thereunder, and any permitted successor or assignee thereof.

"Initial Revenue Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(a).

"Issue of One Debenture" means, for each Owner, the Issue of One Debenture, dated the Closing Date, between such Owner and California Petroleum, as the same may be amended from time to time.

"Lien" means with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Collateral Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan Agreements" means the Serial Loan Agreements and the Term Loan Agreements, collectively.

"Majority Noteholders" means the holders of a majority in aggregate principal amount of the Outstanding Notes.

"Majority Serial Noteholders" means at any time the holders of Serial Mortgage Notes then Outstanding having an aggregate principal amount in excess of 50% of the aggregate principal amount of all such Serial Mortgage Notes then Outstanding.

"Majority Term Noteholders" means at any time the holders of Term Mortgage Notes then Outstanding having an aggregate principal amount in excess of 50% of the aggregate principal amount of all such Term Mortgage Notes then Outstanding.

"Management Agreement" means, for each Owner, the Management Agreement, dated the Closing Date, among such Owner, the Manager and the Technical Advisor, as the same may be amended from time to time.

"Management Fee" means the sum of (i) for each Vessel, an annual fee payable to the Manager, semi-annually in arrears, which shall be an amount equal to \$13,625 per annum during the period from the Closing Date to the third anniversary of the Closing Date plus (ii) a fee of \$3,000 per annum, payable annually in arrears, during such three-year period. Thereafter, the Management Fee shall increase by an amount equal 4% per annum.

"Manager" means, for any Management Agreement, P.D. Gram & Co. a.s., or any other Person acting from time to time as Manager thereunder.

"Moody's" means Moody's Investors Service, Inc.

"Mortgage" means, for each Vessel, the First Preferred Ship Mortgage or Statutory Mortgage and Deed of Covenants for such Vessel, as applicable, dated the date of the related Initial Charter, between the related Owner and California Petroleum and assigned by California Petroleum to the Collateral Trustee, as the same may be amended from time to time.

"Mortgage Event of Default" means, for any Mortgage, each of the events designated as an "Event of Default" in Section 5.01 of such Mortgage.

"Noteholders" means at any time the holders of the Outstanding Serial Mortgage Notes and the Outstanding Term Mortgage Notes, collectively.

"Notes" means the Serial Mortgage Notes together with the Term Mortgage Notes.

"Operating Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(d).

"Outstanding" means, when used with respect to Secured Obligations, any Secured Obligations then or theretofore issued or incurred by California Petroleum, except Secured Obligations or portions thereof which have been paid or defeased (including without limitation, through a covenant defeasance); provided that, for purposes of determining the parties constituting the Majority Noteholders, the Majority Serial Noteholders, the Majority Term Noteholders or the Applicable Secured Parties for purposes of any action to be taken hereunder, Secured Obligations held by California Petroleum or any Affiliate thereof, any Owner or any Affiliate thereof, or Chevron or any Affiliate thereof, shall be disregarded and deemed not to be Outstanding (except that, in determining whether the Collateral Trustee shall be

protected in relying upon any request, demand, authorization, direction, notice, consent or waiver, only Secured Obligations which the Collateral Trustee knows to be so held shall be so disregarded).

"Owner" means CalPetro Tankers (Bahamas I) Limited, in the case of the Vessel m.t. Samuel Ginn, CalPetro Tankers (Bahamas II) Limited, in the case of the Vessel m.t. Condoleezza Rice, CalPetro Tankers (IOM) Limited, in the case of the Vessel m.t. Chevron Mariner, or CalPetro Tankers (Bahamas III) Limited, in the case of the Vessel m.t. William E. Crain.

"Payment Date" means each ____ and ____, commencing ____, 1995.

"Permitted Investments" means any of the following:

(a) direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided such obligations are backed by the full faith and credit of the United States, Federal Housing Administration debentures, FHLMC senior debt obligations or FNMA senior debt obligations, but excluding any of such securities whose terms do not provide for payment of a fixed dollar amount upon maturity or call for redemption;

(b) federal funds, certificates of deposit, time and demand deposits and banker's acceptances (having original maturities of not more than one year) of any bank or trust company incorporated under the laws of the United States or any state thereof, provided that the short-term debt obligations of such bank or trust company at the date of acquisitions thereof have been rated at least "A-1" or "P-1" by Standard & Poor's and Moody's, respectively;

(c) commercial paper (having original maturities of not more than one year) rated at least "A-1" or "P-1" by Standard & Poor's and Moody's, respectively; or

(d) guaranteed investment contracts, investment agreements or similar agreements rated at least "AA" or "Aa" by Standard & Poor's, Moody's or Duff & Phelps, respectively, that are treated as indebtedness for United States federal income tax purposes.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Pledged Stock" means all of the issued and outstanding capital stock of each Owner, including any additional or substitute shares of capital stock of any such Owner now owned or hereafter acquired by California Tankers Investments Limited issued at any time or from time to time.

"Rating Agencies" means Moody's, Standard & Poor's and Duff & Phelps Credit Rating Co.

"Recurring Fees and Taxes" means, for any Vessel, any registration fees and tonnage taxes necessary to maintain the documentation of the Vessel under the laws of the registry or port of documentation of the Vessel, any periodic fees necessary to maintain the corporate status of the related Owner, any filing or other fees necessary to maintain the status of such Owner as a reporting company under the Exchange Act and to comply with any covenants of such Owner under the related Mortgage, any fees and expenses (including the cost of insurance required by the related Mortgage and not maintained by the charterer under the charter to which such Vessel is then subject) necessary to comply with any covenants under the related Mortgage, any other fees and expenses contemplated to be paid pursuant to the Management Agreement which the Manager certifies to the Collateral Trustee are qualified to be paid thereunder and any accounting or other professional fees and other expenses including any fees and expenses of the Rating Agencies incurred in connection with the foregoing. In addition, each Owner's Recurring Fees and Taxes will include a pro rata portion of the fees and expenses, including any accounting, administrative or other professional fees, necessary to maintain the registration of the Notes under the Securities Act, to maintain the corporate status of California Petroleum and the status of California Petroleum as a reporting company (if necessary) under the Exchange Act, to pay any facilitation or management fees and to comply with any covenants under the Indenture or this Collateral Agreement.

"Second Revenue Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(b).

"Secured Instruments" means, at any time, (i) the Serial Indenture and the Outstanding Serial Mortgage Notes and (ii) the Term Indenture and the Outstanding Term Mortgage Notes.

"Secured Obligations" means at any time, without duplication, each of the following (to the extent not satisfied or terminated):

(i) all obligations of California Petroleum in respect of the principal of and interest on the Serial Mortgage Notes;

(ii) all obligations of California Petroleum in respect of the principal of, premium, if any, and interest on the Term Mortgage Notes;

(iii) all sums payable by California Petroleum to the Collateral Trustee and to the Secured Parties hereunder and under the Collateral Assignments of Charter, the Collateral Assignments of Guarantee and the Assignments of Mortgage, including Trustee Fees;

(iv) the performance and observance by California Petroleum of each other term, covenant and other provision to be performed and observed by it hereunder, under the Collateral Assignments of Charter, the Collateral Assignments of Guarantee and the Assignments of Mortgage, or under the Secured Instruments;

(v) all amendments, modifications, renewals, extensions and replacements of any of the foregoing, in each case whether now outstanding or hereafter arising.

The Secured Obligations shall include any and all interest, costs, fees and expenses which accrue on or with respect to any of the foregoing in accordance with the provisions of the applicable Secured Instrument, whether before or after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of California Petroleum and any such interest, costs, fees and expenses that would have accrued thereon or with respect thereto in accordance with the provisions of the applicable Secured Instrument but for the commencement of any such case, proceeding or other action.

"Secured Party" means each holder from time to time of the Secured Obligations (including without limitation any assignees of such holders).

"Securities Act" means the United States Securities Act of 1933, as amended.

"Security Documents" means, for each Vessel and the Owners, the Loan Agreements, the Mortgage, the Assignment of Initial Charter, the Assignment of Earnings and Insurances, the Assignment of Initial Charter Guarantee, the Assignment of Management Agreement, the Issue of One Debenture, the Stock Pledge, the Assignment of Vessel Purchase Agreement, and any additional security agreement, assignment or mortgage document entered into by any Owner from time to time in connection with such Owner's Loan Agreements.

"Security Interests" means the Liens created in the Collateral pursuant to this Collateral Agreement and pursuant to each other Security Document.

"Serial Indenture" means the Serial Indenture dated as of _____, 1995 among California Petroleum, the Serial Indenture Trustee, and, solely for purposes of the Trust Indenture Act, Chevron, as the same may be amended from time to time.

"Serial Indenture Trustee" means Chemical Trust Company of California or any other Person from time to time acting as the trustee under the Serial Indenture.

"Serial Loan Agreement" means, for any Owner, the Serial Loan Agreement dated as of _____, 1995 between such Owner and California Petroleum, as the same may be amended from time to time.

"Serial Loans" has, for any Owner, the meaning set forth in the Serial Loan Agreement entered into by such Owner.

"Serial Mortgage Notes" has the meaning set forth in the Serial Indenture.

"Sinking Fund Reserve Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(h).

"Standard & Poor's" means Standard & Poor's Ratings Group.

"Stipulated Loss Value" means, for any Vessel on any date, the amount specified in the related Initial Charter as the "Stipulated Loss Value" for such date, which amount will be at least sufficient to redeem in full the Allocated Principal Amount of Notes for such Vessel.

"Stock Pledge" means the Stock Pledge Agreement, dated the Closing Date, between California Tankers Investments Limited and California Petroleum, as the same may be amended from time to time.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"Technical Advisor" means, for each Management Agreement, Barber Ship Management ans, or any other Person acting from time to time as Technical Advisor thereunder.

"Technical Advisor's Fee" means, for each Vessel, an annual fee payable to the Technical Advisor, semi-annually in arrears, which shall be an amount equal to \$10,000 per annum during the period from the Closing Date to the third anniversary of the Closing Date. Thereafter, the Technical Advisor's Fee will be increased by an amount equal to 4% per annum.

"Term Indenture" means the Term Indenture dated as of _____, 1995 between California Petroleum and the Term Indenture Trustee, as the same may be amended from time to time.

"Term Indenture Trustee" means Chemical Trust Company of California or any other Person from time to time acting as the trustee under the Term Indenture.

"Term Loan" has, for any Owner, the meaning set forth in the Term Loan Agreement entered into by such Owner.

"Term Loan Agreement" means, for any Owner, the Term Loan Agreement dated as of _____, 1995 between such Owner and California Petroleum, as the same may be amended from time to time.

"Term Mortgage Notes" has the meaning set forth in the Term Indenture.

"Termination Account" means the account established and maintained by the Collateral Trustee pursuant to Section 3.01(c).

"Termination Payment" means the payment that Chevron Transport is required to make pursuant to Clause 2(a) of the applicable Initial Charter if Chevron Transport elects to terminate the Initial Charter for any Vessel on a specified termination date.

"Total Loss" means (a) an actual or constructive or compromised or arranged total loss of a Vessel, (b) a Compulsory Acquisition of a Vessel or (c) if so declared by Chevron Transport at any time and in its sole discretion, a requisition for hire of the Vessel for a period in excess of 180 days.

"Trust Accounts" means the Initial Revenue Account, the Second Revenue Account, the Termination Account, the Operating Account, the Equity Account, the Casualty Account, the Collateral Account and the Sinking Fund Reserve Account.

"Trust Estate" means the property rights and privileges described in the Granting Clause in this Collateral Agreement.

"Trust Funds" means the funds deposited in the Trust Accounts.

"Trust Indenture Act" means the United States Trust Indenture Act of 1939, as amended.

"Trustee Fees" means all fees, costs and expenses of the Collateral Trustee of the types described in Sections 4.03, 4.04, 4.05 and 4.06.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of New York or any other applicable jurisdiction.

"Vessel Purchase Agreement" means, for any Vessel, the Vessel Purchase Agreement, dated the Closing Date between Chevron Transport and the related Owner.

"Vessels" means, collectively, the four Suezmax-size tankers to be acquired by the Owners and chartered to Chevron Transport pursuant to the Initial Charters.

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Collateral Agreement refer to this Collateral Agreement as a whole and not to any particular provision of this Collateral Agreement, and Article, Section and subsection references are to this Collateral Agreement unless otherwise specified.

Section 1.02 Limitation of Rights. Nothing in this Collateral Agreement or in the Secured Instruments, expressed or implied, is intended or shall be construed to confer upon or give to any Person other than the Collateral Trustee and the Secured Parties any right, remedy or claim under or by reason of this Collateral Agreement or any covenant, condition or stipulation herein contained, and all the covenants, stipulations, promises and agreements in this Collateral Agreement, the Collateral Assignments of Charter, the Collateral Assignments of Guarantee and the Assignments of Mortgage by or on behalf of California Petroleum shall be for the sole and exclusive benefit of the Collateral Trustee and the Secured Parties.

Section 1.03 Effectiveness of Collateral Agreement. This Collateral Agreement shall become effective simultaneously with the earlier of the effectiveness of the Term Indenture or the effectiveness of the Serial Indenture. All references herein to the "date hereof" or other similar language shall mean the date of the effectiveness hereof and not the date appearing on the cover or the caption of this Collateral Agreement (which date is for identification purposes only).

ARTICLE TWO

ENFORCEMENT NOTICE; EXERCISE
OF REMEDIES; DETERMINATIONS
PRIOR TO ENFORCEMENT

Section 2.01 Enforcement Notice. (a) An Enforcement Notice shall become effective upon receipt thereof (or deemed receipt thereof) by the Collateral Trustee. An Enforcement Notice, once effective, shall remain in effect unless and until it is cancelled as provided in subsection 2.01(c).

(b) So long as an Enforcement Notice is in effect, subject to the provisions of Sections 2.04(b) and (c), the Collateral Trustee shall exercise the rights and remedies provided in this Collateral Agreement, the Collateral Assignments of Charter, the Collateral Assignments of Guarantee and the Assignments of Mortgage. The Collateral Trustee is not empowered to exercise any remedy hereunder unless an Enforcement Notice is in effect.

(c) The applicable Indenture Trustee (acting on the instructions of the Majority Serial Noteholders or the Majority Term Noteholders, as the case may be) shall be entitled to cancel any Enforcement Notice theretofore given by it by delivering a written notice of cancellation to the Collateral Trustee (i) before the Collateral Trustee takes any action to exercise any remedy with respect to the Collateral or (ii) thereafter, if the Collateral Trustee believes that all actions it has taken to exercise any remedy or remedies with respect to the Collateral can be reversed without undue difficulty or is reasonably assured that it is adequately indemnified for any loss incurred by the Collateral Trustee resulting from such reversal.

(d) As soon as practicable after, but in any event within three Business Days of, its receipt of any Enforcement Notice, the Collateral Trustee shall give notice thereof to California Petroleum and the Indenture Trustees. As soon as practicable after, but in any event within three Business Days of, the cancellation of any Enforcement Notice pursuant to subsection (c) above, the Collateral Trustee shall give notice thereof to California Petroleum and the Indenture Trustees.

Section 2.02 General Authority of the Collateral Trustee Over the Collateral. California Petroleum hereby irrevocably constitutes and appoints the Collateral Trustee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of California Petroleum or in its own name, from time to time in the Collateral Trustee's discretion, so long as any Enforcement Notice is in effect, to take any and all appropriate action directed by the Applicable Secured Parties and to execute any and all documents and instruments which may be necessary or desirable to carry out the

terms hereof and accomplish the purposes hereof and, without limiting the generality of the foregoing or any of the rights conferred on the Collateral Trustee, whether in its own right or as assignee of California Petroleum, pursuant to the other Security Documents, California Petroleum hereby gives the Collateral Trustee the power and right on its behalf, without notice to or further assent by California Petroleum, so long as any Enforcement Notice is in effect, to do the following (to the extent the Collateral Trustee is directed to do so by the Applicable Secured Parties):

(i) to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due upon, or in connection with, the Collateral;

(ii) to receive, take, endorse, assign and deliver any and all checks, notes, drafts, acceptances, documents and other negotiable and non-negotiable instruments taken or received by the Collateral Trustee as, or in connection with, the Collateral;

(iii) to commence, prosecute, defend, settle, compromise, compound or adjust any claim, suit, action or proceeding with respect to, or in connection with, the Collateral;

(iv) to sell, transfer, assign or otherwise deal in or with the Collateral or any part thereof as fully and effectively as if the Collateral Trustee were the absolute owner thereof;

(v) to do, at its option and at the expense and for the account of California Petroleum, at any time or from time to time, all acts and things which the Collateral Trustee shall deem necessary or advisable to protect or preserve the Collateral and to realize upon the Collateral;

(vi) to extend the time of payment of any or all of the Collateral and to make any allowance and other adjustments with reference thereto; and

(vii) to exercise any of the remedies set forth in the Security Documents;

provided that the Collateral Trustee shall give California Petroleum not less than thirty days prior written notice of the time and place of any sale or other intended disposition of any Collateral. California Petroleum agrees that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the UCC.

To the extent payments are received under the Initial Charters and applied in accordance with the Collateral Agreement, no default shall occur under the Loan Agreements.

Section 2.03 Right To Initiate Judicial Proceedings. If an Enforcement Notice is in effect, the Collateral Trustee, subject to the provisions of Section 2.04(b) and (c), (i) shall have the right and power to institute and maintain such suits and proceedings as it may deem appropriate to protect and enforce the rights vested in it by this Collateral Agreement and each Security Document and (ii) may either after entry, or without entry, proceed by suit or suits at law or in equity to enforce such rights and to foreclose upon the Collateral and to sell all or, from time to time, any of the Collateral under the judgment or decree of a court of competent jurisdiction.

Section 2.04 Exercise of Powers; Instructions. (a) All of the powers, remedies and rights of the Collateral Trustee as set forth in this Collateral Agreement may be exercised by the Collateral Trustee in respect of any Security Document as though set forth in full therein and all of the powers, remedies and rights of the Collateral Trustee set forth in any Security Document may, subject to Sections 2.04(b) and (c), be exercised from time to time as herein and therein provided.

(b) Subject to Section 2.04(c), the Applicable Secured Parties shall have the right, by one or more instruments in writing executed and delivered to the Collateral Trustee, to direct the time, method and place of conducting any proceeding for any right or remedy available to the Collateral Trustee, or of exercising any trust or power conferred on the Collateral Trustee, or for the appointment of a receiver, or to direct the taking or the refraining from taking of any action authorized by any Security Document; provided that (i) such direction shall not conflict with any provisions of law, of any Security Document or, if applicable, the Indentures and (ii) the Collateral Trustee shall be adequately secured and indemnified as provided in Section 6.04(d). Upon the delivery of any such instrument to the Collateral Trustee, the Applicable Secured Parties delivering such instrument shall deliver a copy thereof to California Petroleum and the Indenture Trustees. Following receipt of any such instrument the Collateral Trustee shall have the right in its discretion to take any action or omit to take any action which it deems proper and which is not inconsistent with such direction. The Collateral Trustee shall have no duty to take or refrain from taking any action unless explicitly required herein or as instructed in writing as provided herein.

(c) Notwithstanding anything to the contrary contained herein or in any Security Document, so long as any Serial Mortgage Notes are Outstanding, if the Allocated Principal Amount of Serial Mortgage Notes relating to a Vessel has been paid in full and an Enforcement Notice has been delivered under the Term Indenture as a result of (i) a default under any Acceptable Replacement Charter or other charter relating to such Vessel or (ii) a Mortgage Event of Default relating to such Vessel, the Collateral Trustee may not pursue any remedies which the Collateral Trustee otherwise would be entitled to exercise pursuant to this Article with respect to any Initial Charter that has not reached its first optional termination date and that is not then in default, including amounts paid or payable thereunder, and the related Security Documents.

Section 2.05 Remedies Not Exclusive. (a) No remedy conferred upon or reserved to the Collateral Trustee hereunder and under the Collateral Assignments of Charter, the Collateral Assignments of Guarantee and the Assignments of Mortgage is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred in any Security Document or now or hereafter existing at law or in equity or by statute.

(b) No delay or omission by the Collateral Trustee to exercise any right, remedy or power hereunder or under any other Security Document shall impair any such right, remedy or power or shall be construed to be a waiver thereof, and every right, power and remedy given by any Security Document to the Collateral Trustee may, subject to Sections 2.04(b) and (c), be exercised from time to time and as often as may be deemed expedient by the Collateral Trustee.

(c) If the Collateral Trustee shall have undertaken to enforce any right, remedy or power under any Security Document and such enforcement shall have been discontinued, stayed, enjoined or abandoned for any reason or shall have been determined adversely to the Collateral Trustee in any related judicial proceedings, then California Petroleum, the Collateral Trustee and the Secured Parties shall, subject to any determination in such proceeding, severally and respectively be restored to their former positions and rights hereunder with respect to the Trust Estate and in all other respects, and thereafter all rights, remedies and powers of the Collateral Trustee shall continue as though no such action had been taken.

(d) All rights of action and of asserting claims upon or under the Security Documents may be enforced by the Collateral Trustee without the possession of any Secured Instrument or instrument evidencing any Secured Obligation or the production thereof at any trial or other proceeding relative thereto, and any suit or proceeding instituted by the Collateral Trustee shall be, subject to Sections 6.05(c) and 6.10(b)(ii), brought in its name as Collateral Trustee and any recovery of judgment shall be held and applied as part of the Trust Estate.

Section 2.06 Waiver and Estoppel. (a) California Petroleum, to the extent it may lawfully do so, (i) agrees that it will not at any time, in any manner whatsoever, claim or take the benefit or advantage of any appraisal, valuation, stay, extension, moratorium, turnover or redemption law, or any law permitting it to direct the order in which the Collateral shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of any Security Document, (ii) hereby waives all benefit or advantage of all such laws and covenants and (iii) agrees that it will not hinder, delay or impede the execution of any power granted to the Collateral Trustee, in its own right or as assignee of California Petroleum, in any Security Document but will suffer and permit the execution of every such power as though no such law were in force.

(b) California Petroleum, to the extent it may lawfully do so, on behalf of itself and all who claim through or under it, including, without limitation, the Owners, any and all subsequent creditors, vendees, assignees and lienors, waives and releases all rights to demand or to have any marshalling of the Collateral upon any sale, whether made under any power of sale granted in any Security Document or pursuant to judicial proceedings or upon foreclosure or any enforcement of any Security Document and consents and agrees that all the Collateral may at any such sale be offered and sold as an entirety.

(c) California Petroleum waives, to the extent permitted by applicable law, presentment, demand, protest and any notice of any kind (except notices explicitly required under any Security Document) in connection with the Security Documents and any action taken by the Collateral Trustee with respect to the Collateral.

Section 2.07 Determinations Prior to Enforcement. Except as otherwise specifically provided herein, the Indenture Trustees shall have the exclusive authority to direct the conduct of the Collateral Trustee with respect to (i) any written request under any Security Document for consent or approval with respect to any matter or thing relating to any Collateral or any other Person's obligations with respect thereto or (ii) any nonperformance by any Person of any covenant or any breach of any representation or warranty thereof set forth in any Security Document.

Section 2.08 Limitation on Collateral Trustee's Duty in Respect of Collateral. Beyond its duties as to the custody thereof expressly provided herein or in any Security Document and to account to the Secured Parties and California Petroleum for moneys and other property received by it under any Security Document, the Collateral Trustee shall not have any duty to California Petroleum or to the Secured Parties as to any Collateral in its possession or control or in the possession or control of any of its agents or nominees, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Collateral Trustee shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property.

Section 2.09 Limitation by Law. All rights, remedies and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions hereof are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Collateral Agreement invalid, unenforceable in whole or in part or not entitled to be recorded, registered or filed under provisions of any applicable law.

ARTICLE THREE

THE TRUST ACCOUNTS; DISTRIBUTIONS

Section 3.01 The Trust Accounts. (a) There is hereby established and, at all times hereafter until the earlier of the payment in full of the Secured Obligations under the Serial Indenture or the termination of the trusts created by this Collateral Agreement, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Initial Revenue Account") in the name and under the control of the Collateral Trustee for the benefit of the Indenture Trustees for the benefit of holders of the Serial Mortgage Notes and the Term Mortgage Notes equally and ratably into which there shall be deposited, until the first termination date under each Initial Charter any Charterhire payments under such Initial Charter.

(b) There is hereby established and, at all times hereafter until the trusts created by this Collateral Agreement shall have terminated, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Second Revenue Account") in the name and under the control of the Collateral Trustee for the benefit of the Term Indenture Trustee for the benefit of holders of the Term Mortgage Notes equally and ratably into which there shall be deposited for each Vessel (i) if the Initial Charter relating to such Vessel is terminated, any Charterhire payments under any Acceptable Replacement Charter or other charter for such Vessel and (ii) if the Initial Charter relating to such Vessel continues in effect after the Allocated Principal Amount of the Serial Mortgage Notes relating to such Vessel have been paid in full, any Charterhire payments under such Initial Charter.

(c) There is hereby established and, at all times hereafter until the trusts created by this Collateral Agreement shall have terminated, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Termination Account") in the name and under the control of the Collateral Trustee for the benefit of the Term Indenture Trustee for the benefit of holders of the Term Mortgage Notes equally and ratably into which there shall be deposited for each Vessel, if the related Initial Charter is terminated at the option of the Initial Charterer, the Termination Payment payable under such Initial Charter. Any net proceeds from the sale, if any, of a Vessel for which the related Initial Charter has reached its first optional termination date, any insurance proceeds or other payments received by the Collateral Trustee in connection with the occurrence of a Total Loss to any Vessel whose related Initial Charter has reached its first optional termination date, and any funds transferred from the Casualty Account or the Collateral Account, provided in each case all Liens of the Serial Indenture shall have been released, shall be deposited into the Termination Account to be used along with the related Termination Payment (and any excess amounts referred to in the next

succeeding sentence arising from previous Vessel sales and remaining in the Termination Account) in connection with the related mandatory redemption, if any, of Term Mortgage Notes pursuant to Section 10.1(d) of the Term Indenture. The excess, if any, relating to such Vessel over the amount necessary to pay all amounts due and payable in connection with such related mandatory redemption, shall be disbursed by the Collateral Trustee, to the extent necessary on each succeeding Payment Date, to make payments designated to be made from the Termination Account on such Payment Date pursuant to this Section 3.01(c), Section 3.03(b) or (c), or Section 3.04 as the case may be.

Any Termination Payment deposited into the Termination Account shall be disbursed by the Collateral Trustee (i) if a notice of mandatory redemption is delivered by the Owners as a result of such termination, in accordance with Section 10.1(d) of the Term Indenture or (ii) if a notice of mandatory redemption is not delivered by the Owners as a result of such termination, to the extent necessary on each succeeding Payment Date, to make payments designated to be made from the Termination Account on such Payment Date pursuant to Section 3.03(b) or (c), as the case may be.

(d) There is hereby established and, at all times hereafter until the trusts created by this Collateral Agreement shall have terminated, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Operating Account") in the name and under the control of the Collateral Trustee into which the Collateral Trustee shall deposit for each Vessel, pursuant to Section 3.03(a), (b) or (c), as the case may be, for the applicable Payment Date, the Recurring Fees and Taxes, the Management Fee and the Technical Advisor's Fee. Funds deposited into the Operating Account on each Payment Date will be disbursed by the Collateral Trustee (i) from time to time, to pay the Recurring Fees and Taxes for each Vessel as such amounts become due and payable upon presentation of invoices therefor pursuant to the Management Agreement, (ii) to pay the Management Fee for each Vessel to the Manager and (iii) to pay the Technical Advisor's Fee for each Vessel to the Technical Advisor; provided that the Management Fee and the Technical Advisor's Fee shall be payable only to the extent that the funds remaining in the Operating Account after any such payment would be sufficient to pay the Recurring Fees and Taxes for the applicable period.

(e) There is hereby established and, at all times hereafter until the trusts created by this Collateral Agreement shall have terminated, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Equity Account") in the name and under the control of the Collateral Trustee into which the Collateral Trustee shall deposit, pursuant to Section 3.03(a), (b) or (c), as the case may be, for each Equity Transfer Date, the Equity Remainder, if any, for each Vessel. Any balance remaining in the Equity Account after payment in full of all of the Secured Obligations shall be disbursed promptly thereafter to the Owners, pro rata.

(f) There is hereby established and, at all times hereafter until the trusts created by this Collateral Agreement shall have terminated, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Casualty Account") in the name and under the control of the Collateral Trustee into which there shall be deposited, pursuant to the provisions of the related Security Documents, any insurance proceeds or other payments in connection with the occurrence of a Total Loss to any Vessel then subject to an Initial Charter that has not reached its first optional termination date. Amounts deposited in the Casualty Account will be disbursed by the Collateral Trustee in accordance with Section 11.1(b) of the Serial Indenture and Section 10.1(c) of the Term Indenture, respectively. All such amounts paid with respect to a Vessel that has reached its first optional termination date and any balance remaining in the Casualty Account upon the release of all Liens of the Serial Indenture will be deposited into the Termination Account.

(g) There is hereby established and, at all times hereafter until the trusts created by this Collateral Agreement shall have terminated, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Collateral Account") in the name and under the control of the Collateral Trustee into which there shall be deposited from time to time (i) the cash proceeds of any sale of, or other realization upon, all or any part of the Collateral upon the exercise by the Collateral Trustee of any of the rights and remedies described in Article Two upon receipt of an Enforcement Notice and (ii) any other amount received by the Collateral Trustee pursuant to any of the Security Documents for which this Collateral Agreement does not specify another Trust Account into which such amount is to be deposited.

While an Enforcement Notice is in effect, all moneys which are required by any Security Document to be delivered to the Collateral Trustee or which are received by the Collateral Trustee or any agent or nominee of the Collateral Trustee in respect of the Collateral, whether in connection with the exercise of the remedies provided in any Security Document or otherwise, shall be deposited in the Collateral Account and held by the Collateral Trustee as part of the Trust Estate and applied in accordance with the terms of this Collateral Agreement; provided that any moneys received by the Collateral Trustee for deposit in any other Trust Account which are received pursuant to the Security Documents relating to any Initial Charter that is not then in default and that has not reached its first optional termination date, including amounts paid or payable thereunder, shall be deposited in such other Trust Account and applied in accordance with the provisions applicable to such other Trust Account; provided further that notwithstanding anything in this Section 3.01(g) to the contrary, all such moneys relating to Collateral with respect to which the Lien of the Serial Indenture has been released shall be deposited in the Termination Account and applied in accordance with the terms of this Collateral Agreement.

Any net proceeds from the sale, if any, of a Vessel for which the related Initial Charter has been terminated that are in excess of the amount necessary to pay all amounts due and payable in connection with the related mandatory redemption, shall be deposited into the Termination Account in accordance with Section 3.01(c).

Upon the release of all Liens of the Serial Indenture, any balance remaining in the Collateral Account shall be transferred to the Termination Account.

(h) There is hereby established and, at all times hereafter until the trusts created by this Collateral Agreement shall have terminated, there shall be maintained with the Collateral Trustee at the corporate trust office of the Collateral Trustee, a trust account (the "Sinking Fund Reserve Account") in the name and under the control of the Collateral Trustee for the benefit of the Term Indenture Trustee for the benefit of holders of the Term Mortgage Notes equally and ratably into which there shall be deposited from time to time pursuant to Section 3.03(b) or (c), as the case may be, for each Payment Date that is not a sinking fund redemption date or a date for the final payment of principal on the Term Mortgage Notes, an amount, if any, equal to one-half of the aggregate sinking fund redemption amount or amount of principal due and payable on the Term Mortgage Notes on the next succeeding Payment Date. Any balance remaining in the Sinking Fund Reserve Account after payment in full of all of the Secured Obligations shall be disbursed promptly thereafter to the Owners, pro rata.

(i) Any income received by the Collateral Trustee with respect to the balance from time to time standing to the credit of any Trust Account, including any interest or capital gains on Permitted Investments, shall remain, or be deposited, in such Trust Account. All cash amounts on deposit from time to time in the Trust Accounts, together with any Permitted Investments from time to time made with amounts on deposit therein as provided herein shall constitute part of the Collateral. The deposit or holding of such amounts in any Trust Account shall not constitute payment of the Secured Obligations until applied to such Secured Obligations as provided herein. The parties to this Collateral Agreement agree that all income from Permitted Investments shall be income of the Owners, to be held by the Collateral Trustee pursuant to the Collateral Agreement.

Section 3.02 Investment of Funds Deposited in Trust Accounts. Amounts on deposit in the Trust Accounts shall be invested and re-invested from time to time in such Permitted Investments as the Collateral Trustee shall determine in its sole discretion, which Permitted Investments shall be held in the name and be under the control of the Collateral Trustee. In order to provide the Collateral Trustee, for the benefit of the Secured Parties, with a perfected security interest in any Permitted Investment, each Permitted Investment shall be either:

(A) evidenced by negotiable certificates or instruments, or if non-negotiable then issued in the name of the Collateral Trustee, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Collateral Trustee or any agent thereof in the State of New York;

(B) in book-entry form and issued by the United States or any agency thereof and backed by the full faith and credit of the United States, and subject to pledge under applicable state law and Treasury regulations and as to which (in the opinion of counsel to the Collateral Trustee) appropriate measures shall have been taken for perfection of the Security Interests; or

(C) shares, registered in the name of the Collateral Trustee, of mutual funds or money market funds which invest solely in Permitted Investments of the kind described in clauses (A) and (B) above.

In the absence of gross negligence or willful misconduct, the Collateral Trustee shall not be responsible for any loss resulting from any such investment.

Section 3.03 Payment Dates.

(a) On each Payment Date on or prior to ____, 2003, the Collateral Trustee shall withdraw funds from the Initial Revenue Account and then from the Equity Account (except for clause (vii) below) and make the payments set forth below in the following order, in each case to the extent funds are available after the preceding payment has been made in full:

(i) to deposit into the Operating Account the amount of the Recurring Fees and Taxes then due and payable for each Vessel, or which will become due and payable prior to the next succeeding Payment Date;

(ii) to pay all interest then due and payable on the Serial Mortgage Notes to the holders of the Serial Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Serial Mortgage Note bears to the aggregate amount of the payments then due under all such Serial Mortgage Notes;

(iii) if such Payment Date is the maturity date for any Serial Mortgage Notes, to pay the aggregate amount of principal then due and payable on such Serial Mortgage Notes to the holders of such Serial Mortgage Notes, ratably in the proportion that the amount of such principal then due under each such Serial Mortgage Note bears to the aggregate amount of such principal then due under all such Serial Mortgage Notes;

(iv) to pay all interest then due and payable on the Term Mortgage Notes to the holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(v) to pay to the Indenture Trustees, the Collateral Trustee and the Designated Representative, respectively, the fees and expenses then due and payable under the Indentures to the Indenture Trustees, under the Collateral Agreement to the Collateral Trustee and the Designated Representative's Fee;

(vi) to deposit into the Operating Account the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel; and

(vii) if such Payment Date is an Equity Transfer Date, to the extent funds are available, to deposit the Equity Remainder for each Vessel into the Equity Account.

After the foregoing payments have been made, the Collateral Trustee shall invest (and reinvest, as applicable) any balance remaining in the Initial Revenue Account and the Equity Account in Permitted Investments that will mature on or before the next succeeding Payment Date.

(b) On each Payment Date that occurs after _____, 2003 and on or before _____, 2006, the Collateral Trustee shall withdraw funds from the Initial Revenue Account, the Second Revenue Account, the Termination Account, the Sinking Fund Reserve Account, the Equity Account, or the applicable combination of the foregoing indicated below, as the case may be, and make the payments set forth below in the following order, in each case to the extent funds are available in the applicable Trust Accounts after the preceding payment has been made in full:

(i) deposit into the Operating Account the amount of the Recurring Fees and Taxes then due and payable, or which will become due and payable prior to the next succeeding Payment Date for each Vessel then subject to an Initial Charter through its first optional termination date, first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein;

(ii) to pay first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, all interest then due and payable on the Serial Mortgage Notes to the holders of the Serial Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Serial Mortgage Note bears to the aggregate amount of the payments then due under all such Serial Mortgage Notes;

(iii) if such Payment Date is the maturity date for any Serial Mortgage Notes, to pay from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, the aggregate amount of principal then due and payable on such Serial Mortgage Notes to the holders of such Serial Mortgage Notes, ratably in the proportion that the amount of such principal then due under each such Serial Mortgage Note bears to the aggregate amount of such principal then due under all such Serial Mortgage Notes;

(iv) to pay first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, all interest then due and payable on the Allocated Principal Amount of Term Mortgage Notes for each Vessel then subject to an Initial Charter through its first optional termination date to the holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(v) to deposit into the Operating Account the amount of the Recurring Fees and Taxes then due and payable, or which will become due and payable prior to the next succeeding Payment Date for each Vessel after the first optional termination date for the related Initial Charter, first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein;

(vi) to pay first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, all interest then due and payable on (A) the Allocated Principal Amount of the Term Mortgage Notes for each Vessel subject to an Initial Charter after the first optional termination date thereof and (B) on the Allocated Principal Amount of the Term Mortgage Notes for each Vessel not subject to an Initial Charter to the holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(vii) (A) if such Payment Date is a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to pay first from the Sinking Fund Reserve Account, then from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, the aggregate sinking fund redemption amount or amount of principal then due and payable on the Term Mortgage Notes, ratably, in the case of payment due on maturity, in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payment

then due under all such Term Mortgage Notes and (B) if such Payment Date is not a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to deposit into the Sinking Fund Reserve Account first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, an amount, if any, equal to one-half of the aggregate sinking fund redemption amount or amount of principal due and payable on the Term Mortgage Notes on the next succeeding Payment Date;

(viii) to pay first from the Initial Revenue Account and then from the Equity Account, in each case to the extent of the funds available therein, to the Indenture Trustees, the Collateral Trustee and the Designated Representative, respectively, the portion of the aggregate amount of the fees and expenses then due under the Indentures to the Indenture Trustees, under the Collateral Agreement to the Collateral Trustee and the Designated Representative's Fee, calculated by multiplying the aggregate amount of such fees and expenses by a fraction, the numerator of which is the number of Vessels then subject to Initial Charters through their respective first optional termination date and the denominator of which is the total number of Vessels then subject to a Mortgage;

(ix) to pay to the Indenture Trustees, the Collateral Trustee and the Designated Representative, respectively, first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds therein, the portion of the aggregate amount of the fees and expenses then due under the Indentures to the Indenture Trustees, under the Collateral Agreement to the Collateral Trustee and the Designated Representative's Fee, calculated by multiplying the aggregate amount of such fees and expenses by a fraction, the numerator of which is the number of Vessels after the first optional termination date for the respective Initial Charters and the denominator of which is the total number of Vessels then subject to a Mortgage;

(x) to deposit into the Operating Account first from the Initial Revenue Account and then from the Equity Account, to the extent of the funds available therein, the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel then subject to an Initial Charter through its first optional termination date;

(xi) to deposit into the Operating Account first from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein, the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel after the first optional termination date for the related Initial Charter;

(xii) if such Payment Date is an Equity Transfer Date, to withdraw from the Initial Revenue Account, to the extent funds are available, and to deposit into the Equity Account the Equity Remainder for each Vessel then subject to an Initial Charter through its first optional termination date; and

(xiii) if such Payment Date is an Equity Transfer Date, to withdraw first from the Second Revenue Account in each case to the extent of the funds available therein, and to deposit into the Equity Account the Equity Remainder for each Vessel after the first optional termination date for the related Initial Charter.

After the foregoing payments have been made, the Collateral Trustee shall invest (and reinvest, as applicable) any balance remaining in each of the Initial Revenue Account (if such Payment Date is not the date upon which the Serial Mortgage Notes are paid in full), the Second Revenue Account, the Equity Account, the Termination Account and the Sinking Fund Reserve Account in Permitted Investments that will mature on or before the next succeeding Payment Date.

On the final maturity date for the Serial Mortgage Notes, after all payments have been made in full to the holders of the Serial Mortgage Notes, the Collateral Trustee will transfer any balance remaining in the Initial Revenue Account to the Second Revenue Account.

(c) On each Payment Date after _____, 2006, the Collateral Trustee shall withdraw funds first from the Sinking Fund Reserve Account (only in the case of clause (iii)(A) below), then from the Second Revenue Account, then from the Termination Account and then from the Equity Account, in each case to the extent of the funds available therein:

(i) to deposit into the Operating Account the Recurring Fees and Taxes then due and payable for each Vessel, or which will become due and payable prior to the next succeeding Payment Date;

(ii) to pay all interest then due and payable on the Term Mortgage Notes to the Holders of the Term Mortgage Notes, ratably in the proportion that the amount of such payment then due under each Term Mortgage Note bears to the aggregate amount of the payments then due under all such Term Mortgage Notes;

(iii) (A) if such Payment Date is a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to pay the aggregate sinking fund redemption amount or amount of principal then due and payable on the Term Mortgage Notes, ratably, in the case of payment due on maturity, in the proportion that the amount of such payment then due under each such Term Mortgage Note bears to the aggregate amount of the payment

then due under all such Term Mortgage Notes and (B) if such Payment Date is not a sinking fund redemption date or a date for the payment of principal on the Term Mortgage Notes, to deposit into the Sinking Fund Reserve Account an amount, if any, equal to one-half of the aggregate sinking fund redemption amount or amount of principal due and payable on the Term Mortgage Notes on the next succeeding Payment Date;

(iv) to pay to the Term Indenture Trustee, the Collateral Trustee and the Designated Representative, respectively, the fees and expenses then due and payable under the Term Indenture to the Term Indenture Trustee and under the Collateral Agreement to the Collateral Trustee, and the Designated Representative's Fee;

(v) to deposit into the Operating Account, the Management Fee and the Technical Advisor's Fee then due and payable for each Vessel; and

(vi) if such Payment Date is an Equity Transfer Date, to the extent funds are available, to deposit the Equity Remainder for each Vessel into the Equity Account.

After the foregoing payments have been made, the Collateral Trustee will invest (and reinvest, as applicable) any balance remaining in each of the Sinking Fund Reserve Account, the Second Revenue Account, the Equity Account and the Termination Account in Permitted Investments that will mature on or before the next succeeding Payment Date. If so directed by California Petroleum and if no Indenture Event of Default has occurred and is continuing, the Collateral Trustee will purchase Term Mortgage Notes in the open market from funds, if any, available in the Sinking Fund Reserve Account, provided that (a) the purchase price of such Term Mortgage Notes is less than 100% of the principal amount thereof plus accrued and unpaid interest to the date of such purchase and (b) such Term Mortgage Notes are used to satisfy California Petroleum's sinking fund obligations on the Term Mortgage Notes on the next succeeding Payment Date.

(d) On each Payment Date occurring after the date on which each Vessel either (i) has been sold, (ii) is subject to an Acceptable Replacement Charter or (iii) is subject to an Initial Charter for which the last optional termination date has occurred and has not been exercised, the Collateral Trustee shall if so directed by California Petroleum disburse excess funds contained in the Second Revenue Account and Termination Account to the Owners, pro rata in proportion to the amount of such funds deposited in such Trust Accounts in respect of such Owner's Vessel. For purposes of this Section 3.03(d), amounts contained in the Second Revenue Account and Termination Account shall on any date of determination be deemed excess funds to the extent, if any, that charterhire payments under all Initial Charters and Acceptable Replacement Charters then in effect during the non-cancellable term of such charters, after giving effect to (1) any "gross up" of such amounts as a result of

any withholding tax on such charterhire payments, (2) the amounts then held in the Termination Account, (3) the amounts then held in the Second Revenue Account and (4) all fees and expenses, if any, incurred but unpaid in connection with the recharter of the Vessels, provide sufficient funds for the payment in full when due of (A) sinking fund payments and payments of principal and interest on the then Outstanding Term Mortgage Notes in accordance with the revised schedule of sinking fund and principal payments that is applicable on such date of determination, (B) the amount of Recurring Fees and Taxes for all such Vessels, (C) the amount of Management Fees and Technical Advisor's Fees for all such Vessels, (D) the amount of fees and expenses of the Indenture Trustees, the Collateral Trustee and the Designated Representative and (E) an amount at least equal to 30% of the estimated amounts, on a per annum basis, referred to in clauses (B), (C) and (D) above for miscellaneous or unexpected expenses.

Section 3.04 Application of Moneys in the Collateral Account. Any moneys held by the Collateral Trustee in the Collateral Account pursuant to clause (i) of the first paragraph of Section 3.01(g) or the second paragraph of Section 3.01(g) shall, to the extent available for distribution (it being understood that the Collateral Trustee may liquidate Permitted Investments prior to maturity in order to make a distribution pursuant to this Section 3.04), be distributed by the Collateral Trustee on each Distribution Date in the following order of priority:

First: to the Collateral Trustee for any due and unpaid Trustee Fees and fees due to the Indenture Trustees and then to all reasonable expenses and charges, including the expenses of any taking, attorney's fees, court costs and other expenses or advances made or incurred by or on behalf of the Collateral Trustee in connection with the ascertainment or protection of its rights and the pursuance of its remedies hereunder or under any of the Security Documents (including, without limitation, the reasonable fees and disbursements of counsel);

Second: to the Indenture Trustees in an amount equal to the due and unpaid interest on the Serial Mortgage Notes and Term Mortgage Notes Outstanding for payment of such due and unpaid interest and, if such money shall be insufficient to pay all such amounts in full, then ratably to the applicable Indenture Trustees in proportion to the due and unpaid amounts thereof on such Distribution Date;

Third: to the Indenture Trustees in an amount equal to the due and unpaid principal on the Serial Mortgage Notes and Term Mortgage Notes Outstanding for payment of such due and unpaid principal and, if such money shall be insufficient to pay all such amounts in full, then ratably to the applicable Indenture Trustees in proportion to the due and unpaid amounts thereof on such Distribution Date;

Fourth: to each of the Indenture Trustees in an amount equal to all other sums which constitute Secured Obligations then due and payable and, if such moneys shall be insufficient to pay such sums in full, then ratably to the Indenture Trustees in proportion to such sums; and

Fifth: any surplus to the Owners or their successors or assigns or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Any moneys held by the Collateral Trustee in the Collateral Account pursuant to clause (ii) of the first paragraph of Section 3.01(g) shall be applied by the Collateral Trustee to the purposes for which they were paid or held pursuant to the applicable provisions of the Security Documents.

In the case of an Event of Default under the Term Indenture, any moneys held by the Collateral Trustee in the Termination Account shall be applied by the Collateral Trustee as set forth above in subparagraphs First through Fourth (with any excess deposited into the Termination Account), provided that no such funds shall be paid to the Serial Indenture Trustee for its benefit or for the benefit of holders of the Serial Mortgage Notes.

Section 3.05 Collateral Trustee's Calculations. In making the determinations and allocations required by this Article Three, the Collateral Trustee may rely upon information supplied by the Indenture Trustees as to amounts payable with respect to Secured Obligations arising under or with respect to the Indentures or the Notes issued thereunder, and the Collateral Trustee shall have no liability to California Petroleum or any of the Secured Parties for actions taken in reliance on such information. All distributions made by the Collateral Trustee pursuant to this Article Three shall (subject to any decree of any court of competent jurisdiction) be final, and the Collateral Trustee shall have no duty to inquire as to the application of any amounts so distributed. However, if at any time the Collateral Trustee determines that an allocation or distribution previously made pursuant to this Article Three was based on a mistake of fact, the Collateral Trustee may in its discretion, but shall not be obligated to, adjust subsequent allocations and distributions thereunder so that, on a cumulative basis, the Secured Parties receive the distributions to which they would have been entitled if such mistake of fact had not been made.

ARTICLE FOUR

AGREEMENTS WITH COLLATERAL TRUSTEE

The Indenture Trustees and California Petroleum agree as follows:

Section 4.01 Delivery of Secured Instruments and Security Documents.

California Petroleum shall deliver to the Collateral Trustee true and complete copies of all Secured Instruments in effect as of the date this Collateral Agreement shall become effective, and shall deliver to the Collateral Trustee, promptly upon the execution thereof, a true and complete copy of each Secured Instrument and all amendments, modifications or supplements to any Secured Instrument entered into after such time. California Petroleum shall deliver to the Collateral Trustee the counterpart of each Security Document marked "Secured Party's Original".

Section 4.02 Information as to Loan Agreements and Indenture Trustees.

The Indenture Trustees shall deliver to the Collateral Trustee, on the date this Collateral Agreement becomes effective and from time to time upon request of the Collateral Trustee, a list setting forth as of a date not more than 30 days prior to the date of such delivery, the aggregate unpaid principal amount of the Serial Loans and the Term Loan for each Owner under the related Loan Agreements and the name and address of the Indenture Trustees. In addition, each Indenture Trustee shall promptly notify the Collateral Trustee of any change in the identity of such Indenture Trustee.

Section 4.03 Compensation and Expenses. California Petroleum shall on

demand pay or reimburse the Collateral Trustee for (i) reasonable compensation to the Collateral Trustee, to the extent permitted by law (which shall not be limited by any provision of law in regard to compensation of fiduciaries or of a trustee of an express trust), for its services hereunder in administering the Trust Estate and (ii) all of the reasonable costs and expenses of the Collateral Trustee (including, without limitation, the reasonable compensation and expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ) (A) in connection with the preparation, execution and delivery of this Collateral Agreement or the other Security Documents, any waiver or consent thereunder, any modification or termination thereof, or any Default or alleged Default; (B) if an Indenture Event of Default occurs, in connection with such Indenture Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings relating thereto; (C) in connection with the administration or protection of the Trust Estate, the sale or other disposition of any Collateral or the preservation, protection or defense of the Collateral Trustee's rights under the Security Documents or in and to the Trust Estate; or (D) in connection with any removal pursuant to subsection 6.07(a). In addition, California Petroleum agrees to indemnify the Collateral Trustee against, and reimburse it for, the net amount of taxes (after taking account of any deduction, credit or other tax reduction or benefit available by reason of the imposition of any such tax)

in any jurisdiction in which the Collateral Trustee would not otherwise be subject to tax except by reason of its acting as mortgagee or secured party (and not as owner or operator) under any Security Document (directly or through agents, separate trustees or co-trustees); provided that such indemnification for taxes (a) shall apply only (i) in respect of taxes attributable to the performance of the Collateral Trustee's obligations as Collateral Trustee hereunder and (ii) to the extent that the Collateral Trustee, using reasonable efforts, shall have been unable to avoid or minimize the same as contemplated by Section 6.10 and (b) shall in no event cover any federal, state, local or other taxes imposed upon the Collateral Trustee with respect to or measured by its net income or profits. The obligations of California Petroleum under this Section 4.03 shall survive the termination of the other provisions of this Collateral Agreement (provided that such obligations shall no longer be secured by any Lien on the Collateral).

Section 4.04 Stamp, Excise and Other Similar Taxes. California Petroleum shall indemnify and hold harmless the Collateral Trustee from and against any present or future claim for liability for any stamp, documentary, excise, recording, transfer or any other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with any Security Document, any Secured Obligations, the Trust Estate or any Collateral or the sale or other disposition thereof. The obligations of California Petroleum under this Section 4.04 shall survive the termination of the other provisions of this Collateral Agreement (provided that such obligations shall no longer be secured by any Lien on the Collateral).

Section 4.05 Filing Fees, Etc. California Petroleum shall upon demand pay or reimburse the Collateral Trustee for any and all costs and expenses in respect of any and all search, filing, recording and registration and similar fees, taxes, charges, costs and expenses in connection with the filing, recording, registration, perfection or termination of any Security Document, any financing statement or other document relating thereto, or any Lien contemplated or perfected thereby and all costs and expenses for any Lien, financing statement, title or other similar search relating to the Collateral, California Petroleum, any Owner or any other Person owning or holding any Collateral or any interest therein. The obligations of California Petroleum under this Section 4.05 shall survive the termination of the other provisions of this Collateral Agreement (provided that such obligations shall no longer be secured by any Lien on the Collateral).

Section 4.06 Indemnification. (a) California Petroleum shall indemnify, and hold harmless the Collateral Trustee from and against any and all liabilities, obligations, losses, damages, penalties, judgments, actions, suits, proceedings, reasonable costs and expenses (including reasonable fees and disbursements of counsel) of any kind whatsoever which may be incurred by the Collateral Trustee in connection with any investigative, administrative or judicial proceeding (whether or not the Collateral Trustee is designated a party to such proceeding) relating to the Trust Estate, the

Collateral, the Security Documents or the Secured Instruments, provided that the Collateral Trustee shall not have the right to be indemnified hereunder for its own negligence or bad faith as determined by a court of competent jurisdiction. In any suit, proceeding or action brought by the Collateral Trustee under or with respect to any contract, agreement, interest or obligation constituting part of the Collateral for any sum owing thereunder, or to enforce any provisions thereof, California Petroleum agrees to save, indemnify and keep the Collateral Trustee harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of California Petroleum thereunder, arising out of a breach by California Petroleum of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of California Petroleum or its successors from California Petroleum, and all such obligations of California Petroleum shall be and remain enforceable against and only against California Petroleum and shall not be enforceable against the Collateral Trustee.

(b) In addition to, but without duplication of, its obligations under subsection (a) above, California Petroleum shall indemnify and hold harmless the Collateral Trustee from and against any and all losses, damages and expenses incurred by the Collateral Trustee as a result of any oil or other environmental damage resulting from the operation of any Vessel, including, without limitation, any liability under the Oil Pollution Act of 1990, as amended, or the laws of any other jurisdiction relating to oil spills.

(c) The agreements in this Section 4.06 shall survive the termination of the other provisions of this Collateral Agreement.

Section 4.07 Representations and Warranties; Further Assurances. Whether or not an Enforcement Notice is then in effect, California Petroleum will, from time to time, execute, deliver, file and record any statement, assignment, instrument, document, mortgage, agreement or other paper and take any other action, (including, without limitation, any filings of financing or continuation statements under the UCC) that from time to time may be necessary or desirable, or that the Collateral Trustee, any Indenture Trustee or the Majority Noteholders may request, in order to create, preserve, perfect, confirm or validate the Security Interests or to enable the Collateral Trustee and the Secured Parties to obtain the full benefits of this Agreement, or to enable the Collateral Trustee to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral. The Collateral Trustee shall be entitled to withdraw from the Operating Account amounts sufficient to pay the costs of, or incidental to, any recording or filing of any financing or continuation statement, assignment, instrument, document, mortgage, agreement or other paper concerning the Collateral. If at any time California Petroleum shall refuse to sign promptly any financing or continuation statement, California Petroleum also hereby authorizes the Collateral Trustee to sign and to file such financing or continuation statement without the signature of California Petroleum to the extent permitted by

applicable law. California Petroleum agrees that a photographic, photostatic or other reproduction of any Security Document or any Mortgage or of a financing statement is sufficient as a financing statement.

Section 4.08 Other Agreements of California Petroleum. (a) California Petroleum will not change (A) the location of its chief executive office or chief place of business, (B) the counties where it keeps or holds any Collateral in its possession at any time or any records relating to the Collateral or (C) the number of counties in the Commonwealth of Massachusetts in which it has a place of business unless, in each case, it shall have given the Collateral Trustee prior notice thereof and (at its own cost and expense) delivered an opinion of counsel with respect thereto prior to taking such action in customary form confirming the continued validity and perfection under the UCC (to the extent such Security Interests may be perfected under the UCC) of the Security Interests granted hereby (which opinion may contain such exceptions and assumptions as are customary in a legal opinion of such type). California Petroleum shall not in any event change the location of any Collateral in its possession at any time if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected unless prior to taking such action it shall have taken such actions as may be necessary to prevent such lapse in perfection or failure to be perfected.

(b) California Petroleum will not dispose of any Collateral in its possession at any time or create, incur or suffer to exist any Lien with respect to any Collateral.

(c) California Petroleum will, promptly upon request, provide to the Collateral Trustee all information and evidence it may reasonably request concerning the Collateral to enable the Collateral Trustee to enforce the provisions of this Collateral Agreement.

(d) California Petroleum will at all times do nothing to impair the rights of the Collateral Trustee and the Secured Parties in and to the Collateral.

(e) California Petroleum will permit the Collateral Trustee, the Indenture Trustees or any agent designated by any of them, from time to time during normal business hours, to inspect, audit, check and make abstracts from California Petroleum's books, records and other papers relating to the Collateral.

(f) If any Collateral is at any time in the possession or control of any warehouseman, bailee or any agent or processor of California Petroleum, California Petroleum shall notify such warehouseman, bailee, agent or processor of the Security Interest created under the Security Documents and to hold all such Collateral for the account of the Collateral Trustee subject to the instructions of the Collateral Trustee.

(g) Except as otherwise provided herein, California Petroleum will not amend any Security Document without the prior written consent of the Collateral Trustee as instructed by the Indenture Trustees or the Applicable Secured Parties.

Section 4.09 Lien for Fees. Notwithstanding anything to the contrary herein, the Collateral Trustee shall have a Lien upon the Collateral ranking junior to the Lien of the Noteholders, but senior to all other liens, if any, to the extent of Trustee Fees payable and unpaid. The Collateral Trustee shall not institute any suit in equity, action at law or other judicial or administrative proceeding seeking the enforcement of such Lien until after the Notes have been paid in full.

ARTICLE FIVE

RELEASES; NON-DISTURBANCE

Section 5.01 Releases. (a) In connection with the termination of the Liens created by the Security Documents in whole or in part or in connection with any disposition of Collateral permitted hereby or by any Security Document, the Collateral Trustee will at the request of California Petroleum as promptly as practicable release from the Lien created by the Security Documents (x) all the Collateral (in connection with a termination of all of the Security Interests) or (y) the relevant Collateral and deliver such Collateral that is in its possession to California Petroleum and execute and deliver such documents, certificates or other instruments as California Petroleum shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be. Any such request shall be in writing signed by California Petroleum, shall describe the property to be released in reasonable detail, and shall state that such release is or will be in accordance with the Secured Instruments and the Security Documents. Each release instrument to be delivered pursuant to any provision of this Collateral Agreement shall be in such form as is reasonably requested by California Petroleum and, where appropriate, shall be in recordable form or, in the case of UCC Termination Statements, in the statutorily-prescribed form.

Section 5.02 Non-Disturbance. So long as no Charter Event of Default shall have occurred and be continuing under any Initial Charter, Acceptable Replacement Charter or other charter, the Security Interest of the Collateral Trustee in such Initial Charter, Acceptable Replacement Charter or other charter and the related Vessel created hereby shall be subject to the rights, if any, of Chevron Transport under such Initial Charter or the charterer under such Acceptable Replacement Charter or other charter, as the case may be.

ARTICLE SIX

THE COLLATERAL TRUSTEE

Section 6.01 Acceptance of Trust. The Collateral Trustee, for itself and its successors, hereby accepts the trust created by this Collateral Agreement upon the terms and conditions hereof.

Section 6.02 Exculpatory Provisions. (a) The Collateral Trustee shall not be responsible in any manner whatsoever for the correctness of any recitals, statements, representations or warranties, except its own, in the Security Documents. The Collateral Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of California Petroleum or any Owner thereto or as to the security afforded by any Security Document, or as to the validity, execution (except its own execution), enforceability, legality or sufficiency of any of the Security Documents or the Secured Obligations, and the Collateral Trustee shall incur no liability or responsibility in respect of any such matters. The Collateral Trustee shall not be responsible for insuring the Collateral or for the payment of taxes, charges or assessments or discharging of liens upon the Collateral or otherwise as to the maintenance of the Collateral, except that if the Collateral Trustee takes possession of any Collateral, the Collateral Trustee shall use reasonable care in the preservation of the Collateral in its possession.

(b) The Collateral Trustee shall not be required to ascertain or inquire as to the performance by California Petroleum or any Owner of any of the covenants or agreements contained in any Security Document or Secured Instrument. Whenever it is necessary, or in the opinion of the Collateral Trustee advisable, for the Collateral Trustee to ascertain the amount of Secured Obligations then held by Secured Parties, the Collateral Trustee may rely on certificates of the Serial Indenture Trustee or the Term Indenture Trustee, as the case may be, with respect to Secured Obligations arising under or with respect to the Serial Indenture and the Term Indenture, respectively, and the Notes issued thereunder.

(c) The Collateral Trustee shall be under no obligation or duty to take any action hereunder or under any Security Document unless the Collateral Trustee shall have received security or indemnity satisfactory to it against the costs, expenses and liabilities, including any applicable taxes, which might be incurred thereby.

(d) Notwithstanding any other provision of this Collateral Agreement or any other Security Document, the Collateral Trustee, in its individual capacity, shall not be personally liable for any action taken or omitted to be taken by it in accordance with the Security Documents except for its own negligence or bad faith.

(e) The Collateral Trustee shall have the same rights with respect to any Secured Obligation held by it as any other Secured Party and may exercise such rights as though it were not the Collateral Trustee hereunder, and may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with California Petroleum, any Owner, Chevron Transport or Chevron, as if it were not the Collateral Trustee.

Section 6.03 Delegation of Duties. The Collateral Trustee may execute any of the trusts or powers hereof and perform any duty hereunder either directly or by or through agents or attorneys-in-fact. The Collateral Trustee shall be entitled to advice of counsel and other experts concerning all matters pertaining to such trusts, powers and duties. The Collateral Trustee shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by them in good faith without negligence.

Section 6.04 Reliance by Collateral Trustee. (a) Whenever in the administration of the Security Documents the Collateral Trustee shall deem it necessary or desirable that a factual matter be proved or established in connection with the Collateral Trustee taking, suffering or omitting any actions, such matter (unless other evidence in respect thereof is herein specifically prescribed) may be deemed to be conclusively proved or established by a certificate of an Authorized Financial Officer of California Petroleum delivered to the Collateral Trustee, and such certificate shall be full warrant to the Collateral Trustee for any action taken, suffered or omitted in reliance thereon, subject, however, to the provisions of Section 6.05.

(b) The Collateral Trustee may consult with counsel and other experts, and any opinion of counsel or written opinion from such other expert shall be full and complete authorization and protection in respect of any action taken or suffered by it under any Security Document in accordance therewith. The Collateral Trustee shall have the right at any time to seek instructions concerning the administration of the Security Documents from any court of competent jurisdiction.

(c) The Collateral Trustee may rely, and shall be fully protected in acting, upon any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document which it has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of cables, facsimile transmissions and telexes, to have been sent by the proper party or parties. In the absence of negligence or bad faith, the Collateral Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Collateral Trustee and conforming to the requirements of any Security Document.

(d) The Collateral Trustee shall not be under any obligation to exercise any of the rights or powers vested in the Collateral Trustee by this Collateral Agreement (including, without limitation, Article Three) and the other Security Documents, at the request or direction of the Indenture Trustees or the Majority Noteholders pursuant to this Collateral Agreement or otherwise, unless the Collateral Trustee shall have been provided adequate security and indemnity against the costs, expenses and liabilities which may be incurred by it in connection therewith, including such reasonable advances as may be requested by the Collateral Trustee.

(e) Upon any application or demand by an Owner (except any such application or demand which is expressly permitted to be made orally) to the Collateral Trustee to take or permit any action under any of the provisions of any Security Document, such Owner shall furnish to the Collateral Trustee a certificate of an Authorized Officer of such Owner stating that all conditions precedent, if any, provided for in any relevant Security Document or any Secured Instrument relating to the proposed action have been complied with, and in the case of any such application or demand as to which the furnishing of any document is specifically required by any provision of a Security Document relating to such particular application or demand, such additional document shall also be furnished.

(f) Any opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate of an appropriate Authorized Officer or representations made by an appropriate Authorized Officer in a writing delivered to the Collateral Trustee.

(g) In any case in which the Collateral Trustee shall be required or permitted to determine whether any proceeds or avails of the sale or other disposition of any property shall be allocated to the Collateral Account or another Trust Account, or otherwise to make any determination as to the extent to which the Lien created by any Security Document secures any Secured Obligations, the Collateral Trustee is authorized, at the cost and expense of the Trust Estate and without any direction from, or requirements for consent of or authorization by, the Indenture Trustees or the Applicable Secured Parties, to institute proceedings in a court of competent jurisdiction for the obtaining of any authoritative determination of such matter. If the Collateral Trustee institutes any such proceeding, it shall give prompt written notice thereof to California Petroleum and the Indenture Trustees and shall afford each of them opportunity to participate in such proceeding.

Section 6.05 Limitations on Duties of Collateral Trustee. (a) Unless an Enforcement Notice is in effect, the Collateral Trustee shall be obligated to perform such duties and only such duties as are specifically set forth in the Security Documents, and no implied covenants or obligations shall be read into any Security Document against the Collateral Trustee. If and so long as an Enforcement Notice is in effect, the Collateral Trustee shall, subject to the provisions of subsection 2.04(b), exercise the rights and powers vested in it by the Security Documents, and shall not

be liable with respect to any action taken by it, or omitted to be taken by it, in accordance with the direction of the Indenture Trustees.

(b) Except as herein otherwise expressly provided, the Collateral Trustee shall not be under any obligation to take any action which is discretionary with the Collateral Trustee under the provisions of any Security Document except upon the written request of the Applicable Secured Parties. The Collateral Trustee shall make available for inspection and copying by any Indenture Trustee each certificate or other paper furnished to the Collateral Trustee by California Petroleum under or in respect of any Security Document or any of the Collateral.

(c) No provision of any Security Document shall be deemed to impose any duty or obligation on the Collateral Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Collateral Trustee shall be unqualified or incompetent, to perform any such act or acts or to exercise any such right, power, duty or obligation.

Section 6.06 Moneys To Be Held in Trust. All moneys received by the Collateral Trustee under or pursuant to any provision of any Security Document (except Trustee Fees) shall be held in trust for the purposes for which they were paid or are held.

Section 6.07 Resignation and Removal of the Collateral Trustee. (a) The Collateral Trustee may at any time, by giving written notice to California Petroleum, the Owners, the Manager and the Indenture Trustees, resign and be discharged of the responsibilities hereby created, such resignation to become effective upon (i) the appointment of a successor Collateral Trustee by California Petroleum, (if no Enforcement Notice is then in effect) or the Applicable Secured Parties (if an Enforcement Notice is then in effect), (ii) the acceptance of such appointment by such successor Collateral Trustee and (iii) if no Enforcement Notice is then in effect, the approval of such successor Collateral Trustee evidenced by one or more instruments signed by the Indenture Trustees, which approval shall not unreasonably be withheld. If no successor Collateral Trustee shall be appointed and shall have accepted such appointment within 60 days after the Collateral Trustee gives the aforesaid notice of resignation, the resigning Collateral Trustee or any Indenture Trustee may apply to any court of competent jurisdiction to appoint a successor Collateral Trustee to act until such time, if any, as a successor Collateral Trustee shall have been appointed as provided in this Section 6.07. Any successor so appointed by such court shall immediately and without further act be superseded by any successor Collateral Trustee appointed as provided in this Section 6.07. California Petroleum, at the direction of the Owners, (if no Enforcement Notice is then in effect) or the Applicable Secured Parties (if an Enforcement Notice is then in effect) may, at any time upon giving 10 days' prior written notice thereof to the Indenture Trustees, remove the Collateral Trustee and California Petroleum, at the direction of the Owners, (if no Enforcement

Notice is then in effect but subject to the approval referred to in clause (iii) of the first sentence hereof) or the Applicable Secured Parties (if an Enforcement Notice is then in effect) may appoint a successor Collateral Trustee such removal to be effective upon the acceptance of such appointment by the successor. Any Collateral Trustee shall be entitled to Trustee Fees to the extent incurred or arising, or relating to events occurring, before or in connection with such resignation or removal.

(b) If at any time the Collateral Trustee shall resign or be removed, whether pursuant to subsection 6.07(a) or otherwise, or otherwise become incapable of acting, the powers, duties, authority and title of the predecessor Collateral Trustee shall be terminated and cancelled without any other formality (except as may be required by applicable law) other than the appointment and designation of a successor pursuant to subsection 6.07(a) and delivery, by the Person or Persons who shall have appointed or procured the appointment of such successor, of notice thereof, duly acknowledged by such successor, to the predecessor, California Petroleum, the Owners, the Manager and the Indenture Trustees. Such notice of appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited, and the Security Documents shall vest in such successor, without any further act, deed or conveyance, all the estates, properties, rights, powers, trusts, duties, authority and title of its predecessor; but such predecessor shall, nevertheless, on the written request of the Applicable Secured Parties, the Indenture Trustees, California Petroleum, the Manager, the Owners or the successor, and at the expense of California Petroleum, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers, trusts, duties, authority and title of such predecessor under the Security Documents and shall deliver all Collateral held by it or him or its or his agents to such successor. Should any mortgage, conveyance or other instrument in writing from California Petroleum be required by any successor Collateral Trustee for more fully and certainly vesting in such successor the estates, properties, rights, powers, trusts, duties, authority and title vested or intended to be vested in the predecessor Collateral Trustee any and all such mortgages, conveyances and other instruments in writing shall, on request of such successor, be executed, acknowledged and delivered by California Petroleum. If California Petroleum shall not have executed and delivered any such mortgage, conveyance or other instrument within 10 days after it received a written request from the successor Collateral Trustee to do so, or if an Enforcement Notice is in effect, the predecessor Collateral Trustee may execute the same on behalf of California Petroleum. California Petroleum hereby appoints any predecessor Collateral Trustee as its agent and attorney to act for it as provided in the next preceding sentence.

Section 6.08 Status of Successor Collateral Trustee. Every successor Collateral Trustee appointed pursuant to Section 6.07 shall be a bank or trust company in good standing and having power to act as Collateral Trustee hereunder, incorporated under the laws of the United States of America or any State thereof or the District of Columbia and having its principal corporate trust office within the 48 contiguous States and shall also have capital, surplus and undivided profits of not less

than \$10,000,000, if there be such an institution with such capital, surplus and undivided profits willing, qualified and able to accept the trust hereunder upon reasonable or customary terms.

Section 6.09 Merger of the Collateral Trustee. Any corporation into which the Collateral Trustee may be merged, or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Collateral Trustee shall be a party, shall be Collateral Trustee under the Security Documents without the execution or filing of any paper or any further act on the part of the parties hereto.

Section 6.10 Co-Trustee; Separate Trustee. (a) If at any time or times it shall be necessary or prudent in order to conform to any law of any jurisdiction in which any of the Collateral shall be located, or to avoid any violation of law or imposition on the Collateral Trustee of taxes by such jurisdiction not otherwise imposed on the Collateral Trustee, or the Collateral Trustee shall be advised by counsel, satisfactory to it, that it is necessary or prudent in the interest of the Secured Parties, or the Majority Noteholders or the Indenture Trustees shall in writing so request, or the Collateral Trustee shall deem it desirable for its own protection in the performance of its duties under any Security Document, the Collateral Trustee, the Indenture Trustees and California Petroleum as shall be necessary or prudent shall execute and deliver all instruments and agreements necessary or proper to constitute another bank or trust company, or one or more persons approved by the Collateral Trustee and California Petroleum, either to act as co-trustee or co-trustees of all or any of the Collateral under any of the Security Documents, jointly with the Collateral Trustee originally named herein or therein or any successor Collateral Trustee, or to act as separate trustee or trustees of any of the Collateral. If California Petroleum shall not have joined in the execution of such instruments and agreements within 10 days after it receives a written request from the Collateral Trustee to do so, or if an Enforcement Notice is in effect, the Collateral Trustee may act under the foregoing provisions of this subsection 6.10(a) without the concurrence of California Petroleum and execute and deliver such instruments and agreements on behalf of California Petroleum. California Petroleum hereby appoints the Collateral Trustee as its agent and attorney to act for it under the foregoing provisions of this subsection 6.10(a) in either of such contingencies.

(b) Every separate trustee and every co-trustee, other than any successor Collateral Trustee appointed pursuant to Section 6.07, shall, to the extent permitted by law, be appointed and act and be such, subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred upon the Collateral Trustee in respect of the custody, control and management of moneys, papers or securities shall be exercised solely by the Collateral Trustee or any agent appointed by the Collateral Trustee;

(ii) all rights, powers, duties and obligations conferred or imposed upon the Collateral Trustee under the relevant Security Document or Documents shall be conferred or imposed and exercised or performed by the Collateral Trustee and such separate trustee or separate trustees or co-trustee or co-trustees, jointly, as shall be provided in the instrument appointing such separate trustee or separate trustees or co-trustee or co-trustees, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Collateral Trustee shall be incompetent or unqualified to perform such act or acts, or unless the performance of such act or acts would result in the imposition of any tax on the Collateral Trustee which would not be imposed absent such joint act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such separate trustee or separate trustees or co-trustee or co-trustees;

(iii) no power given by any Security Document to, or which it is provided herein or therein may be exercised by, any such co-trustee or co-trustees or separate trustee or separate trustees, shall be exercised hereunder or thereunder by such co-trustee or co-trustees or separate trustee or separate trustees except jointly with, or with the consent in writing of, the Collateral Trustee, anything contained in any Security Document to the contrary notwithstanding;

(iv) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(v) California Petroleum and the Collateral Trustee, at any time by an instrument in writing executed by them jointly, may accept the resignation of or remove any such separate trustee or co-trustee and, in that case by an instrument in writing executed by them jointly, may appoint a successor to such separate trustee or co-trustee, as the case may be, anything contained herein to the contrary notwithstanding. If California Petroleum shall not have joined in the execution of any such instrument within 10 days after it receives a written request from the Collateral Trustee to do so, or if an Enforcement Notice is in effect, the Collateral Trustee shall have the power to accept the resignation of or remove any such separate trustee or co-trustee and to appoint a successor without the concurrence of California Petroleum, California Petroleum hereby appointing the Collateral Trustee its agent and attorney to act for them in such connection in such contingency. If the Collateral Trustee shall have appointed a separate trustee or separate trustees or co-trustee or co-trustees as above provided, the Collateral Trustee may at any time, by an instrument in writing, accept the resignation of or remove any such separate trustee or co-trustee and the successor to any such separate trustee or co-trustee shall be appointed

by California Petroleum and the Collateral Trustee, or by the Collateral Trustee alone pursuant to this subsection 6.10(b).

Section 6.11 Treatment of Payee or Indorsee by Collateral Trustee; Representatives of Secured Parties. (a) The Collateral Trustee may treat the registered holder or, if none, the payee or indorsee of any promissory note or bond evidencing a Secured Obligation as the absolute owner thereof for all purposes and shall not be affected by any notice to the contrary, whether such promissory note or bond shall be past due or not.

(b) Any Person (other than the Indenture Trustees) which shall be designated as the duly authorized representative of one or more Secured Parties to act as such in connection with any matters pertaining to this Collateral Agreement or the Collateral shall present to the Collateral Trustee such documents, including, without limitation, opinions of counsel, as the Collateral Trustee may reasonably require, in order to demonstrate to the Collateral Trustee the authority of such Person to act as the representative of such Secured Parties.

Section 6.12 No Bankruptcy Petition Against California Petroleum. The Collateral Trustee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding Notes, it will not institute against, or join any other Person in instituting against, California Petroleum any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other similar proceeding under the laws of the United States or any state of the United States.

ARTICLE SEVEN

MISCELLANEOUS

Section 7.01 Notices. Unless otherwise specified herein, all notices, requests, demands or other communications given to California Petroleum, the Collateral Trustee or either Indenture Trustee shall be given in writing or by telex or facsimile transmission (i) if to California Petroleum or the Collateral Trustee, to such party at its address or telex or facsimile transmission number specified on the signature pages hereof or any other address or telex or facsimile transmission number which such party shall have specified as its address or telex or facsimile transmission number for the purpose of communications hereunder, by notice given in accordance with this Section 7.01 to the party sending such communication, (ii) if to either of the Indenture Trustees, to it at its address specified in or pursuant to the relevant Indenture or specified from time to time by written notice to the Collateral Trustee, (iii) if to any Owner, to it at its address specified in or pursuant to the Loan Agreements and (iv) if to the Manager, to it at its address specified in or pursuant to

the Management Agreement. Each such notice, request or other communication shall be effective (a) if given by telex, when such telex is transmitted to the number specified in or pursuant to this Section and the appropriate answerback is received, (b) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, registered or certified mail, return receipt requested, addressed as aforesaid, (c) if given by facsimile transmission, when such facsimile is transmitted to the facsimile transmission number specified in or pursuant to this Section and telephonic confirmation of receipt thereof is received or (d) if given by any other means, when received at the address specified in or pursuant to this Section 7.01; provided that any notice, request or demand to the Collateral Trustee shall not be effective until received by the Collateral Trustee at the office designated by it pursuant to this Section 7.01.

Section 7.02 No Waivers. No failure on the part of the Collateral Trustee, any co-trustee, any separate trustee, either Indenture Trustee or any Secured Party to exercise, no course of dealing with respect to, and no delay in exercising, any right, power or privilege under any Security Document shall operate as a waiver thereof nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 7.03 Amendments, Supplements and Waivers. (a) With the written consent of the Indenture Trustees, the Collateral Trustee and California Petroleum may, from time to time, enter into written agreements supplemental hereto for the purpose of curing any ambiguity or correcting or supplementing any provision contained herein or in any Security Document which may be defective or inconsistent with any other provision contained herein or therein; or making such other provisions in regard to matters or questions arising under this Collateral Agreement or under any Security Document as they may deem necessary or desirable and which shall not adversely affect the interests of the Secured Parties;

(b) With the written consent of the Indenture Trustees, the Collateral Trustee and California Petroleum may, from time to time, enter into written agreements supplemental hereto for the purpose of adding to or waiving any provision of this Collateral Agreement or changing in any manner the rights of the Collateral Trustee, the Secured Parties or California Petroleum hereunder; provided that no such supplemental agreement shall unless signed or consented to by the Majority Noteholders:

(i) amend, modify or waive any provision of this Section 7.03;

(ii) change the definition of "Applicable Secured Parties," "Outstanding," "Majority Noteholders", "Majority Serial Noteholders," "Majority Term Noteholders" or "Secured Obligations" or the number

or percentage of Secured Parties required to take any action under any Security Document;

(iii) amend, modify or waive any provision of Section 3.01, 3.02, 3.03 or 3.04 of this Collateral Agreement or change the definition of any defined term used in any of such Sections; or

(iv) except as otherwise specifically provided herein, agree to the release of all or substantially all of the Collateral.

Any such supplemental agreement shall be binding upon California Petroleum, the Indenture Trustees, the Secured Parties and the Collateral Trustee and their respective successors. The Collateral Trustee shall not enter into any such supplemental agreement unless it shall have received a certificate of an Authorized Financial Officer of California Petroleum and an opinion of counsel to the effect that such supplemental agreement will not result in a breach of any provision or covenant contained in any of the Secured Instruments.

(c) Amendments of Security Documents. The Indenture Trustees (so long as no Enforcement Notice shall be in effect) or the Applicable Secured Parties (so long as an Enforcement Notice shall be in effect) shall have the exclusive authority to direct the Collateral Trustee to amend, supplement or waive any provision of any Security Document, without any consent or approval of, or prior notice to, any other Secured Party; provided, however, that no such amendment, supplement or waiver shall affect the right of any Secured Party not consenting thereto to equal and ratable security with respect to Collateral to the extent and for the periods contemplated by this Collateral Agreement or effect a release of Collateral which would otherwise not be permitted under the provisions of this Collateral Agreement.

(d) Nothing in this Section 7.03 shall limit or impair the rights of California Petroleum set forth in Article V.

Section 7.04 Headings. The table of contents and the headings of Sections and subsections have been included herein for convenience only and should not be considered in interpreting any of the Security Documents.

Section 7.05 Severability. Any provision of this Collateral Agreement which is prohibited or unenforceable in any jurisdiction shall, to the fullest extent permitted by law, not invalidate the remaining provisions hereof, and any such prohibition or unenforceability of any provision in any jurisdiction shall not affect the enforceability of such provision in any other jurisdiction.

Section 7.06 Successors and Assigns. This Collateral Agreement shall be binding upon each of the parties hereto and shall inure to the benefit of each of the parties hereto and each of the Secured Parties and their respective successors and

assigns, and nothing herein is intended or shall be construed to give any other Person any right, remedy or claim under, to or in respect of this Collateral Agreement or any Collateral.

Section 7.07 Governing Law. THE PROVISIONS OF THIS COLLATERAL AGREEMENT CREATING A TRUST FOR THE BENEFIT OF THE HOLDERS OF THE SECURED OBLIGATIONS AND SETTING FORTH THE RIGHTS, DUTIES, OBLIGATIONS AND RESPONSIBILITIES OF THE COLLATERAL TRUSTEE HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, EXCEPT AS OTHERWISE REQUIRED BY MANDATORY PROVISIONS OF LAW.

Section 7.08 Counterparts. This Collateral Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 7.09 Termination. (a) Upon (i) receipt by the Collateral Trustee from each Indenture Trustee of a written notice stating that all of the Secured Obligations arising under or in connection with the Indentures and the Notes issued thereunder have been paid or deemed paid in full (which notice shall be signed by each Indenture Trustee promptly following the payments contemplated in this clause (i)) and (ii) the payment in full of all amounts payable to the Collateral Trustee hereunder (exclusive of any contingent or unliquidated claims for indemnification or reimbursement), the Liens created by the Security Documents shall terminate forthwith and all right, title and interest of the Collateral Trustee in and to the Trust Estate and the Collateral shall revert and be released to California Petroleum, its successors and assigns.

(b) Upon the termination of the Collateral Trustee's security interests and the release of the Collateral in accordance with subsection 7.09(a), the Collateral Trustee will promptly at California Petroleum's written request, (i) execute and deliver to California Petroleum such documents as California Petroleum shall reasonably request to evidence the termination of such security interest or the release of the Collateral and (ii) deliver or cause to be delivered to California Petroleum all property of California Petroleum then held by the Collateral Trustee or any agent thereof.

(c) This Collateral Agreement shall terminate when the security interests granted under the Security Documents have terminated and the Collateral has been released.

(d) Nothing herein shall be construed to prevent the Collateral Trustee from releasing Collateral in accordance with the terms of any applicable Security Document.

(e) Anything in this Collateral Agreement to the contrary notwithstanding, the trust created hereunder shall expire not later than the expiration of 21 years after the death of the last to survive of all descendants of George Pataki, Governor of New York State, living on the date hereof.

Section 7.10 No Liability to Other Secured Parties. None of the Secured Parties shall incur any liability to any other Secured Party with respect to any decision or determination permitted or required to be taken or made by it in its capacity as a Secured Party hereunder and the existence or exercise of any right by the Majority Noteholders or the Applicable Secured Parties to take any action or make any determination hereunder shall not impose on any Secured Party taking or failing to take any such action or exercise such right any duty or liability to any other Secured Party with respect thereto or to any of the Collateral affected thereby.

Section 7.11 Immunities of Incorporators, Officers, Directors and Stockholders of California Petroleum. No recourse under or upon any obligation, covenant or agreement contained in this Collateral Agreement, or in the Indentures, or in any Note, or under any judgment obtained against California Petroleum, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Collateral Agreement, shall be had against (i) any incorporator, officer, director or stockholder, past, present or future, of California Petroleum, or of any successor corporation, or (ii) any trustee, parent, affiliate, officer, director or stockholder, past, present or future, of any stockholder of California Petroleum, either directly or through California Petroleum, or otherwise, and any and all personal liability of every name and nature whether at law or in equity, or by constitution or by statute or otherwise, of any such incorporator, officer, director or stockholder to respond by reason of the non-payment of any stock or any act of omission or commission on his part or otherwise, for the payment for or to the holder of any Secured Obligation or otherwise, of any sum that may remain due and unpaid upon any Secured Obligation, is hereby expressly waived and released as a condition of and consideration for the execution of this Collateral Agreement.

Section 7.12 Designated Representative. For purposes of this Collateral Agreement, all notices, requests, demands or other communications to be given by California Petroleum hereunder may be given by California Petroleum's Designated Representative. Notice of the appointment of any successor Designated Representative shall be given to the Collateral Trustee and shall be in writing signed by California Petroleum and acknowledged by such designated representative. The parties hereto shall be entitled to rely upon any such notices, requests, demands and other communications given by the Designated Representative as though the same had been given by California Petroleum.

IN WITNESS WHEREOF, the parties hereto have caused this Collateral Agreement to be duly executed (by their respective authorized officers in the case of corporate parties) as of the day and year first written above.

CALIFORNIA PETROLEUM TRANSPORT CORPORATION

By _____
Title:

CALPETRO TANKERS (BAHAMAS I) LIMITED

By _____
Title:

CALPETRO TANKERS (BAHAMAS II) LIMITED

By _____
Title:

CALPETRO TANKERS (IOM) LIMITED

By _____
Title:

CALPETRO TANKERS (BAHAMAS III) LIMITED

By _____
Title:

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Collateral Trustee

By _____
Title:

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Serial Indenture Trustee

By _____
Title:

CHEMICAL TRUST COMPANY OF CALIFORNIA,
as Term Indenture Trustee

By _____
Title:

California Petroleum Transport Corporation

and

CalPetro Tankers (Bahamas I) Limited

ISSUE OF ONE DEBENTURE

Dated _____, 1995

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This Issue of One Debenture, dated _____, 1995 (the "Debenture"), from CalPetro Tankers (Bahamas I) Limited, a company organized under the laws of The Commonwealth of the Bahamas (the "Owner") to California Petroleum Transport Corporation, a corporation organized under the laws of the State of Delaware (the "Lender") is issued pursuant to Clause ___ of the Memorandum of Association and Article 32 of the Articles of Association of the Owner passed at the meeting of the Directors held on the ___ day of _____, 1995.

PRELIMINARY STATEMENT

The Owner has requested that the Lender make two loans to the Owner: one in the aggregate principal amount equal to \$_____ (the "Term Loan") and one in the aggregate principal amount equal to \$_____ (the "Serial Loan" and, collectively with the Term Loan, the "Loans"). The Loans will be made pursuant to the terms and conditions of two Loan Agreements, each dated as of the date hereof, each between the Lender and the Owner. The net proceeds of the Serial Loan and the Term Loan will be used by the Owner to acquire the m.t. _____ (the "Vessel") from Chevron Transport Corporation (the "Initial Charterer"). The Vessel will be bareboat chartered to the Initial Charterer pursuant to the Bareboat Charter (the "Initial Charter"), dated as of the date hereof, between the Owner and the Initial Charterer. As collateral security for its obligations under the Loan Agreements, the Owner will assign, pledge, mortgage and grant the Lender a security interest in, inter alia, the Vessel, the Initial Charter, the earnings and insurances of the Vessel and will grant this debenture in favor of the Lender.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and of other valuable consideration, receipt of which is hereby acknowledged, the Owner and the Lender hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Debenture shall have the meanings assigned to such terms in Schedule 1 to this Debenture, and the definitions of such terms shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

COVENANT TO PAY

Section 2.1. Covenant to Pay. The Owner hereby covenants and agrees

to pay and discharge each sum owing under the Term Obligations and the Serial Obligations as and when the same shall fall due, whether at maturity, by acceleration or otherwise; provided, however, the Lender, and any subsequent assignee or transferee of this Debenture, hereby agrees

that the Owner has and shall have no personal liability or obligation with respect to the payment of the Term Obligations or the Serial Obligations, and that the Term Obligations and the Serial Obligations are payable solely from the proceeds received by the Lender (or the Lender's successors and assigns) from the Lender's right, title and interest in and to the collateral granted to the Lender hereunder and under the other Security Documents.

ARTICLE III

MORTGAGE, CHARGE AND ASSIGNMENT

Section 3.1. Charge. As continuing security for the Term Obligations

and the Serial Obligations, equally and ratably, the Owner hereby:

- (a) conveys, transfers and assigns absolutely to and unto the Lender all rights of the Owner in and to the Current Receivables by way of fixed security;
- (b) mortgages, charges and assigns, and agrees to mortgage, charge and assign to the Lender all present and future rights of the Owner in and to all freehold or leasehold property of the Owner and all other estates or interests therein together with all trade fixtures and fixed plant and machinery now and for the time being thereon, by way of a fixed charge;
- (c) mortgages, charges and assigns, and agrees to mortgage, charge and assign, to the Lender all rights now owned or hereafter acquired in and to the goodwill, franchises, patent rights, copyrights, trademarks and other intangible Assets of the Owner by way of filed charge;
- (d) mortgages, charges and assigns, and agrees to mortgage, charge and assign, to the Lender all rights relating to the aforesaid property specified in Sections 3.1(a), (b) and (c) including, inter alia, negotiable instruments, legal and equitable charges, reservations of property rights, rights of action, collection, recovery or security, rights of tracing and unpaid vendor's liens and similar and associated rights, by way of fixed legal mortgage and charge; and
- (e) mortgages and charges in favor of the Lender all rights of the Owner now owned or hereafter acquired in and to all other Assets for the time being of the Owner not subject to the fixed securities created by Sections 3.1(a), (b), (c) and (d) wheresoever situate (including, inter alia, all undertakings and businesses of the Owner) by way of a floating charge and the Owner shall not be at liberty to create any mortgage or charge on any of the securities created by this Section 3.1(e) and no lien shall in any case or in any manner arise on or affect any part of the said securities in priority to or pari passu with all charges hereby created, it being the intention that the Owner shall have no power, without the written

consent of the Lender, to part with or dispose of any part of the said securities except by way of sale in the ordinary course of its business;

provided, however, that upon the unconditional payment and satisfaction of the Serial Obligations, the rights of the Lender hereunder will secure solely and exclusively the Term Obligations;

provided further, that upon the unconditional payment and satisfaction of the Term Obligations the rights of the Lender hereunder will terminate and the Lender will at the direction, cost and expense of the Owner release or reassign to the Owner all remaining rights of the Lender in and to the balance of the Security Assets.

Section 3.2. Legal Securities. The Owner will forthwith at the

request of the Lender execute a legal mortgage, charge or assignment over all or any of the Security Assets subject to or intended to be subject to any fixed security hereby created in favor of the Lender in such form as the Lender may reasonably require.

Section 3.3. Conversion of Floating Charge. The Lender may at any

time by notice to the Owner convert the floating charges hereby created into a specific charge as regards any Assets specified in the notice which the Lender shall consider to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process or to be otherwise in jeopardy and (whether or not this security has become enforceable) may at any time appoint a Receiver (as defined in Section 7.1 hereof) thereof.

Section 3.4. Negative Pledge. The Owner shall not, without the prior

written consent of the Lender, permit the sale, transfer, assignment lease or other disposition of any Security Asset, or any Encumbrance or other right in or over any Security Asset to subsist, arise or be created, other than such Encumbrance as is created by this Debenture.

Section 3.5. New Accounts. If the Lender receives or is deemed to be

affected by notice whether actual or constructive of any subsequent Encumbrance or other interest affecting any Security Asset or the proceeds of sale thereof, the Lender may open a new account or accounts for the Owner. If the Lender does not open a new account it shall nevertheless be treated as if it had done so at the time when it received or was deemed to have received notice and as from that time all payments made to the Lender shall be credited or be treated as having been credited to the new account and shall not operate to reduce the amount for which this Debenture is security.

ARTICLE IV

PRESERVATION OF SECURITY

Section 4.1. Continuing Security. The security constituted by this

Debenture shall be a continuing security and shall not be satisfied by any intermediate payment or

satisfaction of the Term Obligations and the Serial Obligations but shall secure the ultimate balance of the Term Obligations and the Serial Obligations; provided, however, that, in the event that the Serial Obligations are satisfied and paid in full pursuant to the terms and conditions of the Serial Loan Agreement, this Assignment will be security solely and exclusively for the Term Obligations. The security hereby given shall be in addition to and shall not be discharged, released, prejudiced or otherwise affected by any other security or Encumbrance now or hereafter held by the Lender for the Term Obligations or the Serial Obligations.

Section 4.2. Waiver of Defenses. The obligations of the Owner under

this Debenture and this security shall not be discharged, released, prejudiced or otherwise affected by any act, omission or circumstance which but for this provision might so operate or otherwise release or discharge the Owner from the Term Obligations or the Serial Obligations, or the security created under this Debenture including without limitation and whether or not known to or discoverable by the Owner or the Lender:

- (a) any time, indulgence, waiver, consent or other relief granted to or composition with the Owner or any other Person;
- (b) the taking, variation, extension, compromise, renewal or release of, or refusal or neglect to perfect or enforce, any rights under the Term Loan Agreement, the Serial Loan Agreement, this Debenture, any Security Document or any other guarantee, agreement or obligation or any right against, or any security granted by, the Owner or any other Person;
- (c) any irregularity, invalidity or unenforceability of any obligation of the Owner under the Term Loan Agreement, the Serial Loan Agreement, any Security Document, this Debenture or any other guarantee, of any government or authority (whether of right or in fact) purporting to reduce or otherwise affect any such obligation to the intent that such obligation and this security shall remain in full force and this Debenture shall be construed accordingly as if there were no such irregularity, unenforceability, invalidity, law or order;
- (d) any legal limitation, disability, incapacity or other circumstance relating to the Owner, any guarantor or any other Person;
- (e) any defect in or invalidity or inadequacy of the constitution or incorporation or borrowing powers of the Owner or of its board of directors, executive committee or other equivalent of analogous body or in the authorization, execution or delivery of the Term Loan Agreement, the Serial Loan Agreement, any Security Document, this Debenture or any other guarantee, agreement or obligation; or
- (f) any supplement, amendment or modification to the terms of the Term Loan Agreement, the Serial Loan Agreement, this Debenture, any other Security Document or any other guarantee, agreement or obligation.

Section 4.3. Immediate Recourse. The Owner waives any right it may

have of first requiring the Lender to proceed against or claim payment from the Owner or enforce the Term Loan Agreement, the Serial Loan Agreement, any Security Documents or other guarantee, agreement or obligation before enforcing this Debenture.

Section 4.4. Preservation of Rights. Until the Term Obligations and

the Serial Obligations have been irrevocably paid and discharged in full, the Lender may:

- (a) refrain from applying or enforcing any other security, money or right held or received by the Lender in respect of the Term Obligations or the Serial Obligations or apply and enforce the same in such manner and order as the Lender sees fit; and
- (b) hold in a suspense account (without liability to pay interest thereon) any moneys received or on account of this Debenture by way of a partial payment.

Section 4.5. Additional Security. This Debenture shall be in

addition to and shall not in any way be prejudiced by any other security now or hereafter held by the Lender.

Section 4.6. Certificate. A certificate of the Lender setting forth

the amount due from the Owner in respect of the Term Obligations and/or the Serial Obligations shall, in the absence of manifest error, be prima facie evidence of such amount.

Section 4.7. Discharge. Where any discharge (whether in respect of

the Term Loan Agreement, the Term Obligations, the Serial Loan Agreement, the Serial Obligations, this Debenture, or any other guarantee, agreement, obligation or security or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be repaid on bankruptcy, liquidation, winding-up, dissolution or otherwise, this security and the obligations of the Owner under this Debenture shall continue as if there had been no such discharge or arrangement.

Section 4.8. Registration. The Owner hereby agrees to arrange for

this Debenture, any Security Asset or any agreement, document or instrument relating thereto to be registered with or notified to any Person to preserve or perfect the Lender's security in any Security Asset.

Section 4.9. Lender's Power's With Respect to Security Assets. The

Lender may without demand or notice to the Owner being required at any time after this security becomes enforceable exercise at its discretion (in the name of the Owner or otherwise) and without any further consent or authority by the Owner, any right which may be exercised by the Person in whose name any Security Asset is registered or who is the holder thereof under the terms thereof or otherwise including, but without limitation, all the powers given to trustees by statute in respect of securities or property subject to a trust; provided, however, that until the

security hereby constituted becomes enforceable, the Lender shall procure that the rights attached to each such Security Asset are exercised in such manner as the Owner shall direct so long as the same is not inconsistent with any term of the Term Loan Agreement, the Serial Loan Agreement or this Debenture and account to the Owner for any sum or other distribution paid in respect of such Security Asset.

Section 4.10. Calls. The Owner will for so long as the Term

Obligations and the Serial Obligations remain outstanding pay all sums which may become due in respect of the Security Assets and in the event of default the Lender may if it thinks fit make such payments on behalf of the Owner. Any sums so paid by the Lender shall be immediately due and payable by the Owner to the Lender without demand or notice being required.

Section 4.11. Delegation By Lender. The Lender may at any time and

from time to time delegate by power of attorney or in any other manner to any Person or Persons all or any of the rights and discretions which are for the time being exercisable by the Lender under this Debenture in relation to any Security Asset. Any such delegation may be made upon such terms (including power to sub-delegate) and subject to such regulations as the Lender may think fit. The Lender shall not be in any way liable or responsible to the Owner for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate.

Section 4.12. Further Assurances. The Owner shall at its own expense

execute and deliver all such agreements, documents and instruments and do all such assurances, acts and things as the Lender may require for perfecting or protecting this security over any Security Asset or for facilitating the realization of such property and in the exercise of all rights vested in the Lender or in any sub-delegate as aforesaid. The Owner shall in particular execute all transfers, conveyances, assignments and assurances of such property whether to the Lender or its nominees and give all notices, orders and directions which the Lender may think expedient and, for the purposes of this Section, a certificate in writing by the Lender to the effect that any particular assurance, act or thing required by it is reasonably required shall be conclusive evidence of such fact in favor of all third parties.

Section 4.13. Redemption of Prior Mortgages. The Lender may at any

time after the security hereby constituted has become enforceable redeem any prior Encumbrance against any Security Asset or procure the transfer thereof to itself and may settle and pass the accounts of the prior Encumbrances. Any accounts so settled and passed shall be conclusive and binding on the Owner. All principal moneys, interest, costs, charges and expenses of and incidental to such redemption and transfer shall be immediately due by the Owner to the Lender without notice or demand being required.

Section 4.14. Power of Attorney. (a) The Owner hereby by way of

security irrevocably nominates, constitutes and appoints the Lender and every Receiver of any Security Asset appointed hereunder and every such delegate or sub-delegate as aforesaid, each of them acting alone or jointly with any other of them, to be its attorney (the "Attorney") and on its

behalf and in its name or otherwise to sign under seal or otherwise and deliver all such agreements, documents and instruments and do all such assurances, acts and things which the Owner ought to do but fails to do under the covenants and provisions contained in the Indenture or this Debenture (including without prejudice to the generality of the foregoing to make any demand upon or give any notice or receipt to any Person owing moneys to the Owner and to execute and deliver any charges, legal and equitable generally in its name and on its behalf to exercise all or any of the rights conferred by or pursuant to this Debenture or by statute on the Attorney and (without prejudice to the generality of the foregoing) to sign under seal or otherwise and deliver and otherwise perfect any assurance, agreement, instrument or act which the Attorney may deem proper in or for the purpose of exercising any of such rights.

(b) The Owner hereby ratifies and confirms and agrees to ratify and confirm any such Attorney described in Section 4.14(a).

Section 4.15. Avoidance of Payments. No assurance, security or

payment which may be avoided under any enactment relating to bankruptcy, and no release, settlement or discharge given or made by the Lender on the faith of any such assurance, security or payment, shall prejudice or affect the right of the Lender to enforce the security created by or pursuant to this Debenture in respect of the full extent of the moneys thereby secured. The Lender shall be at liberty at its absolute discretion to retain the security so created as security for the Term Obligations and Serial Obligations, equally and ratably, for a period of seven months in the case of fixed security and thirteen months in the case of floating security after the Term Obligations and Serial Obligations shall have been paid in full, notwithstanding any release, settlement, discharge or arrangement given or made by the Lender on or as a consequence of, such termination of liability. If at any time within the period of six months in the case of fixed security and twelve months in the case of floating security after such termination a petition shall be presented to a competent court for an order for the winding up of the Owner or the Owner shall commence to be wound up voluntarily, the Lender shall be at liberty, notwithstanding as aforementioned, to continue to retain such security or any part thereof for and during such further period as the Lender in its absolute discretion shall determine. The Owner agrees that such security shall be deemed to have been and to have remained held by the Lender as and by way of security for the payment to the Lender of all or any sums which are now or may become due and owing to the Lender under the Term Loan Agreement, the Serial Loan Agreement and the rest of the Security Documents.

Section 4.16. Powers to Lend. The Lender may advance money on the

security of any Security Asset for the purpose of defraying any costs, charges, losses and expenses which shall be paid or incurred by it in relation to this Debenture (including the remuneration of any Receiver) or which the Lender anticipates may be paid or incurred in the exercise of the rights vested in it or for all other purposes of this Debenture or any of them and the Lender may advance such moneys at such rates of interest and generally on such terms and conditions as it shall think fit.

ARTICLE V

DEALINGS WITH SECURITY ASSETS

Section 5.1. Day to Day Business. For so long as the security hereby

constituted shall not have become enforceable, the Owner may in the ordinary course of trading (a) for the purpose of getting in and realizing any Current Receivable compromise, settle, release or otherwise dispose any thereof, including any Encumbrance or other security relating thereto, save that nothing in this Section 5.1 shall be construed so as to permit the Owner to sell, factor or discount any Current Receivable and, (b) acquire, deal in and dispose of any Security Asset specified in Section 3.1(b) other than pursuant to the applicable terms of the Term Loan Agreement and the Serial Loan Agreement.

Section 5.2. Charged Accounts. The Owner shall cause all sums

hereafter received or recovered by or for it in respect of any Current Receivable to be directly credited to a separate and distinct account as the Lender may from time to time designate and, if called upon to do so by notice in writing from the Lender, shall execute an absolute assignment of any such Current Receivable in favor of the Lender, all at the cost of the Owner. Until the security hereby constituted is fully discharged in accordance with the terms hereof, the Owner shall not be entitled to withdraw any sum standing to the credit of any such account established as aforesaid without the prior written consent of the Lender.

Section 5.3. Deposit of Proprietary Rights. The Owner shall, if the

Lender so requires, deposit with the Lender all certificates and other documents of title or evidence of ownership in relation to the patents and rights referred to in Section 3.1(c).

Section 5.4. Liability to Perform. Notwithstanding any other

provision herein contained to the contrary, the Owner shall remain liable to observe and perform all of the respective conditions and obligations assumed by it in respect of each Security Asset and the Lender shall be under no obligation by reason of this Debenture, nor shall the Lender be required in any manner, to perform or fulfil any obligation of the Owner in respect of any Security Asset or to make any payment or make any enquiry as to the maturity, amount, nature or sufficiency of any rental, interest, proceeds, payments or receipts received by it or them or the Owner or to present or file any claim or take any other action or give any notice to collect, exercise or enforce the payment of any amount or the taking up of any rights or property to which the Owner may have been or to which it may be now or hereafter entitled thereunder at any time.

ARTICLE VI

ENFORCEMENT

Section 6.1. When Security Becomes Enforceable. The security hereby

conferred shall become immediately enforceable and the floating charge created by this Debenture shall be deemed to have crystallized and the power of sale and other powers conferred by statute as varied or amended by this Debenture shall be immediately exercisable (i) if the Owner fails to meet the Term Obligations and the Serial Obligations in the manner specified in Section 2.1 or (ii) upon and after the occurrence of any Event of Default as defined in the Term Loan Agreement or the Serial Loan Agreement. After this security has become enforceable, the Lender may in its discretion enforce all or any part of this security, and exercise all or any rights of enforcement hereby granted, in such manner as the Lender sees fit.

Section 6.2. Enforcement of Security. For the purposes of all powers

implied by statute the Term Obligations and the Serial Obligations shall be deemed to have become due and payable on the date hereof and any statutory restrictions on the power of sale and restrictions on the right of consolidation shall not apply to this security.

Section 6.3. Remedies, Waivers and Consents. No delay or omission of

the Lender in exercising any right under this Debenture shall impair or be construed as a waiver of such right nor shall any single or partial exercise of any such right preclude any further exercise thereof or the exercise of any other right. The rights provided in this Debenture are cumulative and not exclusive of any rights provided by law, agreement or otherwise. Any waiver and any consent by the Lender under this Debenture must be in writing and may be given subject to any conditions thought fit by the Lender. Any waiver or consent shall be effective only in the instance and for the purpose for which it is given.

ARTICLE VII

RECEIVER

Section 7.1. Appointment and Powers of Receiver. At any time after

this security becomes enforceable the Lender may without further notice appoint in writing under its hand any one or more Person(s) to be a receiver or receiver and manager (hereinafter each called "a Receiver") as the Lender at its sole discretion may see fit of any Security Asset in like manner in every respect as if the Lender had become entitled under statute to exercise the power of sale thereby conferred. Every Receiver so appointed shall, in addition to any powers conferred by statute or common law, have and be entitled to exercise all rights to do any or all of the following things:

(a) Take Possession. Enter upon and take immediate possession of, get in

and collect any Security Asset and undertake any works of demolition, building, reconstruction, repair or decoration thereon;

- (b) Sell Assets. Subject to any necessary consent or approval of any

judicial, administrative, governmental or other regulatory body, office
or agency, sell, convert into money and realize any Security Asset by
public auction or private contract, dispose of, grant options and other
rights in respect of and exercise all other rights conferred on an
owner under any statute, at common law or otherwise, in respect of any
Security Asset and generally in such manner and on such terms (which
may consist wholly or partly of shares or securities of any company or
body corporate) as the Receiver shall think fit and transfer, convey,
assign or grant an assurance of the same in the name and on behalf of
the Owner. Without prejudice to the generality of the foregoing, the
Receiver may do any of these things for a consideration consisting of
cash, debentures or other obligations, shares or other valuable
consideration in cash or in any other form whatsoever and any such
consideration may be payable in a lump sum or by installments spread
over such period as the Receiver may think fit;
- (c) Compromise. Settle, adjust, refer to arbitration, compromise and

arrange any claims, accounts, disputes, questions and demands with or
by any Person who is or claims to be a creditor of the Owner or
relating in any way to any Security Asset;
- (d) Borrow and Create Security. Borrow or raise money and secure the

repayment thereof and interest thereon by mortgaging, sub-mortgaging or
otherwise charging any Security Asset or this Debenture (whether or not
in priority to the sums and obligations secured by this Debenture) in
such manner and on such terms as the Receiver shall think fit;
provided, however, that:
- (i) no Receiver shall exercise such right without first obtaining the
written consent of the Person appointing him and the Lender shall not
incur any responsibility to the Owner or any other Person by reason
of giving or refusing its consent, whether directly or subject to any
limitation or condition; and
- (ii) no Person lending such money shall be concerned to enquire as to the
existence of such consent or the terms thereof or as to the propriety
or purpose of the exercise thereof or to see to the application of
any money so borrowed or raised;
- (e) Employ Agents. Employ solicitors, managers, agents and others as the

Receiver shall deem necessary;
- (f) Receipts. Give valid receipts and discharges for all moneys and claims

and execute all assurances and things which may be proper or desirable
for realizing any Security Assets;

(g) Consideration. Receive or pay any consideration in cash or other

valuable consideration and so that the same may be receivable or payable either immediately or at a later time and in a lump sum or by installments spread over such period as the Receiver shall think fit;

(h) Dealings. Generally to deal with and effect any transaction or

arrangement of any kind whatsoever in respect of any Security Asset;

(i) Legal Proceedings. Settle, arrange, compromise and submit to

arbitration any accounts, claims, questions or disputes whatsoever which may arise in connection with any Security Asset or in any way relating to the security constituted by this Debenture, to bring, take, defend, compromise, submit to and discontinue any actions, suits, arbitration or proceedings whatsoever whether civil or criminal in relation to the matters aforesaid, to enter into, complete, disclaim, abandon or disregard, determine or rectify all or any of the outstanding agreements or arrangements of the Owner in any way relating to or affecting the Security Assets or any part thereof and to allow time for payment of any debts either with or without security as the Receiver shall think expedient;

(j) In Owner's Name. Generally at his option to use the name of the Owner

in the exercise of all or any of the rights hereby conferred;

(k) Exercise of Rights. Exercise, or permit the Owner or any nominee of

the Owner to exercise, any rights incident to the ownership of any Security Asset in such manner as the Receiver may think fit and in particular (as regards shares, stock and securities) any voting rights conferred by the same and (as regards securities) any rights of enforcing the same by foreclosure, sale or otherwise;

(l) Corporate Transfers. Transfer any Security Asset to any other company

or body corporate, whether or not formed or acquired for the purpose;

(m) Carry on Business. Generally manage and carry on and conduct any of

the undertakings and businesses of the Owner;

(n) Calls. Make calls, conditionally or unconditionally, on the members of

the Owner in respect of all or any part of its uncalled capital with such and the same rights of enforcement as are conferred by the Memorandum of Association and Articles of Association of the Owner upon its directors in this respect;

(o) General Powers. Sign under seal or otherwise and deliver all such

agreements, documents and instruments and do all such other acts and things as the Receiver may consider desirable or necessary for realizing any Security Asset or incidental or conducive to any of the matters or rights conferred on a Receiver under or by virtue of this Debenture and to exercise in relation to any Security Asset all such

rights as the Receiver should be capable of exercising if the Receiver were the beneficial owner of the same; and

- (p) Moneys received by Receiver. All moneys received by a Receiver shall -----
after providing for the matters specified by any law be applied by him in or towards satisfaction of this Debenture and thereafter of any other incumbrance of which he shall have notice and thereafter the Receiver shall pay the residue of the moneys received by him to the Owner.

Section 7.2. Comply with Instructions. Any Receiver shall in the exercise -----
of the Receiver's rights conform to any regulations and directions from time to time made and given by the Person appointing him but so that no Person dealing with the Lender or any Receiver shall be concerned to enquire whether the Receiver has so conformed to any such regulations or directions.

Section 7.3. Removal and Remuneration. The Lender may from time to time -----
by writing under its hand remove any Receiver appointed by it and may whenever it may deem it expedient appoint a new Receiver in the place of any Receiver whose appointment may for any reason have terminated and may from time to time fix the remuneration of any Receiver appointed by it.

Section 7.4. Lender May Exercise Receiver's Powers. All or any of the -----
rights which are conferred by this Debenture (either expressly or impliedly) upon a Receiver of any Security Asset may be exercised after the security hereby created becomes enforceable by the Lender in relation to any Security Asset without first appointing a Receiver of the same or notwithstanding the appointment of a Receiver of the same.

Section 7.5. No Liability As Mortgagee In Possession. The Lender shall -----
not nor shall any Receiver appointed as aforesaid by reason of the Lender or the Receiver entering into possession of any Security Asset be liable to account as mortgagee in possession or be liable for any loss or realization or for any default or omission for which a mortgagee in possession might be liable. Every Receiver duly appointed by the Lender shall be deemed to be the agent of the Owner for all purposes and shall as such agent be deemed to be in the same position as a Receiver duly appointed by a mortgagee under statute. The Owner alone shall be responsible for its agreements, obligations, acts, omissions, defaults and losses and the Lender shall not incur any responsibility therefor (either to the Owner or to any other Person whatsoever) by reason of appointing such Receiver or for any other reason whatsoever. Every such Receiver and the Lender shall be entitled to all the rights, privileges and immunities by statute conferred on mortgagees and receivers when such receivers have been duly appointed.

Section 7.6. Protection Of Third Parties. No purchaser, mortgagee or -----
other Person dealing with the Lender or the Receiver or the agents of the Lender or the Receiver shall be concerned to enquire whether any of the Term Obligations or Serial Obligations are due or owing, the right which the Lender or the Receiver is purporting to exercise has become

exercisable or any money remains due under this Debenture, as to the propriety or regularity of the actions of the Lender or such Receiver, or to see to the application of any money paid to the Lender or to such Receiver.

Section 7.7. Expenses. All costs, charges and expenses incurred and all

payments made by the Lender or any Receiver appointed hereunder in the exercise in good faith of any right hereby conferred whether or not occasioned by any act, neglect or default of the Lender or such Receiver shall bear interest from the date of the same being incurred or becoming due at the Default Rate. The amount of all such costs, charges, expenses and payments and all interest thereon and all remuneration payable hereunder shall be payable by the Owner on demand. All such costs, charges, expenses and payments shall be paid and charged as between the Lender and the Owner on the basis of a full indemnity and not on the basis of party and party or any other kind of taxation.

Section 7.8. Indemnity. Each of the Lender and every Receiver, attorney,

manager, agent or other Person appointed by the Lender hereunder shall be entitled to be indemnified out of the Security Assets in respect of all obligations, costs, charges and expenses incurred and payments made by such Person in good faith in the execution or purported execution of any right vested in such Person pursuant hereto and against all actions, proceedings, obligations, costs, claims and demands in respect of any matter or thing done or omitted in anyway relating to any Security Asset and the Lender and any such Receiver may retain and pay all sums in respect of the same out of any moneys received under the rights hereby conferred.

ARTICLE VIII

APPLICATION OF PROCEEDS

Section 8.1. Order of Application. Any moneys received by the Lender

pursuant to this Debenture or under the powers hereby conferred shall after the security hereby constituted shall have become enforceable but subject to the payment of any claims having priority to this security be applied for the following purposes and in the following order of priority (but without prejudice to the right of the Lender to recover any shortfall from the Owner):

- (a) in satisfaction of or provision for all costs, charges and expenses incurred and payments made by the Lender or any Receiver appointed hereunder and of all remuneration due hereunder with interest on such costs, charges, expenses and payments at the Default Rate;
- (b) in or towards payment of interest on the Term Obligations and Serial Obligations, pro rata, in accordance with their respective outstanding balances;
- (c) in or towards payment of principal on the Term Obligations and Serial Obligations, pro rata, in accordance with their respective outstanding balances;

(d) in payment of the surplus (if any) to the Owner or other Person entitled thereto.

Section 8.2. Suspense Accounts. Any moneys received under the rights

hereby conferred may, at the discretion of the Lender, be placed in a suspense account and kept there for so long as the Lender thinks fit.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. Amendment. This Debenture may be amended from time to time

by written agreement signed by the parties hereto.

Section 9.02. Severability. If any provision of this Debenture is held to

be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Debenture contained, shall not affect the remaining portions of this Debenture, or any part thereof.

Section 9.03. Notices. All demands, notices and communications hereunder

shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Lender, at the following address: c/o JH Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, (b) in the case of the Owner, at the following address: United House, 14-16 Nelson Street, Douglas, Isle of Man, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 9.04. Consent to Jurisdiction. Any legal suit, action or

proceeding against the Owner arising out of or relating to this Debenture, or any transaction contemplated hereby, may be instituted in any federal or state court in The City of New York, State of New York and the Owner hereby waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and the Owner hereby irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Owner hereby irrevocably appoints and designates CT Corporation System, having an address at 1633 Broadway, New York, New York, its true and lawful attorney-in-fact and duly authorized agent for the limited purpose of accepting servicing of legal process and the Owner agrees that service of process upon such party shall constitute personal service of such process on the Owner. The Owner shall maintain the designation and appointment of such authorized agent until all amounts payable under this Debenture shall have been paid in full. If such agent shall cease to so act, the Owner shall immediately designate and appoint another such agent satisfactory to the Lender

and shall promptly deliver to the Lender evidence in writing of such other agent's acceptance of such appointment.

Section 9.05. Captions. The captions or headings in this Debenture are

for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Debenture.

Section 9.06. Governing Law. This Debenture shall be governed by and

interpreted in accordance with the laws of the [Commonwealth of the Bahamas] [Isle of Man], without giving effect to the principles of conflicts of law.

Section 9.07. No Partnership. Nothing herein contained shall be deemed or

construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 9.08. Counterparts. This Debenture may be executed in any number

of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 9.09. Survival. The representations, covenants and agreements

contained in or made pursuant to this Debenture in respect of either party hereto shall survive the execution and delivery of this Debenture and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 9.10. Integration. This Debenture and the Schedule and Exhibits

hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 9.11. Reproduction of Documents. This Debenture and all documents

relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 9.12. Successors and Assigns; Assignment. This Debenture shall be

binding upon and inure to the benefit of the Owner and the Lender and their respective successors and assigns. The Owner shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender. The Lender, at its sole option, shall have the right to assign this Debenture, the Serial Loan Agreement, the Term Loan Agreement, the Security Documents and any of its rights and interest hereunder and thereunder.

Section 9.13. General Interpretive Principles. For purposes of this

Debenture except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Debenture shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Debenture;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Debenture as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

IN WITNESS WHEREOF this Debenture has been executed by the Owner the day and year first above written.

SIGNED, SEALED and DELIVERED)
as a Deed and Debenture)
by)
for and on behalf of)
CALPETRO TANKERS (BAHAMAS I)
LIMITED)
in the presence of:-)

SIGNED by)
for and on behalf of)
CALIFORNIA PETROLEUM TRANSPORT)
CORPORATION)
in the presence of:-)

SCHEDULE 1

DEFINED TERMS USED IN THE DEBENTURE

"Assets" means, in relation to any person, the whole or any part of its business, undertaking, property and assets and includes, without limitation, any right to receive revenues.

"Assignment of Earnings and Insurances" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the freights and hires (as well as any charters entered into after the Closing Date) with respect to the Vessel to secure its obligations under the Loan Agreements.

"Assignment of Guarantee" means the assignment between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner assigns to the Lender all of its right, title and interest in, to and under the Chevron Guarantee to secure its obligations under the Loan Agreements.

"Chevron" means Chevron Corporation.

"Chevron Guarantee" means the guarantee of the obligations of the Initial Charter given by Chevron.

"Closing Date" means _____, 1995.

"Current Receivables" means (a) all obligations of the trade debtors of the Owner due or owing to the Owner on account of the prevailing debit balances of the present book debts of the Owner and (b) all rights relating to the aforesaid property specified in paragraph (a), including, inter alia, negotiable instruments, legal and equitable charges, reservations of property rights, rights of action, collection, recovery or security, rights of tracing an unpaid vendor's liens and similar and associated rights (and each reference to a "Current Receivable" shall be construed as a reference to the whole or any part of any one or more of them).

"Encumbrance" means any encumbrance and includes any mortgage, charge (whether fixed or floating, pledge, lien, hypothecation, title retention or other security agreement or security interest of any kind whatsoever and howsoever arising and any equivalent or analogous interest to any of the foregoing.

"Event of Default" means an Event of Default under Section ____ of the Loan Agreement.

"Guarantee" means any guarantee and also includes any indemnity, any other form of assurance against financial loss and any other contingent obligation or other obligation in respect of the payment of, or indemnity against the consequences of default in the payment of, any indebtedness of any person or the performance of any obligation by any person (and each reference to the act of guaranteeing shall be construed accordingly).

"Initial Charter" means with respect to each Vessel, the Bareboat Charter, dated as of _____ 1, 1995, between the Initial Charterer and the Owner.

"Initial Charterer" means Chevron Transport Corporation.

"Issue of One Debenture" means each Issue of One Debenture between the Owner and the Lender, as amended from time to time in accordance with the terms thereof, pursuant to which the Owner grants to the Lender a security interest in all of its assets.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"Right" means any right (actual or contingent, present or future) expressed to be created under any agreement, law or directive, or arising by operation of law and includes any power, authority, discretion, privilege, remedy, title or interest arising under, by reason of, or in connection therewith.

"Security Assets" means all of the present and future assets of the Owner, including, inter alia, the Current Receivables (and each reference to a "Security Asset" shall be construed as a reference to the whole or any part of any one or more of them).

"Security Documents" means the Loan Agreement, the Mortgage, the Assignment of Charter, the Assignment of Earnings and Insurances, the Assignment of Guarantee, the Assignment of Management Agreement, the Issue of One Debenture, collectively.

"Serial Loan Agreement" the Loan Agreement, dated as of _____ 1, 1995 between the Lender and the Owner pursuant to which the Lender will make the Serial Loan to the Owner.

"Serial Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Owner under and pursuant to the Serial Loan Agreement, any Security Document and any instrument, agreement or document referred to therein.

"Term Loan Agreement" means the Loan Agreement, dated as of _____ 1, 1995 between the Owner and the Lender pursuant to which the Lender makes the Term Loan to the Owner.

"Term Obligations" means the payment, performance or obligations of any kind or nature whatsoever of the Owner under and pursuant to the Term Loan Agreement, any Security Document and any instrument, agreement or document referred to therein.

"Trustee" means Chemical Trust Company of California.

March 10, 1995

California Petroleum Transport Corporation
c/o JH Management Corporation
Room 6/9
One International Place
Boston, Massachusetts 02110-2624

California Petroleum Transport Corporation Serial First Preferred
Mortgage Notes, Registration Statement on Forms S-3, S-1 and F-1

Dear Sirs:

We have acted as counsel to California Petroleum Transport Corporation (the "Registrant") in connection with the registration under the Securities Act of 1933, as amended (the "Act"), of California Petroleum Transport Corporation Serial First Preferred Mortgage Notes (the "Notes") and the related preparation and filing of a Registration Statement on Forms S-3, S-1 and F-1 (the "Registration Statement"). The Notes are issuable in series under the Serial Indenture (the "Serial Indenture") to be executed among the Registrant and Chemical Trust Company of California (the "Trustee") as trustee. The Serial Indenture will be substantially in the form filed as an Exhibit to the Registration Statement. This opinion is rendered pursuant to Item 601(5) of Regulation S-K promulgated by the Securities and Exchange Commission.

In rendering this opinion letter, we have examined the form of the Serial Indenture filed as an Exhibit to the Registration Statement, the Registration Statement and such records and other documents as we have deemed necessary and relevant. As to matters of fact, we have examined and relied upon representations or certifications of officers of the Registrant or public officials. We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that all parties, other than the Registrant, had the corporate power and authority to enter into and perform all obligations thereunder. As to such parties, we also have assumed the due authorization by all requisite corporate action, the due execution and delivery and the enforceability of such documents.

In rendering this opinion letter, we express no opinion as to the laws of any jurisdiction other than the federal laws of the United States and the laws of the State of New York. We do not express any opinion on any issue not expressly addressed below.

Based upon and subject to the foregoing, it is our opinion that:

1. When the Serial Indenture has been duly authorized by all necessary action and duly executed and delivered by the parties thereto, the Serial Indenture will be a legal and valid obligation of the Registrant, enforceable against it in accordance with its terms, except as enforceability may be limited by (a) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization or other similar laws affecting the rights of creditors and (b) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

2. When the Serial Indenture has been duly authorized by all necessary action and duly executed and delivered by the parties thereto and the Notes have been duly issued, executed and authenticated in accordance with the provisions of the Serial Indenture and sold and delivered as contemplated in the Registration Statement and the prospectus delivered in connection therewith, the Notes will be legally and validly issued and outstanding, fully paid and non-assessable, and the holders of the Notes will be entitled to the benefits of the Serial Indenture.

This opinion letter is rendered for the sole benefit of the addressee hereof, and no other person or entity is entitled to rely hereon. Copies of this opinion letter may not be furnished to any other person or entity, nor may any portion of this opinion letter be quoted, circulated or referred to in any other document, except as provided below.

We hereby consent to the filing of this opinion letter as an Exhibit to the Registration Statement, and to the use of our name in the prospectus included in the Registration Statement under the heading "Legal Matters", without admitting that we are "experts" within the meaning of the Act and the rules and regulations thereunder with respect to any part of the Registration Statement including this Exhibit.

Very truly yours,

Thacher Proffitt & Wood

By /s/ Thacher Proffitt & Wood

=====

[NAME OF OWNER]

- and -

CHEVRON TRANSPORT CORPORATION

BAREBOAT CHARTER

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BAREBOAT CHARTER

THIS BAREBOAT CHARTER (hereinafter called the "Charter") made as of ____ day of _____, 1995 BY and BETWEEN _____, (hereinafter called "Owners") and Chevron Transport Corporation (hereinafter called "Charterers").

WITNESSETH AND IT IS HEREBY AGREED as follows:

1. Vessel to be Chartered

Owners hereby let and demise and Charterers hereby hire the m.t. _____ (hereinafter called the "Vessel"), Official No. _____, of about ____ gross tons and ____ deadweight tons, built in 199_ in _____), together with all her engines, boilers, machinery, masts, anchors, cables, rigging, tackle, apparel, furniture, electronics, small boats, and all her other appurtenances, whether aboard or removed from the Vessel, together with any and all additions, improvements and/or replacements which may hereafter be made to, on or in the Vessel.

2. Period of Charter

(a) This Charter shall be for a period of twenty (20) years from the Commencement Date. Charterers shall have the option of terminating this Charter on an Optional Termination Date. Charterers shall give Owners (i) non-binding notice of their intent to exercise such option, determined on a good faith basis, at least 12 months prior to such Optional Termination Date and (ii) irrevocable notice of such exercise 9 months prior to such Optional Termination Date, if such Optional Termination Date is the first of the Optional Termination Dates, or 7 months prior to such Optional Termination Date, if such Optional Termination Date is subsequent to the first such Optional Termination Date, and shall pay the applicable Optional Termination Amount on or prior to such Optional Termination Date.

(b) Should the Vessel be upon a voyage otherwise than under requisition for hire at the time when the charter of the Vessel would (but for the provisions of this clause) have terminated, the Charter Period shall be extended for such additional time as may be necessary for the completion of such voyage. The Charter Period shall also be extended for such additional time as may be necessary to bring the Vessel to a port of redelivery as hereinafter provided in Clause 8 hereof. During any such extension, hire shall be paid pro-rata on a daily basis (assuming a 365-day year) at the rate in force before the commencement of such extension.

3. Time and Place of Delivery

(a) On the Commencement Date, Charterers shall unconditionally accept delivery of the Vessel under this Charter simultaneously with delivery to and acceptance of the Vessel by Owners under the Purchase Agreement "as is, where is", in whatsoever condition the Vessel may be at the time of such delivery. Owners shall have no obligation whatsoever to deliver the Vessel to Charterers except upon the simultaneous delivery and acceptance referred to above. Such simultaneous delivery and acceptance shall take place at the location specified

for delivery in the Purchase Agreement and are referred to herein as "Delivery of the Vessel". On Delivery of the Vessel, Charterers shall execute and deliver to Owners a Certificate of Acceptance.

(b) OWNERS MAKE NO REPRESENTATION, WARRANTY OR GUARANTEE OF ANY KIND, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AS TO THE TITLE, SEAWORTHINESS, CONDITION, VALUE, EQUIPMENT DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE VESSEL FOR ANY PARTICULAR PURPOSE OR AS TO THE ELIGIBILITY OF THE VESSEL FOR ANY PARTICULAR TRADE OR ANY OTHER REPRESENTATION, WARRANTY OR GUARANTEE WITH RESPECT TO THE VESSEL AND NONE SHALL BE IMPLIED FROM THIS CHARTER; PROVIDED, HOWEVER, THAT OWNERS WARRANT THAT OWNERS HAVE AND SHALL RETAIN WHATEVER TITLE TO THE VESSEL THAT OWNERS RECEIVE FROM CHARTERERS SUBJECT ONLY TO THE MORTGAGE, THIS CHARTER AND LIENS AND ENCUMBRANCES WHICH CHARTERERS ARE OBLIGATED TO DISCHARGE OR SATISFY. CHARTERERS HEREBY WAIVE AS AGAINST OWNERS AND THE VESSEL, ALL REMEDIES, WARRANTIES NOT EXPRESSED IN SUBCLAUSE (b) OF THIS CLAUSE 3 OR LIABILITIES, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO OWNERS' TITLE THERETO OR THE PHYSICAL CONDITION OF THE VESSEL AT THE TIME OF DELIVERY TO CHARTERERS INCLUDING, BUT NOT LIMITED TO (i) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, (ii) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, (iii) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOUNDED IN STRICT LIABILITY IN TORT AND (iv) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO THE VESSEL. The acceptance by Charterers of the Vessel under this Charter shall constitute conclusive proof, as between Owners and Charterers, that the Vessel is seaworthy, and otherwise in the condition required by this Charter, in good working order and repair and without defect or inherent defect in title, seaworthiness, condition, design, operation or fitness for use, whether or not discoverable by Charterers as of the date of such tender, and generally in all respects satisfactory to Charterers.

(c) Charterers warrant that upon Delivery of the Vessel to them the Vessel shall be in Charterers' custody and under its control.

4. Charterers' right in respect of the Vessel

Owners hereby assign to Charterers, for the duration of the Charter Period, except during periods when an Event of Default shall have occurred and be continuing and except in respect of a Total Loss (unless Charterers shall have made all payments required by Clause 12 hereof in respect of a Total Loss) without representation, warranty or covenant of any kind, effective upon delivery of the Vessel to Charterers, the right to enforce and exercise all rights of warranty, guaranty and indemnity which Owners may have in respect of the Vessel or otherwise directly against the Builder or any manufacturer of any part of the Vessel. Charterers shall be entitled to take such action in the name of Owners against the Builder or any manufacturer of any part of the Vessel in relation to the terms of purchase of, the condition of or any patent infringement or alleged patent infringement in relation to the Vessel or any part thereof as Charterers see fit but subject to Owners being indemnified and secured to its satisfaction by Charterers against all losses, costs, damages and expenses thereby incurred or to be incurred. If as a result of any such action any moneys are received from the Builder or any such other manufacturer of the Vessel as aforesaid the same shall be received by Charterers. Charterers shall use diligence to assert and enforce all such rights which have a material effect upon the value of the Vessel.

5. Use and Trade of Vessel

(a) Charterers shall have full use of the Vessel and may employ the Vessel worldwide (within Institute Warranty Limits) in the carriage of suitable lawful merchandise. In no event shall Charterers carry on board the Vessel nuclear fuels or radioactive products; provided, however, with the prior written consent of Owners, Charterers may carry on board the Vessel radioisotopes used or intended to be used for any industrial, agricultural, medical or scientific purposes.

(b) Charterers undertake not to employ the Vessel or suffer the Vessel to be employed otherwise than in conformity with the terms of the instruments of insurance (including any warranties expressed or implied therein) without first obtaining the consent to such employment from their insurers, protection and indemnity clubs and underwriters and complying with such requirements as to extra premium or otherwise as the insurers may prescribe.

(c) Charterers also undertake not to employ the Vessel or suffer her employment in any trade or business which is forbidden by the law of any country to which the Vessel may sail or is otherwise illicit or in carrying illicit or prohibited goods.

(d) As to those trades in which the Vessel is employed, Charterers shall comply with any and all requirements regarding financial responsibility or security in respect of oil or other pollution damage as required by any government, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any other governmental entity with authority over Owners or Charterers, as the case may be, or ownership, use and operation of

the Vessel (whether or not such requirement has been lawfully imposed or not) to enable the Vessel, without penalty or charges, lawfully to enter, remain at, or leave any port, place, territorial or contiguous waters of any country, state or municipality in performance of this Charter without delay. Charterers shall make and maintain all arrangements for security bond or otherwise as may be necessary to satisfy such requirements at Charterers' sole liability and expense and Charterers shall indemnify Owners against any and all losses, damages, claims, expenses or liabilities incurred by reason of Charterers failure to comply with this Clause 5(d).

(e) Charterers shall enter and maintain the Vessel under the TOVALOP Scheme or under any similar compulsory schedule during the Charter Period.

6. Documentation and House Flag

(a) Charterers agree that it shall, throughout the Charter Period, maintain the documentation of the Vessel under the laws of the Registration Jurisdiction at Owners' cost and expense; provided, however, in the event that the costs and expenses of maintaining such documentation are in excess of \$10,000 per annum, then Charterers shall either (i) pay all amounts in excess of \$10,000 per annum or (ii) cooperate with the Owner to change the registry or port of documentation of the Vessel. Owners agree to do all such things whatsoever and execute and deliver all such documents whatsoever to enable Charterers to maintain such documentation. Charterers will not change the registry or port of documentation of the Vessel without the prior written consent of Owners which consent shall not be unreasonably withheld, or do or suffer or permit to be done anything which will injuriously affect the documentation of the Vessel as a vessel documented under the laws and regulations of the Registration Jurisdiction. If Charterers change the registry or port of documentation of the Vessel, Charterers shall, at time of redelivery, if Owners so request and at Charterers' expense, change the registry and port of documentation back to that of the Registration Jurisdiction.

(b) Charterers shall have the right to re-name the Vessel, to paint the Vessel in their own colors, install and display their funnel insignia and fly their own house flag.

7. Maintenance and Operation

(a) Except as provided in Clause 20, the Vessel shall during the Charter Period be in the full possession and at the absolute disposal for all purposes of Charterers and under their complete control in every respect. Charterers hereby covenant and agree with Owners that during the Charter Period (and subject to the provisions of Clause 13):

- (i) Charterers will at their expense maintain the Vessel, her machinery, cargo handling equipment, boilers, appurtenances and spare parts in a good state of repair and in efficient operating condition in accordance with good commercial maintenance practice commensurate with other vessels in Charterers' fleet of similar size and trade, ordinary wear and tear excepted; and

- (ii) Charterers will at their expense keep the Vessel with unexpired classification in accordance with the highest classification of the American Bureau of Shipping (or such other classification society as shall previously have been approved in writing by Owners) and other required certificates in force and shall make any improvement or structural changes or acquire any new equipment necessary to comply with the requirements of such classification; and
- (iii) Charterers shall be at liberty to fit any additional equipment required for the services of Charterers, beyond that on board at the commencement of this Charter, such work to be done at Charterers' expense and on their time, and such equipment may be removed by Charterers at their cost and on their time at any time (provided, however, that such removal does not adversely affect the class or seaworthiness of the Vessel) prior to the expiration or any other termination of the Charter. The Vessel is to be redelivered to Owners in the same condition and class as that in which she is delivered by Owner, ordinary wear and tear excepted and any additional equipment that cannot be or is not so removed shall become the property of Owners; and
- (iv) Charterers shall not permit the Vessel to proceed to any port which is then subject to a prohibition by the government of the Registration Jurisdiction or the national government of the port in question; and
- (v) in the event of hostilities in any part of the world (whether war be declared or not) Charterers will not employ the Vessel nor suggest her employment in carrying any goods which are declared contraband nor suffer her to enter or trade to any zone which is declared a War Zone by the War Risks Insurers unless Charterers have made arrangements with the said insurers for the payment of such additional premiums as said insurers may require to maintain the relevant insurances in force or in any zone in respect of which the War Risks Insurers have withdrawn cover for the Vessel; and
- (vi) Charterers will not use the Vessel in any manner or for any purpose excepted from any insurance policy or policies taken out in compliance with Clause 11 hereof or for the purpose of carriage of goods of any description excepted from the said insurance policy or policies and shall not do or permit to be done anything which could reasonably be expected to invalidate any of the said insurance policy or policies; and

(vii) Charterers will not use the Vessel in any manner or for any purpose or trade or permit or suffer to be done any act which will prejudice Owners' ownership of the Vessel or any part thereof.

(b) During the Charter Period, Charterers shall at their own expense or by their own procurement man, victual, navigate, operate, supply, fuel and repair the Vessel whenever required and shall, as between themselves and Owners, be responsible for all charges and expenses of every kind and nature whatsoever incidental to their use and operation of the Vessel under this Charter, including any foreign, general, municipal, value added or other taxes except that Charterers shall not be responsible for Owners' documentation costs under clause 6(a) or for Owner Taxes. During the Charter Period, the master, officers and crew of the Vessel shall be engaged and employed by Charterers and shall remain Charterers' servants, navigating, managing and working the Vessel on behalf of and at the risk of Charterers.

(c) As between themselves and Owners, Charterers shall also be responsible for any charges and expenses incidental to the use and operation of the Vessel while under requisition for hire, during the Charter Period. The foregoing provision of this sub-clause shall be without prejudice to the rights of Owners and Charterers against other parties in respect of any such charges or expenses. Charterers shall, subject to the prior written approval of Owners (such approval not to be unreasonably withheld), be entitled to take action in the name of Owners against other parties in respect of such charges or expenses. If as a result of any such action any moneys are received the same shall be recovered by Charterers.

(d) Charterers shall make no changes in the structure of the Vessel nor major changes in her machinery, appurtenances, spareparts or boilers without in each instance first securing the written approval of Owners, which approval shall not be unreasonably withheld. Provided that if any such changes are required to meet classification society requirements, applicable regulations and/or any relevant laws Owners shall not withhold such approval and Charterers shall not be obliged to reinstate the Vessel to its condition prior to the making of such changes.

(e) Charterers shall drydock the Vessel and clean and paint her underwater parts in accordance with good commercial practice, but not less than as may be required by the American Bureau of Shipping or such other classification society as provided in 7(a)(ii) to maintain the Vessel's highest classification. Charterers shall give Owners not less than seven (7) days prior notice of their intention to drydock the Vessel, such notice to specify the intended time and place of drydocking.

(f) Owners (or such persons as they shall appoint or authorize) shall have the right at any time on reasonable notice, and in a manner which shall not interfere with the Vessel's trading requirements to inspect or survey the Vessel in order to ascertain the condition of the Vessel and to satisfy themselves that the Vessel is being properly repaired and maintained in accordance with the provisions of this Charter. Inspection or survey in drydock shall be made only when the Vessel is in drydock under the provisions of sub-clause (e) of this Clause.

However, Owners shall have the right to require the Vessel to be drydocked for inspection, if Charterers are not docking her at the required classification intervals. The costs incurred in respect of such drydocking and any inspection or survey made under this sub-clause shall be paid by Charterers to Owners. All repairs as shall be shown to be required by any inspection or survey shall be made at Charterers' expense and shall be completed within a reasonable period of time or such other period as is specified by the relevant classification society referred to in Clause 7(a)(ii). Time taken in respect of inspection, survey or repairs shall form part of the Charter Period. Charterers shall whenever requested, on reasonable notice, permit Owners to inspect the Vessel's log books and furnish Owners promptly with full information regarding any casualties or other damage to the Vessel.

(g) Owners shall not be liable for any expense in repairing or maintaining the Vessel or be liable to supply a vessel or any part thereof in lieu if the Vessel or any part thereof is lost, damaged, rendered unfit for use, confiscated, seized, requisitioned, restrained or appropriated and the Charter Hire payable in respect of the Vessel shall continue to be payable notwithstanding loss or damage (not amounting to a Total Loss) to the Vessel or any part thereof (and notwithstanding that the Vessel or any part thereof is rendered unfit for use or is requisitioned for hire). In the event of a Total Loss the provisions of Clause 12 shall apply;

(h) Charterers shall not have or be deemed to have any authority to pledge Owners' credit for any purpose, including any maintenance overhauls, replacements, repairs and modification of the Vessel.

8. Redelivery and Status

(a) Unless the Vessel suffers a Total Loss or Charterers purchase the Vessel pursuant to Clause 22, Charterers shall at the end of the Charter Period redeliver the Vessel to Owners at a safe and ice-free port or a place selected by Charterers within the Vessel's trading limits (within 10 steaming days from a recognized loading area) or at such other safe port as shall be agreed between the parties but Charterers shall not be deemed to warrant the safety of such port once redelivery has occurred. The Vessel shall be redelivered to Owners free and clear of all mortgages, liens, claims, charges and encumbrances which Charterers are obligated to discharge or satisfy and in the same or as good structure, state and condition as those in which she was delivered, ordinary wear and tear alone excepted. The time of redelivery shall be the time when the Vessel is tendered for redelivery in class without outstanding requirements or recommendations to enable the Vessel to proceed without delay and free of cargo (other than slops).

(b) At or about the time of redelivery a survey shall, if Owners so require, be made to determine the condition and fitness of the Vessel, her machinery and equipment. In that event, Charterers and Owners shall each appoint surveyors to be present at such survey and the surveyors present shall determine and state the repairs or work necessary to place the Vessel at the date of redelivery in the structure, state and condition required by sub-clause (a) of this Clause. In the event that the Vessel has been dry-docked within 30 months prior to

redelivery and Charterers certify in writing to Owners that, to the best of their knowledge, the Vessel has had no bottom touching since such dry-docking, such survey may be conducted while the Vessel is afloat. Owners may require a diver's survey of the Vessel. Charterers shall bear all expenses of any such survey. Charterers shall at their expense make all such repairs and do all such work so found to be necessary before redelivery or at Owners' option shall discharge their obligations hereunder by payment to Owners of a sum sufficient to provide, at the prices current at the time of redelivery, for the work and repairs necessary to place the Vessel in such structure, state and condition. The Charter Period shall be extended until the completion of any such repairs and work found to be necessary or the payment of the amounts described in this Clause 8(b).

(c) The provisions of this Clause shall be subject to the provisions of sub-clause (b) of Clause 13 hereof where the Vessel is under requisition for hire at or until the end of the Charter Period.

(d) An inventory of consumable stores on board the Vessel shall be made by Charterers in conjunction with Owners on delivery and again on redelivery of the Vessel. Charterers and Owners shall respectively take over and pay for all bunkers, lubricating oil, water and unbroached provisions, paints, oils, ropes and other consumable stores remaining in the Vessel on delivery and redelivery at the market prices current at the port of delivery or redelivery but Charterers shall not be required to pay for lubricating oil in the Vessel's system or for stores included in the Vessel's specification or for stores arranged and put on board by Charterers' at their own expense or by the Builder at its own expense.

(e) The Vessel upon redelivery shall have her survey cycles up to date and class certificates valid for at least six (6) calendar months. Notwithstanding the provisions of this Clause 8, Charterers shall ensure that Vessel shall have been dry-docked within 30 months prior to redelivery.

9. Use of Vessel and Payment of Hire

(a) Charterers shall have the use of all equipment (which expression includes cabin, crew and galley equipment, navigational aids and technical equipment, furnishings, furniture and fittings and spare and replacement parts) that is the property of Owners on board at the time of Delivery of the Vessel or title to which is acquired by Owners pursuant to the Purchase Agreement; and the same, or their substantial equivalent, shall be returned to Owners on redelivery in good order and condition, ordinary wear and tear alone excepted. Charterers shall from time to time during the Charter Period replace at their expense such items of equipment as shall be so damaged or worn as to be unfit for use. Such replaced equipment shall become part of the Vessel and title to such replaced equipment shall vest in and the same shall belong to Owners.

(b) Any hired equipment placed on the Vessel by Charterers may be removed by Charterers prior to the expiration of the Charter Period. If so requested by Owners, Charterers shall assist in transfer of equipment hire agreements to Owners or their nominee, but Charterers shall not be required to guarantee or assume any other liability with respect to a transferee's performance under said hire agreements.

(c) During the Charter Period, the Charterer shall pay, without offset or deduction, whether or not Vessel is under arrest, Charter Hire for the use and hire of the Vessel at the times and in the amounts indicated on Schedule 1 attached hereto and made a part hereof. Unless otherwise notified by Owners, all payments of Charter Hire and other amounts payable by Charterers to Owners hereunder shall be made to an account nominated by Owners at _____ (or to such other account as Owners may from time to time nominate) and shall be made by wire transfer of immediately available funds.

(d) During any extension of the Charter Period, the rate of hire shall be calculated on the basis of the then current Charter Hire rate converted to a daily rate using a 365 days year and shall be payable on expiration of such extension.

(e) Time of payment shall be of the essence. If the date of payment is a date upon which Owners' nominated bank is not open for business, payment shall be made on the first preceding Business Day. Payment of sums due under the provisions of this Charter shall be made (by close of business New York Federal Reserve Bank) by wire transfer to Owners' nominated bank and receipt of such wire transfer by such bank by 10:00 a.m. New York time on the due date for payment (in accordance with all the provisions of this Charter) shall constitute timely payment by the payer of the amount authorized by such cable or telex to be paid even though the payee's account be not credited until after such due date and the payer shall not be liable for any delays or errors committed by such bank in processing payment instructions transmitted properly on behalf of the Charterers.

(f) If any payment of Charter Hire hereunder shall not be paid when due Owners shall be entitled in addition to call for interest thereon at the rate of interest per annum equal to the Default Rate from and including the due date to the date of actual payment (after as well as before judgment) parts of a day being treated as complete days and Charterers shall thereupon forthwith pay the same to Owners.

10. Mortgage

(a) Charterers agree that the financing of the Vessel will be secured by the Charter on the Vessel and assignments of Owners' right, title and interest under, in and to this Charter. Charterers shall execute and deliver all such documents, opinions, reports, and agreements listed on Exhibit A attached hereto.

(b) Charterers agree that this Charter and any other charters permitted under Clause 20(a) hereof shall always be subordinated in all respects to the Mortgage.

(c) Owners agree that the Mortgage and any other mortgage hereinafter placed on the Vessel by Owners will contain a provision to the effect that throughout the Charter Period, so long as no Event of Default shall have occurred and be continuing and so long as Charterers shall have performed their obligations hereunder, Charterers shall be entitled to quiet enjoyment of the Vessel.

11. Insurance

(a) Insurance Obligations - Charterer shall, at its own expense,

provide and maintain the following insurance and shall ensure that the value of the Vessel as stated in any valued policy is equal to the amount insured thereunder:

(i) hull and machinery insurance for an amount not less than the Stipulated Loss Value of the Vessel as per American Institute Hull Clauses (June 2, 1977) and the American Hull Insurance Syndicate's Liner Negligence Clause (June 2, 1977). Such insurance shall include navigation limit adequate for the vessel's trade and exclude collision liability.

(ii) protection & indemnity insurance on a full entry basis with an International Group P&I Club. Such insurance shall include, but not be limited to, coverage for injuries to or death of masters, mates and crew; full (4/4ths) collision liabilities and pollution liabilities imposed by federal and state laws as well as TOVALOP liabilities (if applicable). Such insurance shall be unlimited as per International Group P&I Club rules except for pollution liabilities which shall be limited to \$700 million or the maximum pollution limit offered by and through the P&I Clubs of the International Group.

(iii) Hull War Risk Insurance for an amount not less than the Stipulated Loss Value of the Vessel as per American Institute Hull War Risks and Strikes Clauses 12/1/77 and the American Hull Insurance Syndicate's Addendum April 1, 1984 (War Risks). Such insurance shall apply to all areas where the Vessel trades.

(b) Insurance Practice

Charterers have, prior to the signing of this Charter, outlined to Owners the insurance arrangements at present in force in relation to its fleet (which arrangements shall apply to the Vessel on and after the date of delivery of the Vessel). Owners hereby confirm their acceptance of such arrangements as complying with Charterers' obligations under the preceding sub-clause (a) (subject to adjustment thereof in the light of changes in market practice and in

accepted tanker practice). Charterers undertake not to alter such arrangements in a manner that is in material breach of any other provision of this Charter or otherwise materially adverse to Owners without first notifying Owners and obtaining their written approval, such approval not to be unreasonably withheld.

(c) Loss payable and notice of Cancellation

- (i) Unless Owners shall have given their prior written consent, all insurances effected pursuant to Clause 11(a)(i) and (iii) shall contain a loss payable and notice of cancellation clause in the following form:

"LOSS PAYABLE AND NOTICE OF CANCELLATION CLAUSE"

- (A) Until _____ ("Owners") shall have notified underwriters to the contrary:

- (1) all recoveries up to the Stipulated Loss Value hereunder in respect of a total loss or constructive or compromised or agreed or arranged total loss shall be paid in full to Owners without any deduction or deductions whatsoever; and
- (2) all other recoveries shall be paid in full to Chevron Transport Corporation ("Charterers") or to its order without any deduction or deductions whatsoever; and

- (B) Owners shall be advised:

- (1) if any Hull and Machinery insurer cancels or give notice of cancellation of any insurance or entry at least ten (10) days before such cancellation is to take effect; and
- (2) if any hull War Risks insurer cancels or gives notice of cancellation of any insurance or entry at least seven (7) days before such cancellation is to take effect; and
- (3) of any default in the payment of any Hull and Machinery premium or call or failure to renew any such insurance or entry ten (10) days prior to the

date of renewal thereof; and

- (4) of any default in the payment of any War Risks premium or call or failure to renew any such entry seven (7) days prior to the date of renewal thereof."

- (ii) Unless Owners shall have given their prior written consent, all insurance and entries effected pursuant to Clause 11(a)(ii) shall contain a loss payable and notice of cancellation clause in the following form:

"LOSS PAYABLE AND NOTICE OF CANCELLATION CLAUSE

At the request of the Owners and with the consent of the Charterers, the protection and indemnity club managers may in their discretion, agree:

- (a) to pay Owners, or to their order, any recovery the Charterers are entitled to receive from the funds of the P&I Club in respect of any liability, costs or expenses incurred by the Charterers on receipt of notice from the Owners that the Charterers are in default under the Charter; and
- (b) to give the Owners ten (10) days' notice that insurance in the P&I Club in respect of the Vessel is to cease; and
- (c) to give the Owners ten (10) days' notice of the P&I Club's intention to cancel the insurance of the Charterers by reason of their failure to pay when due and demanded any sum due from them to the P&I Club.

(d) Information as to insurances

Charterers shall give Owners and its insurance advisers such information as to the insurances taken out or being or to be taken out in compliance with Charterers' obligations under the foregoing provisions of this Clause or as to any other matter which may be relevant to such insurances as Owners or their advisers may reasonably request.

(e) Charterers Option to Self-Insure

Notwithstanding anything to the contrary herein contained in Clause 11, Charterers shall have the right to self-insure against the risks described in Clause 11(a).

12. Total Loss, Requisition for Title, Capture, Seizure

(a) If a Total Loss shall occur, this Charter and the obligation of Charterers to pay Charter Hire hereunder shall continue and be payable as set forth herein until Charterers have complied with this Clause 12. Charterers shall forthwith notify Owners of the facts and circumstances of such Total Loss and Charterers shall, on the date which is 90 days after the Total Loss (the "Loss Date"), pay to Owners the amount determined pursuant to paragraph (b) below. Charterers shall give Owners at least 15 days prior notice in writing of the Loss Date. On the Loss Date, Charterers shall pay such amount to Owners, and thereupon this Charter shall terminate and Charter Hire payable hereunder shall cease.

(b) The amount payable on any such Loss Date shall be the sum of (i) any deficiency between (A) the Stipulated Loss Value in relation to the period in question calculated by the application of Schedule 2 and (B) all insurance proceeds for damage to or loss of the Vessel and amounts paid by any governmental authority in connection with any requisition, seizure or forfeiture actually received in hand by Owners or the Mortgagee prior to or on such Loss Date; and (ii) all Charter Hire accrued (on a daily basis) but unpaid hereunder to such Loss Date and any other sums due under any provisions of this Charter, together with interest thereon at the Default Rate from the date upon which any such Charter Hire or other sums was due until the date upon which the calculations are made for the purposes of this Clause which date shall be the Loss Date. The foregoing obligations of Charterers under this Clause 12 shall apply regardless of whether or not any moneys are payable under the insurances effected in compliance with Clause 11 hereof in respect of the Vessel, regardless also of the amount payable thereunder, regardless also of the cause of the Total Loss and, regardless of whether or not any of the said compensation shall be payable. This Charter shall terminate upon the fulfillment by Charterers of their obligations under this subclause.

(c) If Charterers shall have made a payment to Owners pursuant to the foregoing provisions of sub-clause (b) of this Clause and Owners shall subsequently receive any insurance monies or other compensation contemplated under such Clause (b) the same shall be immediately applied first towards repayment to Charterers of the amount of any such payment and second (to the extent that the further insurance monies or compensation shall exceed the amounts paid by Charterers and so repaid by Owners) to Charterers.

(d) Charterers shall be liable for any loss of any part of or damage to the Vessel (other than a Total Loss in which event the foregoing provisions of this clause shall apply) during the Charter Period from whatsoever cause such loss or damage may arise, unless the same shall have been caused by the negligence or wilful act of Owners, their servants or agents (except where Charterers or their servants and agents are acting as agents of Owners). In the event of repairable damage to the Vessel or any part thereof or loss of part of the Vessel, Owners shall, subject to their prior right to retain any sums which may be due from Charterers to Owners under the terms of this Charter, make payment to Charterers of moneys received under the insurances effected in compliance with Clause 11 upon Charterers furnishing evidence satisfactory to Owners that all such damage has been made good or repaired or repairs have been

put in hand.

(e) For the purpose of this Clause 12, insurers shall be deemed to have admitted a claim either on the date that they inform Owners that the claim is admitted or upon the date that they make payment to Owners even though no claim has ever been admitted.

(f) Owners shall, upon the request of Charterers, promptly execute such documents as may be required to enable Charterers to abandon the Vessel to insurers and claim a constructive total loss provided that Owners shall be entitled by notice in writing to Charterers to require that the Vessel shall not be abandoned and that a partial loss only shall be claimed, in which case this Charter shall terminate as from the date of the event giving rise to such loss and any insurance payments in respect of the partial loss shall be paid to Owners. Save as aforesaid, any moneys payable by insurers for a partial loss shall be paid to Charterers and Owners shall, at the request and expense of Charterers, take or procure to be taken all such reasonable steps as Charterers may require for the recovery of such moneys.

13. Requisition for Hire

(a) If the Vessel is requisitioned for hire by any governmental or other competent authority during the Charter Period, then unless and until following such requisition the Vessel becomes a Total Loss, this Charter shall continue in full force and effect for the remainder of the Charter Period (and Charterers shall be fully responsible for due compliance with all its obligations under (i) Clause 11 and (ii) the other provisions of this Charter, other than those which Charterers are unable to comply with solely by virtue of the aforesaid requisition for hire); provided, however, that if Charterers shall duly comply with all of their obligations under this Charter save as aforesaid, Charterers shall be entitled to all requisition hire paid to Owners or to Charterers by such governmental or other competent authority or by any person acting by the authority of the same on account of such requisition during the Charter Period.

(b) Should the Vessel be under requisition for hire at or until the end of the Charter Period:

- (i) Charterers shall, if they are prevented by reason of the requisition from redelivering the Vessel under sub-clause (a) of Clause 8 hereof, be relieved from their obligation so to do, provided that if the party requisitioning the Vessel does not at the end of the period of requisition redeliver the Vessel to Owners at such place as Owners shall request, Charterers shall upon the written request of Owners use their best endeavors to redeliver the Vessel in accordance with sub-clause (a) of Clause 8;

- (ii) after such release Charterers shall be given a reasonable opportunity of removing any such additional or hired equipment as is referred to in sub-clause (b) of Clause 9 hereof on the terms referred to in that sub-clause;
- (iii) notwithstanding any other provision of this Charter, Charterers shall be under no liability to Owners in respect of the structure, state or condition of the Vessel insofar as such structure, state or condition is due to the manner in which she has been used or treated or to any events which have occurred during the period of such requisition.

14. Liens; Notice on Vessel

(a) Charterers will not suffer, nor permit to be continued, any lien or encumbrance incurred by them or their agents, which might have priority over the title and interest of Owners in the Vessel. Charterers shall indemnify and hold Owners harmless against any lien of whatsoever nature arising upon the Vessel during the Charter Period while she is under the control of Charterers, and against any claims against Owners arising out of or in relation to the operation of the Vessel by Charterers. Should the Vessel be arrested by reason of claims or liens arising out of her operation hereunder by Charterers, Charterers shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released and at their own expense put up bail to secure release of the Vessel.

(b) Charterers will fasten to the Vessel in a conspicuous place and will keep so fastened during the Charter Period a notice reading as follows:

"This Vessel is the property of and is registered in the name of _____; she is under charter by demise to and operated by _____ and neither Charterers nor the Master nor any servant or agent thereof has any authority whatsoever to contract on behalf of Owners or to pledge Owners' credit or to involve Owners in any liability whatsoever"

or in such other form as Owners may reasonably require from time to time.

15. Salvage

All salvage and all proceeds from derelicts shall be for Charterers' benefit and the cost of repairing damage occasioned thereby shall be borne by Charterers.

16. General Average

General Average, including Owners' portion, if any, shall be payable by Charterers. General Average, if any, shall be adjusted according to the York-Antwerp Rules 1974, as amended 1990, or any subsequent modification thereof current at the time of the casualty.

17. Default; Remedies

(a) If during the term of this Charter:

- (i) Charterers shall make default for two Business Days in any payment in respect of Charter Hire due under the terms of this Charter.
- (ii) Charterers shall fail for a period of thirty (30) Business Days after written notice thereof has been given to Charterers by Owners to perform and observe any of the covenants, conditions, agreements or stipulations on the part of Charterers to be performed or observed contained herein (other than sub-clause (a)(i) and (v) of this Clause).
- (iii) Charterers cease doing business as a going concern or generally cease to pay their debts as they become due or any proceedings under any bankruptcy or insolvency laws are instituted against Charterers or if a receiver or trustee is appointed for Charterers or for any of their assets or properties, and such proceeding is not dismissed, vacated or fully stayed within sixty (60) days.
- (iv) Charterers shall create or suffer to exist any mortgage, charge, pledge or other like encumbrance over the Vessel or any part thereof not created or caused by Owners or by persons claiming by, through or under Owners or shall have abandoned the Vessel. The foregoing provisions shall not apply to any notice of abandonment which Charterer's may give to insurers under the provisions of Clause 12.
- (v) Charterers fail to comply with any of their obligations as to insurance contained in Clause 11.
- (vi) Charterers shall within thirty (30) days of any scheduled date of redelivery hereunder fail to provide adequate bail or security when required so to do in respect of any maritime lien, possessory lien or statutory right in rem which may be acquired over the Vessel

not created or caused by Owners or by persons claiming by, through or under Owners in order to prevent the Vessel being arrested, impounded or seized or if any such lien, right or claim over the Vessel is exercised by the arrest, attachment, detention, impounding or seizure of the Vessel under any distress execution or other process, or any distress or execution is levied thereon, and Charterers fail to use their best endeavors to procure the release of the Vessel therefrom within thirty (30) days of any scheduled date of redelivery hereunder.

THEN AND IN ANY SUCH EVENT Owners may, by written notice to Charterers, declare this Charter to be in default and Owners may:

(a) (i) Upon written demand, cause Charterers at Charterers' expense to, and Charterers shall promptly, redeliver the Vessel or cause the Vessel to be redelivered, with all reasonable dispatch to Owners and in the condition required by the terms of Clause 8 as if the Vessel were being redelivered at the expiration of the Charter Period, and all obligations of Charterers under said Clause 8 shall apply to such redelivery, or (ii) Owners or their agent, at Owners' option, without further notice, may, but shall be under no obligation to, retake the Vessel wherever found, whether upon the high seas or in any port, harbor, or other place and irrespective of whether Charterers, any subcharterer or any other Person may be in possession of the Vessel, all without prior demand and without legal process, and for that purpose Owners or their agent may enter upon any dock, pier or other premises where the Vessel may be and may take possession thereof, without Owners or their agent incurring any liability by reason of such retaking, whether for the restoration of damage to property caused by such retaking or otherwise. The exercise by Owners of their remedies under this subparagraph (a) shall be without prejudice, and in addition, to any of Owners' other remedies referred to below.

(b) Owners or their agent may sell the Vessel at public or private sale, with or without notice to Charterers, advertisement or publication, as Owners may determine, or otherwise may dispose of, hold, use, operate, charter (whether for a period greater or less than the balance of what would have been the Charter Period in the absence of the termination of Charterers' rights to the Vessel) to others or keep the Vessel idle, all on such terms and conditions and at such place or places as Owners may determine and all free and clear of any rights of Charterers and of any claim of Charterers in admiralty, in equity, at law or by statute, whether for loss or damage or otherwise, and without any duty to account to Charterers.

(c) Charterers shall be liable for any and all Charter Hire payable under this Charter before, during or after the exercise of any of the foregoing remedies and for all reasonable costs including all legal fees and any other costs and expenses whatsoever incurred by Owners by reason of the occurrence of any default or by reason of the exercise by Owners of any remedy hereunder, including, without limitation, all costs and expenses incurred by Owners in connection with any retaking of the Vessel and, upon the redelivery or retaking of the Vessel in accordance with this Clause 17, the placing of the Vessel in the condition and seaworthiness required by the terms of Clause 8 hereof and including interest on overdue Charter Hire.

(d) Each and every right, power and remedy herein given to Owners shall be cumulative and shall be in addition to every other right, power and remedy herein given or now or hereafter existing at law, in equity, admiralty or by statute and each and every power and remedy whether herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Owners, and the exercise or the beginning of the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other power or remedy. No delay or omission of Owners to exercise any right or power vested in it hereunder shall impair such right or power or be construed as a waiver of or as acquiescence in any default by Owners or be deemed a waiver of any right arising out of any future default or of any past default. In the event Owners at any time agree to waive any such right or power, such waiver shall be revocable by Owners at any time and the right or power shall henceforth be again exercisable as though there had been no such waiver unless the Event of Default has been cured. In the event Owners shall have proceeded to enforce any right or pursue any power under this Charter and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Owners, then and in every such case Charterers and Owners shall be restored to their former positions and rights hereunder with respect to the property subject or intended to be subject to this Charter and all rights, remedies and powers of Owners shall continue as if no such proceedings had been taken.

(e) The rights and powers of Owners and the obligations of Charterers under this Clause 17 shall be effective and enforceable regardless of the pendency of any proceeding which has or might have the effect of preventing Owners or Charterers from complying with the terms of this Charter. No express or implied waiver by Owners of any default shall in any way be, or be construed to be a waiver of any further or subsequent default.

18. Termination

In the event (a) the Charterers shall exercise the option granted to them pursuant to Section 2(a) and Charterers shall have remitted to Owners an amount equal to the Optional Termination Amount, (b) a Total Loss shall have occurred and Charterers shall have remitted to Owners the amounts described in Clause 12(b) or (c) Charterers shall have remitted to Owners the amounts described in Clause 19, then, notwithstanding anything to the contrary contained herein, the Charter shall continue with respect to Charterers' obligation to pay such amount to Owners and shall terminate on (x) the date which is 367 days after the date on which such amounts have been remitted to Owners or the Owners' assignee or (y) if (i) Charterers commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, (ii) a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) is appointed for Charterers or for any substantial part of their property, (iii) Charterers generally fail to pay their debts as they become due or (iv) Charterers make a general assignment for the benefit of creditors, the expiration of the period during which any payment made by or on behalf of Charterers may be avoided under any applicable bankruptcy, insolvency, creditors' rights or similar laws.

19. Payments on Termination

Whether or not Owners shall have exercised, or shall thereafter at any time exercise, any options, rights or remedies under Clause 17, upon or as a consequence of a breach of contract by Charterers amounting to repudiation by Charterers of this Charter, Owners may immediately require Charterers to pay to Owners, and Charterers shall pay to Owners as liquidated damages for loss of a bargain and not as a penalty, an amount equal to (i) the sum of (A) the Stipulated Loss Value in relation to the period in question calculated by the application of Schedule 2, (B) all outstanding accrued and unpaid Charter Hire and (C) any other amounts due to Owners under this Charter on or prior to the date of payment and (ii) interest thereon (as well after as before judgment) at the Default Rate from the date such amounts were payable to the actual date of payment.

Charterers shall not be entitled to any part of the net proceeds of the Vessel (if any) whether by way of rebate of Charter Hire or otherwise.

20. Assignment and Sub Charter 0.0.40.

(a) Charterers may not assign all or part of their rights and obligations under this Charter nor may they charter the Vessel by demise to any other entity without the prior written consent of Owners, such consent, subject always to the Vessel being maintained and insured to the same standards as are adopted by Charterers in respect of the vessels owned by them, not to be unreasonably withheld; provided, however, that Charterers may assign their rights and obligations hereunder to a corporation more than 50% of which is owned, directly or indirectly, by Chevron Corporation so long as Charterers remain responsible as principals for the due fulfillment of this Charter and provide such assurances of responsibility to Owners as

they may reasonably request.

(b) Charterers may otherwise charter the Vessel without the prior consent of Owners provided that Charterers remain responsible as principals (or appoint another person to be responsible in their stead) for navigating and managing the Vessel throughout the period of such charter and for defraying all expenses in connection with the Vessel throughout such period or substantially all such expenses other than those directly incidental to a particular voyage or to the employment of the Vessel during that period.

(c) Owners may not transfer or assign to any other person or entity all or part of its rights or obligations under this Charter (except to the Lender pursuant to the Assignment of Charter and the reassignment of this Charter to the Collateral Trustee under the Assignment of Assignment of Charter (collectively, the Assignment of Charter and the Assignment of Assignment of Charter shall be referred to as the "Security Assignment")) unless such transferee or assignee also assumes the obligations of Owners under the related Security Documents and Charterers shall have given its prior written consent to such assignment and assumption, which consent shall not be unreasonably withheld. In addition, any transfer of Owners' interest in this Charter (other than the Security Assignment) may only be effected by surrender of this Charter and its reissuance by Charterers to such Owners' assignee or transferee.

21. Indemnity

- (a) Charterers hereby indemnify Owners and shall keep Owners fully indemnified at all times whether during the currency of this Charter or at any time in respect of events arising during the currency of this Charter against:
 - (i) All costs and expenses of operating and maintaining the Vessel and of operating, maintaining and replacing all parts including (but without prejudice to the generality of the foregoing) all fuel, oil, port charges, fees, taxes, levies, fines, penalties, charges, insurance premiums, victualing, crew, navigation, manning, operating and freight expenses and all other outgoings whatsoever payable by Owners or Charterers in respect of the possession or operation of the Vessel or any part thereof, or the purchase, ownership, delivery, chartering, possession and operation, import to or export from any country, return, sale or disposition of the Vessel or any part thereof or upon the hire, receipts or earnings arising therefrom (other than Owners Taxes or documentation costs except as otherwise provided in Clause 6(a)) which shall be promptly paid by Charterers;

- (ii) All liabilities, claims, proceedings (whether civil or criminal), penalties, fines or other sanctions, judgements, charges, taxes, impositions, liens, salvage, general average, costs and expenses whatsoever which may at any time be made or claimed by Charterers or any employee, servant, agent or sub-contractor, passenger, owner, shipper, consignee and receiver of goods or any third party (including governments or other authorities) or by their respective dependents arising directly or indirectly in any manner out of the design, construction, possession, management, repair, certification, manning, provisioning, supply or servicing of the Vessel (whether at sea or not) or the chartering thereof hereunder whether such liability, claims, proceedings, penalties, fines, sanctions, judgments, charges, taxes, impositions, liens, salvage, general average, cost or expenses may be attributable to any defect in the Vessel or the design, construction, testing or use thereof or from any maintenance, service, repair, overhaul or otherwise and regardless of when or where the same shall arise and whether or not the Vessel or the relevant part thereof is in the possession or control of Charterers (other than Owners Taxes or documentation costs except as otherwise provided in Clause 6(a)); and
- (iii) Charterers accept all liability for oil or other pollution damage resulting from Charterers' operation of the Vessel under this Charter and agree to promptly indemnify and hold Owners harmless from and against any and all losses, damages and expenses which Owners may incur as a result of any oil or other pollution damage resulting from Charterers' operation of the Vessel under this Charter, including, but not limited to, Owners' liability under the Oil Pollution Act of 1990, as amended, and/or the laws of any other jurisdiction relating to oil spills.
- (iv) Owners shall use good faith efforts to notify Charterers promptly of any tax for which it may seek indemnity. Charterers shall, subject to the prior written approval of Owners (such approval not to be unreasonably withheld), be entitled to take action in the name of Owners at Charterers' expense against any taxing authority in respect of any taxes for which Charterers have indemnified such Owners, and Owners agree to reasonably cooperate with Charterers in taking such action. If as a result of any such action any moneys are received that are attributable to such indemnified taxes (including any interest thereon paid by such taxing authority) the same shall be recovered by Charterers.

(b) Without prejudice to its generality, the provisions of this sub-clause shall extend to claims of persons (including governments or other bodies whether corporate or otherwise) who have suffered or allege that they have suffered loss, damage or injury in connection with any thing done or not done by the Vessel, including in connection with any oil or other substance emanating or threatening to emanate from the Vessel and shall extend to levies, impositions, calls, or contributions on or required to be made by Owners during or in respect of the Charter Period.

(c) If any obligation of Charterers under the foregoing sub-clause or under subclause (d) below shall not be discharged when due, Charterers shall on demand forthwith pay to Owners not only the amount of such obligation but also interest thereon at the Default Rate from the date Owners paid the same to the date of reimbursement by Charterers (after as well as before judgment)

(d) In the event of the Vessel becoming a wreck or obstruction to navigation, Charterers shall indemnify Owners against all losses, costs, damages and expenses which Owners may in consequence thereof incur including those incurred in respect of the removal or destruction of the wreck or obstruction under statutory or other powers.

22. Purchase Option

(a) On _____, 2015, so long as this Charter has not earlier terminated and no Event of Default has occurred and is continuing and all payments due hereunder have been paid in full, Charterers shall have the right to purchase the Vessel at a purchase price equal to \$1.00. Charterers shall give Owners at least 90 days prior written notice of its election to purchase the Vessel on _____, 2015.

(b) Owners agree to do all such things whatsoever and execute and deliver all such documents whatsoever to enable Charterers to register title to the Vessel in the name of Charterers or its designee.

(c) Charterers shall pay all fees, taxes (other than Owner Taxes), costs and expenses which may become payable as a result of or in connection with this Clause 22.

23. General

(a) Charterers shall give to Owners all such information as Owners may reasonably request with regard to the performance by Charterers of their obligations hereunder.

(b) Charterers shall pay all expenses (including legal and other costs) incurred by Owners in connection with the enforcement of any rights conferred upon Owners by this Charter or in or incidental to any action brought by Owners to recover any hire or other payments due hereunder or for breach of any covenant, agreement, condition or stipulation herein contained or to recover possession of the Vessel or any part thereof whether any such

action proceeds to judgment or not. Owners shall pay all expenses (including legal and other costs) incurred by Charterers in connection with the enforcement of any rights conferred upon Charterers against Owners by this Charter.

(c) No failure or delay on the part of Owners in exercising any power or right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any such right or power preclude any other or further exercise of any such right or power.

(d) This Charter shall not be varied in its terms by an oral agreement or representation or otherwise than by an instrument in writing of even date herewith or subsequent hereto executed by all the parties hereto or by their duly authorized representatives.

(e) If any term or provision of this Charter or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Charter or application of such term or provision to persons or circumstances other than those as to which it is already invalid or unenforceable shall not be affected thereby and each term and provision of this Charter shall be valid and be enforceable to the fullest extent permitted by law.

(f) The title to the Clauses and sub-clauses of this Charter shall not in any way affect the interpretation thereof; the terms defined in this Charter have the meanings assigned to them in this Charter and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender.

(g) Any demand, consent, record, election or notice required or permitted to be given under this Charter shall be in writing and sent by recorded or registered letter or telefax (and in the case of telefax confirmed by recorded or registered letter) addressed as follows:

(i) If to Owners to:
United House
14-16 Nelson Street
Douglas, Isle of Man
Fax No: -----
Attention: -----

(ii) If to Charterers to:
Chevron House
11 Church Street
Hamilton, Bermuda HM111
Fax No: -----
Attention: -----

or in case to such other person or address or addresses or telefax number as any party may notify in writing to the other parties hereto. Any such notice shall be deemed to have reached the party to whom it is addressed (in the case of notice given by letter) five (5) days after despatch by first class pre-paid post (airmail if from abroad) or (in the case of notice given by telefax) when confirmed by a correct transmission report when despatched and for this purpose confirmation by letter of notice given by telefax, shall be disregarded.

(h) This Charter shall be governed by and construed and performance thereof shall be determined in accordance with the federal laws of the United States of America and the laws of New York. The obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws, without giving effect to principles of conflicts of law.

(i) All matters of difference between the parties hereto (other than as herein expressly provided to the contrary and other than in respect of any action by Owners for possession of the Vessel) shall be referred to arbitration in New York by an arbitrator to be agreed between Owners and Charterers or in default of such agreement within 30 days to be nominated by the President for the time being of the Society of Maritime Arbitrators.

(j) Where it is provided in this Charter that in default of agreement a matter is to be determined by an expert under this sub-clause, the same shall be determined by such person, firm, corporation or body as may be agreed between Owners and Charterers (or in default of agreement as may be nominated by the Chairman for the time being of the Baltic and Mercantile Shipping Exchange) who shall be deemed to act as expert and not as arbitrator and whose determination shall be final and binding on the parties.

(k) All payments (other than payments pursuant to Clauses 21(a)(i) and 21(a)(ii) and documentation costs for Owners' account pursuant to Clause 6(a)) made to Owners shall be made without deduction for or on account of any present or future taxes (including value added, turnover, sales and use taxes), levies, imposts, duties, deduction, withholdings and other charges of whatsoever nature (collectively, "Charges") unless such deduction is required by law. If such deduction is required by law (i) the sum payable by Charterers shall be increased as may be necessary so that, after making all required withholdings and deductions (including those applicable to additional sums payable under this Clause 23(k)), Owners shall receive an amount equal to the sum that Owners would have received had no such withholdings and deductions been made and (ii) as required by applicable law Charterers shall withhold or deduct the amount required and pay such amount to the relevant taxing or other governmental authority. If any Charges paid by Charterers are recoverable by Owners from such taxing or other governmental authority, Charterers shall be entitled to the same rights provided in Clause 21(a)(iv). Owners shall consult with Charterers and use reasonable efforts to agree to a method of avoiding or minimizing any such deduction that is not in breach of applicable law or governmental regulation or of any of the financing documents entered into with the Mortgagee and which will leave the parties in substantially the same contractual relation as is herein contained. Without limiting the generality of the foregoing, the Owners shall take any lawful action to the extent necessary to prevent or avoid the imposition of any taxes, including any withholding taxes with respect to

Charter Hire, by any taxing jurisdiction (including the Registration Jurisdiction, except with respect to any taxes included in documentation costs for Owners' account pursuant to Clause 6(a) hereof), including changing its jurisdiction of incorporation or residence; provided however, that it shall not be required to take, or fail to take, any action (x) if in the opinion of counsel such act or failure to act would violate applicable law or (y) if in the reasonable opinion of Owners the actions necessary to avoid or prevent imposition of such taxes would be unduly burdensome. For purposes of clause (y) of the immediately preceding sentence a requirement to change the jurisdiction of the Owners' incorporation or residence shall not be treated as unduly burdensome.

(l) If any provision of this Charter shall be, or shall be rendered, unenforceable in whole or in part (which for the purposes of this Clause shall include being contrary to an official code or order for the time being in force to which either of the parties hereto is required by law to have regard and the contravention or the continued contravention of which could be considered or be made unlawful) Owners and Charterers shall use their best endeavors to agree an amendment or amendments to the terms of this Charter which would result in this Charter as so amended being fully enforceable and achieving substantially the same result (both financially and otherwise) so far as concerns Owners and Charterers as this Charter in its executed form would have achieved if the same had been fully enforceable. If Owners and Charterers are unable to agree to such an amendment or amendments then either party may by notice request that an arbitrator be appointed pursuant to the provisions to Clause 23(i) to determine whether an amendment or amendments which would achieve the result set out above are possible, and he shall be asked to specify them and the terms of this Charter shall be amended accordingly.

(m) The indemnities of Owners by Charterers contained in this Charter shall continue in full force and effect (in respect of events occurring during the currency of this Charter) notwithstanding the termination of the charter of the Vessel, the repudiation by Charterers of this Charter or the expiration of the charter period by effluxion of time or otherwise.

(n) Charterers and Owners agree that for United States tax purposes this Charter is intended to be a financing arrangement and not a true lease, and Charterers and Owners further agree to file their respective tax returns and reports consistent with such intention. This Charter shall be in registered form within the meaning of section 163(f) of the United States Internal Revenue Code of 1986, as amended, and Owners shall provide Charterers upon request, any forms or reports reasonably requested by Charterers to evidence such position, specifically including United States Internal Revenue Service Form W-8 or any successor form.

24. Definitions

"Assignment of Charter" means the Assignment of this Charter by Owners as collateral for the Owners obligations to the Lender.

"Assignment of Assignment of Charter" means the assignment of this Charter by the Lender to the Collateral Trustee as security for the Lender's obligations under the Indentures.

"Builder" means _____.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or in the city and state where the Mortgagee's principal offices are located, are authorized or are obligated by law, executive order or governmental decree to be closed.

"Certificate of Acceptance" means the certificate executed by Charterers on the Commencement Date indicating Charterers' acceptance of the Vessel under this Charter.

"Charter Hire" means the charter hire payable by Charterers for the use and possession of the Vessel payable at the times and in the amounts set forth on Schedule 1 attached hereto and made a part hereof.

"Charter Period" means the period of time from the Commencement Date to the expiration or earlier termination of this Charter, pursuant to the provisions hereof.

"Collateral Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as collateral trustee under the Collateral Trust Agreement, dated as of _____ 1, 1995, among the Lender, the Collateral Trustee and the Trustee.

"Commencement Date" means the date on which the Vessel is accepted by Owners under the Purchase Agreement and by Charterers under this Charter.

"Compulsory Acquisition" means requisition for title or other compulsory acquisition of the Vessel (otherwise than by requisition for hire), capture, seizure, condemnation, destruction, detention or confiscation of the Vessel by any government or by persons acting or purporting to act on behalf of any government or governmental authority.

"Default Rate" means a rate per annum equal to the sum of 1.50% and LIBOR as of the commencement of such period.

"Event of Default" means an event described in sub-clauses (a)(i) through (a)(vi) of Clause 17.

"Indentures" means the Indenture, dated as of _____ 1, 1995 between the Lender and the Trustee pursuant to which the Term Mortgage Notes will be issued and the Indenture, dated as of _____ 1, 1995 between the Lender and the Trustee pursuant to which the Serial Mortgage Notes will be issued.

"Institute Warranty Limits" means the Institute Warranties as defined by the Institute of London Underwriters.

"Lender" means California Petroleum Transportation Corporation, a corporation organized under the laws of the State of Delaware.

"LIBOR" means the rate calculated on the basis of the offered rates for deposits in dollars for a one-month period which appear on the Reuters Screen LIBO Page as of 11:00 A.M., London time, on the date that is two London Banking Days preceding the date of calculation. If at least two such offered rates appear on the Reuters Screen LIBO Page, LIBOR will be the arithmetic mean of such offered rates (rounded to the nearest .0001 percentage point). If, at any time of determination, the Reuters Screen LIBO Page is not available, LIBOR will be calculated as the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective ratio per annum at which deposits in dollars for a one month period are offered to each of three reference banks in the London interbank market at approximately 11:00 A.M., London time, on the date that is two London Banking Days preceding the date of calculation. Each of Charterers and Owners (or Owners' assignee) will select a reference bank and the third reference bank will be selected by Charterers and Owners (or Owners' assignee) together or, failing agreement, by the previously selected reference banks together.

"London Banking Day" means any day on which dealings in deposits in United States dollars are carried on in the London interbank market and on which commercial banks are open for domestic and international business (including dealings in United States dollar deposits) in London and New York.

"Mortgage" means the Mortgage, dated the date hereof, between Owners and the Mortgagee or any other mortgage relating to the financing of the Vessel by Owners.

"Mortgagee" means the Lender and any successor thereto or any other mortgagee of the Vessel.

"Optional Termination Amount" means the amount indicated below with respect to the Optional Termination Dates:

Optional Termination Date -----	Optional Termination Amount -----
_____, 200_	\$ _____
_____, 200_	\$ _____
_____, 200_	\$ _____
[_____, 200]	\$ _____

"Optional Termination Date" means the [8th, 10th, 12th or 14th] [9th, 11th, 13th or 15th] [10th, 12th, 14th or 16th] [11th, 13th or 15th] anniversary of the Commencement Date.

"Owner Taxes" means any income, franchise or equivalent tax, imposed upon or measured by the net income, stated capital or earned surplus of an Owner by any federal, state, local or other taxing authority of any jurisdiction worldwide, or any tax imposed pursuant to Section 887 of the United States Internal Revenue Code of 1986, as amended, or any taxes that result from the willful misconduct or gross negligence of an Owner or from the inaccuracy or breach of any representation, warranty or covenant of an Owner contained in any of Clauses 6(a), 20, 21(a)(iv), 23(k) or 23(n) of this Charter or in any document furnished in connection with such Clauses by an Owner, or any taxes that would not have been imposed but for the failure of any Owner (a) to provide to Charterers (for filing by Charterers with the taxing jurisdiction imposing such taxes or retention in Charterers' records) upon Charterers' timely request such certifications, information, documentation or reports concerning such Owner's identity, jurisdiction of incorporation or residency, or connection with such taxing jurisdiction or (b) to promptly file upon Charterers' timely request such reports or returns (which shall be prepared with reasonable care in accordance with Charterers' written instructions) claiming (or availing itself of) any applicable extensions or exemptions (to the extent that timely notice thereof is provided by Charterers); provided that Owner Taxes shall not include any such tax imposed on any amount that is (i) an indemnity or reimbursement of an Owner, (ii) an operating or maintenance expense, or (iii) a tax for which Charterers are otherwise liable under this Charter; and provided further that Owner Taxes shall not include any such tax imposed by any government, jurisdiction or taxing authority other than the United States Federal government solely as a result of the location of the Vessel or the Vessel's use by Charterers.

"Person" means an individual, a partnership, a corporation, a joint venture, an unincorporated association, a joint-stock company, a trust, or other entity or a government or any agency or political subdivision thereof.

"P&I Club" means a protection and indemnity association.

"Purchase Agreement" means the Vessel Purchase Agreement, dated as of _____, 1995, between Owners and Charterers.

"Registration Jurisdiction" means the [Republic of Liberia] [Commonwealth of the Bahamas].

"Security Documents" means all of the agreements executed and delivered by Owners to the Lender as collateral security for Owners' obligations to the Lenders.

"Serial Mortgage Notes" means the Serial First Preferred Term Mortgage Notes which will mature serially from _____, 1996 to _____, 2006 in the initial aggregate amount of \$167,500,000 issued by the Lender concurrently with the issuance of the Term Mortgage Notes.

"Stipulated Loss Value" means, as of any date, the amount corresponding to such date as indicated on Schedule 2 hereto and made a part hereof.

"Term Mortgage Notes" means ___% First Preferred Mortgage Notes Due 2015 in the initial aggregate amount of \$117,900,000 issued by the Lender concurrently with the issuance of the Serial Mortgage Notes.

"Total Loss" means either (a) actual or constructive or compromised or arranged total loss of the Vessel, (b) Compulsory Acquisition of the Vessel or (c) if so declared by Charterers at any time and in their sole discretion a requisition for hire of the Vessel for a period in excess of 180 days. Any actual loss of the Vessel shall be deemed to have occurred at 1200 hours Greenwich Mean Time (GMT) on the actual date on which the Vessel was lost or in the event of the date of the loss being unknown then the actual total loss shall be deemed to have occurred at 1200 hours GMT on the day next following the day on which the Vessel was last heard of. A constructive total loss shall be deemed to have occurred at 1200 hours GMT on the earliest of: 1) the date that notice of abandonment of the Vessel is given to the insurers provided a claim for total loss is admitted by the insurers, or 2) if the insurers do not admit such a claim, at the date and time GMT at which a total loss is subsequently adjudged by a competent court of law or arbitration tribunal to have occurred, or 3) the date that a report is rendered by one or more experts in marine surveying and vessel valuation (said experts to be appointed by Charterers at their expense and approved by Owners, such approval not to be unreasonably withheld) concluding that salvage, repair and associated costs in restoring the Vessel to the condition specified in Clause 7 exceed the Vessel's fair market value in sound condition.

"TOVALOP Scheme" means the Tankers Owners Voluntary Agreement concerning Liability for Oil Pollution dated January 7, 1969, as amended.

"Trustee" means Chemical Trust Company of California, not in its individual capacity but solely as indenture trustee under the Indentures or any successor trustee thereunder.

IN WITNESS WHEREOF the parties have caused this Charter to be signed the

date and year first above written.

[NAME OF OWNER]

By: -----

Name: -----

Its: -----

CHEVRON TRANSPORT CORPORATION

By: -----

Name: -----

Its: -----

CalPetro Holdings Limited, Designated Representative

California Petroleum Transport Corporation

Designated Representative Agreement

This Designated Representative Agreement, dated as of December 1, 1994 (the "Agreement"), among California Petroleum Transport Corporation (the "California Petroleum"), a corporation organized under the laws of the State of Delaware, and CalPetro Holdings Limited (the "Designated Representative"), a company organized under the laws of the Kingdom of Norway.

PRELIMINARY STATEMENT

Concurrently herewith, California Petroleum is (a) entering into an Indenture (the "Serial Indenture"), dated as of the date hereof, among California Petroleum, Chemical Trust Company of California, as trustee (the "Serial Indenture Trustee") and, solely for purposes of the Trust Indenture Act of 1939, as amended, Chevron Corporation ("Chevron") pursuant to which California Petroleum is issuing certain mortgage notes (the "Serial Mortgage Notes") in the aggregate principal amount of \$_____, (b) entering into an Indenture (the "Term Indenture"), dated as of the date hereof, between California Petroleum and Chemical Trust Company of California, as trustee (the "Term Indenture Trustee") pursuant to which California Petroleum is issuing certain mortgage notes (the "Term Mortgage Notes") in the aggregate principal amount of \$_____ and (c) entering into a Collateral Trust Agreement (the "Collateral Agreement"), dated as of the date hereof, among California Petroleum, the Serial Indenture Trustee, the Term Indenture Trustee and Chemical Trust Company of California, as collateral trustee (the "Collateral Trustee"). California Petroleum desires to engage the Designated Representative to perform certain obligations, provide certain notices and furnish certain consents for and on behalf of California Petroleum under and pursuant to the Serial Indenture, the Term Indenture and the Collateral Agreement.

The Designated Representative is willing obligations, provide such notices and furnish such consents for and on behalf of California Petroleum pursuant to this Agreement upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and of other good and valuable consideration, the receipt of which is hereby acknowledged, California Petroleum and the Designated Representative hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to such terms in the Collateral Agreement.

ARTICLE II

DUTIES OF THE DESIGNATED REPRESENTATIVE

Section 2.01 Appointment of Designated Representative.
California Petroleum hereby appoints the Designated Representative and the Designated Representative hereby accepts

its appointment as the designated representative of California Petroleum under the Serial Indenture, the Term Indenture and the Collateral Agreement.

Section 2.02 Responsibilities of the Designated Representative.

The Designated Representative hereby covenants and agrees with California Petroleum that the Designated Representative shall or shall cause its designee to do the following:

(a) Prepare and file, or cause to be prepared and filed, the annual financial statements and annual tax returns of California Petroleum, if required;

(b) Prepare and file any and all information, documents and reports required in order to comply with Section 13 or 15(d) of the Exchange Act;

(c) Pursuant to Section 3.3 of the Serial Indenture, appoint a Serial Indenture Trustee in the manner described in Section 5.9 of the Serial Indenture so that there shall at all times be an indenture trustee under the Serial Indenture;

(d) Pursuant to Section 3.3 of the Term Indenture, appoint a Term Indenture Trustee in the manner described in Section 5.9 of the Term Indenture so that there shall at all times be an indenture trustee under the Term Indenture;

(e) Pursuant to Sections 3.5(a), (b) and (c) of the Serial Indenture and Sections 3.5(a), (b) and (c) of the Term Indenture, file with the Serial Indenture Trustee and the Term Indenture Trustee, respectively, the annual reports, information, documents and reports described therein;

(f) Pursuant to Section 3.5(d) of the Serial Indenture and Section 3.5(d) of the Term Indenture, file with the Serial Indenture Trustee and the Term Indenture Trustee, respectively, the certificate described therein;

(g) Pursuant to Section 10.5 of the Serial Indenture and Section 9.5 of the Term Indenture, provide to the Serial Indenture Trustee and the Term Indenture Trustee, respectively, the Officer's Certificates and Opinions of Counsel described therein;

(h) Pursuant to Section 11.2 of the Serial Indenture and Section 10.2 of the Term Indenture, provide to the Serial Indenture Trustee and the Term Indenture Trustee, respectively, the notices described therein;

(i) Pursuant to Section 10.4 of the Term Indenture, (i) provide to the Term Indenture Trustee the written statements described therein and (ii) deliver to the Term Indenture Trustee the purchased or otherwise acquired Mortgage Notes in satisfaction of the mandatory sinking fund payment in the manner described therein;

(j) Pursuant to Sections 12.2(a) and (b) of the Serial Indenture and Sections 11.2(a) and (b) of the Term Indenture, provide to the Serial Indenture Trustee and the Term Indenture Trustee, respectively, the Opinions of Counsel described therein;

(k) Pursuant to Sections 12.4(b) and (d) of the Serial Indenture and Sections 11.4(b) and (d) of the Term Indenture, provide to the Serial Indenture Trustee and the Term Indenture Trustee, respectively, the requests and Opinions of Counsel described therein;

(l) Pursuant to Section 3.03(d) of the Collateral Agreement, direct the Collateral Trustee to disburse funds to the Owners as described therein;

(m) Pursuant to Section 5.01 of the Collateral Agreement, provide to the Collateral Trustee the requests described therein; and

(n) Pursuant to Section 6.07(a) of the Collateral Agreement, appoint a successor collateral trustee in the manner described therein.

Section 2.03 Designated Representative to Act as

Attorney-in-Fact of California Petroleum. California Petroleum hereby

constitutes the Designated Representative, and its successors and assigns, its true and lawful attorney, irrevocably, with full power in its own name, in the name of its agents or nominees or in the name of California Petroleum or otherwise, to execute any and all documents, instruments, agreements and applications for and on behalf of California Petroleum relating to or in connection with the performance by the Designated Representative of the responsibilities described in Section 2.02 hereof.

ARTICLE IV

GENERAL PROVISIONS REGARDING
THE DESIGNATED REPRESENTATIVE

Section 4.01 No Duties Except As Specified in Agreement or

Instructions. (a) The Designated Representative shall have no duty or

obligation to make or advance any payment, register, record, or otherwise take or refrain from taking any action under, or in connection with, any document contemplated hereby to which the Designated Representative is a party, except as expressly provided by the terms of this Agreement or expressly agreed to in writing by the Designated Representative and California Petroleum. No implied duties or obligations shall be read into this Agreement against the Designated Representative.

(b) Under no circumstances shall the Designated Representative be liable for (i) California Petroleum's obligations under the Serial Indenture, the Term Indenture, the Collateral Agreement or any of the Security Documents or (ii) the validity or sufficiency of the Term Indenture, the Serial Indenture, the Collateral Agreement or any of the Security Documents. The Designated Representative shall not assume any liability, duty or obligation to any Person, other than as expressly provided for herein.

(c) The Designated Representative shall have no duty to conduct any affirmative investigation, other than as specifically set forth in this Agreement, as to the any other party's performance of its obligations under the Serial Indenture, the Term Indenture, the Collateral Agreement or any other Security Document.

(d) No provision of this Agreement shall be construed to relieve the Designated Representative from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct. The duties and obligations of the Designated Representative shall be determined solely by the express provisions of this Agreement and the Designated Representative shall not be liable except for the performance of its respective duties and obligations as specifically set forth in this Agreement. No implied covenants or obligations shall be read into this Agreement against the Designated Representative and, in the absence of bad faith on the part of the Designated Representative, the Designated Representative may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Designated Representative and conforming to the requirements of this Agreement.

(e) The Designated Representative may consult with counsel and any advice or opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel.

(f) The right of the Designated Representative to perform any discretionary act enumerated in this Agreement shall not be construed as a duty, and the Designated Representative shall not be answerable for other than its gross negligence or willful misconduct in the performance of such act, and the delivery hereunder to the Designated Representative, of any notice, document or report shall not give rise to an affirmative obligation on the part of the Designated Representative to take any action with respect thereto, except as otherwise expressly provided herein.

Section 4.02 Resignation of Designated Representative. The

Designated Representative may resign its duties at any time upon 60 days prior written notice to California Petroleum, the Serial Indenture Trustee, the Term Indenture Trustee and the Collateral Trustee. The Designated Representative may only be removed by California Petroleum with cause upon 60 days prior written notice to the Designated Representative, the Serial Indenture Trustee, the Term Indenture Trustee and the Collateral Trustee. In the event of the resignation or removal of the Designated Representative, a successor designated representative shall be appointed by California Petroleum. California Petroleum shall give the Serial Indenture Trustee, the Term Indenture Trustee and the Collateral Trustee notice of the successor designated representative's acceptance of such appointment and shall cause such successor to execute any and all documents requested by California Petroleum to evidence such successor's acceptance of all of the obligations of the Designated Representative pursuant to this Agreement.

Section 4.03 Indemnification. California Petroleum shall

indemnify the Designated Representative and its successors and assigns, and hold them harmless against and from, any and all liabilities, obligations, losses, damages, taxes, penalties, claims, actions, suits, costs, expenses (including legal fees and expenses) of any kind and nature whatsoever (collectively, "Expenses") which may be imposed on, incurred by or asserted at any time against the Designated Representative (whether or not indemnified against by other parties) in any way relating to or arising out of this Agreement, the Serial Indenture, the Term Indenture, the Collateral Agreement or any Security Document; provided, however, that California Petroleum shall not be required to indemnify the Designated Representative for Expenses arising or

resulting from its own willful misconduct or gross negligence or for expenses arising from the Designated Representative's failure to perform the duties specifically set forth in this Agreement expressly agreed to in writing by the Designated Representative and California Petroleum.

Section 4.04 Compensation. (a) As compensation for its services

hereunder, the Designated Representative shall receive a fee (the "Designated Representative's Fee"), payable semi-annually in arrears on each Payment Date as provided in Section 3.03 of the Collateral Agreement equal to \$15,000 per annum for the period from March __, 1995 to but not including March __, 1998. Thereafter the Designated Representative's Fee shall increase each year by an amount equal to 4%.

(b) Whenever any payment to the Designated Representative under this Agreement shall be due on a day other than a Business Day, the date of payment thereof shall be extended to the next succeeding Business Day, unless such extension would cause payment to be made in the next succeeding calendar month, in which case such date shall be advanced to the next preceding Business Day.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01 Amendment. This Agreement may be amended from time

to time by written agreement signed by the parties hereto upon the written consent of the parties hereto.

Section 5.02 Severability. If any provision of this Agreement

is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Agreement contained, shall not affect the remaining portions of this Agreement, or any part thereof.

Section 5.03 Notices. All demands, notices and communications

hereunder shall be in writing, personally delivered or mailed by certified mail-return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Designated Representative, at the following address: Bryggegaten 5, Aker Brygge, P.O. Box 1803 VIKA, 0123 Oslo, Norway, (b) in the case of California Petroleum, at the following address: c/0 J H Management Corporation, Room 6/9, One International Place, Boston, Massachusetts 02110-2624, or at other such address as shall be designated by such party in a written notice to the other parties.

Section 5.04 Captions. The captions or headings in this

Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 5.05 Governing Law. This Agreement shall be governed by

and interpreted in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law.

Section 5.06 No Partnership. Nothing herein contained shall be

deemed or construed to create a partnership or joint venture among the parties hereto and the services of each party shall be rendered as an independent contractor and not as agent for any other party.

Section 5.07 Counterparts. This Agreement may be executed in

any number of counterparts and by different parties hereto on separate counterpart, each of which shall be deemed to be an original. Such counterparts shall constitute one and the same agreement.

Section 5.08 Survival. The representations, covenants and

agreements contained in or made pursuant to this Agreement in respect of either party hereto shall survive the execution and delivery of this Agreement and shall continue in effect so long as such party's obligations hereunder remain outstanding.

Section 5.09 Integration. This Agreement and the Schedule and

Exhibits hereto constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth or incorporated herein.

Section 5.10 Reproduction of Documents. This Agreement and all

documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 5.11 General Interpretive Principles. For purposes of

this Agreement except as otherwise expressly provided or unless the context otherwise requires:

(a) the defined terms in this Agreement shall include the plural as well as the singular, and the use of any gender herein shall be deemed to include any other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date hereof;

(c) references herein to "Articles", "Sections", "Subsections", "paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, paragraphs and other subdivisions of this Indenture;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular provision; and

(f) the term "include" or "including" shall mean without limitation by reason of enumeration.

IN WITNESS WHEREOF, the Designated Representative and California Petroleum have caused this Indenture to be duly executed and delivered by their respective officers thereunto duly authorized and their respective seals, duly attested, to be hereunto affixed, all as of the day and year first above written.

CALPETRO HOLDINGS LIMITED, as Designated Representative

By: _____
Name: _____
Title: _____

CALIFORNIA PETROLEUM TRANSPORT CORPORATION

By: _____
Name: _____
Title: _____

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of this Registration Statement on Form S-3 Amendment No. 1 of our report dated February 25, 1994, except as to the restated earnings per share amounts included under the caption "Selected Financial Data of Chevron" of this Form S-3 Amendment No. 1, which is as of May 11, 1994, relating to the financial statements of Chevron Corporation included in its Annual Report on Form 10-K for the year ended December 31, 1993. Such report is included in Chevron's Current Report on Form 8-K dated October 28, 1994. We also consent to the incorporation by reference of our report on the Financial Statement Schedules which appears on page 35 of Chevron Corporation's 1993 Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 28, 1995, which appears on page FS-13 of Chevron's Current Report on Form 8-K dated March 10, 1995. We also consent to the reference to us under the heading "Experts" in such Prospectus.

PRICE WATERHOUSE LLP

San Francisco, California
March 10, 1995

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Prospectus constituting part of this Registration Statement on Form S-3 Amendment No. 1 of our report dated February 15, 1994, relating to the combined balance sheets of the Caltex Group of Companies as of December 31, 1993 and 1992 and the related combined statements of income, retained earnings and cash flows and related supporting schedules for each of the years in the three year period ended December 31, 1993, which report appears in Chevron Corporation's Annual Report on Form 10-K for the year ended December 31, 1993. We also consent to the reference to our firm under the heading "Experts" in such Prospectus.

KPMG PEAT MARWICK LLP

Dallas, Texas
March 10, 1995

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Forms S-3, S-1 and F-1 of our report dated February 28, 1995, relating to the balance sheet of California Petroleum Transport Corporation, which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE
Boston, Massachusetts

March 10, 1995

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Forms S-3, S-1 and F-1 of our reports dated February 28, 1995, relating to the balance sheets of CalPetro Tankers (Bahamas I) Limited; CalPetro Tankers (Bahamas II) Limited; CalPetro Tankers (Bahamas III) Limited and CalPetro Tankers (IOM) Limited, which appear in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
Douglas
Isle of Man
British Isles

March 10, 1995