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State Lands Commission
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County: Santa Barbara County

**STATE OF CALIFORNIA
STATE LANDS COMMISSION**

AMENDMENT OF LEASE NO. PRC 7163

WHEREAS, the State of California, acting through the State Lands Commission, hereinafter called Lessor, and, Exxon Mobil Corporation hereinafter called the Lessee, have heretofore entered into an agreement designated as Lease No. PRC 7163 (Lease), authorized by the State Lands Commission on January 21, 1988, whereby Lessor granted to Lessee a General Lease – Industrial Use covering certain State lands situated in Santa Barbara County; and

WHEREAS, on September 23, 1991, the Lessor amended Paragraph (2)(i) of Exhibit B; and

WHEREAS, on February 21, 2003, the Lessor amended the lease to authorize the removal of Power Cable C and the installation of a new Power Cable; and

WHEREAS, on August 15, 2014, the Lessor amended the lease to remove and replace two existing power cables, and add a temporary use area to the Lease; and

WHEREAS, Paragraph 16(e) provides that the Lease may be terminated and its terms, covenants and conditions amended, revised or supplemented only by mutual written agreement of the Lessor and the Lessee (hereinafter referred to as the Parties); and

WHEREAS, by reason of the foregoing, it is now the desire of the Parties to amend the Lease.

NOW THEREFORE, the Parties hereto agree as follows:

I. Paragraph 7 of Section 2 is deleted in its entirety and replaced with the following:

7. Holding-over: Paragraph 15 of Section 4 is hereby omitted, and the following paragraph is substituted therefore:

Any holding-over by Lessee after the expiration of the Lease term, with or without the express or implied consent of Lessor, shall constitute a tenancy from month to month and not an extension of the Lease term and shall be on the terms, covenants, and conditions of this Lease with any fixed rental, royalty, or other consideration provided for in the expired Lease being consideration provided for in the expired Lease being payable in advance on the first day of the month at the rate of one-twelfth (1/12) of the annual amount, and any variable rental, royalty, or other consideration being payable monthly in arrears in accordance with the rate schedule set forth in the expired Lease. However, in no event shall such hold-over period exceed seven (7) years, ending January 31, 2029.

II. Section 1, Surety Bond or Other Security is amended to \$15,000,000.

III. Amend Section 2 of the Lease to include the following:

19. Safety and Inspections

19. Before resuming oil pipeline operations, Lessee shall conduct oil emulsion pipeline inspections and adhere to reporting requirements, as described below. All inspections must strictly comply with the regulatory and industry best practices in place at the time of inspection, to facilitate a reliable assessment of the structural integrity of the pipeline and ensure compliance with prevailing environmental safety standards. Fulfilling each requirement is a mandatory prerequisite for restarting operations, as is Lessor's receipt and approval of all testing results. Lessor's approval herein shall mean Lessor's acknowledgement that the Lessee has complied with and has achieved satisfactory standards as provided for within the Lease and Lease Amendment for all tests and inspections contained herein.

a. Timeframe for testing:

i. Each of the inspection methods described below shall be performed no earlier than twelve months prior to the restart of pipeline production operations. This applies regardless of whether Lessee is in compliance with inspection intervals provided for by regulation.

ii. Once a planned restart date is determined, Lessee shall notify

Lessor of that date. Any subsequent changes to this date must be communicated to Lessor or any proposed restart may be delayed.

- b. Lessee shall adhere to and complete a comprehensive series of standard inspection protocols, as described below, based on pipeline type to assess the presence and risk of hazards including, but not limited to, damage, corrosion, and pipeline movement.
 - i. Inspection methods shall encompass both internal and external evaluations, utilizing established industry practices such as Remotely Operated Vehicle (ROV) and In-Line Inspection (ILI) assessments. The scope of inspections shall also cover the functionality of Cathodic Protection (CP) systems, including anodes, rectifiers (if ever used or implemented during the lease term), hydrotesting, verification of the operational status of pressure sensors, GIS mapping or equivalent geospatial assessments (all of which must conform to the NAD coordinate system), and coupon inspections to ensure a comprehensive analysis of each pipeline's condition.
 - ii. Lessee shall provide test procedures prior to any testing, for Lessor's review and approval. This shall be a continuing requirement for the entirety of the lease term.
 - iii. Lessee's pre-restart hydrotest shall involve an 8-hour hydrotest of the oil emulsion pipeline to a minimum of 1.5 times the maximum allowable operating pressure (MAOP).
 - iv. Lessee shall complete a Pipeline Seismic Vulnerability Assessment and a calculation of the remaining life expectancy of the oil emulsion pipeline, using a third-party California Licensed Professional Engineer.
 - v. Consistent with the pollution prevention requirements of Title 2, California Code of Regulations, Article 3.4 (beginning in section 2133) and to better assess the mechanical condition of the oil pipeline and increase accuracy of ILI data, Lessee shall perform the following operations as part of Lessee's smart pig inspections and amend current operating manuals to incorporate these procedures:
 - 1. Utilize a cleaning program to include mechanical brush and/or scraper pigs with drive cups or disks to keep the pipeline clean and reduce standing water, corrosive elements, wax, and bacteria buildup on the pipe wall. Lessee shall check the pipeline's pig receiver debris volume

as each cleaning pig is received to assess and confirm the cleanliness of the line.

2. Lessee shall conduct additional cleaning with brush pigs and solvents (diesel or other chemicals) as needed based on validation of the pipeline fluid data (as applicable), and debris volumes shall be verified, until there is only minimal, unavoidable debris, prior to running the ILI tool.
3. Lessee shall conduct a thorough chemical analysis of any residual contents within the pipeline to gauge the existing state of the internal environment. Based on the findings, Lessee shall determine the appropriate volumes and types of scale and corrosion inhibitor(s), including biocide, filming amine products, dispersants, oxygen scavengers, etc. to address corrosion causing bacteria (SRBs/MIC, etc.), paraffins, wax, H₂S and CO₂ and their byproducts.
4. Lessee shall install steel corrosion coupons of similar metallurgy near the 6'o'clock position (bottom side of the pipe) of the pipeline and shall monitor such coupons to measure estimated corrosion rates at regular intervals, per state and federal Regulations. Coupon testing shall be performed per standard industry best practice. These measurements shall be transmitted to Lessor annually after the pre-restart assessment.
5. ILI data instrumentation shall include XYZ/GPS mapping each time an ILI Inspection is conducted, with GPS coordinates being incorporated in all ILI inspections to ensure location tracking of the pipeline. The purpose is to detect and/or corroborate against external ROV or GIS mapping data, any facilities movement from its installed location. In long offshore pipelines where XYZ data does not capture the pipeline location accurately enough, an external ROV mapping survey shall be run instead. Pipeline movement inspections must be performed at least annually, and all test results must be compared against either previous inspection data, mapping data, or "as-built" data for analysis that is compiled into a single report and made available to Lessor as required by the terms of this lease.
 - a. "As-built" as used here refers to the original, detailed documentation of the authorized facilities as actually constructed and installed. This includes precise measurements, materials used, the geometry of the

facilities, and other technical specifications necessary to determine the extent of any facilities movement.

- b. ILI data instrumentation shall include geometric evaluation each time an ILI inspection is conducted. The purpose is to identify new bends, dents, or other damage. Geometric ILI inspection results must be compared against previous inspection data and integrated with corrosion data into a single report and made available to Lessor as required by the terms of this lease.

- 6. Lessee shall validate severe external and internal anomalies in the ILI data for each run, where "severe anomalies" are defined as metal loss greater than 80% of nominal wall thickness, as provided by Paragraph 19(c), below. Metal loss between 60%-80% of nominal wall thickness shall require an engineering assessment to determine an action plan. All such identified anomalies, irrespective of federal regulations, shall be reported to Lessor as an express requirement of this lease. Validation shall be carried out through mechanical and ultrasonic measurement of accessible defect locations in vaults, cellars, on the platform, risers, and the receiving point onshore. In case of reportable or actionable subsea defects, diving and/or excavation shall be performed to verify defect sizes and to further validate the data and perform appropriate remediation or repairs if accessible. If not accessible, an alternative ILI tool will be run to determine size and safety of feature.

- c. Along with current regulatory requirements, the following conditions shall trigger investigation and repair and shall remain in effect for the entirety of the lease term:

- i. Metal loss. Metal loss greater than 80% of nominal wall thickness regardless of dimensions shall be treated as an immediate repair condition. Metal loss between 60%-80% of nominal wall thickness shall require an engineering assessment by a third-party California Licensed Professional Engineer. For offshore pipeline segments Lessee will create an engineering assessment and remediation plan which could include adding magnets to the pipeline for georeferencing and follow up ILI inspection within one calendar year. Lessee shall provide the engineering assessment and remediation plan, for Lessor's review and approval.
- ii. Cathodic protection. A CP reading lower than API and NACE

Standards, (-800mV offshore) shall be treated as an alert for the Lessee to replace the nearby anodes to prevent corrosion as soon as practical within a year. Lessee shall notify Commission staff of all CP readings lower than API and NACE Standards within 60 days.

- d. Should any pipeline leaks or emergency pipeline incidents occur within the Lease Premises at any time during the lease term, including during the hold-over term, Lessee shall, as soon as practicable, but no more than 24 hours from detection of a leak or emergency incident, notify Lessor through the 24-hour emergency notification telephone number (562) 590-5201 and the California Governor's Office of Emergency Services (Cal OES) via contact number (800) 852-7550. Lessee shall provide Lessor written reports regarding any releases or incidents.
 - i. An "emergency situation" is defined as any unforeseen circumstance or condition, or one specifically designated as an emergency by applicable law, that poses an immediate threat to the structural integrity of the pipelines, the safety of the environment, or public health, and requires immediate action to mitigate or rectify. This includes, but is not limited to, significant pipeline breaches, uncontrolled leaks, or any other conditions that could lead to substantial environmental harm or potential hazards to marine or human life.
 - ii. In the event of an emergency situation, Lessee may undertake remedial actions as permitted by applicable state and federal law. For the purposes of this provision, Lessor's Executive Officer shall have the delegated authority to exempt Lessee at any time during the lease term from having to comply with certain provisions of Section 4, Paragraph 4. Exemptions are strictly limited to those provisions that supplement existing law.
- e. Lessee shall ensure the presence of a robust communication system for transmitting information vital for the safe operation of the pipeline system along with ensuring that such a system remains in place and functions effectively throughout the entirety of the lease term.
- f. Reporting Requirements.
 - i. Lessee shall provide Lessor with reports that contain detailed and comprehensive data, facilitating independent review and verification of the findings pertinent to each test conducted. Included in this requirement is the annual third-party CP system reporting as required by U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA).

- ii. Lessee may exclude specific details from reports to safeguard sensitive information that may be subject to legal protections; however, any reports with such exclusions must be substantiated with written justification. Should Lessor require access to excluded information, Lessee shall engage with Lessor at Lessor's request to address these needs.
- iii. All reports shall be provided in a format readily accessible to Lessor. Raw data, due to its potential volume and complexity, will be made available only upon specific request by Lessor.
- iv. Upon completion of any inspection related to the authorized land use or purpose under this lease, Lessee is obligated to furnish Lessor with a copy of the respective inspection report. Lessor, in turn, shall promptly review submitted reports and communicate its approval or any concerns to Lessee as soon as practicable.

20. Operational requirements.

- a. Within 90 days of restarting the oil emulsion pipeline, Lessee shall conduct sampling and evaluation of corrosion components in the produced fluids and discharge water. Lessee shall check the coupons every 3 months, including swabbing for corrosion-causing bacteria. Post-restart and annual reviews of coupon data is required, and Lessee shall make adjustments to the pipeline chemical treatment and maintenance cleaning pig programs based on sampling and coupon data. Sampling and evaluation data reporting to Lessor is subject to the reporting requirements described below.
- b. All pipelines shall undergo annual visual ROV inspections for damage, evidence of corrosion, and conditions that may be hazardous to the pipelines.
- c. All oil pipelines shall undergo annual inspections using ILI methods.
 - i. Lessee shall continue to adhere to and implement all procedures and requirements provided under the pollution prevention guidelines as outlined in Title 2, California Code of Regulations, Article 3.4 (beginning in section 2133), along with the specific requirements described in Paragraph 19(b)(v), above, pertaining to ILI and associated inspections.
 - ii. If it is not mechanically possible to conduct an ILI, Lessee shall conduct hydrostatic pressure testing to at least 1.5 times maximum operating pressure for a minimum of 8 hours. Prior notification and approval from Lessor is required before any hydrostatic pressure

test is conducted in lieu of ILI.

- d. The ocean surface above all pipelines that service offshore facilities shall be inspected a minimum of once each week for indication of leakage, using aircraft or boats. Records of these inspections, including the date, methods, and results of each inspection, shall be maintained by Lessee at its nearest onshore office.
- e. Lessee shall conduct annual ROV surveys (with CP trailing wire or better available technology) on all pipelines to ensure the CP systems are maintaining an adequate level of protection.
- f. Submission for review and approval (ongoing reporting requirements).
 - i. Lessee shall continue abiding by the reporting requirements provided in Paragraph 19(f), above, and in addition to any statutory or regulatory reporting requirements imposed by any state or federal agency having jurisdiction over the Lease Premises, Lessee shall furnish Lessor with copies of all compliance, inspection, and maintenance reports. This includes, but is not limited to, reports concerning ILI Inspections, pigging, cathodic protection, anomalies identified which can be classified as a Safety Related Condition or an Immediate Repair Condition, and any other activities or conditions subject to regulatory oversight.
 - ii. After completion of any testing, Lessee shall submit results of all testing for Lessor's review and communicate its approval or any concerns that may be addressed to Lessee. Lessee shall deliver said reports to Lessor no later than ninety (90) days following the completion and finalization of each respective report.
 - iii. The obligation to furnish Lessor with copies of all pipeline related reports, inspections, or other assessments required by any agency, federal or state, is an independent requirement under this Lease, but only as to the pipelines covered by this lease.
 - iv. In-Line Inspection Reports. Where any in-line inspections are employed for pipeline inspections, Lessee shall include in the corresponding ILI reports a run-to-run comparison of the 20 most significant corrosion defects and the 20 most significant dent defects, complete with their respective locations. This comparison shall be considered an integral component of the ILI reports.

21. Special lease and regulatory obligations.

- a. Lessee acknowledges that these requirements exist in conjunction with the requirements provided in Section 4. Lessee shall continue abiding by

Paragraph 19(d), above, in the event any emergency situation arises. Should non-emergency modifications or repairs become necessary based on any inspection or assessment, Lessee shall undertake such actions in strict accordance with this agreement and the requirements of Section 4, paragraph 4.

- b. Lessee acknowledges that, in addition to Section 4, paragraph 6, the Lease Premises and the facilities authorized by this lease are governed by a multitude of regulatory frameworks, both at the state and federal levels. Lessee further acknowledges that compliance with one set of regulations does not absolve them from the obligation to comply with other applicable laws, rules, regulations, or the obligations imposed by contract through this lease.
- c. It is the express responsibility of the Lessee to be acquainted with, and to comply with, all current and future enacted laws, regulations, and ordinances, whether promulgated by the California State Lands Commission, California Department of Conservation's Geologic Energy Management Division (CalGEM), the U.S. Bureau of Ocean Energy Management (BOEM), the U.S. Bureau of Safety and Environmental Enforcement (BSEE), the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA), or any other regulatory body with jurisdiction over the land and facilities covered by this Lease.

22. This Lease imposes inspection and testing protocols that may exceed existing regulatory standards. Where the requirements outlined in this lease amendment are stricter than those regulatory standards, the lease's requirements shall prevail, except when otherwise expressly agreed in writing between Lessor and Lessee. These are non-negotiable conditions expressly set forth as terms of this lease, including this lease amendment. For purposes of this provision and notwithstanding the provisions of Section 3, Lessor's Executive Officer shall have the authority to enter into ancillary agreements with Lessee, specifically related to testing and inspection protocols, and subject to the limitations that such agreements remain consistent with the purposes of this lease and are otherwise permitted by law.

23. Lessee shall provide Lessor a copy of the current Pipeline Operators Manual and provide updates, as they are available. Lessee is required to conduct training classes and spill drills annually pursuant to state and federal regulations.

24. For the oil emulsion pipeline, Lessee shall annually submit to Lessor for review and approval, an integrity action plan describing the integrity activities of the most recent calendar year. The plan shall also include a forward-looking list of actions for the upcoming year. This plan shall include ongoing corrosion

prevention activities (e.g., corrosion inhibitor dosing, biocide dosing, corrosion coupon results, ILL and ROV inspections, and maintenance pigging compliance). The forward plan shall include adjustments to corrosion prevention activities as needed based on integration of all available data.

25. The term 'approval' as used in this Lease, including this Lease Amendment, means approval by Lessor which approval shall not be unreasonably withheld or conditioned. No later than ninety (90) days from and after the date of Lessee's submittal of a plan or action for approval by Lessor, Lessor shall notify Lessee in writing of Lessor's approval or denial of such plan or action. If Lessor denies approval of a plan or action, Lessor shall specify the reasons for such denial in its notice to Lessee. If Lessor fails to notify Lessee of its approval or denial within ninety (90) days after the date of submittal of such plan or action, then such plan or action shall be deemed approved, unless Lessee and Lessor agree in writing to extend such time period.
26. Within 6-months of Lessor's adoption of the Analysis of Public Trust Resources and Values (APTR), which will assess the long-term risks and impacts to Public Trust resources for existing offshore oil and gas pipelines under Lessor's leasing jurisdiction, Lessee may submit, either (a) an application and minimum expense deposit for a new lease for the continued use of the Lease Premises or (b) an application and minimum expense deposit for removal of the improvements and restoration of the Lease Premises.
27. Beginning January 2024, Lessee shall meet as needed with Lessor's staff to discuss the status of the improvements, future plans related to the Santa Ynez Unit, or any other topics related to the lease. Eight months prior to Lessee's anticipated restart of the Santa Ynez Unit, Lessee shall meet with Lessor's staff no less than monthly until restart of the Santa Ynez unit occurs or until and unless both parties mutually agree that regular meetings are no longer necessary.
28. Lessee's occupation shall be deemed continuous for either engaging in active operations or maintaining uninterrupted occupation of the Lease Premises by the Lessee's facilities, specifically the pipelines authorized by this Lease. The mere presence and maintenance of these facilities on the Lease Premises, even in the absence of active operations, shall satisfy the criteria for continuous use, ensuring that the standards set forth in this Lease are met.

The effective date of this Amendment to the Lease shall be December 5, 2023.

This Amendment is a portion of Lease No. PRC 7163, with a beginning date of February 1, 1988, consisting of five (5) sections with a total of thirty-four (34) pages.

All other terms and conditions of the Lease shall remain in full force and effect.

This Amendment will become binding on the Lessor only when duly executed on behalf of the State Lands Commission of the State of California. This Amendment may be executed in any number of counterparts and by different parties in separate counterparts. Each counterpart when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the dates hereafter affixed.

LESSEE: EXXON MOBIL
CORPORATION

By: N.A. Filer

Title: ASSET MANAGER

Date: 12/15/23

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: Robert Brian Bugsch
Robert Brian Bugsch

Title: Chief, Land Management Division

Date: 12/11/23

Execution of this document was authorized
by the California State Lands Commission
on December 5, 2023.