

DEPARTMENT OF ENERGY

BRYAN MOUND PIPELINES

LEASE AGREEMENT

PREAMBLE

This Lease Agreement # DE-RL96-99PO90001 entered into this ^{14th} day of January 1999, hereinafter referred to as the "Execution Date," between the United States of America, acting by and through the United States Department of Energy Strategic Petroleum Reserve, hereinafter referred to as the "Government" and Exxon Pipeline Company, a Delaware corporation, hereinafter referred to as "Lessee". The Government and Lessee may be hereinafter referred to as a "Party" when not specific as to which Party and collectively hereinafter referred to as "Parties". Terms defined herein shall have the same meaning whether capitalized or not, except for Pipelines where the meaning shall be what is stated in the definition unless otherwise noted.

WITNESSETH

WHEREAS, the Government is the sole owner of the hereinafter defined Pipelines which it offers for lease; and

WHEREAS, Lessee desires to connect to/from, to lease and to utilize the Pipelines for shipment of Crude Oil produced from Diana/Hoover and other possible future developments in the western Gulf of Mexico and for other commercial Crude Oil shipments; and

WHEREAS, the Government desires to lease the Pipelines to Lessee with certain restrictions specified herein.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and the benefits to be derived therefrom by all Parties, it is agreed as follows:

1. DEFINITIONS - The following terms as used in this Lease Agreement shall mean:

"Adjustment" - shall have the meaning set forth in Section 13 to this Lease Agreement.

"Additional Rental Fee" - It is identified as monthly calculation of the product of the total number of barrels of product transported from the Government's Bryan Mound site to Texas City and (b) (4) per barrel with (b) (4) adjustments, if any, plus the monthly calculation of the product of the total number of barrels of product transported from the Government's Bryan Mound site to Jones Creek and (b) (4) per barrel with (b) (4) adjustments, if any, less the monthly Base Rental Fee. Reference Section 4 to this Lease Agreement. The above calculation includes the Government oil moved through the Pipelines except under a National Emergency, Operational Emergency or system tests.

"Base Rental Fee" - is the rental fee beginning on the Commencement Date in the amount of \$83,333.33 per month (\$1,000,000 per year) through the 10th year of the Lease Term. If Lessee elects to exercise renewal options, the rental fee changes to \$95,833.33 per month (\$1,150,000 per year) beginning with the 11th year through the end of the Lease Term. Reference Section 4 for (b) (4) adjustments to this Base Rental Fee.

"Base Period Index 1" - means the final annual (b) (4) for Calendar year 1999 (published in May 2000). Reference Section 4 to this Lease Agreement.

"Base Period Index 11" - means the final annual (b) (4) for Calendar year 2009 (published in May 2010). Reference Section 4 of this Lease Agreement.

"Commencement Date" - means the earlier to occur of July 1, 2000 or the estimated date of production as specified in written notice by Lessee to Government but not sooner than February 1, 2000 except by bilateral agreement between the parties.

"Crude Oil" - means as defined in the American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 1, Second Edition, July 1994.

"DOE" - means Department of Energy

"Execution Date" - shall mean the date the lease agreement is fully executed by the Parties.

"EPCA" - shall mean the Energy Policy and Conservation Act, Public Law 94-163 (December 22, 1975), as amended, 42 U.S.C. 6201, et seq. (including without limitation 42 U.S.C. 6239(f) .

"Force Majeure" - means neither party shall be responsible to the other for loss arising from failure in performing hereunder caused by reason of: act of God, a strike or labor dispute, fire, explosion, electrical blackout, war, rebellion, insurrection, riot, act, regulation or general edict of any governmental authority in its sovereign capacity or any other similar or dissimilar cause reasonably beyond the control of the Party affected. Reference Section 26 to this Lease Agreement.

"Free Water" - means as defined in the American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 1, Second Edition, July 1994.

"Government" - shall mean the United States of America, acting by and through the United States Department of Energy.

"Lease Year" - means any 12 month period, during the Term of this Lease, beginning on the first day of the first calendar month containing the Execution Date, or anniversary of the Execution Date, until the Commencement Date, and thereafter beginning on the first day of the month containing the Commencement Date, or on any anniversary of the first day of the month containing the Commencement Date, and ending twelve months later.

"Lessee" - shall mean Exxon Pipeline Company, a Delaware corporation, its successors or assigns, subject to the terms of Section 29.

"National Emergency" - means a formal declaration by the President of the United States of a national emergency in accordance with the President's authority under Section 161 of the EPCA.

"NSV" - means Net Standard Volume as defined in the American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 1, Second Edition, July 1994.

"Operational Emergency" - means an imminent risk to the safety of operating personnel or to the integrity of the Government's Bryan Mound storage facility that requires the expeditious drawdown of oil from the storage well caverns.

"Parties" - shall mean the Government and the Lessee.

"Party" - shall mean either the Government or the Lessee.

"Pipelines" - shall mean two segments of the pipeline, one from the Bryan Mound site (pig trap area) to Seaway's Jones Creek Tank Farm (Jones Creek Pipeline) and the other from the Bryan Mound site (pig trap area) to Seaway's Texas City Tank Farm (Texas City Pipeline) as further defined in Appendix "A".

"PPI-FG" - means Producer Price Index for Finished Goods as published by the U.S. Department of Labor, Bureau of Labor Statistics.

"Retainer Fee" - means a non-refundable fee of \$12,500 per month (\$150,000 per year) to be paid by Lessee to Government commencing on the Execution Date to reserve the use of the Pipelines and continuing until the Commencement Date.

"Sediment and Water" - means as defined in the American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 1, Second Edition, July 1994.

"Term" - shall mean ten year lease term with either two five year renewal options or a year to year renewal as set forth in Section 3 to this Lease Agreement.

"Volume Correction Factor" - means the "factor (or multiplier) obtained from ASTM D 1250/API Standard 2540, Manual of Petroleum Measurement Standards, Chapter 11.1, Table 6A - Generalized Crude Oils, Correction of volume to 60 F Against API Gravity @ 60 F.

2. LEASE OF PIPELINES AND AUTHORITY - The Government, acting by and through the Secretary of Energy, under the authority of the DOE Organization Act and the EPCA and applicable rules, orders, and regulations, represented herein by having determined that the property hereby leased is not excess property as defined by Section 3(e) of the Federal Property and Administrative Services Act of 1949, as amended (10 U.S.C. 472), and that the leasing thereof will be advantageous to the Government and in the public interest, hereby leases the Pipelines to the Lessee, and the Lessee hereby leases the Pipelines from the Government.

3. TERM - Subject to terms and conditions contained in the Pre-Lease Agreement, this Lease Agreement shall begin upon execution of this Lease Agreement on the Execution Date and shall continue for a period of ten (10) years as a full Lease from the Commencement Date. Lessee may extend this lease for two (2) additional five (5) year periods. Lessee shall have the right to exercise each five (5) year renewal option period by written notice to the Government at least twenty four (24) months prior to the expiration of the then current lease period.

At the end of the ten (10) year initial term or the possible renewal option(s), the lease shall continue year to year unless terminated by either party providing written notice of termination at least two (2) years prior to the previous termination date.

The Government has the right to select the lease type (full lease or capacity lease) at each renewal option within six months of written notification by Lessee in exercising renewal options; otherwise, the full lease continues from year to year or during the renewal option(s). If Lessee exercises the year to year option, the Government will notify Lessee within six months after notification as to the type of lease to be exercised for the duration of the lease.

Under a capacity lease, the Government retains the operational and usage rights of the Pipelines and provides for the deliveries of the Lessee shipments from Bryan Mound to Texas City and/or to Jones Creek not to exceed in combination 150,000 barrels per day. Under such capacity lease, all of the terms of this Lease shall apply as written, except as follows:

- A. Crude Oil movements in the Pipelines for Lessee will be delivered in batches, such that Lessee can ship a maximum of 150,000 barrels of Crude Oil per day calculated on a monthly average.
- B. The Government shall be responsible for operations, maintenance, repairs and other obligations listed in Section 13 of this Lease.
- C. The Government shall be responsible for notification, cleanup, and remediation of any oil spills from the Pipelines.

- D. The Government shall be responsible for replacing all pipeline markers to meet applicable regulatory requirements as referenced in Section 18 of this Lease.
- E. The Government shall provide for all maintenance and repair responsibilities referenced in Section 23 of this Lease.

4. **RENTAL** Beginning on the Execution Date of this Lease Agreement and continuing until the Commencement Date, Lessee shall pay a monthly non-refundable Retainer Fee of \$12,500 per month (\$150,000 per year) until the Commencement Date. During this period, the Government shall have full rights to the Pipelines' use and revenue to Government for commercial operations provided that Lessee shall have access to the Pipelines for inspections and shall be permitted by Government to make modifications to the Pipelines.

On the Commencement Date, Lessee shall begin paying the monthly Base Rental Fee and the Additional Rental Fee if any. However, during the Lessee's elected renewal option(s), Lessee shall pay a new monthly Base Rental Fee of \$95,833.34 (\$1,150,000 per year) with subsequent annual Lease Year adjustments for escalation in the Base Rental Fee. The Base Rental Fee will be adjusted per (b) (4) by an amount equal to the change in this (b) (4) as compared to the Base Period Index 11. The change Base Rental Fee relative to \$95,833.34 per month may be more or less in any Lease Year after the eleventh (11th) Lease Year following the Commencement Date as calculated per this paragraph, but may not be decreased below \$95,833.33 per month. Such Base Rental Fee shall be reduced in proportion to the time the Government is exercising its rights to utilize any portion of the leased Pipelines.

After the first Lease Year, the rates used to calculate the Additional Rental Fee (b) (4) barrel to Texas City on the Texas City Pipeline and (b) (4) barrel to Jon (b) (4) on the Jones Creek Pipeline) will change in each subsequent Lease Year that the change in the (b) (4) by an amount equal to the change in this (b) (4) as compared to the Base Period Index 1. The Additional Rental Fee may increase or decrease in any Year after the first Lease Year following the Commencement Date as calculated per this paragraph, but may not be decreased below (b) (4) per barrel or (b) (4) per barrel, as applicable throughout the lease term.

5. **PAYMENTS** - Payments of Base Rental Fee and Additional Rental Fee shall be made within 25 days from the end of the month for which the payment is due. Payments shall be made via fed wire transfer TREAS Code 021030004 TREAS NYC/CTR/BNF=/AC-89185369 DEPT of ENERGY (SPRO) U.S. dollars payment the Automated Clearing House (ACH) electronic funds transfer network, using the Federal Remittance Express Program: Route payments to the Richmond Federal Reserve Bank, ABA#051036706; U.S. Department of Energy account #349003, (either CTX or CCD+ format may be used). Contract identification (DE-RL96-99PO90001) and invoice number should be indicated. Rent payments not received by the due date will accrue interest on the amount due from the due date until the date payment is received by the Government at the Treasury's Annual Current Value of Funds rate, currently 5% per annum. Additionally, a charge to cover administrative costs incurred for processing and handling a delinquent account will be assessed. Currently the minimum charge is \$13.75 for each 30-day period. A 6% per annum penalty on any principal amount not paid within 90 days of the due date shall also be assessed for the period of delinquency.

In lieu of payments (Base Rental Fee, Additional Rental Fee and Retainer Fee) in dollars, at Government's option, Lessee shall provide, or cause to be provided, payment as Crude Oil barrels which meet the Government's specifications for storage within the Strategic Petroleum Reserve, provided that there is mutual agreement between the Parties on the specific crude grade, price (for volume determination), and delivery location.

6. **LESSEE QUANTITY MEASUREMENTS** - Lessee's measurements for movements into the Pipelines system will take place at the Lessee's custody meter station.

Measurements shall be calculated as followed:

The Texas City Pipeline movements will be measured at the existing Seaway Texas City Tank Farm custody meter station.

The Jones Creek Pipeline movements will be measured at an existing Seaway Jones Creek custody meter station.

Lessee will submit to the Government by the 15th day of each succeeding month, a monthly report identifying the prior month activity of any transported barrel Net Standard Volume a day. If the oil transported exceeds a 1% BS&W threshold, the quantity of BS&W exceeding 1% will be added barrel for barrel to the NSV quantity.

7. GOVERNMENT QUALITY AND QUANTITY MEASUREMENTS - Lessee shall refer to Appendix C for Government Crude Oil quality, quantity and adjustment provisions which shall be applicable to Crude Oil transfers between Government and Lessee, or during periods when Government and Lessee are transporting batches of Crude Oil in the Pipelines during the same time period, but may restrict Lessee Crude Oil movements for third parties at other times to the following crude property ranges: i) API gravity @ 60 degrees F greater than 20.0, ii) viscosity less than 330 SUS @ 60 degrees F, iii) temperature less than or equal to 120 degrees F, iv) pour point less than 30 degrees F (January, February, March, November and December), less than 45 degrees F (April, May, September and October), and less than 55 degrees F (June, July and August), v) sediment and water less than or equal to 1.0 percent, vi) sulfur less than 3.5 percent by weight, vii) hydrogen sulfide less than 70 parts per million and viii) Reid vapor pressure less than 13.0 pounds per square inch atmospheric.

8. RESTRICTIONS ON USE - Lessee shall operate the Pipelines as a common carrier of Crude Oil.

9. LINEFILL - The Government shall be credited with the ownership of a volume of Crude Oil equal to the volume of the Linefill existing in the Pipelines on the Commencement Date. It is understood that the Linefill existing in the Pipelines on the Commencement Date may be delivered to other parties, but that upon termination of this Lease Agreement, the Government shall be entitled to an equivalent volume and quality of Crude Oil. The volume of Linefill in the Pipelines will be measured and confirmed after the Commencement Date when the Pipelines are displaced and the actual volume of Crude Oil, sediment and water, and free water can be determined. This Linefill inventory shall have an API gravity of not less than 30 degrees API and a sulfur content of not greater than 1.99 weight % on the Commencement Date and upon termination of this Lease Agreement as further defined herein. Lessee shall obtain representative samples for determination of the actual average gravity and sulfur content of this Linefill inventory as provided by the Government upon startup of the Pipelines after the Commencement Date. All measurements, sampling, and testing shall be performed in accordance with the latest editions of API, Manual of Petroleum Measurements Standards (MPMS), and American Society for Testing and Materials (ASTM) methods. The Government (through its representatives) has the right to witness and verify all measurements, sampling and testing. The Lessee shall provide the Government reasonable notice to exercise such rights.

Upon termination of this Lease Agreement, Lessee shall provide, or cause to be provided, at Seaway's Freeport docks or other mutually agreed location, replacement linefill of quality meeting the same Government specifications as the average provided by the Government. Any difference in average quality between that provided by the Lessee with the existing Linefill on the Commencement Date will be corrected through a monetary adjustment as payment to the Government or Lessee as per the adjustment factors specified in Appendix C as applicable to the average quality provided by both Parties. The replacement Crude Oil supplied by Lessee, or other Linefill supplied by Government, shall be used to displace Lessee's shippers Crude Oil from the Pipelines. Following delivery by Lessee, for any remaining quantity differences of less than 1%, settlement shall be made at a price as mutually agreed to by the Parties prior to delivery by

Lessee. Such quantity differences shall apply to the NSV Crude Oil recognizing the relative differences in content of Sediment and Water.

10. INSTALLATIONS, ALTERATIONS, AND REMOVALS - Following the Execution Date, Lessee, at its sole cost and expense, may upon Government approval as provided below modify the piping and related facilities of the Pipelines including the installation of valves, meters and jumpovers, provided such modifications comply with 49 CFR 195 regulations and comply with maximum operating pressure requirements as specified in Appendix A. These improvements must be coordinated with Government representative to avoid conflicts with existing piping and future Government construction projects. The Government will not unreasonably withhold approval of these improvements.

It is expressly agreed and understood that Lessee will make no permanent alterations, additions, or improvements to or installations upon the Pipelines without the prior written approval of the Government Representative, which permission will not be unreasonably withheld, and then only subject to the reasonable terms and conditions of such approval which may include an obligation of removal and restoration upon the expiration or termination of this Lease Agreement, as the Government Representative may direct. Except insofar as said approval expressly provides otherwise, all such alterations, additions, improvements, and installations made on the Pipelines and the following described Government's Bryan Mound control room by Lessee shall become the property of the Government.

Lessee shall make such modifications in a timely manner so that the Government's operational testing will not be interrupted and so that the system(s) can be made operational in accordance with Government specifications under a National Emergency or an Operational Emergency.

Lessee shall design and install controls in a manner that will facilitate the transfer of operational control to the Government within **(b) (4)** days of the declaration of a National Emergency or as soon as practical under an Operational Emergency. Government shall provide wall space with minimum dimensions of three (3) feet by seven (7) feet by 1 foot (deep) in the Government's Bryan Mound control building for Lessee's control, communication and man-machine interface equipment. In addition, Government shall provide one fifteen (15) amp, 120 volt AC electric circuit from Government's uninterruptable power service to Lessee's control equipment.

The Government shall provide electrical power at no cost to Lessee for Lessee's instruments, communications, controls and motor operated valves (excludes any pumping) for facilities of Lessee to be constructed by Lessee at Bryan Mound to monitor and control the Pipelines. Lessee shall comply with site regulations including safety, security and work permit requirements in the performance of any work on site or on the pipeline property, and be liable for any adverse impact caused by their actions.

11. INGRESS AND EGRESS - The Government shall allow Lessee ingress and egress through Government's Bryan Mound site to the Pipelines facility for purpose of construction, operation and maintenance.

12. LESSEE OPERATIONS, MAINTENANCE, REPAIRS - Lessee shall submit a complete and comprehensive maintenance plan and any amendment thereto, for Government approval prior to commencement of operations. Such plan shall include low flow conditions of the Pipelines and be consistent with regulatory requirements and industry standards. The Government will not unreasonably withhold approval of the maintenance plan.

Beginning sixty days prior to Commencement Date and after the Government approves the Lessee's Pipelines Maintenance Plan, Lessee shall operate the Pipelines, until such time as the Government elects to convert the full lease to a capacity lease. During this period the Lessee shall maintain, and repair the Pipelines as a prudent pipeline operator, in accordance with all applicable laws and regulations, and in accordance with Lessee's Procedural Manual for Operations, Maintenance, and Emergencies, Regulated

Hazardous Liquid Pipelines. Upon request, Lessee shall furnish reasonable operating data to assure the Government that the Pipelines are being so operated.

Without limitation of the foregoing, Lessee shall perform the following at its expense:

- A. Any maintenance required to meet 49 CFR 195.402(a) rules and regulations for liquid hydrocarbon pipelines, or other applicable federal or state rules and regulations for liquid hydrocarbon pipelines, and any necessary or appropriate maintenance and repair needed during the Term of this Lease Agreement with respect to the Pipelines except as specified in Section 13, including but not limited to appropriate actions to mitigate internal and external corrosion, leak repair, clean-up, water crossing inspection, valve inspection and maintenance, repairs, or corrective action. All repairs will be made in a manner that is appropriate for a pipeline with ANSI 300 fittings and a pressure rating as specified in Appendix A.
 - B. Operate, maintain and repair, replace, any ground bed, anode, rectifier, bond box or any other required component owned by the Government and needed as part of the cathodic protection system for the Pipelines.
 - C. Implement internal corrosion control measures, as appropriate, such as: chemical treatment with the proper type and quantity of inhibitor and/or biocide, periodic cleaning with pigs, monitoring for the occurrence of internal corrosion by analyzing water and other samples removed during pig runs, and monitoring of internal corrosion rates with coupons and rate probes.
 - D. Maintenance and mowing of the Pipelines right-of-ways.
 - E. Aerial surveillance of the Pipelines right-of-way.
 - F. Perform pipe-to-soil potential surveys required by applicable law. Analyze the cathodic protection surveys and identify corrective action needed in light of the surveys, in order to assure that adequate cathodic protection is provided. The Government reserves the right to perform periodic cathodic protection tests to verify that the Pipelines are being properly protected.
 - G. Keep records of all cathodic protection readings, maintenance, monitoring, repair, or corrective action as required by law, rule, regulation, or valid regulatory action and make leak reports and safety-related condition reports as required. Such records shall be available for review by the Government. Upon expiration or termination of this Lease Agreement, Lessee shall provide to the Government all such records that are required by law, rule or regulation to be retained at that time of all maintenance and repairs performed during the Term of this Lease Agreement.
 - H. Repairs due to damage caused by Lessee, its agents, employees, contractors, or assigns.
13. GOVERNMENT - OPERATIONS, MAINTENANCE, REPAIRS, AND ADJUSTMENTS - The Government shall perform as soon as practical at its expense or, at Lessee's option, compensate Lessee for Lessee's reasonable cost of performing the following:
- A. Any raising, lowering or relocation (hereinafter called "Adjustment") of the Pipelines required by governmental authority or by any easements, permit or other document to which the Government's easements rights are subject.
 - B. Any repairs to the Pipelines that are due to latent defects or deficiencies relative to regulations applicable to the Pipelines.

- C. Any repairs, maintenance or spill response or remediation costs caused by the Government, its agents, contractors, employees or assigns after the Execution Date.
- D. Any repairs or maintenance costs caused by Force Majeure.
- E. Any repairs, maintenance or operating costs caused by the issuance of new regulations or the new application, interpretation or enforcement of existing regulations by the U.S. Department of Transportation, Office of Pipeline Safety or any other regulatory agency having jurisdiction that would have been applicable to the Government had this Lease not been executed.
- F. Any soil or other property remediation due to any spill or other contamination which occurred prior to the Commencement Date.

14. GOVERNMENT/LESSEE LIABILITY - Lessee, its parent, affiliate(s), subsidiary company(ies) and directors, employees, servants and agents covenants that it will defend, indemnify and save and hold harmless the Government (including its contractors and subcontractors) and its employees and agents for and from any and all liability, fees, fines, penalties, costs or claims by third parties for damages to property or injuries to or death of persons, which may arise from or be incident to the use of the Pipelines by Lessee, and for and from any and all liability, fees, fines, penalties, costs, claims or damages to the property or injuries to or death of the person of Lessee's officers, agents, servants, employees, or others who may be on said premises at their invitation or the invitation of any one of them, arising from Lessee's lease activities, to the extent such claims, liability, injury, or death arises out of the negligence or willful misconduct of the Lessee.

Lessee further covenants that any property of the Government damaged or destroyed by the Lessee incident to the Lessee's use and occupancy of the Pipelines, shall be promptly repaired or replaced by Lessee, or in lieu of such repair or replacement Lessee shall pay to the Government money in the amount sufficient to compensate for the loss sustained by the Government by reason of the destruction of the property. Lessee's obligation with respect to repair or replacement of Government property damaged or destroyed as a result of normal wear and tear is set forth elsewhere in this Agreement.

15. NOTICES - No notice, order, direction, determination, requirement, consent, or approval under this Lease Agreement shall be of any effect unless in writing. All notices and other communications required under this Lease Agreement shall be addressed to Lessee, or to the Government Representative, as may be appropriate, at the addresses specified in this Section or at such other addresses as may from time to time be agreed upon by the Parties hereto and shall be delivered or mailed as follows:

If to the Government:
 U.S. Department of Energy
 ATTN: Mrs. Patricia C. Sigur - Realty Officer
 900 Commerce Road East
 New Orleans, Louisiana 70123
 PHONE: (504) 734-4347
 FAX: (504) 734-4947

If to Lessee:
 Exxon Pipeline Company
 ATTN: Manager, Hoover Offshore Oil Pipeline System
 601 Jefferson St., Room 401 KT
 Houston, TX 77002
 PHONE: (713) 656-4614
 FAX: (713) 656-6121

Addresses for notification purposes hereunder may be changed by either Party by providing notice of such change to the other Party at the address specified herein for notices.

16. EQUAL EMPLOYMENT OPPORTUNITY - In connection with the performance of work under this Lease Agreement, Lessee agrees not to discriminate against any employee or applicant for employment because of race, religion, color, age, sex, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Lessee agrees to post hereafter in conspicuous places available for employees and applicants for employment, notices setting forth the provisions of the nondiscrimination clause. Lessee further agrees to insert a provision referencing this obligation in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

17. OIL SPILLS - Lessee is responsible for all notifications, cleanup and remediation of all oil spills from the Pipelines while Lessee is in full operational control of the Pipelines and is responsible for maintenance of the Pipelines except as may be provided in Section 3 and Section 13. Lessee shall immediately report to the Government all oil spills during the use of the Pipelines to the Bryan Mound control room (409) 233-0257 extension 232 or by facsimile at (409) 233-0329.

18. REPLACEMENT OF LINE MARKERS - Prior to the Commencement Date of this Lease Agreement, Lessee shall replace all pipeline markers used by the Government for the Pipelines covered by this Lease Agreement with Lessee's pipeline markers which meet the requirements of all applicable regulations. Lessee shall maintain, repair, and replace said markers during the Term of this Lease Agreement in accordance with all applicable regulations.

19. RESTORATION OF LEASED PROPERTY - Upon the expiration or termination of this Lease Agreement, at the direction of the Government Representative or designee, Lessee shall restore the Pipelines to the condition in which it was received, or to such improved condition as may have resulted from any improvement made therein by the Government or by Lessee during the Lease Agreement Term, however, subject to (i) ordinary wear and tear but no deterioration to stated MAOP, or (ii) to damage by third parties or by the Government, its agents, contractors, employees or assigns or (iii) Force Majeure. Lessee shall have sixty (60) days after termination to accomplish such restoration, or such additional time as is fair and reasonable.

In the event that the Pipelines are not restored to their condition as of the Commencement Date, with the above exceptions, then the Government may cause the Pipelines to be restored at the sole reasonable expense of Lessee.

20. GOVERNMENT REPRESENTATIVE - Mrs. Patricia C. Sigur, Realty Officer, has complete charge of the administration of this Lease Agreement, and shall exercise full supervision and general direction thereof, insofar as the interests of the Government are affected, until notification in writing to Lessee of any change of such responsibility.

21. TRANSFER OF RECORDS AND DRAWINGS - Within sixty (60) days after the Execution Date, the Government will provide to Lessee, access to all available records and drawings that pertain to the Pipelines, including, but not limited to; permits, permit drawings, easements, alignment sheets, mechanical drawings, electrical drawings, civil & structural drawings, cathodic protection records, valve inspection records, rectifier inspections, coupon inspections, water crossing inspections, line flier reports and any other significant or required DOT records. All such records shall be returned to the Government by Lessee upon termination of this Lease Agreement.

22. RECORDS RETENTION AND AUDIT - Lessee shall maintain adequate books, payrolls, and records in connection with the measurement of volumes shipped through the Pipelines and with the operation

and maintenance of the Pipelines in accordance with 49 CFR 195 and other applicable federal, state, or local regulations. All records shall be retained in accordance with 49 CFR 195 regulations, or for a period of three (3) years, whichever is longer. At the end of this Lease Agreement, all retained operating and maintenance records shall be turned over to the Government.

The Parties agree that the other Party or any of its duly authorized representatives shall, until the expiration of three (3) years after final rental payment under this Lease Agreement, have access to and the right to examine any books, documents, paper, and records of that other Party involving transactions related to this Lease Agreement or compliance with any clauses thereunder.

23. GOVERNMENT EMERGENCY USE OF PIPELINES - In the event of a National Emergency or an Operational Emergency, the Lessee will return full operational use and control of the leased Pipelines to the Government for drawdown and distribution.

In the event of a National Emergency is declared by the President that requires the Government to drawdown the Strategic Petroleum Reserve (SPR), the Government will provide notice of such emergency to Lessee and the Government shall assume operational use and control of the Pipelines including but not limited to, providing the pumps necessary to achieve desired flow rates, metering for the transfer of volumes, and all monitoring of pressure and flow rates for leak detection and appropriate control of the Pipelines. The Lessee shall make the Pipelines available to the Government as soon as practical, but in no event later than (b) (4) calendar days after notification by the Government of a National Emergency. Upon cessation of drawdown operations, the Government shall expeditiously return full operational use and control of the leased Pipelines to the Lessee.

In the event of an Operational Emergency at the Strategic Petroleum Reserve, the Lessee shall make the leased Pipelines available to the Government, as soon as practical, after being notified by the Government. Upon cessation of an Operational Emergency, the Government shall expeditiously return full operational use and control of the leased Pipelines to the Lessee.

In the event of a National Emergency or an Operational Emergency (during full Lease Term), Lessee shall continue to provide routine maintenance and repairs of the Pipelines. The Government shall reimburse Lessee for Lessee's cost for providing such routine maintenance and repair at a rate of (b) (4), provided that the reimbursement rate will be escalated following the first Lease Year by the (b) (4) as published by the U.S. Department of Labor, Bureau of Labor Statistics. The reimbursement rate will be adjusted in each subsequent Lease year that there is a change in the (b) (4) by an amount equal to the change in this (b) (4) as compared to the Base Period Index 1. In addition, Lessee shall provide or cause to be provided an emergency repair response service during drawdown. The Government reserves the right to provide supplemental emergency repair and emergency response service at its expense to maintain drawdown rates. The Government shall reimburse Lessee for Lessee's actual and reasonable costs for providing any non-routine repairs to the Pipelines, such as leak response and repairs, and for providing any requested operational services during a National Emergency or Operational Emergency. As used herein "actual costs" shall include both direct and indirect costs, including but not limited to, wages, salaries, benefits and payroll burden, overhead, handling and processing, payroll taxes, worker's compensation and/or other insurance premiums and charges, contract labor, contract equipment, equipment rental and risk management compensation.

During a National Emergency or an Operational Emergency, the Lessee will not be subject to any Base Rental Fees. During a National Emergency or an Operational Emergency, the Government is not liable for any disruption to Lessee's operations and Lessee will not claim fault to the Government for any change in the distribution patterns of domestic production. The Government will make reasonable efforts to handle Lessee's Crude Oil shipments during the National Emergency or the Operational Emergency as excess current maximum rated capacity (space) on the Pipelines is available and operationally feasible. Such Lessee Crude Oil shipments would be subject only to the per barrel rental fee (Additional Rental Fee).

Lessee shall have the option of extending the Term of this Lease Agreement by a period of time equal to the period during which Lessee's use of the Pipelines is interrupted in whole or in part by a National Emergency or an Operational Emergency.

24. OTHER RIGHTS OF GOVERNMENT TO USE PIPELINES - The Lessee will permit the Government to perform periodic drawdown tests of the Reserve and its distribution system to assure mission readiness. A maximum of one test per year not to exceed three days per test, and not to exceed twenty four hours of continuous pumping without allowing Lessee operational use of the Pipelines, shall be at no charge to the Government.

During any full Lease Term, any shipment by the Government on the leased Pipelines not in accordance with a National Energy Emergency or Operational Emergency, or the annual test of the Reserve's distribution system, shall be subject to payments to Lessee in accordance with the common carrier tariffs of Lessee as applicable to other shippers on the Pipelines or "Section 22 Tariff Rates" set by Lessee.

Any shipment for the Government not in accordance with a National Emergency or an Operational Emergency, including any shipment as a test of the distribution system, will be conducted so as not to disrupt Lessee's routine oil movements. Lessee shall not unreasonably withhold the use of the Pipelines for moving Government Crude Oil.

Responsibility for scheduling use by the Government of facilities belonging to Seaway or any other third party and any associated charges for the transportation of Government Crude Oil shall be borne by the Government. Any such arrangements with third parties for the handling of line displacements of Crude Oil from the Pipelines that is owned by third parties and associated with such transportation of Governmental Crude Oil will be arranged by the Government at its sole expense.

All pumping from Bryan Mound and all metering from/to Bryan Mound will be performed by the Government with the metering data provided to Lessee. All metering for Government Crude Oil deliveries to or from Seaway facilities shall be performed by Seaway separate from this Lease Agreement and any associated charges shall be borne by the Government. All such metering, testing and other measurements by the Government and/or Seaway shall be performed using meters and procedures of custody transfer quality in accordance with the latest provisions of the American Petroleum Institute and the American Society of Testing Materials which Lessee shall have the right to witness and verify.

25. COMPLIANCE - Lessee shall comply with all valid laws, ordinances, regulations, orders, judgments, and right-of-way provisions that now or hereafter may be applicable for use or occupancy by Lessee of the Pipelines, including, but not limited to, Department of Transportation Pipeline Safety Regulations (49 CFR 195), as well as all pertinent Occupational Safety and Health Administration (OSHA) regulations. Lessee shall not use or permit the use of the Pipelines or any part thereof for any unlawful or unauthorized purpose or any purpose that is not in conformance with this Lease Agreement.

26. FORCE MAJEURE - Notwithstanding the definition of "Force Majeure" contained in Section 1 of the Lease Agreement, Lessee shall not be relieved of the obligation to pay Base Rental Fees during the continuance of such Force Majeure situation. In the event such Force Majeure situation cannot be remedied within a reasonable time by reasonable efforts to do so and continues for more than ninety (90) days, then either party may terminate this Lease Agreement by written notice to the other party, whereupon both Parties shall be relieved of all unaccrued obligations hereunder.

27. ACCESS/INSPECTION - The Government shall have access to the Pipelines for any purposes consistent with the quiet enjoyment thereof by Lessee, including, but not limited to, the purpose of inspection. Wherever practicable, the Government shall give advance notice of such inspection to Lessee and offer the opportunity to accompany the Government Representative or his/her designee.

28. STATE AND LOCAL TAXES - Lessee is required to pay to the proper taxing authorities all taxes, payments in lieu of taxes, assessments or similar charges which may be properly assessed or imposed on Lessee's leasehold interest in the Pipelines, except as provided to the contrary herein.

29. ASSIGNMENT OR SUBLETTING - No interest of Lessee in this Lease Agreement, or the Pipelines may be assigned or sold without the prior written consent of the Government. Lessee shall not mortgage, pledge or otherwise encumber its interest in the Leased Pipelines. Lessee may sublease the Pipelines, provided that any such sublease is subject to the terms of this Lease Agreement, and further provided that such subleasing does not release Lessee from its obligations hereunder. The Government shall not unreasonably withhold its approval of an assignment to other parties.

30. EXISTING EASEMENTS AND RIGHTS-OF-WAY - This Lease Agreement is subject to all outstanding easement and rights-of-way over, across, in, and upon the Pipelines or any portion thereof.

31. LIENS - Lessee shall promptly discharge, or cause to be discharged, any valid lien, claim or demand of any kind, except one in favor of the Government, caused by the actions of Lessee with respect to the Pipelines or materials or equipment furnished therefore, or any part thereof, and if the same shall not be promptly discharged by Lessee, the Government may discharge, or cause to be discharged, the same at the expense of Lessee.

32. COVENANT AND AGREEMENT - Each covenant and agreement contained in this Lease Agreement is intended to be, and shall be construed as a separate and independent covenant. If any term or provision of this Lease Agreement or any application thereof is found to be invalid or unenforceable, the remainder of this Lease Agreement or any other application of such term or provision shall not be affected thereby, unless the absence of the invalid provision fundamentally undermines the continued existence of this Lease Agreement.

33. FAILURE TO INSIST ON COMPLIANCE - The failure of either Party hereto to insist, in any one or more instances, upon performance of any of the terms, covenants, or conditions of this Lease Agreement shall not be construed as a waiver or relinquishment of the future performance of any such terms, covenants, or conditions of the other Party to this Lease Agreement, but the obligation of such other Party with respect to such future performance shall continue in full force and effect.

34. ENTIRE AGREEMENT - These terms and conditions together with any Appendices attached hereto, constitute the final written expression of the Parties agreement and the complete and exclusive statement of the Lease's terms. If there is any conflict between this base Lease Agreement and any of its attachments, this base Lease Agreement shall take precedence. This Lease Agreement supersedes all prior understandings, drafts, discussion or statements, whether oral or written, express or implied, dealing with the same subject matter, and may not be amended or modified except by a written instrument signed by duly authorized representatives of both Parties.

All financial settlements, billings, or reports rendered by either Party to the other under the terms of this Lease Agreement and any amendments thereto will to the best of knowledge and belief of the Party rendering such settlement, billing, or report, properly reflect the facts about all activities and transactions related to this Lease Agreement, which data may be relied upon as being complete and accurate in any further recording and reporting made by such other Party for whatever purpose. Each Party shall promptly notify the other Party at any time it has reason to believe that the above-mentioned data is no longer accurate and complete.

35. COVENANT AGAINST CONTINGENT FEES - Lessee warrants that no person or selling agency has been employed or retained by Lessee to solicit or secure this Lease Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies. For breach or violation of this warranty, the Government shall have the right to annul this Lease Agreement without liability or in its discretion to add to the rental price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee. (Licensed real estate agents or brokers having listings on property for rent, in accordance with general business practices, and who have not obtained such licenses for the sole purpose of effecting this Lease Agreement, may be considered as bona fide employees or agencies within the exception contained in this clause.)

36. TERMINATION BY GOVERNMENT - If Lessee materially fails to perform any substantive term or conditions of this Lease Agreement after written notice and reasonable opportunity to cure, the Government may elect to terminate this Lease and no adjustment of any advance rentals paid by Lessee shall be made, and the Government shall be entitled to recover and Lessee shall pay the Government:

- A. The costs incurred in resuming possession of the Leased Pipelines.
- B. The costs incurred in performing any obligation on the part of Lessee to be performed prior to such termination hereunder.
- C. An amount equal to the aggregate of all rents and charges assumed hereunder and not theretofore paid or satisfied, less the net rentals, if any, collected by the Government on the reletting of the Leased Pipelines, which amounts shall be due and payable at the time when such rents, obligations, and charges would have accrued or become due and payable under this Lease Agreement.

37. TERMINATION BY LESSEE - If the Government materially fails to perform any substantive term or condition of this Lease, after written notice and reasonable opportunity to cure, Lessee may elect to terminate this Lease, and Lessee shall be entitled to recover and the Government shall pay Lessee:

- A. The costs incurred in removing Lessee's property from the Pipelines.
- B. The costs incurred in performing any obligation on the part of the Government to be performed hereunder, prior to such termination.

38. GRATUITIES - The right of Lessee to proceed may be terminated by written notice if, after notice and hearing, the agency head or a designee determines that Lessee, its agents, or another representative of Lessee:

- A. Offered or gave a gratuity (e.g., an entertainment or gift of more than \$20 in value) to an officer, official, or employee of the Government; and
- B. Intended, by the gratuity, to obtain this Lease Agreement or favorable treatment under this Lease Agreement.

The facts supporting this determination may be reviewed by any court having lawful jurisdiction. If this Lease Agreement is terminated under the above, the Government is entitled to pursue the same remedies as in a breach of the lease. The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any rights and remedies provided by law or under this Lease Agreement.

STATE OF Texas

COUNTY/PARISH OF Harris

On this 13 day of January, 1998⁹, before me appeared Richard A. Rabinow, to me personally known, who, being by me duly sworn (or affirmed) did say that he is the President of Exxon Pipeline Company, and that the instrument was signed in behalf of the corporation by authority of its Board of Directors and that he acknowledged the instrument to be the free act and deed of the corporation.



Sylvia G. Barbosa
Sylvia G. Barbosa
(Name, typed or printed)
Notary Public
(Office or Title)
Seal

STATE OF LOUISIANA

PARISH OF JEFFERSON

On this 14th day of January, 1998, before me appeared Patricia C. Sigur, to me personally known, who, being by me duly sworn (or affirmed) did say that she is the Certified Realty Specialist for the Department of Energy of the United States of America, and that the instrument was signed in behalf of the United States of America by authority of the Department of Energy Organization Act and the Energy Policy and Conservation Act, and that she acknowledged the instrument to be the free act and deed of the United States of America.

Patricia C. Sigur
Patricia C. Sigur

Certified Realty Specialist

Sansen C. Barrow - Notary Public
(Title or office)
Seal My Commission expires at death

APPENDIX "A"

PIPELINE LAYOUT AND SPECIFICATION DATA
INFORMATION

BRYAN MOUND

PIPELINE SPECIFICATION DATA SHEET

Description: Bryan Mound 40-inch pipeline, 46 miles long, and including pig traps at each end of the pipeline, which connects the DOE Bryan Mound SPR site in Freeport, Texas, to the Seaway Tank Farm located in Texas City, Texas.

Spec Data:

ANSI: 300# API-5LX-60 pipe
Wall Thickness: 0.438"
Operating Pressure
MAOP: 700 psi
Normal Operating Pressure: 498 psi
Installation Date: 1987

Valve Stations: Fifteen, 40-inch full bore slab gate valves.

Main Pipeline Connection: Connections are at the Bryan Mound SPR site and the Seaway Tank Farm in Texas City, Texas. Whenever Lessee connects its pipeline at these DOE-tie-in locations, the following are DOE requirements for Lessee:

- 1) Hot Tap or stopple connection with Tee
- 2) Isolation valve, double block and bleed
- 3) Spectacle blind

Cathodic Protection: Impressed Current

Maintenance Inspection:

- o Procedures - Intelligent pigs (magnetic flux, ultrasonic and caliper) surveys have been used for corrosion detection and geometrical reductions. SPR pipeline operation is on an intermittent basis, thus pipelines are conducive to internal corrosion. Corrosion inhibiting chemicals and corrosion detection devices are periodically used to maintain and monitor pipeline integrity.
- o Inspection Summary - Based on June 1996 magnetic flux survey, there were no anomalies that require a reduction in the MAOP.

Construction/Maintenance Permits:

Issuing Agency: Corps of Engineers Permit #14114,
dated May 18, 1985.

BRYAN MOUND

PIPELINE SPECIFICATION DATA SHEET

Description: Bryan Mound 30-inch pipeline, 4 miles long, and including pig traps at each end of the pipeline, which connects the DOE Bryan Mound SPR site in Freeport, Texas, to the Seaway Jones Creek Tank Farm located in Jones Creek, Texas.

Spec Data:

ANSI: 300# API-5L Grade B pipe
Wall Thickness: 0.281", 0.312", 0.375
Operating Pressure
 MAOP: 350 psi
 Normal Operating Pressure: 250 psi
Installation Date: 1978

Valve Stations: Four, 30-inch full bore slab gate valves.

Main Pipeline Connection: Connections are at the Bryan Mound SPR site and the Jones Creek in Jones Creek, Texas. Whenever Lessee connects its pipeline at these DOE-tie-in locations, the following are DOE requirements for Lessee:

- 1) Hot Tap or stopple connection with Tee
- 2) Isolation valve, double block and bleed
- 3) Spectacle blind

Cathodic Protection: Impressed Current

Maintenance Inspection:

- o Procedures - Intelligent pigs (magnetic flux, ultrasonic and caliper) surveys have been used for corrosion detection and geometrical reductions. SPR pipeline operation is on an intermittent basis, thus pipelines are conducive to internal corrosion. Corrosion inhibiting chemicals and corrosion detection devices are periodically used to maintain and monitor pipeline integrity.
- o Inspection Summary - Two anomalies were discovered during the Oct. 1992 magnetic flux survey that were repaired to maintain the present MAOP. Five additional locations were identified in a September 1996 magnetic flux survey and subsequently repaired.

Construction/Maintenance Permits:

Issuing Agency: Corps of Engineer Permit #11666,
dated October 15, 1977.

APPENDIX "B"

MONTHLY PAYMENT CALCULATION

Minimum Base Payment/ Year	\$1,000,000
Jones Creek Rate	(b) (4)
Texas City Rate	

EXAMPLE

D	Number of days in month	30
Vt	Barrels delivered to Texas City in month	2,400,000
Vj	Barrels delivered to Jones Creek in month	600,000

P0	Minimum Monthly Payment	\$83,333
	$P0 = \$1,000,000/12$	

P1	Payment for barrels to Texas City	(b) (4)
	$P1 = (b) (4) \times Vt$	

P2	Payment for barrels to Jones Creek	(b) (4)
	$P2 = (b) (4) \times Vj$	

P	Total Monthly Payment	(b) (4)
	$P = \text{maximum of } (P0) \text{ or } (P1 + P2)$	

ESCALATION CALCULATION

Index: (b) (4)

Commencement Date: July 1, 2000 or earlier at Lessee's option

Jones Creek Rate: (b) (4)

Texas City Rate: (b) (4)

Each July 1, or anniversary of the Commencement Date, the escalation adjustment will be calculated using the (b) (4) or Base Period Index 11, as applicable.

EXAMPLE

Calculation of rates for the period July 1, 2001 through June 30, 2002

Final (b) (4)

Final (b) (4)

Texas City Rate = (b) (4) bbl x (b) (4) = (b) (4)

Jones Creek Rate = (b) (4) bbl x (b) (4) = (b) (4)

- NOTE: These are estimated rates. Actual payments for throughputs shall be calculated each time a payment is due using the (b) (4). For example, if 500,550 barrels were delivered to Jones Creek and 2,498,222 barrels were delivered to Texas City during the month of July, 2001, the calculation for payment would be as follows:

To Jones Creek: 500,550 bbls x (b) (4) bbl x (b) (4) = (b) (4)

To Texas City: 2,498,222 bbls x (b) (4) bbl x (b) (4) = (b) (4)

Total Invoice Amount for July 2001: (b) (4)

APPENDIX "C"

GOVERNMENT CRUDE OIL QUALITY AND QUANTITY

1. QUANTITY MEASUREMENTS

The custody transfer measurements for Government Crude Oil movements will be taken at the Bryan Mound meter station. Meter tickets and proving reports will be the documents used for custody transfer measurements into and out of the Leased Pipelines. Custody transfer operations will be performed and witnessed in accordance with the latest published version of the API Manual of Petroleum Measurement Standards by Government contracted personnel with DCMC QAR (Defense Contractor Management Command) (Quality Assurance Representative). Lessee will have the right to witness and verify all testing and measurement activities of the Government. Laboratory testing will be conducted on-site at the Bryan Mound Crude Oil laboratory. Any disputes shall be settled in accordance with the Crude Oil loss section of this agreement.

2. QUALITY ASSURANCE

The Quality of Government Crude Oil movements will be determined by samples taken from the Bryan Mound custody meter station in accordance with the API Manual of petroleum measurement Standards, Chapter 8.2, Automatic Sampling of Petroleum and Petroleum Products (ASTM D4177), latest edition. Tests to be performed by the Government on samples taken are as follows:

(1) Sediment and Water

Primary Methods: API Manual of Petroleum Measurement Standards, Chapter 10.1, Determination of Sediment in Crude Oils and Fuel Oils by the Extraction Method (ASTM D473) or API Manual of Petroleum Measurement Standards, Chapter 10.8, Sediment in Crude Oil by Membrane Filtration (ASTM D4807), latest edition or a mutually acceptable method; and API Manual of Petroleum Measurement Standards, Chapter 10.2, Determination of Water in Crude Oil by Distillation (ASTM D4006), latest edition; or API Manual of Petroleum Measurement Standards, Chapter 10.9, Water in Crude Oil by Coulometric Karl Fischer Titration (ASTM D4928), latest edition or a mutually acceptable method.

Alternate method: API Manual of Petroleum Measurement Standards, Chapter 10.3, Determination of Water and Sediment in Crude Oil by the Centrifuge Method (Laboratory Procedure) (ASTM D4007), latest edition.

(2) Sulfur

Primary Method: ASTM D1552, Sulfur in Petroleum Products (High Temperature Method), latest edition.

Alternate Method: ASTM D4294, Sulfur in Petroleum Products by Energy Dispersive X-ray Fluorescence Spectroscopy, latest edition.

(3) API Gravity

Primary Method: API Manual of Petroleum Measurement Standards, Chapter 9.1, Hydrometer Test Method for Density, Relative Density Specific Gravity), (ASTM D1298) or API Manual of Petroleum Measurement Standards, Chapter 9.3 – Thermohydrometer Test Method for Density, Relative

Density, latest edition or Density and Relative Density of Crude Oils by Digital Density Analyzer (ASTM D5002), latest edition.

Alternate Method: API Gravity of Crude and Petroleum Products (Hydrometer Method) (ASTM D287), latest edition.

3. CRUDE OIL LOSSES

The Lessee is responsible for any Government Crude Oil losses in ("NSV") barrels in excess to 0.05% that is not due to the negligence of the Government or its agents. A reconciliation will be performed between the Government and the Lessee on an annual basis. The Government will accept compatible Crude Oil as replacement for lost oil subject to the quality specifications outlined in Appendix D.

Replacement oil shall meet the specifications of the Government's Crude Oil type (category) of the oil lost as indicated in the Appendix "D". Any Crude Oil offered as replacement oil not meeting the specification shall be accepted only upon approval by the Government.

If an acceptable replacement crude is not available, the Lessee shall make payment to the Government at a price per barrel based on the current market value for the date of actual loss of that grade of Crude Oil.

4. DELIVERY AND RECEIPT DOCUMENTATION

The quantity and quality determination shall be documented on the Material Inspection and Receiving Report (See Sample Form DD-250 below). The DD-250 form shall be signed by Lessee's agent to acknowledge delivery and/or receipt of the quantity and quality of Crude Oil indicated. Copies of the completed DD-250 with applicable supporting documentation (i.e., metering or tank gauging tickets and appropriate calculation worksheets) shall be furnished to the Lessee and/or the Lessee's authorized representative after completion of delivery or receipts.

5. NETOUTS

If Lessee has been requested by the Government to deliver Crude Oil for the Government for any purpose including tests, Lessee may upon mutual agreement make delivery from the shipments of other shipper's Crude Oil provided that the Crude Oil to be delivered meets Government's specifications and is acceptable by the Government. In such event, any quality differences shall be corrected through a monetary adjustment as payment to the Government or to Lessee (for the account of Lessee's other shipper(s)) depending on which Party has the net better quality crude by being higher API gravity or lower total sulfur content. Laboratory tests for API Gravity and Sulfur Weight Percent shall be taken both when custody of the Crude Oil is originally passed to the Lessee and when custody of the Crude Oil is returned to the Government or transferred at Government's request to another shipper or carrier. The quality differentials shall be based on the resulting analysis differences between these tests and calculated using the following adjustment factors:

<u>Quality Characteristics</u>	<u>SPR Crude Oil Quality</u>	<u>Variation Limits</u>
	<u>Sour</u>	<u>Sweet</u>
Gravity - API°	+/- 0.5	+/- 0.5
Sulfur - WT, %	+/- 0.10	+/- 0.05

Where applicable, the quality adjustments shall be paid based on the following rates:

API Gravity:

Sour Crude Oil (Sulfur weight % greater than 0.5%), 1.5 cents per barrel for each 1/10th degree (0.1) excess variance (+/-) in gravity when the limits set forth above are exceed.

Sweet Crude Oil (Sulfur weight % less than or equal to 0.5%), 2 cents per barrel for each whole degree (1.0) API Gravity, or part thereof, when the limits set forth above are exceeded.

Total Sulfur: 1.0 cents per barrel for each 1/100th percent (0.01%) increase in total sulfur when the limits set forth above are exceeded.

- A) API Gravity: If the Government delivers Crude Oil of a higher gravity than that received, then any such adjustment shall represent a payment to the Lessee for the account of Lessee's other shipper(s).
- B) Total Sulfur: If the Government delivers Crude Oil of a lower sulfur than that received, then any such adjustment shall represent a payment to the Government, otherwise any such adjustment shall represent a payment to the Lessee for the account of Lessee's other shipper(s).

Payment due from A) and/or B) shall be netted together and result in a single payment from the Party net owing. Such payment shall be due from the Government within thirty (30) days of receipt of a valid invoice, or from Lessee within ten (10) days of receipt of payment from Lessee's other shipper(s). Lessee shall arrange for the sampling and testing required to implement this provision. A Government DCMC – QAR (Defense Contract Management Command – Quality Assurance Representative) shall witness all sampling and testing analysis. Government shall provide access at its facilities to Lessee for the purpose of collecting any such samples.

EXAMPLE: Quality Adjustment	SOUR CRUDE	SWEET CRUDE
API Gravity - SPR delivered bbls	35.8°	35.8°
API Gravity - Lessee returned bbls	38.2°	38.0°
API Gravity - Quality Variance	2.4°	2.2°
Allowable Variance	±0.5°	±0.5°
Excess Variance - API Gravity	1.9°	1.7°
API Gravity \$ Adjustment per bbl	- 28.5¢	- 4¢
"- ¢" = SPR owes Lessee		
"+ ¢" = Lessee owes SPR		
Sulfur Wt% - SPR delivered bbls	1.33%	0.33%
Sulfur Wt% - Lessee returned bbls	1.46%	0.39%
Sulfur Wt% - Quality Variance	0.13%	0.06%
Allowable Variance	±0.10%	±0.05%
Excess Variance - Sulfur Wt%	0.03%	0.01%
Sulfur Wt% \$ Adjustment per bbl	+3¢	+1¢
"- ¢" = SPR owes Lessee		
"+ ¢" = Lessee owes SPR		
Net Quality \$ Adjustment per bbl	- 25.5¢	- 3¢
"- ¢" = SPR owes Lessee		
"+ ¢" = Lessee owes SPR		

SAMPLE FORM DD 250

MATERIAL INSPECTION AND RECEIVING REPORT

*Form Approved
OMB No. 0704-0248*

Public reporting burden for this collection of information is estimated to average 35 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0248), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO EITHER OF THESE ADDRESSES.

1. PROC. INSTRUMENT IDEN. (CONTRACT)	(ORDER) NO.	6. INVOICE NO./DATE	7. PAGE	OF	8. ACCEPTANCE POINT
2. SHIPMENT NO.	3. DATE SHIPPED	4. B/L	5. DISCOUNT TERMS		
		TCN			
9. PRIME CONTRACTOR	CODE	10. ADMINISTERED BY		CODE	
11. SHIPPED FROM (if other than 9)	CODE	FOB:	12. PAYMENT WILL BE MADE BY		CODE
13. SHIPPED TO	CODE	14. MARKED FOR		CODE	
15. ITEM NO.	16. STOCK/PART NO.	DESCRIPTION	17. QUANTITY SHIP / REC'D *	18. UNIT	19. UNIT PRICE
	<small>(Indicate number of shipping containers - type of container - container number.)</small>				20. AMOUNT

21. **CONTRACT QUALITY ASSURANCE**

<p>A. ORIGIN</p> <p><input type="checkbox"/> CQA <input type="checkbox"/> ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.</p> <p>DATE _____ SIGNATURE OF AUTH GOV'T REP _____</p> <p>TYPED NAME AND OFFICE _____</p>	<p>B. DESTINATION</p> <p><input type="checkbox"/> CQA <input type="checkbox"/> ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.</p> <p>DATE _____ SIGNATURE OF AUTH GOV'T REP _____</p> <p>TYPED NAME AND OFFICE _____</p>
---	--

22. **RECEIVER'S USE**

Quantities shown in column 17 were received in apparent good condition except as noted.

DATE RECEIVED _____ SIGNATURE OF AUTH GOV'T REP _____

TYPED NAME AND OFFICE _____

** If quantity received by the Government is the same, as quantity shipped, indicate by (✓) mark, if different, enter actual quantity received below quantity shipped and encircle.*

23. CONTRACTOR USE ONLY

APPENDIX "D"

ACCEPTABLE CRUDE OIL TYPES

CHARACTERISTIC	SOUR	SWEET
API Gravity [°API]	30-45	30-45
Total Sulfur [WT. %], Max.	1.99	0.50
Pour Point [°F(°C)], Max.	50(10)	50(10)
Salt Content [Lbs./1,000 Bbls.], Max.	50	50
Viscosity		
[SUS @ 60°F (cSt @ 15.6°)], Max.	150(32)	150(32)
[SUS @ 100°F (cSt @ 37.8°)], Max.	70(13)	70(13)
Reid Vapor Pressure		
[Psia @ 100°F (kPa @ 37.8°C)], Max.	11(76)	11(76)
Total Acid Number [mg KOH/g], Max.	0.40	0.40
Sediment and Water [Vol. %], Max.	1.0	1.0
Yields [Vol. %], Max.		
Naphtha [82-375°F (28-191°C)]	24-30	21-42
Distillate [375-620°F (191-327°)]	17-31	19-45
Gas Oil [620-1050°F (327-566°C)]	26-38	20-42
Residuum [>1050°F (>566°C)]	10-19	14 Max.

- Marketable virgin crude petroleum suitable for normal refinery processing and free of foreign contaminants or chemicals including, but not limited to, chlorinated and/or oxygenated hydrocarbons, and lead.
- Crude Oils that meet these sour specifications include, but are not limited to, Arabian Berri, Arabian Light, Dubai (Fateh), Flotta, Isthmus, Lagomedio, Oman, Qatar Marine, Tia Juana Light, Upper Zakum and West Texas Sour.
- Crude Oil that meet these sweet specifications include, but are not limited to, Bonny Light, Brass River, Brent Blend, Ekofisk, Escravos, Forties, Kole Marine, Oseberg, Palanca, Saharan Blend, Statfjord, West Texas Intermediate and Zarzaitine.

NOTE: Crude Oils other than those listed above may be acceptable. The acceptability of any Crude Oil depends upon assay typical of current production quality of the stream.

STATE OF LOUISIANA

PARISH OF JEFFERSON

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for the said Parish and State, personally came and appeared Patricia C. Sigur, to me known, who declared and acknowledged to me, Notary, and the undersigned competent witnesses that she is the Certified Realty Specialist for the Department of Energy, Strategic Petroleum Reserve Project Management Office, and that as such duly authorized officer, she signed and executed the foregoing instrument for and on behalf of the UNITED STATES OF AMERICA, and that said instrument is the free act and deed of the UNITED STATES OF AMERICA and was executed for the uses, purposes and benefits therein expressed.

IN WITNESS WHEREOF, said Appearer hereto affixes her signature in the presence of me, Notary, and the undersigned competent witnesses, at my office in the Parish and State as aforesaid, on this 14th day of January, 1999.

WITNESSES:

Geraldyn Champagne *Patricia C. Sigur*

PATRICIA C. SIGUR

[Signature]

[Signature]

Notary Public

Lifetime Commission

APPENDIX "E" - CONTINUED

STATE OF TEXAS

PARISH / COUNTY OF Harris

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for the said Parish and State, personally came and appeared R. A. Rabinov to me known, who declared and acknowledged to me, Notary, and the undersigned competent witnesses that he is the President, of EXXON PIPELINE COMPANY, and that in such duly authorized capacity, he signed and executed the foregoing instrument for and on behalf of EXXON PIPELINE COMPANY, and that said instrument is the free act and deed of EXXON PIPELINE COMPANY and was executed for the uses, purposes and benefits therein expressed.

IN WITNESS WHEREOF, said Appearer hereto affixes his signature in the presence of me, Notary, and the undersigned competent witnesses, at my office in the Parish and State as aforesaid, on this 13th day of January, 1998~~9~~

WITNESSES:

[Signature]

[Signature]

[Signature]

[Signature]

Notary Public

Lifetime Commission



AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1. CONTRACT ID CODE	PAGE OF PAGES 1 2
2. AMENDMENT/MOFICATION NO. M015	3. EFFECTIVE DATE See Block 16C	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)	
6. Issued By U. S. Department of Energy SPR Project Management Office 900 Commerce Road East New Orleans, LA 70123	Code	7. ADMINISTERED BY (If other than Item 6)		Code
8. NAME AND ADDRESS OF CONTRACTOR (No. Street, county, State and ZIP Code) Mr. Ryan M. Allain Director, Business Development ExxonMobil Pipeline Company 800 Bell Street, Room 653J Houston, TX 77002			(✓)	9A. AMENDMENT OF SOLICITATION NO.
				9B. DATED (SEE ITEM 11)
			X	10A. MODIFICATION OF CONTRACT/ORDER NO. DE-RL96-99PO90001
				10B DATED (SEE ITEM 13)
CODE	FACILITY CODE			

11. THIS ITEM APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. **FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER.** If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES TO MODIFICATIONS OF CONTRACTS/ORDERS; IT MODIFIES THE CONTRACT/ORDER # NO. AS DESCRIBED IN ITEM 14.


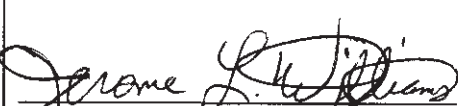
(✓)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriate date, etc.)
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF Standard Form 2, Paragraph 9 and Solicitation For Offers, Paragraphs 6 & 21 (D) and 21, Operating Costs, GSAR 552.270-23 (June 1985).
X	D. OTHER (Specify type of modification and authority) Sections 3, 15, and 20 of the lease agreement in 10A above.

E. IMPORTANT: Contractor is not, is required to sign this document and return 2 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purposes of this Modification M015 are four-fold as follows:

- A. To grant an extension of the lease term through May 31, 2015, as requested by Lessee's letter of May 19, 2008 (attached hereto and made a part hereof) which indicated the Lessee's desire to exercise the first of two 5-year option periods, beginning on June 1, 2010.
- B. To substitute in its entirety, the attached revised Section 9, Linefill (See Modification M007), attached hereto and made a part hereof.

15A NAME AND TITLE OF SIGNER (Type or print) Tim Adams, Vice President		16A. NAME AND TITLE OF CONTRACTING OFFICER (TYPE OR PRINT) Jerome L. Williams, Realty Officer	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED 11 May 09	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED 5/13/09
<i>(Signature of person authorized to sign)</i> 		<i>(Signature of Contracting Officer)</i> 	

Standard Form 36, July 1966

REF. NO OF DOC. BEING CONT'D

PAGE 2 OF 2

General Services Administration FED. PROC. REG. (41 CFR) 1-16.101	CONTINUATION SHEET	DE-RL96-99PO90001/Mod M015	
--	---------------------------	----------------------------	--

NAME OF LESSEE ExxonMobil Pipeline Company			
---	--	--	--

- C. To substitute in its entirety, an updated Appendix D, Acceptable Crude Oil Types and Specifications, attached hereto and made a part hereof.
- D. To insert a new paragraph in Section 23, Government Emergency Use of Pipelines. This new paragraph is hereby inserted after the third paragraph of Section 23 and shall read as follows:

In the event of a National Emergency or an Operational Emergency, (during full Lease Term), upon which time the Government has assumed operational use and control of the Pipelines, the Government will displace Lessee's linefill to terminal tankage at Seaway Jones Creek and Seaway Texas City Terminals. It is understood by both the Government and Lessee that the Lessee's linefill will be comprised of volumes from multiple shippers, as set out in the Lessee's tariff rules and regulations. Upon cessation of the emergency event, the Government's final linefill will be displaced by Lessee's crude oil from Quintana Station within a five day period.

All other terms and conditions of this lease agreement remain unchanged.

APPENDIX D

**STRATEGIC PETROLEUM RESERVE
CRUDE OIL SPECIFICATIONS^a
(SPRO JULY 2008)^{ε1}**

CHARACTERISTIC	SOUR	SWEET	PRIMARY ASTM TEST METHOD ^b
API Gravity [°API]	30-45	30-45	D 1298 or D 5002
Total Sulfur [Mass %], max.	1.99	0.50	D 4294
Pour Point [°C], max.	10	10	D 97
Salt Content [Mass %], max.	0.050	0.050	D 6470
Viscosity			
[cSt @ 15.6°C], max.	32	32	D 445
[cSt @ 37.8°C], max.	13	13	
Reid Vapor Pressure			
[kPa @ 37.8°C], max.	76	76	D 323 or D 5191
Total Acid Number [mg KOH/g], max.	1.00	1.00	D 664
Water and Sediment [Vol. %], max.	1.0	1.0	D 473 and D 4006, or D 4928
Yields [Vol. %]			D 2892 and D 5236 ^c
Naphtha [28-191°C]	24-30	21-42	
Distillate [191-327°C]	17-31	19-45	
Gas Oil [327-566°C]	26-38	20-42	
Residuum [>566°C]	10-19	14 max.	

^{ε1} This revision allows for the use of D 7169 data for conditionally accepting a crude oil stream (see Footnote^c).

^a Marketable virgin crude petroleum suitable for normal refinery processing and free of foreign contaminants or chemicals including, but not limited to, pour point depressants, chlorinated and oxygenated hydrocarbons, and lead.

^b Alternate methods may be used if approved by the contracting officer.

^c D 7169 data may be provided in requesting conditional acceptance of a crude oil. Distillation data according to D 2892 and D 5236 will still be necessary for final qualification of a crude oil's acceptance.

NOTE 1: The Strategic Petroleum Reserve reserves the right to refuse to accept any crude oil which meets these specifications but is deemed to be incompatible with existing stocks, or which has the potential for adversely affecting handling.

APPENDIX D

**STRATEGIC PETROLEUM RESERVE
ACCEPTABLE SOUR CRUDE OILS
(July 2008)**

CRUDE NAME	COUNTRY
Arabian Extra Light	Saudi Arabia
Arabian Light	Saudi Arabia
Bonito Sour	USA
Eugene Island	USA
Flotta	UK
Forties	UK
Isthmus	Mexico
Lagomedio	Venezuela
Mesa 30	Venezuela
Olmecca	Mexico
Oman	Oman
Qatar Marine	Qatar
Russian Blend (Urals)	Russia
Tia Juana Light	Venezuela
West Texas Sour	USA

APPENDIX D

**STRATEGIC PETROLEUM RESERVE
ACCEPTABLE SWEET CRUDE OILS
(July 2008)**

CRUDE NAME	COUNTRY
Azeri	Azerbaijan
Bonny Light	Nigeria
Brass River	Nigeria
Brent	UK
Cusiana	Columbia
East Texas	USA
Ekofisk	Norway
Escravos	Nigeria
Es Sider	Libya
Heavy Louisiana Sweet	USA
Kole	Cameroon
Light Louisiana Sweet	USA
Nemba	Angola
Oseberg	Norway
Qua Iboe	Nigeria
Saharan Blend	Algeria
Santa Barbara	Venezuela
Statfjord	Norway
West Texas Intermediate	USA
Zafiro	Eq. New Guinea
Zarzaitine	Algeria

NOTE 1: Crude oils other than those listed in the two preceding tables may be acceptable. The acceptability of any crude oil depends upon any assay typical of current production quality of the stream. Assays typical of current production quality are mandatory for any crude oil not received by the SPR within the last three years.

NOTE 2: All crude oil shipments received by the SPR are tested to ensure they meet specifications. Should successive shipments fail to meet specifications, the stream may be deleted from the list of acceptable crude oils.

9. LINEFILL - The Government shall be credited with the ownership of a volume of Crude Oil equal to the volume of the Linefill existing in the Pipelines on the Commencement Date. It is understood that within 6 months from the execution of Lease Modification M015, the Government shall be entitled to an equivalent volume and quality of crude oil. The volume of Linefill in the Pipelines was measured and confirmed after the Commencement Date when the Pipelines are displaced and the actual volume of Crude Oil, sediment and water (S&W), and free water can be determined. This Linefill inventory shall have an API gravity of not less than 30 degrees API and a sulfur content of not greater than 1.99 weight % both on the Commencement Date and upon return to the Government. Lessee shall obtain representative samples for determination of the actual average gravity and sulfur content of this Linefill inventory as provided by the Government upon startup of the Pipelines after the Commencement Date. All measurements, sampling, and testing shall be performed in accordance with the latest editions of API, Manual of Petroleum Measurements Standards (MPMS), and American Society for Testing and Materials (ASTM) methods. The Government (through its representatives) has the right to witness and verify all measurements, sampling and testing. The Lessee shall provide the Government reasonable notice to exercise such rights.

Within 6 months from the execution of Lease Modification M015, Lessee shall complete the return to the Government of the Jones Creek Pipeline and Texas City Pipeline Linefill with the same volume and quality of Crude Oil as originally received by Lessee on April 3, 2000, 363,594 Net Standard Volume (NSV) for Texas City and 18,018 NSV for Jones Creek, as specified in modification number M003. The Lessee shall make its best effort to return the linefill prior to the end of the 6-month period. The Parties shall correct for any variations in accordance with the below stated procedures.

The Linefill return process shall start at a mutually agreed upon date following execution of Lease Modification M015. Lessee reserves the right to return the Linefill through multiple deliveries and qualities within the characteristics and grades listed in Appendix D. Lessee shall return the Linefill to the Government's Bryan Mound facility. The Linefill return volumes will be metered and ticketed through the Seaway Freeport Terminal unless otherwise mutually agreed upon for deliveries by pipeline. Lessee will not deliver shipments less than 100,000 barrels, unless a mutual agreement is made by the "parties" to do so. Seaway Freeport Terminal docks or Bryan Mound, if mutually agreed upon for deliveries by pipeline, shall be the custody transfer point for quantity and quality subject to witnessing by the Lessee. Lessee shall coordinate linefill return deliveries with the Government so that planned site activities or site movements will not be affected. Any quality adjustments shall be settled in accordance with Appendix C. It is understood by both parties that the Linefill return process may be completed by a Lessee affiliate, on behalf of the Lessee.

Upon return of the Linefill to the Government, an oil quality and quantity reconciliation shall be performed jointly by both parties. The reconciliation shall be based on the criteria as described in Appendix C and as detailed below. Within 30 calendar days of the completion of the Linefill return, the Government shall provide to the Lessee a letter documenting the receipt of the Linefill and any quality or quantity adjustments made in accordance with Appendix C.

In addition to Appendix C, if the DOE receives an amount of return oil that exceeds the Linefill volume, the Government will attempt to reconcile the imbalance through cash payments or other

alternate means, if available. All such payments are due when the funds are available for said purpose.. Any interest and administrative charges associated with the linefill return shall be in accordance with Section 5 of the lease agreement. If reconciliation is by cash payment, the Lessee shall invoice the DOE based on the current market value of the return oil on the date of the last delivery as annotated on the DD250 or DD250-1.

Note: The current market value is derived from the data published in the Platt's Oilgram Price Report. If no published prices are available, a mutually agreed upon price will be negotiated. Should the parties fail to reach a negotiated price, the Government shall determine a fair and reasonable price, or the outstanding volume will be reconciled in the lease agreement settlement.

The quality characteristics of the sour crude Linefill (filled to capacity) on the Commencement Date was; API Gravity @ 60deg.F - 35.2°, Sulfur Wt.% - 1.23%, and S&W% - 0.50% for the Texas City Pipeline, and API Gravity @ 60deg.F - 35.7°, Sulfur Wt.% - 1.22%, and S&W% - 0.10% for the Jones Creek Pipeline.

The oil quality variance shall be reconciled in accordance with the terms and conditions of the pipeline lease contract Appendix "C", Section 5, 'Netouts' of the Lease Agreement. The quality differential adjustments for the oil returned to the Government will apply fully in those instances wherein the volume average quality of the crude oil being returned to the Government is below the volume average quality of the crude oil which was in the Texas City Pipeline and the Jones Creek Pipeline on the date of the custody transfer of the pipeline to Lessee provided that individual crude oil streams meet the Government specifications prior to being injected into the Pipelines. In the event the volume average quality of the crude oil being returned to the Government is above the volume average quality of the crude oil which was in the Texas City Pipeline and the Jones Creek Pipeline on the Commencement Date, the Government shall not be liable for any quality increase of the oil returned to the Government for gravity that is above thirty seven (37) degrees API or for sulfur content that is below nine-tenths of a percent (0.9%) by weight.

The NSV oil quantity variance shall be computed by comparing the S&W% of the oil at the beginning and after return of the Linefill. The S&W% difference shall be multiplied by the Government computed pipeline inventory capacity of 363,594 barrels in the Texas City Pipeline and 18,018 barrels in the Jones Creek Pipeline to derive an S&W volume variance; which shall be included in the pipeline reconciliation.

On the Commencement Date, the Texas City pipeline had a positive pressure of 9 psi and the Jones Creek pipeline had a positive pressure of 40 psi. As per the Strategic Petroleum Reserve Maintenance and Operations Contractor (DynMcDermott Petroleum Operations Co.) document #OM-86, "Static Offsite Oil Pipeline Pressure Monitoring Instructions", the pressure and volume adjustment factor for the Texas City Pipeline is 284 bbl/100psi and the pressure and volume adjustment factor for the Jones Creek Pipeline is 18 bbl/100psi. The oil volume reconciliation shall include an adjustment for the variance between the pipeline pressures at the beginning and when Linefill is returned.

As per the U.S. Geological Survey for Gulf Coast Ground Temperatures Monthly Average, the ground temperature for April, 2000 was 62 deg.F. Note, the ambient temperature reported on April 1, 2000 was 73 deg.F. The last Government oil movement through the Pipelines prior to

transfer to the Lessee was December 1999. Therefore, reconciliation of the Linefill shall include a volume adjustment computation based on the temperature variance between 62 deg.F and the measured temperature of the oil when the Linefill returned to the Government.

The API Table 6A "Generalized Crude Oils Correction of Volume to 60 deg.F Against API Gravity at 60 deg.F" indicates that the volume correction factor for the Government oil in the Texas City Pipeline at the time of transfer was 0.9991 (as applicable to 35.2° API crude at 62 deg. F. and 9 psi) and , in the Jones Creek Pipeline at the time of transfer was 0.9953 (as applicable to 35.7° API crude at 70 deg. F. and 40 psi).

The volume correction factor of the oil at the time of the pipeline return shall also be determined using API Table 6A.

The variance between the two volume API correction factors shall be multiplied by the Government computed pipeline inventory capacity of 363,594 barrels for the Texas City Pipeline and 18,018 barrels for the Jones Creek Pipeline which will then be included in the Linefill reconciliation.

In summary, the Linefill reconciliation shall be comprised of a quality reconciliation based on API Gravity and Sulfur variances, and a quantity reconciliation based on the variances relative to the quantities stated in modification number M003 based on the S&W%, the oil temperature, and the pipeline pressure.

Final reconciliation of any small Lease Agreement/contract amount will be settled in either oil or cash as per both parties' agreement.

At the end of the Lease Agreement, the Government shall displace the Lessee's pipeline linefill within 30 days starting at a mutually agreed upon date. The custody transfer point for quality and quantity will be the Jones Creek meter and the Texas City meter for the pipelines. At the end of the Lease Agreement, the linefill displacement volume to be provided to the Lessee at the respective pipeline meters shall be equivalent to the Net Standard Volume of 363,594 NSV for Texas City and 18,018 NSV for Jones Creek, as specified in modification number M003 of the Lease Agreement. This return process shall occur over a 5 day period unless otherwise agreed upon by the Lessee and the Government.

If linefill displacement volume to be provided to the Lessee is less than the Net Standard Volume of the pipeline system listed in Modification M003 of the Lease Agreement, the Government will attempt to reconcile the imbalance through cash payments or other alternate means, if available. All such payments are due when the funds are available for said purpose.. Any interest and administrative charges associated with the linefill displacement shall be in accordance with Section 5 of the lease agreement. If reconciliation is by cash payment, the Lessee shall invoice the DOE based on the current market value of the Lessee's oil remaining in the line on the date of the last delivery as annotated on the DD250 or DD250-1.

Note: The current market value is derived from the data published in the Platt's Oilgram Price Report. If no published prices are available, a mutually agreed upon price will be negotiated. Should the parties fail to reach a negotiated price, the Government shall determine a fair and reasonable price, or the outstanding volume will be reconciled in the contract settlement.

In reference to delivery in excess of Net Standard Volume of the pipeline system, reconciliation will be in accordance with Appendix C.

ExxonMobil Pipeline Company
800 Bell Street, PL-EMB-653D
Houston, Texas 77002
713 656 3261 Telephone
713 656 9586 Facsimile

Tim J. Adams
Vice President
Business Development and Joint Interest

ExxonMobil
Pipeline

May 19, 2008

Jerome L. Williams
Realty Officer
Department of Energy
Strategic Petroleum Reserve Project Management Office
900 Commerce Road East
New Orleans, Louisiana 70123

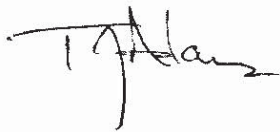
Re: Extension of DOE Lease Agreement with ExxonMobil Pipeline Company

Dear Mr. Williams:

In accordance with the terms of Section 3 of Lease Agreement #DE-RL96-99PO90001 for certain Pipelines in the Bryan Mound, Jones Creek and Texas City area, this letter is to provide notice that ExxonMobil Pipeline Company would like to take the first of the two options to extend the lease term and continue operation of the pipelines as defined per the agreement. The extension will add five years to our initial lease period that began June 1, 2000 and ends June 1, 2010. The new lease period will extend until June 2, 2015 and has one more five year extension option subject to notification twenty four (24) months prior to the period ending.

Please acknowledge receipt of this notice and any comments via email to Monica Saenz at: monica.a.saenz@exxonmobil.com

We appreciate your assistance and the working relationship ExxonMobil has with the Department of Energy.



SGD

Attachments

c - A. P. Sorensen
M. A. Saenz

An ExxonMobil Subsidiary
An ExxonMobil Subsidiary

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT	1. CONTRACT ID CODE	PAGE OF PAGES 1 2
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2. AMENDMENT/MOFICATION NO. M024	3. EFFECTIVE DATE See Block 16C	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
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6. Issued By Code U. S. Department of Energy SPR Project Management Office 900 Commerce Road East New Orleans, LA 70123	7. ADMINISTERED BY (If other than Item 6) Code
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8. NAME AND ADDRESS OF CONTRACTOR (No. Street, county, State and ZIP Code) Ms. Kelly McGuire Business Development Advisor ExxonMobil Pipeline Company 800 Bell Street, Room 653G Houston, TX 77002	(✓)	9A. AMENDMENT OF SOLICITATION NO.
		9B. DATED (SEE ITEM 11)
	X	10A. MODIFICATION OF CONTRACT/ORDER NO. DE-RL96-99PO90001
		10B DATED (SEE ITEM 13)
CODE	FACILITY CODE	

11. THIS ITEM APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. **FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER.** If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES TO MODIFICATIONS OF CONTRACTS/ORDERS; IT MODIFIES THE CONTRACT/ORDER # NO. AS DESCRIBED IN ITEM 14.

(✓)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriate date, etc.)
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF Standard Form 2, Paragraph 9 and Solicitation For Offers, Paragraphs 6 & 21 (D) and 21, Operating Costs, GSAR 552.270-23 (June 1985).
X	D. OTHER (Specify type of modification and authority) Sections 7 and 34 of the lease agreement in 10A above.

E. IMPORTANT: Contractor is not, is required to sign this document and return 2 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purposes of this modification are three-fold as follows:

- A. To grant an extension of the lease term through May 31, 2020, as requested by Lessee's letter of March 22, 2013, which indicated Lessee's desire to exercise the final 5-year option period for this lease agreement.
- B. To provide Lessee permanent approval to operate the 30-inch Jones Creek leased pipeline in a bi-directional flow path moving crude oil from Jones Creek toward Bryan Mound Site, ultimately to be injected into the leased Texas City pipeline. This approval is in accordance with Lessee's request via letter dated May 10, 2013.

The Bryan Mound leased pipelines are designed to operate in a bi-directional mode; therefore, no physical modifications are anticipated with the exception of opening and closing existing valves to allow the requested flow path. However, if modifications to the leased pipelines are

deemed necessary for this operation, Lessee shall comply with Section 10, Installations, Alterations, and Removals, of the lease agreement to request Government approval.



Section 7 of the lease agreement, "Government Quality and Quantity Measurements," is hereby deleted in its entirety and is replaced with the following:

Lessee shall refer to Appendix C for Government Crude Oil quality, quantity and adjustment provisions which shall be applicable to Crude Oil transfers between Government and Lessee, or during periods when Government and Lessee are transporting batches of Crude Oil in the Pipelines during the same period, but may restrict Lessee Crude Oil movements for third parties at other times to the following crude property ranges: i) API gravity @ 60 degrees F greater than 17.0, ii) viscosity less than 1650 SUS @ 60 degrees F, iii) temperatures less than or equal to 120 degrees F, iv) pour point less than 30 degrees F (January, February, March, November and December), less than 45 degrees F (April, May, September and October), and less than 55 degrees F (June, July and August), v) sediment and water less than or equal to 1.0 percent, vi) sulfur less than 5.0 percent by weight, vii) hydrogen sulfide less than 70 parts per million and viii) Reid vapor pressure less than 13.0 pounds per square inch atmospheric.

If a National or Operational Emergency occurs during the period of reverse flow, the SPR maintains the option to assume operational use and control of the leased pipelines, or at its option, allow Lessee to continue operating the pipelines on behalf of the SPR. If the latter option is utilized, Lessee agrees to provide Government crude oil movements priority transportation throughout the emergency period.

- C. To incorporate the document, entitled "Proposed Drawdown Scenarios," dated September 19, 2013, attached hereto and made a part hereof. This document addresses the capabilities of ExxonMobil and other connecting carriers' alternate plans for moving daily oil volumes in the event of the four specific drawdown scenarios.

All other terms and conditions of the lease agreement remain unchanged and in full force and affect.

15A NAME AND TITLE OF SIGNER (Type or print) <i>Karen Tyrone VP, ExxonMobil Pipeline Co</i>		16A. NAME AND TITLE OF CONTRACTING OFFICER (TYPE OR PRINT) Jerome L. Williams, Realty Officer	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED
 (Signature of person authorized to sign)		 (Signature of Contracting Officer)	<i>2/12/2014</i>