

SETTLEMENT, MUTUAL RELEASE AND LEASE TERMINATION AGREEMENT FOR STATE OIL AND GAS LEASE PRC 3095 AND STATE RIGHT-OF-WAY LEASE PRC 3394

This Settlement, Mutual Release and Lease Termination Agreement for State Oil and Gas Lease PRC 3095 and State Right-of-Way Lease PRC 3394 ("Agreement") is made by and between DCOR, LLC, a Texas Limited Liability Company ("DCOR"), on the one hand, and California State Lands Commission, a political subdivision of the State of California (the "COMMISSION"), on the other hand. DCOR and the COMMISSION are referred to individually as a "Party," and together they are referred to as the "Parties." This Agreement shall become effective on the Effective Date, as specified hereinbelow, and shall be effective as to all Parties that sign it.

RECITALS

- A. On March 25, 2024, DCOR filed a Petition for Writ of Mandamus and Complaint against the COMMISSION in the California Superior Court, County of Sacramento, captioned DCOR, LLC v. California State Lands Commission; Jennifer Lucchesi and DOES 1 through 25, Case No. 24WM000055 (the "Action"). The Action seeks to resolve a dispute between the Parties regarding a proposal by DCOR to alter an existing pipeline ("Subject Production Pipeline") authorized under State Right-of-Way Lease 6417 ("ROW 6417"), dated December 1, 1982, to take oil from Platform Eva ("Eva") in State waters to Platform Edith ("Edith") in federal waters under State Lease PRC 3033 ("Lease 3033"), dated July 25, 1963 (the "Proposal"). DCOR originally submitted its Proposal as a Facilities Alteration request under the COMMISSION's regulations in Title 2, California Code of Regulations, Section 2102 (the "Regulations").
- B. DCOR is the lessee of three (3) oil and gas production leases with the COMMISSION, State Lease PRC 3095 ("Lease 3095"), dated January 30, 1964 (platform Esther), and Lease 3033 and State Lease PRC 3413 ("Lease 3413"), dated December 1, 1965 (platform Eva). These three leases between the COMMISSION and DCOR are collectively referred to as the "State Oil and Gas Leases."
- C. Upon careful review and consideration, the COMMISSION has determined DCOR has a legal right to proceed with the Proposal under Lease 3033

and the Facilities Alteration Regulation and that the COMMISSION's consideration of the Proposal is a ministerial action under the Regulations.

- D. The Parties now desire to completely and finally settle and resolve their disputes relating to or arising from the Action and the Proposal on the terms set forth in this Agreement.
- E. Each of the Parties acknowledge and agree that they are entering into this Agreement solely to avoid the expense and inconvenience of litigation. Each of the Parties understands and agrees that this Agreement is a compromise and settlement of disputed claims relating to or arising from the Action and that this Agreement is not an admission of liability, guilt, or fault by any of the Parties.

NOW THEREFORE, based on and in consideration of the above Recitals and in consideration of the mutual promises, covenants, and agreements set forth below, and for other good and valuable consideration, and intending to be legally bound by this Agreement, the Parties enter into the following Agreement.

1. Implementation of Proposal. Upon the Effective Date of this Agreement, DCOR may proceed with implementation of the Proposal, which consists of the 6-inch Subject Production Pipeline between the DCOR-operated Eva (Lease 3033) and DCOR-operated Edith (Federal Lease OCS-P-0296), which was previously used for the transport of gas from Eva. The Subject Production Pipeline will be converted to service as a gross production pipeline for oil. Piping tie-ins downstream of Eva's shipping pumps and upgrade of the existing oil line leak detection meter will be made to allow for Eva's gross fluid, which previously entered the 8-inch pipeline for transport to and processing at the DCOR-operated Fort Apache Onshore Facility, to instead be transported in the Subject Production Pipeline to Edith. A new leak detection meter will be installed at the end of the Subject Production Pipeline on Edith to establish a leak detection system for the pipeline. DCOR will also install microturbine generators and associated support equipment on Eva to generate electric power for Eva's platform.
2. DCOR Obligations. As a compromise of the Action, DCOR shall satisfy the following obligations:
 - a) DCOR will permanently cease oil and gas production on Platform Esther ("Esther") immediately upon the resumption of

production at Eva using the Subject Production Pipeline for oil (the "Eva Restart"). The Eva Restart shall be deemed to have occurred after thirty calendar (30) days (whether consecutive or non-consecutive) of oil sales from oil produced at Eva. DCOR will provide written notification to the COMMISSION memorializing the date of the Eva Restart for purposes of calculating the deadlines set forth in this Section 2. The Eva Restart shall comport with all ministerial rules and regulations of the COMMISSION, as well as all other regulating bodies.

- b) No later than ninety (90) days from the Effective Date of this Agreement, DCOR will submit to a business escrow agent, suitable to the COMMISSION, to hold in escrow fully executed quitclaims, attached as Exhibit A to this Agreement, of its mineral interests in Lease 3095 and State Right-of-Way Lease PRC 3394 ("ROW 3394"), dated October 21, 1965, which underly and support Esther ("Quitclaims"). DCOR shall direct the escrow agent to submit the Quitclaims to the COMMISSION upon the Eva Restart. The Quitclaims will be deemed accepted by the COMMISSION upon receipt.
- c) Following the Eva Restart, DCOR will complete the plugging and abandonment of the wells on Esther no later than forty-two (42) months following the issuance of any required regulatory approvals and related California Environmental Quality Act, Public Resources Code section 21000 et seq. ("CEQA") determination by the COMMISSION for such activities and will provide written notification to the COMMISSION of each such completed abandonment.
- d) DCOR will submit to the COMMISSION a decommissioning plan for Esther no later than thirty-six (36) months following the Eva Restart.
- e) DCOR will submit an application to the COMMISSION to decommission Esther and initiate any related environmental review required under CEQA no later than thirty-six (36) months following the Eva Restart.
- f) DCOR will submit all required permit applications for decommissioning Esther to any other local, state, or federal

agency with authority over the decommissioning no later than seven (7) years following the Eva Restart.

- g) Prior to the Eva Restart, DCOR will undertake enhanced inspection of the Subject Production Pipeline through Annual In-Line inspections (ILI), a hydrostatic pressure test prior to oil transportation, and the replacement of the pipeline riser on Edith.
- h) Prior to the Eva Restart, DCOR will grant the COMMISSION inspection staff authority, and provide reasonable transportation, to enter Edith to inspect and gauge oil meters that measure the State of California's production.
- i) DCOR will enter into an updated reimbursement and management agreement with the COMMISSION for annual staff work related to managing DCOR's remaining leases and rights-of-way with the COMMISSION for a reimbursement amount not to exceed an annual limit of one hundred thousand dollars (\$100,000.00), adjusted for annual inflation according to the Consumer Price Index for All Urban Consumers (CPI-U), Los Angeles Area.
- j) DCOR will enter into a reimbursement and management agreement to undertake the CEQA activities identified in subdivision (e) above. The agreement will include terms and conditions customary to the COMMISSION's agreements entered for applicants proposing projects requiring CEQA review, including but not limited to the selection of mutually agreeable environmental and technical consultants to prepare the CEQA document and any accompanying studies.
- k) No later than January 31 of each year following the Effective Date of this Agreement, DCOR will provide a report to the COMMISSION, the County of Orange, the County of Los Angeles and any regulatory stakeholders reasonably requested by the COMMISSION of the status of inactive facilities (Fort Apache Onshore Separation Facility and related infrastructure under State Right-of-Way Lease PRC 3116 ("ROW 3116"), dated March 26, 1983) that details the timing and results of testing, compliance, and community complaints (if any), along with a

non-binding ten (10) year outlook on DCOR's plans for use or decommissioning of such facilities. The first report shall be due January 31, 2026.

- l) If after seven (7) years following the Eva Restart, DCOR has not used the hydrocarbon transportation pipelines infrastructure authorized under ROW 3116 for hydrocarbon sales, DCOR will submit plans for the decommissioning and removal of the hydrocarbon transportation pipelines infrastructure authorized under ROW 3116.

3. Commission Obligations. As a compromise of the Action, the COMMISSION shall satisfy the following obligations:

- a) Upon the Effective Date of this Agreement, the COMMISSION will issue a non-resource royalty credit to DCOR in the amount of ten million dollars (\$10,000,000.00) for use in offsetting royalties payable to the COMMISSION pursuant to the State Oil and Gas Leases that produce from Eva (Lease 3033 and Lease 3413). DCOR will continue to submit regular royalty statements as required under the State Oil and Gas Leases reflecting the remaining balance of the credit as deducted by the royalty payment otherwise due to the COMMISSION. Records of production and accounting statements from Eva production will be subject to customary audit and review by the COMMISSION.
- b) Upon satisfaction of DCOR's obligation in Section 2(b) above, the COMMISSION will issue a ten-year entitlement (General Lease – Industrial Use) to facilitate the plugging and abandonment of Esther related wells and decommissioning planning for Esther and to cover the land encompassed in Lease 3095 and ROW 3394. The Parties understand that reasonable extensions of the General Lease – Industrial Use may be necessary to accomplish the purposes of this Agreement. The COMMISSION will not unreasonably deny such an extension so long as DCOR undertakes the obligations in this Agreement in good faith and without unnecessary delay.
- c) The COMMISSION will deduct and/or reduce its estimate of DCOR's liabilities for the decommissioning of Esther for purposes of valuing bonding requirements upon the completion of the

plugging and abandonment of Esther wells, conductors, pipelines, platform, and related infrastructure as they occur in accordance with this Agreement.

4. Mutual Release of Claims:

- a) Except as provided herein, and with respect to the obligations created by, acknowledged, or arising from this Agreement or any other documents contemplated hereunder, DCOR and its boards, managers, members, agencies, successors, insurers, third-party administrators, attorneys, shareholders, officers, directors, employees, agents, and representatives of all kinds, as may be applicable, release and absolutely and forever discharge the COMMISSION and its boards, managers, members, agencies, successors, insurers, third-party administrators, attorneys, shareholders, officers, directors, employees, agents, and representatives of all kinds, as may be applicable, from any and all claims, demands, rights, liabilities, costs, expenses (including attorney's fees), remedies, damages, losses, and causes of action, whether or not now known, suspected or claimed, which DCOR ever had, now has, claims to have had, or may have had against the COMMISSION relating to or arising from the Action.
- b) Except as provided herein, and with respect to the obligations created by, acknowledged, or arising from this Agreement or any other documents contemplated hereunder, the COMMISSION and its boards, managers, members, agencies, successors, insurers, third-party administrators, attorneys, shareholders, officers, directors, employees, agents, and representatives of all kinds, as may be applicable, release and absolutely and forever discharge DCOR and its boards, managers, members, agencies, successors, insurers, third-party administrators, attorneys, shareholders, officers, directors, employees, agents, and representatives of all kinds, as may be applicable, from any and all claims, demands, rights, liabilities, costs, expenses (including attorney's fees), remedies, damages, losses, and causes of action, whether or not now known, suspected or claimed, which the COMMISSION ever had, now

has, claims to have had, or may have had against DCOR relating to or arising from the Action.

5. California Civil Code § 1542 Waiver. The Parties acknowledge that they are aware that statutes exist which render null and void releases and discharges of any claims, rights, demands, liabilities, actions and causes of action which are unknown to the releasing or discharging Party at the time of execution of said release and discharge. The Parties expressly waive, surrender and agree to forego any protection to which they would otherwise be entitled by virtue of the existence of any statute in any jurisdiction, including, but not limited to, California. The Parties acknowledge that they are familiar with Section 1542 of the California Civil Code, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

It is expressly understood and agreed that all rights under Section 1542 of the Civil Code of the state of California are expressly waived by the Parties to the full extent allowed by law. The Parties agree that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated claims, demands, injuries, or damages within the scope of this Agreement and the releases therein. The Parties expressly waive any equivalent provision of any statute of the United States or any other state or jurisdiction with respect to such claims, demands, injuries, or damages within the scope of this Agreement.

6. No Admission of Liability. This Agreement affects the compromise and settlement of disputed and contested claims, and nothing contained herein shall be construed as an admission by any Party hereto of any liability of any kind to any other Party. Each Party hereby expressly denies that it is in any way liable to any other Party relating to the Action. Any determinations made by the COMMISSION in this Agreement do not bind the COMMISSION to any future determinations that are not set forth and described in this Agreement.

7. Attorney Fees and Costs. The Parties hereto agree to bear their own respective costs and attorney fees with respect to all matters pertaining to the Action, as well as the negotiation and preparation of this Agreement.
8. Notices. All notices, demands, requests, and communications given or required to be given under this Agreement shall be made as follows:

DCOR, LLC

Attn: Alan Templeton, Chief Executive Officer
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Counsel for DCOR, LLC

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COMMISSION

Attn: Executive Officer
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Sacramento, CA 95825-8219

Counsel for COMMISSION

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Joseph Fabel
California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8219
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9. Construction. Each Party has reviewed this Agreement prior to its execution, and the normal rule of construction that any ambiguities in this Agreement are to be resolved against the drafting Party shall not be

employed in the interpretation of this Agreement. Title and captions contained in this Agreement are used for convenience or reference only and are not intended to and shall not in any way enlarge, define, limit, extend, or describe the rights or obligations of the Parties, or affect the meaning or construction of this Agreement, or any provision hereof.

10. Authority to Enter into Settlement Agreement. Each Party, and each signatory for a Party, represents and warrants that he/she/it has the power and authority to enter into this Agreement and to consummate the transactions contemplated hereby on behalf of that Party, and this Agreement, when executed and delivered by the Parties, will be valid and binding and enforceable against each such Party in accordance with its terms.
11. Binding on Successors. This Agreement shall bind the heirs, personal representatives, successors, and assigns of the Parties, and inure to the benefit of each Party and each Parties' agents, directors, managers, brokers, officers, partners, employees, servants, insurers, successors, franchisors, and assigns.
12. Governing Law. The legality, interpretation, and enforcement of this Agreement shall be governed by California law, except as to any matter that is exclusively within the jurisdiction of federal law.
13. Dismissal of Action with Retention of Jurisdiction. The Sacramento Superior Court shall retain jurisdiction to enforce the terms of this Agreement, pursuant to Code of Civil Procedure section 664.6, until completion of the COMMISSION's obligations in Section 3 of this Agreement. Within five (5) court days of the Effective Date, the Parties shall finalize and file a Joint Stipulation for Order Dismissing Action with Prejudice and for Retention of Jurisdiction to Enforce Settlement Pursuant to Code of Civil Procedure Section 664.6.
14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and will become effective and binding upon the Parties at such time as all of the signatories hereto have signed the counterpart of this Agreement. All counterparts so executed shall constitute an agreement binding on all the Parties, notwithstanding that all of the Parties may not be signatories to the same counterpart. The Parties agree to accept signed pages transmitted by email, PDF, facsimile, or DocuSign.

15. Independent Advice of Counsel. The Parties hereto represent and declare that in executing this Agreement they relied solely upon their own judgment, belief, and knowledge, and the advice and recommendations of their own independently selected counsel, concerning the nature, extent, and duration of their rights and claims, and that they have not been influenced to any extent whatsoever in executing the same by any representations or statements covering any matter made by any other Party hereto or by any person representing any such other Party hereto or that they have knowingly and voluntarily waived the right to seek the advice of such counsel.
16. No Representations. Each Party to this Agreement acknowledges that it is fully aware of the significance and legal effect of this Agreement, including its release provisions, and is not entering into this Agreement in reliance on any representation, promise, or statement made by any Party, except those explicitly contained in this Agreement.
17. Voluntary Agreement. The Parties, and each of them, further represent and declare that they have carefully read this Agreement and know the contents thereof and that they signed the same freely and voluntarily.
18. Mistake. Each of the Parties to this Agreement has investigated the facts pertaining to the Dispute and to this Agreement to the extent each party deems necessary. In entering into this Agreement, each party assumes the risk of mistake with respect to such facts. This Agreement is intended to be final and binding upon the Parties regardless of any claim of mistake.
19. Severability. The provisions of this Agreement are contractual, and not mere recitals, and shall be considered severable, so that if any provision or part of this Agreement shall at any time be held invalid, that provision or part thereof shall remain in force and effect to the extent allowed by law, and all other provisions of this Agreement shall remain in full force and effect, and be enforceable.
20. Survival of Provisions. All promises, covenants, releases, representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated herein.

21. Time of Essence. Time is of the essence in the performance of any of the terms of this Agreement.
22. Effective Date. This Agreement is effective on the last date of the Parties' execution of this Agreement.
23. Entire Agreement. This Agreement constitutes the entire agreement between the Parties, and it is expressly understood and agreed that this Agreement may not be altered, amended, modified, or otherwise changed in any respect or particular whatsoever, except by a written document, duly executed by the Parties, or their authorized representatives. Except as otherwise provided herein, this Agreement expressly supersedes all previous or contemporaneous representations, understandings and agreements between the parties concerning the matters referenced herein. The Parties acknowledge and agree that no one of them will make any claim at any time or place that this Agreement has been orally altered or modified in any respect whatsoever. This is an integrated Agreement.

{SIGNATURES ON NEXT PAGE}

IN WITNESS WHEREOF, the Parties hereto have executed and entered into this Agreement as of the date last written below and acknowledge that they have voluntarily and knowingly entered into this Agreement on the Effective Date.

DCOR, LLC

By: _____

Name: Alan Templeton

Title: Chief Executive Officer

Dated: _____

CALIFORNIA STATE LANDS COMMISSION

By: _____

Name: Grace Kato

Title: Acting Executive Officer

Dated: _____

Approved as to form by counsel:

Dated: _____, 2025

STOEL RIVES LLP

Michael N. Mills
Attorney for DCOR, LLC

Dated: _____, 2025

CALIFORNIA STATE LANDS COMMISSION

Seth Blackmon
Chief Counsel, California State Lands
Commission