

**SETTLEMENT AGREEMENT FOR NATURAL RESOURCE DAMAGES FOR
RELEASES FROM THE PORT ARTHUR, TEXAS REFINERY
CURRENTLY OWNED BY MOTIVA INTO
ALLIGATOR BAYOU AND DRAINAGE DISTRICT NO. 7 LOWER MAIN CANAL
PORT ARTHUR, TEXAS**

This settlement agreement (the "Agreement") is between the Texas General Land Office ("GLO"), the Texas Parks and Wildlife Department ("TPWD"), and the Texas Commission on Environmental Quality ("TCEQ"), collectively referred to as the "Trustees"; and Motiva Enterprises LLC ("Motiva").

This Agreement was negotiated and signed by the Parties hereto in good faith at arms length to avoid expensive and protracted litigation, and is a fair and equitable settlement of claims that could be contested.

I. DEFINITIONS

Whenever terms listed below are used in this Agreement or in any exhibit attached hereto and incorporated hereunder, the following definitions shall apply:

- A. "Agreement" shall mean this document entitled "Settlement Agreement for Natural Resource Damages For Releases From The Port Arthur, Texas Refinery Currently Owned by Motiva Into Alligator Bayou and Drainage District No. 7 Lower Main Canal," and all attachments hereto.
 - C. "Effective Date" shall mean the date of the last Party's signature to this document.
 - D. "Facility" is the refinery in Port Arthur, Texas that began operations in 1903 and is currently owned and operated by Motiva Enterprises LLC. It is more specifically described in Section IV.A. of this Agreement.
 - E. "Parties" shall mean the Trustees and the Settling Party.
 - F. "Party" shall mean any one of the Parties to this Agreement.
 - G. "Settling Party" shall mean Motiva, its shareholders, directors, officers, employees, managers, successors, and assigns.
 - H. "Site" shall mean the portion of Alligator Bayou beginning at Savannah Avenue and continuing downstream to the confluence with Drainage District No. 7 (DD-7) Main Canal at State Highway (SH) 82 ("Segment 2" as described in the *December 1997 Combined Receiving Water and Biological Assessment Data Report* for Star Enterprise Port Arthur Plant) located
- NRDA Settlement (Motiva)



within the Motiva Port Arthur Refinery facility; and the DD-7 Lower Main Canal beginning at the confluence of the DD-7 Main Canal with Alligator Bayou and continuing downstream to the DD-7 hurricane protection levee at Taylor Bayou ("Segment 3" as described in the *December 1997 Combined Receiving Water and Biological Assessment Data Report* for Star Enterprise Port Arthur Plant) located outside the facility where hazardous substances may have come to be located as a result, either directly or indirectly, of releases of hazardous substances from the facility. The site is depicted in Exhibit A attached hereto and incorporated herein by reference for all purposes.

I. "Trustees" shall mean TCEQ, TPWD, and GLO.

II. TRUSTEE AUTHORITY

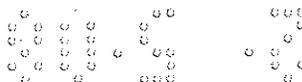
The Trustees enter into this Agreement pursuant to their designation as natural resource trustees by the Governor of Texas under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. §9601 *et seq.*, the Federal Water Pollution Control Act ("FWPCA"), 33 U. S. C. § 1251, *et seq.*; the Clean Water Act ("CWA"), 33 U.S.C. §1321; and under the Texas Parks & Wildlife Code and Texas Water Code and under any other applicable federal or Texas natural resource authority. In accordance with these authorities, the Trustees act on behalf of the public to seek compensation for injured natural resources and the services they provide.

III. APPLICABILITY OF AGREEMENT

A. The provisions of this Agreement shall be binding on and inure to the benefit of the Trustees and their successors and assigns and be binding on and inure to the benefit of the Settling Party and its successors, and assigns. Any change in ownership or corporate status of the Settling Party, including any transfer of assets or real or personal property, shall in no way alter its rights or obligations under this Agreement.

B. This Agreement is not, and shall not be construed to be, a permit issued pursuant to any Federal or State statute or regulation. The Trustees do not, by their consent to this Agreement, warrant or aver in any manner that Settling Party's compliance with this Agreement will constitute or result in compliance with the requirements of any Federal, State, and local laws, rules, and regulations that may be applicable to the implementation of any activities required by the terms of this Agreement.

C. This Agreement is a settlement of a contested matter. The Parties recognize that neither payment nor the acceptance of any consideration nor agreement by the Settling Party to implement any action contemplated by this Agreement represents an admission of liability or responsibility by any Party. Neither this Agreement nor the fact of the participation by any party in this settlement shall be admissible in any judicial or administrative proceeding as evidence of liability of the Settling Party, including a subsequent proceeding under this Agreement except for



an action for specific performance of the obligation of Settling Party to make the payments in the amounts described in Section V of this Agreement.

IV. BACKGROUND

A. The Facility is located at 2555 Savannah Avenue, at the intersection of Savannah Avenue and 25th Street, east of State Highway 73, in Port Arthur, Jefferson County, Texas. The Facility began operation as Texaco's first refinery in 1903 shortly after the January 10, 1901, Lucas gusher and the resulting Spindletop oil boom at Beaumont. On January 1, 1989, Saudi Refining, Inc. ("Saudi Refining") purchased 50% of the Facility as part of a joint venture with Texaco known as Star Enterprise. On July 1, 1998, a joint venture was formed between Star Enterprise and Shell Oil Co. ("Shell") under the name Motiva Enterprises LLC. In 2001, Texaco was purchased by Chevron and its interest in Motiva was sold to Shell on February 13, 2002. The Facility is still operated as Motiva, which is now jointly owned by Shell and Saudi Refining.

B On February 16, 1995, the Texas Natural Resource Conservation Commission, a predecessor of TCEQ, approved an Agreed Order (Docket No. 94-0730-MLM-E) with Star Enterprise relating to the release of hazardous materials at the site, providing for receiving water assessments and remediation activities for identified water bodies adjacent to the Facility to assess whether or not the designated aquatic life use of the receiving waters is being met, to identify contaminants and their effect on the aquatic biological community, and to design work plans to generate scientific data to develop appropriate clean-up levels in Alligator Bayou and the Drainage District No. 7 canals.

C. As a successor to Star Enterprises, the Settling Party elected to perform the remedial alternatives evaluation in a sequential mode by designated segments. Analytical data indicate the presence of elevated concentrations of polycyclic aromatic hydrocarbons (PAHs) and metals, including chromium, copper, lead, and zinc (COCs), in sediments of Segment 2 and to a lesser extent in Segment 3, with potential adverse effects to any benthic macroinvertebrates and semi-aquatic wildlife exposed to these chemicals of concern. The Settling Party sought approval of a remedial alternative for Segment 2 that will (1) reroute the City Outfall Canal flow so that storm water from the City of Port Arthur flows directly to the DD7 Main Canal instead of through Segment 2; and (2) remediate Segment 2 by stabilizing the contaminated sediment/soils and placement of these sediments either in-situ or into a consolidation cell. The remediated portion of Segment 2 would subsequently serve to create additional stormwater retention capacity. Stabilization of contaminated sediments/soils will be performed using methods involving the mixing of a stabilization reagent (e.g, fly ash, bed ash, cement-kiln dust, portland cement) and occasionally other materials to produce a cured, stabilized product capable of supporting a cap providing physical fixation of the COCs in a solid matrix. The TCEQ concurred with the Settling Party's remediation concept for Segment 2 and issued a remediation directive dated November 29, 2006, authorizing implementation of the remediation concept for Segment 2. In a letter dated April 17, 2007, Motiva requested authorization to conduct an Ecological Services Analysis (ESA) in cooperation with the Trustees for relevant portions of the Lower Main Canal (Segments 3 and 4).



D. The Trustees conducted an assessment of natural resource damages pursuant to 43 C.F.R. § 11.60 et seq. for injuries to Alligator Bayou and DD-7 Main Channel resulting from Facility releases of hazardous substances, including Polycyclic Aromatic Hydrocarbons compounds (PAHs), metals, and gross hydrocarbon contamination. The assessment Site is limited to the area defined in Section I. H.

E. The Trustees used a reasonably conservative injury evaluation approach to identify and quantify natural resource injuries and services losses, using analytical chemistry results from samples collected during the remedial investigation to determine the nature and extent of contamination in sediments from the assessment areas. The Trustees utilized the results of toxicological testing and contaminant concentration benchmarks that are known or suspected injury thresholds for benthic resources that, when exceeded, are reasonably likely to result in an adverse effect in the evaluation of potential resource injury. Acres of affected benthic service losses and riparian habitat losses were computed based on the remediation concept for Alligator Bayou approved by TCEQ and the proposed remediation concept for Segment 3. A Habitat Equivalent Analysis (HEA) was then used to scale for equivalent habitat restoration. The HEA is a method by which the Trustees applied a resource-to-resource approach, to determine and quantify injury levels as well as scale appropriate ecological restoration actions. As a result of this assessment, the Trustees determined that hazardous substances (including PAHs and metals) were available in the sediments and injury to ecological habitat of approximately 44.2 acres of benthic habitat had occurred. Additionally, the remediation concept for Alligator Bayou will result in injury to 45.8 acres of riparian habitat. The results of the HEA for the Site are summarized in Exhibit B attached hereto and incorporated herein by reference for all purposes. The Trustees have assigned 18.58 acres of vegetated salt marsh in the HEA to compensate for impacts to natural resources in Segment 3.

F. The Trustees are conducting restoration planning since there are feasible primary and/or compensatory restoration actions available to address the injuries. There are opportunities available in or near the impacted area to restore or compensate for injury to surface water, benthic and riparian habitats, benthic communities, and biota which would include fish, birds, and other wildlife species associated with the impacted areas and the services they provided.

G. The methodologies used by the Trustees to assess injuries to the natural resources were specific to the Site and provide appropriate, valid, and reliable estimates of injuries resulting from releases at or from the Site. In compliance with CERCLA, the Trustees have ensured that no double counting of natural resource damages has resulted from either the methodologies used to determine injury or the methodology used to determine the required compensation for those injuries.



V. STATEMENT OF OBLIGATIONS

A. COMPENSATION FOR NATURAL RESOURCE DAMAGE CLAIMS.

To resolve the natural resource damage claims resulting from the release of hazardous substances at or from the Site, the Settling Party shall make cash payments in accordance with the terms of this Section V in the total amount of One Million Two Hundred Thousand Dollars (\$1,200,000.00) (“Total Payment Amount”), which includes the amounts described in this Section V. for restoration project(s) to compensate for injuries to natural resources, as well as past and future Trustee costs for assessment and implementation of the restoration plans. The breakdown of how the Settling Party will disburse the Total Payment Amount by sending certified checks in various amounts (that cumulatively equal the Total Payment Amount) to different accounts on behalf of the Trustees and how funds from those accounts are to be used is detailed in this Section V at subsections B and C.

B. COMPENSATION FOR INJURIES TO NATURAL RESOURCES

1. Within thirty (30) days after the Effective Date of this Agreement, the Settling Party shall pay to the Trustees the total sum of One Million One Hundred Sixteen Thousand, Two Hundred Thirteen and 48/100 Dollars (\$1,116,213.48). The Settling Party shall deposit this \$1,116,213.48 directly into the Natural Resource Damage Restoration Trust Fund Account held on behalf of the Trustees in the Texas Treasury Safekeeping Trust Company according to the following instructions: A certified check payable to: “Texas Treasury Safekeeping Trust Company” with the notation “Natural Resource Trustees-Natural Resource Damage Restoration – Motiva Restoration” mailed to:

Texas Treasury, Safekeeping Trust Company
P.O. Box 12608
ATTN: Settlement & Custody Services Department
Austin, Texas 78711-2608

2. A minimum of Seven Hundred Twenty Thousand Dollars (\$720,000.00) shall be used by the Trustees to implement a wetlands restoration project(s) in the Neches River system, Sabine River system, or wetlands in the vicinity of the Site that will compensate the public for natural resource injuries and losses caused by the release of hazardous substances at the site. The Trustees anticipate using these funds to construct approximately 31.67 acres of salt marsh in the vicinity of the Site. The Trustees anticipate using a minimum of Two Hundred Seventy-Five Thousand Dollars (\$275,000.00) to preserve in perpetuity approximately 422.15 acres of woodlands in the vicinity of the Site. Alternatively, the Trustees may implement a comparable restoration project(s) that provides natural resource services equivalent to those injured or lost. Any such restoration project will be implemented only in accordance with a final restoration plan that has been through a public notice and comment process.

3. The sum of One Hundred Twenty-one Thousand Two Hundred Thirteen and 48/100 Dollars (\$121,213.48) may be used by the Trustees to compensate for un-reimbursed costs of



assessment and estimated future Trustee costs of implementing restoration project(s) described in Section V.B.2 above.

C. TRUSTEE PAST ASSESSMENT COSTS

1. The Trustees have expended reasonable time, funds, and resources in assessing the injuries resulting from releases at or from the Facility and in determining appropriate compensation for the injuries to natural resources and natural resource services.

2. Within thirty (30) days of the Effective Date of this Agreement, the Settling Party shall pay each Trustee reasonable un-reimbursed past costs of assessment through November 30, 2006, in the following amounts and according to the following instructions:
 - a. GLO: A certified check in the amount of Four Thousand Four Hundred Twenty and 69/100 Dollars (\$4,420.69) payable to: "Texas Treasury Safekeeping Trust Company" with the notation "Natural Resource Trustees-Natural Resource Damage Restoration - Texas General Land Office Damage Assessment". Payment should be mailed to:

Texas Treasury, Safekeeping Trust Company
P.O. Box 12608
ATTN: Settlement & Custody Services Department
Austin, Texas 78711-2608

A copy of the check should be sent to:

The Texas General Land Office
ATTN: Sharon Mooney, Coastal Resources, MC-151
P. O. Box 12873
Austin, Texas 78711-2873

- b. TPWD: A certified check in the amount of Twenty-one Thousand Five Hundred Seventy-five and 24/100 Dollars (\$21,575.24) payable to: "Texas Treasury Safekeeping Trust Company" with the notation "Natural Resource Trustees-Natural Resource Damage Restoration - Texas Parks and Wildlife Damage Assessment". Payment should be mailed to:

Texas Treasury, Safekeeping Trust Company
P.O. Box 12608
ATTN: Settlement & Custody Services Department
Austin, Texas 78711-2608

A copy of the check should be sent to:

Don Pitts, Trustee Program
Texas Parks and Wildlife Department
4200 Smith School Road



Austin, Texas 78744

- c. TCEQ: A certified check in the amount of Thirty One Thousand Nine Hundred Sixty-nine and 86/100 Dollars (\$31,969.86) payable to: "Texas Commission on Environmental Quality"; and with the notation "PCA 47671/Project No. 476700." Payment should be mailed to:

Texas Commission on Environmental Quality
ATTN: Mr. John Racanelli, MC-214
P.O. Box 13088
Austin, Texas 78711-3088.

3. The Parties also acknowledge that, in order to facilitate the withdrawal of the United States Fish and Wildlife Service (USFWS) from further participation in the assessment as a federal natural resource trustee, the Settling Party must make payment directly to USFWS as compensation for its assessment costs in the amount of Twenty Five Thousand Eight Hundred Twenty and 73/100 Dollars (\$25,820.73), prior to the Effective Date of this Agreement.

- D. The covenants not to sue in Section VII of this Agreement will not be effective until these payments are made.

VI. EFFECT OF THE SETTLEMENT

A. By entering into this Agreement, the Settling Party is not making any admission of fact or law. This Agreement shall not be admissible as evidence or proof of liability. Except as provided in this Agreement or to enforce its provisions, this Agreement shall not be admissible as to the validity or non-validity of any claim or defense in any proceeding relating to the Site.

B. By entering into this Agreement, the Trustees agree to resolve all actual or potential claims against the Settling Party for actual or potential, past or present natural resource damages related to the releases of hazardous substances at or from the Site, except as expressly reserved in Section VIII of this Agreement.

C. Nothing in this Agreement shall be construed to create any rights in, or grant any cause of action to, any person or entity not a Party to this Agreement. The preceding sentence shall not be construed to waive or nullify any rights that any person not a signatory to this Agreement may have under applicable law. Except as otherwise expressly provided in this Agreement, each of the Parties expressly reserves any and all rights (including any right of contribution against third parties), defenses, claims, demands, and causes of action that each Party may have with respect to any matter, transaction, or occurrence relating in any way to natural resource damages resulting from the releases of hazardous substances at or from the Site against any person or entity not a Party hereto.



D. The Settling Party may, if approved by the Executive Director of the TCEQ, utilize the ecological services analysis ("ESA") approach, as provided for under the Texas Risk Reduction Program at 30 Tex. Admin. Code § 350.33(a)(3)(B), to address ecological risks that may exist at or adjacent to Segment 3 of the Site. Such ecological services analyses may consider response action options that include compensatory ecological restoration ("CER"). The Trustees agree that the amount and type of such CER, if any, will not be determined for Segment 3 until an ESA for that area has been completed and approved. The Trustees also agree that the natural resource damage compensation under this Agreement may be applied toward satisfaction of any CER that may be required in an approved ESA for Segment 3, subject to the following limitations:

1. Compensation for natural resource damages which may be used to offset the requirement for CER required pursuant to an approved ESA will be limited to the amount of compensation which was assigned by the Trustees in the HEA for the Site to the same habitat type for which ecological risks are evaluated in the ESA for Segment 3, specifically 18.58 acres of vegetated salt marsh;
2. Compensation for natural resource damages which may be used to offset the requirement for CER required pursuant to an approved ESA will be limited to that amount of compensation which was calculated by the Trustees in the HEA for the Site as required to offset natural resources services losses incurred during the same time period or duration as that of the residual ecological risk specified in the ESA for Segment 3;
3. In no event shall the completion and approval of an ESA require a reduction in the total amount of natural resource damage compensation required by this Agreement.

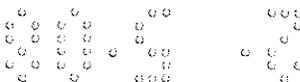
VII. COVENANTS NOT TO SUE

A. Covenant Not to Sue by Trustees

1. Subject to the Settling Party's satisfactory performance of all of their obligations under this Agreement, and except as specifically provided in Section VIII (Reservation of Rights), the Trustees hereby covenant not to sue or take any other civil or administrative action against the Settling Party for any civil cause of action under CERCLA, FWPCA, CWA or any other federal, state or common law associated with natural resource damages resulting from the release of hazardous substances at or from the Site.

2. This covenant not to sue shall take effect upon the Settling Party's payment of all compensation and assessment obligations in accordance with Section V of this Agreement. This covenant not to sue extends only to the Settling Party and, to the extent they are bound by this Agreement, to Settling Party's respective successors and assigns, and does not extend to any other person or entity.

B. Covenant Not To Sue by Settling Party



The Settling Party hereby covenants not to sue and agrees not to assert any of the following claims or causes of action against the State of Texas or the United States for any claims arising from or relating to natural resource damages resulting from the release of hazardous substances at or from the Site, pursuant to any Federal, State, or common law:

1. Any direct or indirect claim for reimbursement for natural resource damages from the Hazardous Substance Superfund (established pursuant to the Internal Revenue Code, 26 U.S.C. § 9507) through Sections 107, 111, 112, and 113 of CERCLA, (42 U.S.C. §§ 9607, 9611, 9612 and 9613) or any other provision of State or Federal law; or
2. Any claims arising out of activities related to the restoration project(s), including claims based on the Trustees' selection of the restoration project, or approval for such activities.

VIII. RESERVATION OF RIGHTS

A. Notwithstanding any other provision of this Agreement, the Trustees reserve the right to institute civil or administrative proceedings as applicable against the Settling Party for the recovery of natural resource damages under the authority described in Section II of this Agreement based upon the following:

1. Conditions at the Site (including the release or threat of release of hazardous substances) that were unknown to the Trustees as of the Effective Date of this Agreement are discovered which indicate that there is injury to, destruction of, or loss of additional natural resources; or
2. New information that is received by the Trustees after the Effective Date of this Agreement that indicates that there is injury to, destruction of, or loss of additional natural resources other than those known to the Trustees as of the Effective Date of this Agreement.

B. Information and conditions known to the Trustees with respect to the Site as of the Effective Date of this Agreement shall include only the information and the conditions set forth in this Agreement.

C. Nothing in the Agreement is intended to be, nor shall be construed as, a release from liability or a covenant not to sue for any claim or cause of action, administrative or judicial for the following:

1. The Settling Party's failure to satisfy any obligations or requirements of this Agreement;
2. Claims brought on behalf of the State of Texas or the United States for costs, damages, and expenses of any sort, other than for the natural resource damages that are the subject of this Agreement;
3. Liability arising from any future releases of hazardous substances other than the releases at or from the Site that are the subject of this Agreement;



4. Liability arising from any releases of hazardous substances from any site or location that is not the subject of this Agreement, including any hazardous substance taken from the Site and disposed of at another site or location;
5. Liability for violations of State or Federal law that occur during or incident to the implementation of the restoration project;
6. Any and all criminal liability; and
7. Any matter not expressly included in Section VII (Covenants Not to Sue) of this Agreement.

D. The failure of the Trustees to insist upon strict and prompt performance of any provision of this Agreement shall not operate as a waiver of any requirement of this Agreement or of the Trustees' right to insist on prompt compliance in the future with such provision, and shall not prevent a subsequent action by the Trustees to enforce such a provision.

E. Nothing in the Agreement is intended to be, nor shall be construed as, a waiver of the State of Texas' or the United States' sovereign immunity relating to suit, liability, and the payment of damages.

IX. SIGNATORIES

Each undersigned representative of the Parties certifies that he or she is fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind the Party represented in this document.

X. PUBLIC NOTICE AND COMMENT PERIOD

A. This Agreement will be subject to public review and comment for at least thirty (30) days through use of the *Texas Register* and at least one newspaper of general circulation serving the Jefferson County area.

B. The Parties shall not sign this Agreement until the close of the formal public comment period as published in the *Texas Register*, in order to allow the Trustees to adequately consider all comments received on this Agreement.

XI. MISCELLANEOUS

A. If any provision of this Agreement is, or is held by a court of competent jurisdiction to be, invalid, void, or unenforceable, the remaining provisions shall nevertheless survive and continue in full force and effect without being impaired or invalidated in any way.



B. This Agreement may be executed in counterparts, which together shall constitute one and the same document.

MOTIVA ENTERPRISES LLC

Todd Monette
Signature of Authorized Official

TODD MONETTE
Printed Name

General Manager
Title

January 31, 2008
Date



TEXAS GENERAL LAND OFFICE



Signature of Authorized Official

Larry L. Laine

Printed Name

Deputy Land Commissioner and Chief Clerk

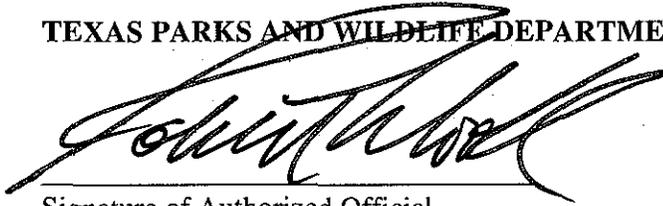
Title

2/15/08

Date



TEXAS PARKS AND WILDLIFE DEPARTMENT



Signature of Authorized Official

Robert L. Cook

Printed Name

Executive Director

Title

January 10, 2008

Date

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



Signature of Authorized Official

Glenn Shankle

Printed Name

Executive Director

Title

January 29, 2008

Date

EXHIBIT B
SUMMARY OF HABITAT EQUIVALENCY ANALYSIS RESULTS

TABLE 1	Acres Injured	DSAY*	Marsh Acreage Required	Total Cost of Construction
Alligator Bayou Benthic Habitat Converted to Retention Basin	3.6	247.65	3.8	
Alligator Bayou Benthic Habitat Converted to Consolidation Area	8.67	604.92	9.28	
DD-7 Lower Main Canal Benthic Habitat	31.9	1210.97	18.58	
Total Benthic Injury	44.2	2063.53	31.67	\$720,000

TABLE 2	Acres Injured	DSAY	Woodland Acreage Required	Total Preservation Cost
Alligator Bayou Riparian Habitat Converted to Retention Basin	22.5	715.26	206.31	
Alligator Bayou Riparian Habitat Converted to Consolidation Area	23.3	748.32	215.84	
Total Riparian Injury	45.8	1463.58	422.15	\$275,000

*Discounted Service Acre Years

