

ADMINISTRATIVE ORDER ON CONSENT

This Administrative Order on Consent (“AOC”) is made and entered into as of this 28th day of May, 2010 (the “Effective Date”), by and between The Premcor Refining Group Inc. (“Premcor”) and the State of Delaware Department of Natural Resources and Environmental Control (“DNREC”) (collectively the “Parties”) to resolve certain compliance matters associated with Premcor’s operations at its petroleum refinery located in Delaware City, Delaware (the “Refinery”).

WHEREAS, Premcor currently owns and operates the Refinery;

WHEREAS, consistent with the Parties’ mutual objective to resolve DNREC’s outstanding allegations of noncompliance by Premcor with the Delaware Environmental Control Statute, 7 Del. C. Chapter 60, and the regulations promulgated thereunder, DNREC reviewed all information available to it concerning instances of potential noncompliance by Premcor at the Refinery prior to the Effective Date, and contends that the matters set out on Appendices A, B and C attached hereto constitute violations and noncompliance issues warranting the assessment of an administrative penalty;

WHEREAS, DNREC has alleged violations by Premcor of applicable Federal and Delaware statutes, including the Federal Clean Air Act, 42 U.S.C. §§ 7401 et seq. (the “CAA”) and/or Delaware Environmental Control Statute, 7 Del. C. Chapter 60, and regulations promulgated under either statute relating to air emissions, associated with Premcor’s operations at the Refinery prior to the Effective Date (the “Air Compliance Matters”). The Air Compliance Matters are listed in Appendix “A” to this AOC;

WHEREAS, DNREC has alleged violations by Premcor of applicable Federal and Delaware statutes, including the Federal Clean Water Act, 33 U.S.C. § 1251 et seq., and the

Delaware Environmental Control Statute, 7 Del. C. Chapter 60, and regulations promulgated under either statute relating to water discharges, governing the discharge from the Refinery to surface water of certain regulated constituents associated with Premcor's operation of the Refinery prior to the effective date (the "Wastewater Discharge Matters"). The Wastewater Discharge Matters are listed in the document attached as Appendix "B" to this AOC;

WHEREAS, the Parties have previously executed a separate agreement, effective April 1, 2006 (the "Coke Storage Agreement"), that imposes upon Premcor certain obligations to pursue improvements to the coke storage and handling system at the Refinery (the "Coke Storage Matters"), and to resolve DNREC's claims concerning the Coke Storage Matters;

WHEREAS, on June 19, 2009, DNREC issued to Premcor a Notice of Conciliation and Order No. 2009-A-0019 further addressing the Coke Storage Matters (the "Coke Storage Conciliation Order");

WHEREAS, the Parties previously executed a separate agreement, effective July 6, 2006, addressing reductions in the emissions of oxides of nitrogen ("NOx") from the fluid catalytic cracking unit and its carbon monoxide boiler (collectively the "FCCU") operated by Premcor at the Refinery (the "FCCU NOx Agreement");

WHEREAS, DNREC has alleged that Premcor has not satisfied certain requirements under the Coke Storage Agreement and the FCCU NOx Agreement, and is therefore subject to stipulated penalties under such agreements (the "Stipulated Penalties");

WHEREAS, DNREC previously executed with Motiva Enterprises, LLC ("Motiva"), the former owner of the Refinery, certain consent orders to resolve DNREC's claims against Motiva for alleged noncompliance with applicable environmental control standards, and these consent orders have been entered in the Court of Chancery of the State of Delaware in and for New

Castle County: Consent Order in *Nicholas A. Di Pasquale v. Motiva Enterprises, LLC*; Civil Action No. 18750 NC in the Court of Chancery of the State of Delaware in and for New Castle County (3/26/01) (the “18750 Order”); and;

WHEREAS, the Parties agree that all obligations otherwise applicable to Premcor under the 18750 Order have been satisfied;

WHEREAS, to resolve the alleged violations and non-compliance issues more fully addressed herein, Premcor has agreed to pay an administrative penalty;

WHEREAS, the Parties have agreed that settlement of the matters addressed by this AOC is in the best interest of the Parties and in the public interest, and that entry of this AOC without further litigation is the most appropriate means of resolving the matters addressed herein.

NOW THEREFORE, without any admission of fact or law and without any admission of potential violations of Delaware law or regulations, it is hereby stipulated and agreed as follows:

I. APPLICATION AND SCOPE

1. The provisions of this AOC shall apply to and be binding upon the State of Delaware DNREC and Premcor, including Premcor’s parent corporations, and their officers, employees, agents, successors and assigns.

II. ADMINISTRATIVE PENALTY

2. Within 30 days of the Effective Date, Premcor shall pay an administrative penalty of one million, nine hundred, forty-five thousand dollars (\$1,945,000), to resolve the alleged violations and non-compliance issues discussed herein by submitting a corporate check, payable to the State of Delaware, to:

Valerie Satterfield
Deputy Attorney General
Delaware Office of the Attorney General

Environmental Unit - Third Floor
102 W. Water Street
Dover, Delaware 19904

These penalty funds will be directed by the Secretary toward high impact projects that align with priority areas that include pollution reduction, watershed clean up and restoration, supporting a clean energy economy, climate change mitigation, habitat friendly flooding mitigation, sea-level rise adaptation and permitting or programmatic efficiency.

**III. RESOLUTION OF OUTSTANDING AGREEMENTS AND
CONSENT ORDERS**

3. By execution of this ACO, the Parties hereby agree to the resolution and termination of the following agreements, consent orders and/or conciliatory orders previously executed between the Parties (collectively, "Orders");

- a. The Coke Storage Agreement;
- b. The Coke Storage Conciliatory Order;
- c. The FCCU NOx Agreement;
- d. Consent Order in *Nicholas A. Di Pasquale v. Motiva Enterprises, LLC*; Civil Action No. 18750 NC in the Court of Chancery of the State of Delaware in and for New Castle County (3/26/01); and
- e. Administrative Order on Consent No. 2007-A-0025 re Compliance Matters (6/28/07).

4. To effectuate the termination of the 18750 Order referenced in Paragraph 3.d., above, DNREC shall file a motion with the Court within 10 days of the Effective Date, requesting termination of the 18750 Consent Order pursuant to paragraph 97 thereof.

IV. EFFECT OF SETTLEMENT

5. Premcor's satisfaction of its obligations under this AOC shall resolve all civil and administrative liability of Premcor to the State of Delaware DNREC for the alleged violations identified in Appendices A and B which constitute the Air Compliance Matters, the Wastewater Discharge Matters and the Stipulated Penalties (collectively "Claims") and any non-compliance with the Orders.

6. DNREC and Premcor have endeavored to identify within the Claims identified in Appendices A and B all incidents of noncompliance with air quality, water quality and solid waste management regulations giving rise to potential civil or administrative liability of Premcor ("Incidents") to the extent that such Incidents relate to the Refinery and occurred prior to the Effective Date. In entering into this AOC, Premcor and DNREC intend to resolve Premcor's civil and administrative liability to DNREC under the Orders and with respect to air quality and water quality standards enforceable by DNREC against Premcor, to the extent that such civil or administrative liability relates to Incidents that occurred prior to the Effective Date, and with respect to solid/hazardous waste standards enforceable by DNREC against Premcor, to the extent that such civil or administrative liability relates to Incidents that occurred prior to January 1, 2010. Consistent with the foregoing objectives, Premcor's satisfaction of its obligations under this AOC shall resolve all civil and administrative liability of Premcor to DNREC under the Orders and for any Incidents relevant to the Refinery occurring before the Effective Date that are similar in kind and character to those Incidents identified within Appendix A or B, but are not identified in Appendix A or B. Notwithstanding any other provision of this AOC, this AOC does not resolve the liability of Premcor for any Incident not included on Appendix A or Appendix B

because Premcor: (i) intentionally withheld from DNREC pertinent information or data related to those Incidents; or (ii) intentionally reported or represented to DNREC information or data related to those Incidents known by Premcor to have been false when reported or represented.

V. GENERAL PROVISIONS

7. This AOC shall be governed by, and interpreted under, the laws of the State of Delaware. For purposes of clarification, enforcement or implementation of any provision of this AOC, the parties submit to the jurisdiction of the Delaware District Court or the Superior Court or the Court of Chancery of the State of Delaware to the extent there is subject matter jurisdiction over the matters governed by this AOC.

8. Other Laws. Nothing in this AOC shall relieve Premcor of its obligation to comply with all applicable Federal, state and local laws and regulations except relative to the Orders terminated under this AOC . Subject to Sections III and IV, nothing contained in this AOC shall be construed to prevent, alter or limit the ability of DNREC to seek or obtain other remedies or sanctions available under other Federal, state or local statutes or regulations, in response to any violation by Premcor of applicable statutes and regulations.

9. Third Parties.

a. This AOC does not limit or affect the rights of Premcor or DNREC against any person or entity not party to this AOC, nor does it limit the rights of any person or entity not party to this AOC, except as otherwise provided by law.

b. This AOC shall not be considered to create rights in, or grant any cause of action to, any third party not party to this AOC.

10. Notice. Unless otherwise provided herein, notifications to or communications with DNREC or Premcor shall be deemed submitted on the date they are postmarked and sent either by overnight receipt mail service or by certified or registered mail, return receipt requested, or on the date that they are hand delivered. Except as otherwise provided herein, when written notification or communication is required by this AOC, it shall be addressed as follows:

As to Premcor:

Elizabeth Bourbon, Esquire
Valero Energy Corporation
One Valero Way
San Antonio, TX 78249-1112

and

Bart E. Cassidy, Esquire
Manko, Gold, Katcher & Fox LLP
401 City Avenue, Suite 500
Bala Cynwyd, PA 19004

As to DNREC:

Ali Mirzakhali, Administrator
Delaware Department of Natural Resources
and Environmental Control
Priscilla Building
156 S. State Street
Dover, DE 19901

and

Valerie M. Satterfield
Deputy Attorney General
Delaware Office of the Attorney General
Environmental Unit – Third Floor
102 W. Water Street
Dover, DE 19904

11. Either party may change either the notice recipient or the address for providing notices to it by serving the other party with written notice setting forth such new notice recipient or address.

12. Modification. This AOC may be modified only by the written consent of both DNREC and Premcor.

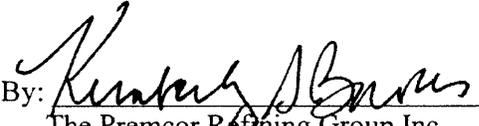
13. This AOC constitutes the entire agreement and settlement between the Parties.

FOR THE STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES
& ENVIRONMENTAL CONTROL

By: _____
Collin O'Mara, Secretary
Department of Natural Resources
and Environmental Control
89 Kings Highway
Dover, DE 19901

Date: _____

FOR THE PREMCOR REFINING GROUP INC.

By: 
The Premcor Refining Group Inc.
Kimberly Bowers,
Executive Vice President and General Counsel
One Valero Way
San Antonio, TX 78249

Date: May 28, 2010