

SEMIANNUAL REPORT

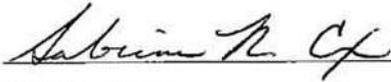


SUPPLEMENTAL ENVIRONMENTAL PROJECTS (SEP) CIVIL ACTION NO. 02-1292-SLR & 02-1293-SLR

NOVEMBER 30, 2008

CERTIFICATION OF DOCUMENT

I, the undersigned, hereby certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the information is, on knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false or incomplete information, including the possibility of fine or imprisonment.



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1.0 INTRODUCTION

Motiva Enterprises, LLC (Motiva) formerly owned and operated the Delaware City Refinery, located in Delaware City, DE. Due to past events at the refinery, a Consent Decree (CD) between the US Environmental Protection Agency (USEPA), Delaware Department of Natural Resources and Environmental Control (DNREC) and Motiva was entered by the court on January 12, 2006. The CD requires Motiva to implement six (6) Supplemental Environmental Projects (SEP). These SEPs are included in the CD appendices, listed as

1. Hybrid Bus Project (CD Appendix A);
2. Conservation Easement and Land Restoration Project (CD Appendix B);
3. Delaware River Shellfish Restoration Project (CD Appendix C);
4. Delaware City Fire Company Emergency Equipment Acquisition Project (CD Appendix D);
5. Refinery Meteorologic Station Project (CD Appendix E); and
6. Delaware River Monitoring Project (CD Appendix F).

Motiva has contracted ENTRIX, Inc. (New Castle, Delaware) to manage implementation of four (4) of the six (6) SEPs, including:

- The Conservation Easement and Land Restoration Project;
- The Delaware River Shellfish Restoration Project;
- The Refinery Meteorologic Station Project; and
- The Delaware River Monitoring Project.

Motiva is directly managing the implementation of the Hybrid Bus Project and the Delaware City Fire Company Emergency Equipment Acquisition Project.

SEP project summaries in the following sections include narrative descriptions of Motiva's progress in satisfying the project descriptions and specifications set forth in Appendices A through F of the CD, as well as a summary of project costs incurred.

2.0 HYBRID BUS PROJECT

2.1 HYBRID BUS PROJECT SUMMARY

- On January 16, 2006, Motiva contracted to purchase three (3) Gillig hybrid transit buses (40' low floor model) at a price of \$544,094.00 each. The buses will come equipped with a Motorola Astro Spectra Two-Way Radio and Orbital TMS Complete System installed in each bus for an additional cost of \$21,671.00 per bus.
- On January 25, 2006, Motiva made an initial payment of \$163,228.20 to Gillig, which represents a ten percent (10%) deposit toward the purchase price of all three buses. This deposit will be applied as ten percent (10%) to each bus's price. Motiva will owe additional, per bus payments of twenty-five percent (25%) prior to the production start for each bus, and the remaining sixty-five percent (65%) will be due within thirty (30) days of final acceptance of each bus.
- The first bus and its related equipment were delivered to Delaware on November 16, 2006, and Motiva has paid \$545,901 to Gillig as final payment for this bus and \$21,221 as payment for the two-way radio and Orbital TMS Complete System. The second bus and its related equipment were delivered to Delaware on September 24, 2007, and Motiva has paid \$545,901 to Gillig as final payment for this bus and \$21,221 as payment for the two-way radio and Orbital TMS Complete System. The third bus is currently scheduled for delivery during the month of August 2008. The third bus and its related equipment were delivered to Delaware on June 10, 2008, and Motiva has paid \$545,901 to Gillig as final payment for this bus and \$21,221 as payment for the two-way radio and Orbital TMS Complete System. The invoice for

the purchase of the additional equipment (spare Allison EV-40 Drive Unit, spare Allison Energy Storage System, spare Allison Dual Power Inverter Module, and five sets of passenger seat inserts) is in process.

2.2 HYBRID BUS PROJECT – ELIGIBLE PROJECT COSTS

- As discussed above, Motiva made an initial payment to Gillig in the amount of \$163,228.20 as a ten percent (10%) deposit toward the purchase price of all three buses. In addition, Motiva has paid a total of \$1,637,703 for the three buses and \$63,663 for the three sets of two-way radios and Orbital TMS Complete Systems. Finally, Motiva has set aside \$40,000 in an escrow account for bus maintenance and upkeep.

3.0 CONSERVATION EASEMENT AND LAND RESTORATION PROJECT

3.1 CONSERVATION EASEMENT AND LAND RESTORATION PROJECT SUMMARY

- On December 29, 2006, Motiva, USEPA, and DNREC signed off on a memorandum documenting some non-material changes to the Conservation Easement and Land Restoration Project (Appendix B of the Consent Decree) to allow additional project and schedule flexibility in order to maximize budget utilization.
- Valero (Premcor) has continued voluntary deer population control hunts on lands immediately adjacent to CEA lands. A total of 86 deer were harvested from lands adjacent to the CEA during fall 2006 and January 2007 seasons. A total of 64 deer were harvested in the fall 2007 and January 2008 hunting seasons. Valero hunts are anticipated to continue during the fall 2008 and January 2009 hunting seasons. Deer harvests from these hunts will be provided in the next semi-annual report. DNREC and Motiva believe that no additional deer suppression efforts are currently required.
- Invasive species surveys were conducted in April of 2008, to provide the basis for planning and implementing invasive species controls during the 2008 growing season. Invasive species management efforts (spot-application of appropriate herbicides) were conducted on all 285 acres in the summer and early fall of 2008.

3.2 CONSERVATION EASEMENT AND LAND RESTORATION PROJECT –ELIGIBLE PROJECT COSTS

To date, Motiva has received Conservation Easement and Land Restoration project invoices totaling \$223,461.

4.0 DELAWARE RIVER SHELLFISH RESTORATION PROJECT

4.1 DELAWARE RIVER SHELLFISH PROJECT SUMMARY

- ENTRIX subcontracted shellfish experts Dr. Curt Rose and Dr. Don Meritt of CDR Environmental Specialists to implement the shellfish restoration project.
- On January 12, 2007, ENTRIX and CDR Environmental submitted Motiva's Year 1 SEP deliverables package which included: a) documentation of efforts to review shellfish beds and identify potential restoration sites and identification of species (eastern oyster) to be employed in project, b) project permitting status, c) a Statement of Work (SOW), and d) an estimated project budget. USEPA provided comments on the SOW, which was revised and resubmitted for agency review, and subsequently approved by USEPA on March 16, 2007.
- Due to changes in market conditions that occurred after development of the SOW, the price of shell significantly increased. To account for the rising cost of shell, the planned density of planted shell was adjusted down slightly, although it still remains well within the density range recommended by the NJ Bureau of Shellfisheries for projects of this type. This requested modification to the SOW was approved by USEPA by letter dated May 3, 2007.
- Prior to planting of clean shell, CDR Environmental collected sediment samples and general water quality data at both the Restoration Site and the Reference Site. Sediment samples from both sites were processed in the field and transported to a laboratory for chemical analyses.
- In June and July of 2007, approximately 28,980 bushels of "clean" shell were planted at the 25-acre Restoration Site, while approximately 21,720 bushels were planted at the seed area in the lower bay.

- In August and September of 2007, approximately 14,800 bushels of seeded cultch were transported from the seed area in the lower bay to the Restoration Site.
- In October 2007, three (3) sample units (each containing three oyster and three macrofaunal trays) were successfully placed at both the Restoration Site and the Reference Area.
- CDR drafted an Annual Progress Report for 2007 in the spring of 2008 for agency submittal.
- In October 2008, CDR retrieved the oyster and macrofaunal sample trays previously deployed at the restoration and reference sites. While sample data is currently being analyzed and will be summarized in a 2009 Annual Progress Report, live oysters and colonizing macrofauna were observed at both the restoration and reference sites.
- CDR will continue to coordinate this project with activities presently being performed by the NJDEP. This coordination will facilitate technical operations, be cost-effective, and maximize the probability of success of the project.

4.2 DELAWARE RIVER SHELLFISH PROJECT – ELIGIBLE PROJECT COSTS

To date, Motiva has received Delaware River Shellfish project invoices totaling \$294,144.

5.0 DELAWARE CITY FIRE COMPANY EMERGENCY EQUIPMENT ACQUISITION PROJECT

5.1 DELAWARE CITY FIRE COMPANY EMERGENCY EQUIPMENT ACQUISITION PROJECT SUMMARY

- Delaware City Fire Company (DCFC) sought approval to change some of the “Hose Replacement Equipment” listed in the parties’ December 30, 2005 letter that effectively amended the CD requirements for this SEP. Motiva described the proposed equipment changes in a May 4, 2006 e-mail that attached the revised list of equipment requested by DCFC. The United States, EPA, and DNREC all approved the changes, and DCFC purchased the equipment and provided Motiva with the receipts and invoices.

- DCFC requested that it be allowed to purchase a different type of vehicle than the “Ford 550 or 650 Series Quick Response Vehicle” described in the CD because the vendor from whom DCFC originally received a quote was no longer offering a F550 or F650 chassis with the necessary utility body on the rear of the vehicle. DCFC identified a vendor, Hackney, Inc., who provided a quote for a vehicle that would satisfy DCFC’s quick response and incident command vehicle needs for \$121,500. Although this amount combined with the amounts paid for the remaining equipment included in this SEP exceeded the total budget of \$165,000 for this project, DCFC purchased the vehicle after agreeing to pay any amounts over the budgeted \$165,000 for the purchase of this vehicle.
- On April 9, 2007, Motiva submitted its Project Completion Report for this SEP. On April 18, 2007, the United States and DNREC gave notice that Motiva had satisfactorily completed the Fire Equipment SEP.

5.2 DELAWARE CITY FIRE COMPANY EMERGENCY EQUIPMENT ACQUISITION PROJECT – ELIGIBLE PROJECT COSTS

- On January 8, 2007, Motiva made a lump sum payment of \$165,000 to DCFC for the purchase of the equipment.

6.0 REFINERY METEOROLOGIC STATION PROJECT

6.1 REFINERY METEOROLOGIC STATION PROJECT SUMMARY

- ENTRIX has subcontracted AAQS to implement design, construction, and operation of the station, per the SEP requirements.
- ENTRIX/AAQS have purchased the equipment that will comprise the Meteorologic Station. Equipment was shipped, and remained in storage until site location could be finalized.
- A viable project site was identified by DNREC, utilizing Delaware Solid Waste Authority (landfill) property. DNREC and AAQS have inspected the site and an access agreement was successfully completed. The final project site is located at the DSWA Cherry Island Landfill

between Wilmington, Delaware and the Delaware River at approximately 39.72805° latitude and -75.51804° longitude.

- A Project Specifications and Capital Cost Budget document (without a site location) was submitted to EPA and DNREC on April 12, 2006, which was revised per DNREC comments, resubmitted, and the specified monitoring design was approved by letter dated August 15, 2006. A Final Specifications and Capital Cost Budget document, which included the finalized site location, was submitted to EPA and DNREC on May 30, 2008. Construction of the station at the finalized project site will be completed within six months of agency approval of the Final Specifications and Capital Cost Budget document.
- ENTRIX/AAQS completed site preparation, grading, electrical work, installation of the equipment shelter, and erection of the wind profiler and RASS system in May and June of 2008.
- In July of 2008, ENTRIX/AAQS completed installation of the meteorological station tower, and performed the final checkout of the wind profiler and RASS as well as training of DNREC staff on system operations. Station operations began on July 25, 2008. In August 2008, file transfer protocols to upload wind profiler and RASS hourly data to NOAA web site were established. Normal station operations continued throughout August and September 2008.
- In October 2008, ENTRIX/AAQS replaced (under warranty) RASS amplifier and installed a new configuration file to correct wind direction values.

6.2 REFINERY METEOROLOGIC STATION PROJECT – ELIGIBLE PROJECT COSTS

To date, Motiva has received Refinery Meteorologic Station project invoices totaling \$571,089.

7.0 DELAWARE RIVER MONITORING PROJECT

7.1 DELAWARE RIVER MONITORING PROJECT SUMMARY

- On December 29, 2006, Motiva, USEPA, and DNREC signed off on a memorandum that eliminated the requirement for the water quality station to monitor for sulfate, due to

technological changes in the Delaware City Refinery's scrubber system that would greatly reduce the amount of sulfate discharged to the Delaware River.

- An access agreement allowing ENTRIX and ECSI to install and operate a water quality monitoring station at Fort Delaware State Park was finalized in March 2007.
- The water quality monitoring station was installed on a piling adjacent to the Fort Delaware State Park pier on the west side of Pea Patch Island and began operating on April 4, 2007.
- The water quality monitoring station has been up and running successfully since April 2007 (exception noted in next bullet), and real-time data is posted on a web site which DNREC can access via password. Provisional data is finalized per the QAQC plan for submission to DNREC. In addition, water quality equipment is being maintained and calibrated according to the procedures detailed in the QAQC plan.
- With approval from DNREC, the water quality monitoring sonde was removed from the station to prevent damages due to icing. The sonde was pulled in mid-December of 2007, and re-installed in early March of 2008, and has been in operation since. Current plans are to again pull the sonde during the winter of 2009 to avoid icing damage.

7.2 DELAWARE RIVER MONITORING PROJECT – ELIGIBLE PROJECT COSTS

To date, Motiva has received Delaware River Monitoring project invoices totaling \$96,314.