AGREEMENT

Re: The Premcor Refining Group Inc.-- NOx Emission Reductions From FCCU

This Agreement is made and entered into as of this 6th day of July 2006 (the “Effective Date”), by and between The Premcor Refining Group Inc. (“Premcor”) and the Delaware Department of Natural Resources and Environmental Control (“DNREC”) (collectively the “Parties”) to resolve certain permitting and compliance matters associated with the Fluid Catalytic Cracking Unit (“FCCU”) and its carbon monoxide boiler (“CO Boiler”) (collectively the “FCCU”) currently operated by Premcor at its petroleum refinery located in Delaware City, Delaware (the “Refinery”).

WHEREAS, Premcor currently owns and operates the Refinery;

WHEREAS, Premcor acquired the assets generally comprising the Refinery from the previous owner and operator of the Refinery, Motiva Enterprises, LLC (“Motiva”), on May 1, 2004;

WHEREAS, Valero Energy Corporation (“Valero”) acquired Premcor and its subsidiaries via the September 1, 2005 merger of Premcor with and into Valero, with Valero being the surviving corporation of the merger, and with Valero becoming the ultimate parent of Premcor;

WHEREAS, on August 21, 2001, the United States Court for the Southern District of Texas entered a Consent Decree in Civil Action No. H-01-0978, by and among, inter alia, DNREC, Motiva and the United States (the “Motiva Federal Consent Decree”);

WHEREAS, under the terms of the Motiva Federal Consent Decree, Motiva agreed that, as of September 30, 2002, the FCCU Regenerator would be subject to the provisions of the New Source Performance Standards for Petroleum Refineries, promulgated at 40 C.F.R. Part 60,
Subpart J (“Subpart J”), to the extent applicable to carbon monoxide emissions from FCCU regenerators;

WHEREAS, beginning on or about October 1, 2002, Motiva reportedly instituted actions at the FCCU (the “Motiva FCCU Action”) that Motiva reported intended to reduce carbon monoxide emissions from the FCCU to levels that comply with the carbon monoxide emission levels specified in Subpart J for FCCUs;

WHEREAS, Motiva did not secure from DNREC a construction permit for the Motiva FCCU Action in advance of instituting such action, and represented to DNREC that no permit was required for the Motiva FCCU Action;

WHEREAS, Motiva reported nitrogen oxide (“NOx”) emissions from the FCCU during 2002 to be 738.8 tons per year;

WHEREAS, Motiva reported NOx emissions from the FCCU during 2003 to be 1117.6 tons per year;

WHEREAS, DNREC alleges that Delaware Air Quality Regulations No. 2 and No. 25 applied to the Motiva FCCU Action, and required Motiva to obtain a construction permit before instituting these actions and to install lowest achievable emission rate (“LAER”) technology at the FCCU, to secure emission offsets, and to obtain an operating permit thereafter;

WHEREAS, subsequent to Premcor’s acquisition of the Refinery on May 1, 2004, Premcor has operated the FCCU in a manner that has been generally consistent with Motiva’s operation of the FCCU subsequent to the Motiva FCCU Action;

WHEREAS, on December 21, 2004, the Secretary of DNREC issued to Premcor a Notice of Violation (“NOV”), alleging that the Motiva FCCU Action constituted a violation of Delaware Air Quality Regulations No. 2 and No. 25, and that Premcor’s operation of the FCCU
in the manner operated by Motiva subsequent to the Motiva FCCU Action also constituted a violation of Delaware Air Quality Regulations No. 2 and No. 25;

WHEREAS, pursuant to the Motiva Federal Consent Decree, on or around February 15, 2004, Motiva submitted an application to DNREC requesting a permit to install a Belco pre-scrubber and an amine-based Cansolv regenerative wet gas scrubber with caustic polisher (collectively the “WGS”) to treat sulfur oxide and particulate emissions in the exhaust gas from the FCCU at the Refinery as part of the pollution control upgrade project (hereinafter collectively referred to as the “PCUP”);

WHEREAS, on or around March 29, 2004, Motiva withdrew the initial application and submitted a revised application for permits related to the PCUP;

WHEREAS, during 2004, Premcor submitted additional information to DNREC to supplement the pending PCUP application;

WHEREAS, after public notice and hearing, the Secretary of DNREC issued Secretary’s Order No. 2005-A-0029, dated May 31, 2005, (the “Secretary’s Order”), approving the issuance to Premcor of air quality construction Permit No. APC-82/0981-CONSTRUCTION (Amendment 5)(NSPS) (the “FCCU Permit”) governing construction of certain pollution control upgrades at the FCCU identified in the PCUP application;

WHEREAS, the FCCU Permit included, among other provisions, a condition identifying a limitation on the allowable coke burn rate for the FCCU, and the Secretary’s Order stated that DNREC determined to include the coke burn limitation in order to offset or mitigate the alleged NOx emission impacts resulting from the Motiva FCCU Action;

WHEREAS, Premcor filed with the Environmental Appeals Board for the State of Delaware (the “EAB”) a timely appeal of Secretary’s Order No. 2005-A-0029 and the FCCU
Permit, specifically including the condition identifying a limitation on the allowable coke burn rate for the FCCU, and that appeal (Appeal No. 2005-07) remains pending before the EAB (the “FCCU Permit Appeal”);

WHEREAS, the Parties intend for this Agreement to resolve, among other things, Appeal No. 2005-07 and the December 21, 2004 NOV;

WHEREAS, the Parties commit through this Agreement to implement an enhanced program to reduce NOx emissions from the FCCU, including the implementation of additional measures and the construction of pollution control equipment;

WHEREAS, the Parties commit to work cooperatively and communicate regularly to effectuate the purposes of this Agreement and pursue timely and efficient performance of the actions identified in this Agreement;

WHEREAS, the Parties agree that the performance of the actions identified in this Agreement will achieve improvements in Delaware air quality control;

WHEREAS, the Parties have agreed that settlement of the alleged violations of Delaware air quality regulations addressed by this Agreement is in the best interest of the Parties and in the public interest, and that entry of this Agreement without further litigation is the most appropriate means of resolving all such alleged violations; and

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

I. APPLICATION AND SCOPE

1. The provisions of this Agreement shall apply to and be binding upon the State of Delaware and Premcor, including Premcor’s parent, subsidiary and affiliated corporations, its and their officers, employees, agents, successors and assigns, and shall apply to the Refinery for
the term of this Agreement. In the event Premcor proposes to sell or transfer the Refinery, it shall advise in writing such proposed purchaser or successor-in-interest of the existence of this Agreement and provide a copy of the Agreement, and shall send a copy of such written notification by certified mail, return receipt requested, to DNREC before such sale or transfer, if possible, but no later than the closing date of such sale or transfer. This provision does not relieve Premcor from having to comply with any other applicable state or local regulatory requirement regarding notice and transfer of facility permits.

II. INTERIM MEASURES

2. Premcor will pursue the measures listed in this Section II of this Agreement, consistent with the schedules detailed in each paragraph (the “Interim Measures”), with the objective of reducing NOx emissions from the FCCU to an emission rate within the range of 620 to 738 tons per year.

3. No later than July 30, 2006, Premcor shall commence a program of combustion tuning and grid testing to optimize CO Boiler performance in an effort to simultaneously control NOx and CO emissions from the FCCU.

4. No later than August 29, 2006, Premcor shall commence a two-stage computational fluid dynamics (“CFD”) modeling program designed to identify performance scenarios and/or physical changes to the FCCU that are projected to enhance the simultaneous control of emissions of NOx and CO from the FCCU (such performance scenarios and/or physical changes collectively referred to as “Additional Control Measures”). Premcor shall submit to DNREC the results of the CFD modeling program within 60 days of its completion.
5. No later than the Effective Date, Premcor shall have submitted to DNREC a substantially complete application for an air quality permit to install low-NOx burners (“Low-NOx Burners”) at the CO Boiler (the “Burner Permit Application”). Subject to the provisions of this Agreement, the Parties intend for Premcor to install the Low-NOx Burners within the CO Boiler during the planned outage for the FCCU currently scheduled for December 2006 (the “2006 Planned Outage”). The Parties further intend and expect that installation within the CO Boiler of the Low-NOx Burners will reduce NOx emissions from the FCCU. In addition, the Low-NOx Burners shall be designed with a maximum heat input rating that is no greater than the maximum heat input design rating of the existing burners installed at the CO Boiler.

6. In response to the Burner Permit Application, DNREC shall make all reasonable efforts to timely issue a revised FCCU Permit (the “Revised FCCU Permit”) in the form of Exhibit “A” attached hereto, resolving Appeal No. 2005-07, and reflecting the installation of the Low-NOx Burners. In the event that DNREC issues pursuant to this paragraph, and Premcor receives on or before September 1, 2006, the Revised FCCU Permit in the form attached as Exhibit A, then Premcor shall not contest, appeal or otherwise challenge the Revised FCCU Permit, and, subject to paragraph 9, shall install the Low-NOx Burners during the 2006 Planned Outage.

7. The Parties recognize that the Interim Measures have not previously been implemented under equivalent circumstances; therefore, the effectiveness of such Interim Measures in reducing NOx emissions from the FCCU is uncertain and cannot be confidently predicted. Accordingly, Premcor’s obligations under Section II to implement the Interim Measures (except as necessary to generate credits under paragraph 16) should not be construed to impose upon Premcor an obligation to achieve any specific NOx emission level, including
without limitation an annual NOx emission rate within the range of 620 to 738 tons per year, nor to impose an enforceable NOx emission limit upon the FCCU.

8. Notwithstanding the provisions of paragraph 7, in no event shall the average NOx emission rate from the FCCU, as measured during the 12 month period prior to installation of the Low-NOx Burners, increase following implementation of these Interim Measures, as measured on a 12 month rolling average basis.

9. Due to the ambitious schedule undertaken by the Parties to achieve installation of the Low NOx Burners prior to the completion of the 2006 Planned Outage, the Parties acknowledge the possibility that Premcor may not timely receive all equipment or components necessary to complete installation of the Low-NOx Burners prior to the completion of the 2006 Planned Outage. Notwithstanding the provisions of paragraph 6, in the event that Premcor does not timely receive all equipment or components necessary to complete installation of the Low-NOx Burners during the 2006 Planned Outage, then Premcor shall complete installation of the Low NOx Burners prior to September 1, 2007.

10. If Premcor installs the Low-NOx Burners or implements Additional Control Measures subsequent to the 2006 Planned Outage pursuant to paragraphs 9 or 28(a), (b) or (e), Premcor may be required to temporarily discontinue operation of the CO Boiler. Cessation of operation of the CO Boiler requires that emissions from the FCCU bypass the WGS. Bypassing the WGS would likely result in emissions in excess of limits imposed upon the FCCU pursuant to the Motiva Federal Consent Decree. In such case, DNREC agrees that it will not request or support the imposition of stipulated penalties against, nor collect stipulated penalties from, Premcor under the Motiva Federal Consent Decree, or otherwise pursue any enforcement action
against Premcor for non-compliance with the Motiva Federal Consent Decree or under any other applicable requirement, for emissions from the FCCU resulting from the bypass of the WGS in the context of Premcor’s installation of the Low NOx Burners or completion of Additional Control Measures under this paragraph, provided that the bypass of the WGS is limited to the required duration of Low-NOx Burner installation or implementation of the Additional Control Measures, and that during the bypass of the WGS, Premcor complies with operational requirements from the air quality permit applicable to the FCCU during WGS bypass conditions.

III. ADDITIONAL NOx EMISSION REDUCTIONS

11. No later than June 1, 2007, Premcor shall submit to DNREC a written notification identifying which one of the following NOx emission reduction options Premcor has determined to implement:

   a. Achieve by May 1, 2009, a NOx emission rate from the FCCU of 20 ppm, measured as a 365 day rolling average and 40 ppm measured as a 7 day rolling average, both limits at 0% oxygen on a dry basis (collectively the “20 ppm Limit”);

   or

   b. Achieve or secure, by May 1, 2009, emission reductions of NOx or volatile organic compounds (“VOCs”) from sources within the State of Delaware, which may but need not include sources within the Refinery. The quantity of NOx emission reductions achieved or secured under this paragraph shall equal, on an annualized basis, at least 80% of the difference between actual NOx emissions from the FCCU, in tons per year (tpy), during the one
year period after completion of the Interim Measures, and the projected actual NOx emission rate from the FCCU, in tons per year, calculated as a NOx emission rate of 20 ppm at the then-current exhaust rate from the CO Boiler. For purposes of this subparagraph, “achieve or secure” NOx or VOC emission reductions shall mean (i) purchasing verifiable NOx and/or VOC emission credits available from any source outside of the Refinery; (ii) achieving quantifiable and surplus NOx and/or VOC emission reductions from sources within the Refinery, in conjunction with the imposition of enforceable NOx and/or VOC emission limits at such source(s) and/or (iii) committing not to rely upon emission reduction credits otherwise held by Premcor prior to Premcor’s satisfaction of paragraph 11.

12. If Premcor elects to comply with paragraph 11 by satisfying the provisions of paragraph 11(a), then, by June 1, 2007, Premcor shall submit a complete application for an air quality permit (“20 ppm Application”) governing such physical or operational changes identified by Premcor, to achieve, by May 1, 2009, the 20 ppm Limit. Premcor shall implement such changes during a turnaround of the FCCU COB instituted prior to May 1, 2009 (the “Expedited 2009 Turnaround”).

13. If Premcor elects to comply with paragraph 11 by adhering to the provisions of paragraph 11(b), then by December 1, 2007, Premcor shall:

a. submit to DNREC complete applications for any air quality permits that may be required to achieve the NOx and/or VOC emission reductions required pursuant to paragraph 11(b);

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If Premcor achieves or secures emission reductions of VOCs pursuant to this paragraph, each ton of such VOC reductions shall be considered equivalent to 1.95 tons of NOx emission reductions for purposes of quantification under paragraph 11(b).
b. submit to DNREC a complete 20 ppm Application to achieve, by the completion of the FCCU turnaround currently scheduled for December, 2009 (the “2009 Turnaround”), the 20 ppm Limit; and

c. by the completion of the 2009 Turnaround, achieve the 20 ppm Limit.

IV. CREDIT PRESERVATION

14. Except as provided in paragraph 11(b), this Section sets forth the exclusive process for Premcor to use any NOx emission reductions required by this Agreement as emission reduction credits for Prevention of Significant Deterioration (“PSD”) netting or offsets required by the Emission Offset Provisions (“EOP”) of Regulation No. 25, in any minor New Source Review (“NSR”) permit or permit proceeding where such credits or offsets are relied upon to avoid PSD or EOP permitting, or in any manner permitted by any future revisions to Delaware’s NSR program. Except as provided in this Section, Premcor will neither generate nor use any NOx emission reductions resulting from any projects conducted pursuant to this Agreement as emission reduction credits or offsets in any PSD, EOP and/or minor NSR permit or permit proceeding (“NSR Permit” or “NSR Permitting”).

15. Nothing in this Agreement is intended to prohibit Premcor, from:

a. utilizing or generating netting reductions or emission offset credits from the FCCU to the extent that the proposed netting reductions or emission offset credits represent the difference between the annual mass emissions limitation equivalent to an exhaust concentration of 20 ppm and a more stringent emissions limitations that Premcor may elect to accept for the FCCU;
b. utilizing or generating netting reductions or emission offset credits for Refinery units that are not subject to this Agreement;

c. utilizing for netting or emission offset purposes any emission reductions achieved or secured to demonstrate compliance with paragraph 11(b) after achieving compliance with paragraph 13(c).

16. To apply or use emission reduction credits under this Section, Premcor must make any such emission reductions federally enforceable. Such emission reductions shall survive termination of the Agreement.

17. Subject to the provisions of this Section and paragraph 11(b), Premcor may use, without further restriction or limitation, up to 250 tons of the NOx emission reductions achieved through its compliance with Sections II and III of this Agreement as emission reduction credits for netting and/or offsets in any PSD, minor NSR, or NSR Permit after the Effective Date, provided however that Premcor may not use such NOx emission reductions as emission reduction credits for netting and/or offsets in any PSD, minor NSR, or NSR Permit until after such reductions have actually been achieved. Subject to paragraph 8, the quantity of emission reductions under this paragraph shall be calculated as the difference between (a) the average actual annual NOx emissions rate for the FCCU during calendar years 2004 and 2005 and (b) the allowable annual NOx emission rate for the FCCU reflected in any permit secured by Premcor following implementation of any NOx emission control measures under Section II or III of this Agreement.

18. Any NOx emission reductions credits generated pursuant to this Agreement may be applied and used only at emission sources owned or operated by Premcor and located on one
or more contiguous or adjacent properties located in Delaware City, Delaware, and Premcor will not trade or sell any NOx emission credits generated pursuant to this Agreement to any other person or entity.

19. In the event that this Agreement is terminated pursuant to the provisions of paragraph 64, then Premcor shall preserve any emission reduction credits that have been generated pursuant to this Section and are reflected in any PSD, minor NSR or NSR Permit issued by, or permit application submitted to, DNREC prior to the termination of this Agreement. However, Premcor shall forfeit any emission reduction credits generated under this Agreement to the extent that Premcor has not, upon termination of the Agreement pursuant to paragraph 64, secured from DNREC a permit, or submitted to DNREC a substantially complete permit application, which specifically identifies, uses or otherwise relies upon such emission reductions.

20. Premcor will submit to DNREC annual reports regarding the generation and use of emission reduction credits under this Section IV. The first such report will be submitted by January 31, 2008. Successive reports will be submitted on January 31 of each subsequent year for the duration of this Agreement. Each such report shall contain the following information for the Refinery, to the extent that emission reduction credits are both generated at the Refinery and are limited by this Section:

   a. The quantity of credits generated since the Effective Date and the emission unit(s) generating such credits, the date on which those credits were generated, and the basis for those determinations;
b. The quantity of credits used since the Effective Date and the emission units to which those credits were applied; and

c. To the extent known at the time the report is submitted, the additional units to which credits will be applied in the future and the estimated amount of such credits that will be used for each such unit.

21. The provisions of this Section are intended to restrict only the quantity of NOx emission reduction credits that may be generated by Premcor as a result of the emission reductions specifically required by this Agreement for use in any netting and/or offsets in any NSR Permit after the Effective Date.

22. Nothing in this Section IV shall affect the validity of permits issued or permit applications made prior to the Effective Date, including any contemporaneous netting analyses reflected in such permits and/or applications.

V. PERMITTING

23. The Parties acknowledge that, to achieve the pollution reductions contemplated by this Agreement, Premcor will be required to obtain from DNREC certain permits to institute physical changes or operational changes at the FCCU, within the time periods described in Section II and Section III (each such permit, including without limitation the Revised FCCU Permit, is hereinafter referred to as a “NOx Reduction Permit”). The Parties agree to cooperate and make all reasonable efforts to secure issuance in a timely manner of all appropriate NOx Reduction Permits required by Premcor to implement the NOx reduction objectives of Sections II and III. Notwithstanding any other provisions of this Agreement, the obligations imposed
upon Premcor pursuant to Sections II and III are subject to this Section V, which shall govern Premcor’s application for and DNREC’s issuance of the NOx Reduction Permits.

24. Premcor shall submit a substantially complete application for each NOx Reduction Permit by the applicable date specified in this Agreement, and shall promptly respond to any written notice by DNREC requesting additional information or identifying deficiencies in the application.

25. With the exception of any FCCU Revised Permit issued in the form of Exhibit “A”, prior to issuing any final NOx Reduction Permit, DNREC shall provide Premcor with a draft permit reflecting the terms and conditions that DNREC proposes to include within any NOx Reduction Permit. Premcor and DNREC shall work cooperatively in an attempt to promptly resolve any disagreements concerning specific terms and conditions for inclusion in any NOx Reduction Permit.

26. Subject to the restrictions in paragraph 6, nothing in this Agreement shall limit or affect the rights of Premcor to contest, appeal or otherwise challenge any NOx Reduction Permit, and/or any other Order or permit issued by the Secretary related to any NOx Reduction Permit, provided, however, that Premcor shall not contest, appeal or otherwise challenge any such permit or Secretary’s Order unless Premcor, in good faith, identifies specific objectionable provisions therein. In the event that Premcor contests, appeals or otherwise challenges any NOx Reduction Permit and/or any other Order or permit issued by the Secretary related to any permit contemplated by this Agreement, then the Parties agree to attempt to cooperatively resolve any differences concerning the permit and/or request expedited review of such appeal or challenge before the EAB.
27. In the event that Premcor or any other person contests, appeals or otherwise challenges any NOx Reduction Permit and/or any other Order or permit issued by the Secretary related to any permit contemplated by this Agreement, and Premcor notifies DNREC that such appeal or challenge materially bears upon one or more deadlines contained in this Agreement, then Premcor and DNREC shall confer to discuss the relationship between the issue(s) on appeal or challenge and specific schedule deadlines contained in this Agreement. In the event that DNREC concurs that the issue(s) raised on any such appeal or challenge (whether filed by Premcor or any other person) materially bear upon any deadline(s) set forth in this Agreement, then any such appeal or challenge shall be deemed a “Material Appeal” and Premcor’s obligations shall be subject to the applicable deadlines set forth in paragraph 28. In the event that DNREC does not agree that the issue(s) raised on appeal or challenge materially bears upon any deadline established under this Agreement then the Secretary shall issue a written decision summarizing DNREC’s position. Premcor and DNREC agree that any written decision issued by the Secretary in accordance with this paragraph constitutes an action that substantially affects Premcor’s interest, as identified in 7 Del. C. § 6008, and therefore intend that such decision may be appealed to the EAB pursuant to 7 Del. C. §6008 and Premcor shall bear the burden of demonstrating that the issue(s) raised in Premcor’s appeal of the NOx Reduction Permit materially bear upon any deadlines established under this Agreement. Premcor may therefore elect to appeal such decision to the EAB in accordance with 7 Del. C. § 6008. The Parties agree to seek expedited review before the EAB of any appeal by Premcor of a decision by the Secretary under this paragraph, and to request resolution of such dispute prior to consideration by the EAB of the issues raised by Premcor within the underlying appeal of the NOx Reduction Permit and/or Secretary’s Order for the NOx Reduction Permit. In the event the EAB issues a
decision stating that the issues raised on a pending appeal or challenge materially bear upon any
deadline(s) set forth in this Agreement, then any such appeal or challenge shall be deemed a
“Material Appeal” and Premcor’s obligations shall be subject to the applicable deadlines set
forth in paragraph 28. Premcor and DNREC each agree to waive any right otherwise available to
such party to appeal any decision of the EAB made in accordance with this paragraph.
Therefore, the decision of the EAB under this paragraph shall be final and determinative of
whether the pending appeal or challenge constitutes a Material Appeal.

28. The Parties acknowledge that Premcor’s ability to implement the pollution
reductions contemplated by this Agreement within the time periods described in Section II and
Section III may be affected by the timing of DNREC’s issuance of an appropriate NOx
Reduction Permit for the corresponding physical and/or operational changes, and/or the
resolution of any Material Appeal. Accordingly, the timing of Premcor’s obligations to
implement the pollution reductions contemplated by this Agreement shall be governed by the
following provisions:

a. In the event that the Secretary issues the Revised FCCU Permit referenced
in paragraph 6 between September 1, 2006 and December 1, 2007, or any Material Appeal of the
Revised FCCU Permit has been resolved by December 1, 2007, then Premcor shall be obligated
to install the Low-NOx Burners within the CO Boiler within 6 months of permit issuance or
appeal resolution, as applicable, but not later than May 1, 2008; provided, however, that Premcor
need not install the Low-NOx Burners under this paragraph prior to September 1, 2007.

b. In the event that as of December 1, 2007, the Secretary has not issued the
Revised FCCU Permit referenced in paragraph 6, or any Material Appeal of the Revised FCCU
Permit has not been resolved, then Premcor may elect not to install the Low-NOx Burners, and, for purposes of paragraph 51, the other Interim Measures undertaken by Premcor shall constitute satisfaction of Premcor’s obligations under Section II of this Agreement.

c. In the event that Premcor elects to comply with paragraph 11 through the provisions of paragraph 11(a), and the Secretary issues the NOx Reduction Permit between December 31, 2007 and July 1, 2008, or any Material Appeal of the NOx Reduction Permit has been resolved by July 1, 2008, then Premcor shall comply with the requirements of paragraph 11 by achieving the 20 ppm Limit by the 2009 Turnaround.

d. In the event that the Secretary has not issued the NOx Reduction Permit as of July 1, 2008, then Premcor shall comply with the requirements of paragraph 11 by achieving the 20 ppm Limit on or before the completion of the next scheduled turnaround after the 2009 Turnaround (the “Post-2009 Turnaround”); provided however that the provisions of this paragraph 28(d) shall not apply if Premcor fails to submit to DNREC a 20 ppm Application on or before December 1, 2007.

e. In the event that any Material Appeal of applicable NOx Reduction Permits Premcor has not been resolved as of July 1, 2008, then Premcor shall comply with the requirements of paragraph 11 by achieving the 20 ppm Limit by the earlier of (i) the completion of the Post-2009 Turnaround or (ii) the date 3 years after resolution of the Material Appeal.

f. To achieve the 20 ppm Limit within the time periods prescribed by subparagraph (d) or (e), Premcor shall be entitled, but not required, to submit at any time prior to one year before the deadline for achieving the 20 ppm Limit under such subparagraph, new applications for air quality permits to institute such physical or operational changes identified by
Premcor to achieve the 20 ppm Limit, and the Parties agree to cooperate and make all reasonable efforts to secure issuance of any such permits at least 6 months before the deadline for achieving the 20 ppm Limit under such subparagraph.

g. Notwithstanding any obligations imposed or schedules established under the provisions of this Agreement, Premcor may petition DNREC for an extension of any applicable deadline under this Agreement, and DNREC may in its discretion grant such extension.

h. For purposes of this paragraph 28, a Material Appeal shall be “resolved” following the exhaustion or waiver of any appeals of the decision of the EAB or a court of competent jurisdiction concerning the issues raised through the Material Appeal, and, except as provided in paragraph 27, nothing in this Agreement shall be interpreted or construed to limit the rights of either party to appeal any decision by the EAB or a court of competent jurisdiction.

VI. GENERAL RECORDKEEPING, RECORD RETENTION AND REPORTING

29. Premcor shall retain records demonstrating compliance with Sections II, III and IV of this Agreement for a minimum period of 5 years, unless other regulations require the records to be maintained longer.

VII. STIPULATED PENALTIES

30. Subject to the provisions of Sections V, IX and X, Premcor shall pay stipulated penalties to DNREC for violations of the terms of this Agreement according to the provisions of this Section VII. For each referenced violation, the amounts identified below shall apply on the first day of violation, and shall be calculated for each incremental period of violation (or portion thereof).
a. Requirements for the implementation of Interim Measures (Section II).

   i Failure to commence a program of combustion tuning and grid testing pursuant to paragraph 3: $7,500 per week;

   ii Failure to commence a CFD modeling program pursuant to paragraph 4: $7,500 per week;

   iii As applicable, failure to timely complete installation of the Low-NOx burners pursuant to paragraph 6 or 9: $100,000 per quarter;

b. Requirements for achieving additional NOx reductions (Section III).

   i Failure to submit the notification of NOx emission reduction method pursuant to paragraph 11: $1,000 per week;

   ii As applicable, failure to submit a 20 ppm Application pursuant to paragraph 12 or 13: $1,000 for the first week, to be doubled each consecutive week of violation until the stipulated penalty reaches $16,000 per week, and then $16,000 per week of violation thereafter;

   iii If applicable, failure to achieve or secure sufficient NOx reductions pursuant to paragraph 11(b): $1,500 per ton, per quarter;

   iv Operation of the FCCU without having achieved compliance with the 20 ppm Limit, subsequent to the applicable deadline specified in this Agreement for achieving the 20 ppm Limit, where Premcor has substantially completed construction or implementation of the NOx pollution control technology or methods approved in the applicable NOx Reduction Permit: $100,000 per quarter;
Operation of the FCCU without having achieved compliance with the 20 ppm Limit, subsequent to the applicable deadline specified in this Agreement for achieving the 20 ppm Limit, where Premcor has not substantially completed construction or implementation of the NOx pollution control technology or methods approved in the applicable NOx Reduction Permit: $250,000 per quarter.

31. Premcor shall pay any stipulated penalties upon written demand by DNREC no later than 60 days after Premcor receives such demand. Premcor shall make payment to DNREC by submitting a corporate check, payable to the State of Delaware, to:

Valerie S. Csizmadia  
Deputy Attorney General  
Delaware Office of the Attorney General  
Environmental Unit - Third Floor  
102 W. Water Street  
Dover, Delaware 19904

32. Subject to the provisions of paragraph 28 and Section XI (Effect of Settlement), DNREC reserves the right to pursue any other remedies to which it is entitled, including, but not limited to, additional injunctive relief, for any violations by Premcor of this Agreement or applicable regulatory standards.

33. DNREC will not seek both stipulated penalties and civil penalties for any violation arising under this Agreement.

VIII. RIGHT OF ENTRY

34. Any authorized representative of DNREC, including independent contractors, upon presentation of credentials, shall have a right of entry upon the premises of the Refinery at any reasonable times for the purposes of monitoring compliance with the provisions of this Agreement, including inspecting equipment associated with the FCCU and CO Boiler at the
Refinery, and inspecting and copying all records maintained by Premcor required by this Agreement. Nothing in this Agreement shall limit the authority of DNREC to conduct tests and inspections under applicable statutory and regulatory provisions.

**IX. FORCE MAJEURE**

35. If any event occurs that causes or may cause a delay or impediment to performance in complying with any provision of this Agreement, Premcor shall notify DNREC in writing as soon as practicable, but in any event within 20 business days of when Premcor first knew of the event or should have known of the event by the exercise of due diligence. In this notice Premcor shall specifically reference this paragraph of this Agreement and describe the anticipated length of time the delay may persist, the cause or causes of the delay, and the measures taken or to be taken by Premcor to prevent or minimize the delay and the schedule by which those measures will be implemented. Premcor shall adopt all reasonable measures to avoid or minimize such delays.

36. Failure by Premcor to comply with the notice requirements of paragraph 37 as specified above shall render this Section VIII voidable by DNREC as to the specific event for which Premcor has failed to comply with such notice requirement, and, if voided, it shall be of no effect as to the particular event involved.

37. DNREC shall notify Premcor in writing regarding Premcor’s claims of a delay or impediment to performance within 20 business days of DNREC’s receipt of the Force Majeure notice required under paragraph 35.

38. If DNREC agrees that the delay or impediment to performance has been or will be caused by circumstances beyond the control of Premcor, including any entity controlled by Premcor, and that Premcor could not have prevented the delay by the exercise of due diligence,
the parties shall stipulate to an extension of the required deadline(s) for all requirement(s)
affected by the delay by a period equivalent to the delay actually caused by such circumstances,
or such other period as may be appropriate in light of the circumstances. Such stipulation may
be entered as a modification to this Agreement by agreement of the parties. Premcor shall not be
liable for stipulated penalties for the period of any such delay. If the Parties cannot agree to an
extension of the required deadline(s) for all requirement(s) affected by the delay, then Premcor
may invoke Dispute Resolution under Section X of this Agreement with respect to the affected
deadline(s).

39. If DNREC does not accept Premcor’s claim of a delay or impediment to
performance, DNREC’s position shall be binding unless Premcor invokes Dispute Resolution
under Section X of this Agreement.

40. Premcor shall bear the burden of proving that any delay of any requirement(s) of
this Agreement was caused by or will be caused by circumstances beyond its control, including
any entity controlled by Premcor, and that Premcor could not have prevented the delay by the
exercise of due diligence. Premcor shall also bear the burden of proving the duration and extent
of any delay(s) attributable to such circumstances. An extension of one compliance date based
on a particular event may, but does not necessarily, result in an extension of a subsequent
compliance date or dates.

41. Unanticipated or increased costs or expenses associated with the performance of
Premcor’s obligations under this Agreement shall not constitute circumstances beyond Premcor’s
control, or serve as a basis for an extension of time under this Section.
42. Notwithstanding any other provision of this Agreement, no inference shall be drawn nor presumptions adverse to any party established as a result of Premcor transmitting a notice of Force Majeure or the Parties’ inability to reach agreement.

X. DISPUTE RESOLUTION

43. The dispute resolution procedure provided by this Section X shall be available to resolve all disputes arising under this Agreement, provided that the Parties shall make a good faith attempt to resolve the matter independent of dispute resolution.

44. The dispute resolution procedure required herein shall be invoked upon the giving of written notice by one of the Parties to this Agreement to the other, advising of a dispute pursuant to this Section. The notice shall describe the nature of the dispute, and shall state the noticing Party’s position with regard to such dispute. The Party receiving such a notice shall acknowledge receipt of the notice and the Parties shall expeditiously schedule a meeting to discuss the dispute informally, not later than 14 days from the receipt of such notice.

45. Disputes submitted to dispute resolution shall, in the first instance, be the subject of informal negotiations between the Parties. Such period of informal negotiation shall not extend beyond 30 calendar days from the date of the first meeting between representatives of DNREC and Premcor, unless the Parties’ representatives agree to shorten or extend this period.

46. In the event that the Parties are unable to reach agreement during such informal negotiation period, the Secretary shall issue a written decision summarizing the Secretary’s position regarding the dispute. The Parties agree that any written decision issued by the Secretary in accordance with this paragraph constitutes an action that substantially affects Premcor’s interest, as identified in 7 Del. C. § 6008, and therefore intend that such decision may be appealed to the EAB pursuant to 7 Del. C. § 6008. The Secretary’s decision regarding the
dispute shall be considered binding unless Premcor appeals the Order to the EAB in accordance with 7 Del. C. § 6008.

47. Where the nature of the dispute is such that a more timely resolution of the issue is required, the time periods set out in this Section X may be shortened upon the agreement of the Parties.

48. Without limitation to paragraph 28 of this Agreement, as part of the resolution of any dispute submitted to dispute resolution or any appeal of a permit issued by DNREC in accordance with this Agreement, the Parties, by agreement, may, in appropriate circumstances, extend or modify the schedule for completion of work under this Agreement to account for the delay in the work that occurred as a result of dispute resolution or any appeal of a permit issued by DNREC in accordance with this Agreement. Premcor shall be liable for stipulated penalties for its failure thereafter to complete the work in accordance with the extended or modified schedule.

49. As part of the resolution of any dispute submitted to dispute resolution, the EAB, may, in appropriate circumstances, remand the matter to DNREC with direction to extend or modify the schedule for completion of work under this Agreement to account for the delay in the work that occurred as a result of dispute resolution. Premcor shall be liable for stipulated penalties for its failure thereafter to complete the work in accordance with the extended or modified schedule.

XI. EFFECT OF SETTLEMENT

50. In the event that DNREC issues the Revised FCCU Permit in the form included in Exhibit A in accordance with paragraph 6, and the time for any interested person to file an appeal of such Revised FCCU Permit or Secretary’s Order before the EAB expires without an appeal
being filed, then Premcor shall withdraw its appeal of the FCCU Permit, Appeal No. 2005-07, currently pending before the EAB.

51. Implementation of the Interim Measures in accordance with Section II of this Agreement constitutes full settlement of and shall resolve all civil liability of Premcor to the State of Delaware for any violations of or noncompliance with any statute, regulation, permit provision, standard, order or notice, including without limitation under the Notice of Violation, related to alleged violations of air quality standards requirements or regulations arising from or associated with NOx emissions from the FCCU and CO Boiler (collectively “Alleged NOx Noncompliance”), for the period of May 1, 2004, through and including the completion of the implementation of the Interim Measures. Notwithstanding the foregoing, in the event that Premcor does not achieve the 20 ppm Limit in accordance with the applicable schedules specified by this Agreement, and Premcor’s failure to achieve the 20 ppm Limit results from Premcor’s failure to take such necessary actions as contemplated by this Agreement, then Premcor shall not be entitled to assert the release of liability contained in this paragraph as a defense to any action commenced by the State of Delaware related to Alleged NOx Noncompliance.

52. During the term of this Agreement, to the extent that Premcor takes action to further the Agreement, then Premcor’s management and operation of the FCCU and the CO Boiler shall be on a compliance schedule, and to the extent Premcor takes required actions to satisfy the schedules identified in this Agreement, the releases of liability set forth in paragraph 51 shall extend through the time of Premcor’s satisfactory completion of the requirements of this Agreement. This paragraph is not intended nor shall be construed to limit the provisions of paragraph 54.
53. Except for any outstanding Stipulated Penalties due in accordance with Section VI of this Agreement, compliance with the provisions of Section III of this Agreement and incorporation of the applicable emission limits referred herein into the applicable permit(s) constitutes full settlement of and shall resolve all civil liability of Premcor to the State of Delaware for any violations of any statute, regulation, permit provision, standard, order or notice related to alleged violations arising from or associated with NOx emissions from the FCCU and CO Boiler from the Effective Date through termination of this Agreement.

54. This Agreement is not a permit. Compliance with its terms does not guarantee compliance with any applicable federal, state or local law or regulation. Nothing in this Agreement shall be construed to be a ruling on, or determination of, any issue related to any federal, state or local permit.

XII. GENERAL PROVISIONS

55. This Agreement shall be governed by, and interpreted under, the laws of the State of Delaware. For purposes of enforcement or implementation of any provision of this Agreement, the parties submit to the jurisdiction of the EAB and any Federal Court or Court of the State of Delaware with subject matter jurisdiction over the matters governed by this Agreement.

56. Other Laws. Except as specifically provided by this Agreement, nothing in this Agreement shall relieve Premcor of its obligation to comply with all applicable federal, state and local laws and regulations. Subject to paragraph 35 and Section XI, nothing contained in this Agreement 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.
57. **Third Parties.**

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

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

58. **Public Documents.** All information and documents submitted by Premcor to DNREC pursuant to this Agreement shall be subject to public inspection, unless subject to legal privileges or protection or identified and supported by Premcor as business confidential in accordance with applicable state law and regulations.

59. **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 Agreement, it shall be addressed as follows:

   **As to Premcor:**

   Patrick Covert  
   Health, Safety and Environmental Director  
   The Premcor Refining Group Inc.  
   4550 Wrangle Hill Road  
   Delaware City, DE 19706
As to DNREC:

Ali Mirzakhalili, Administrator
Delaware Department of Natural Resources
and Environmental Control
Division of Air & Waste Management
Engineering & Compliance Branch
715 Grantham Lane
New Castle, Delaware 19720

Valerie S. Csizmadia
Deputy Attorney General
Delaware Office of the Attorney General
Environmental Unit – Third Floor102 W. Water Street
Dover, Delaware  19904

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

61. This Agreement shall be binding upon all Parties to this action, and their successors and assigns. The undersigned representative of each Party to this Agreement is authorized by the Party whom he or she represents to enter into the terms and bind that Party to them.
62. **Modification.** This Agreement may be modified only by the written consent of DNREC and Premcor.

63. This Agreement constitutes the entire agreement and settlement between the Parties.

**XIII. TERMINATION**

64. This Agreement shall terminate upon Premcor’s satisfaction of the requirements of this Agreement. Specifically, the requirements for termination include payment of any stipulated penalties that may be due to the State of Delaware under this Agreement, implementation of the Interim Measures and completion of the additional NOx control measures under Section III. At such time, if Premcor believes that it is in compliance with the requirements of this Agreement, and has paid any stipulated penalties required by this Agreement, then Premcor shall so certify to DNREC. Within 60 days after receipt of Premcor’s certification, DNREC shall provide a written response to Premcor indicating whether DNREC concurs that Premcor is in compliance with the requirements of this Agreement and has paid all stipulated penalties required by this Agreement. To the extent that DNREC states in such response that it does not concur with Premcor’s certification, then DNREC shall identify within its response those requirements of the Agreement with which DNREC asserts that Premcor is not in compliance, and/or any stipulated penalties that DNREC asserts are due and owing from Premcor under this Agreement. Any disagreement between the Parties with respect to termination under this paragraph is subject to the dispute resolution provisions of Section X of this Agreement. Termination of this Agreement under this paragraph 64 shall conclusively and finally establish that Premcor has satisfied all the requirements of this Agreement for purposes of Section XI (Effect of Settlement).
For the State of Delaware

John A. Hughes, Secretary
Department of Natural Resources
and Environmental Control
89 Kings Highway
Dover, DE 19901

FOR THE PREMCOR REFINING GROUP INC.

By: _____________________________  Date:________________
Andrew Kenner
Vice President & General Manager
The Premcor Refining Group Inc.
Exhibit A
Dear Mr. Kenner:

Pursuant to the State of Delaware “Regulations Governing the Control of Air Pollution”, Regulation No. 2, Section 2, approval of the Department of Natural Resources and Environmental Control (the Department) is hereby granted for the following activities at the Delaware City Refinery, 4550 Wrangle Hill Road in Delaware City, Delaware: (1) construction of a Belco Pre-scrubber and an amine-based Cansolv Regenerative Wet Gas Scrubber (WGS) with caustic polisher to be installed downstream of the Fluid Catalytic Cracking Unit (FCCU) Carbon Monoxide Boiler (COB); and (2) installation of low-NOx burners in the COB. These activities shall be conducted in accordance with the following documents:

- Application submitted on Form No. AQM-4 dated February 15, 2004 signed by Franklin R. Wheeler;
- Letter dated March 17, 2004, addressed to Secretary John Hughes and signed jointly by Franklin R. Wheeler for Motiva Enterprises (Motiva) and Bruce Jones for The Premcor Refining Group, Inc. (Premcor) requesting transfer of all Motiva’s permits to Premcor;
- Letter dated April 23, 2004 addressed to Franklin Wheeler of Motiva Enterprises, LLC and Bruce Jones of The Premcor Refining Group, Inc. and signed by Secretary John Hughes;
Consent Decrees, including all addenda thereto, lodged with the United States Court for the Southern District of Texas in Civil Action No. H-01-0978, to the extent applicable to the Delaware City Refinery (Consent Decree);

Secretary’s Order No. 2005-A-0029 issued on May 31, 2005;

Application submitted on Form No. AQM-4 dated July 6, 2006 signed by Andrew Kenner; and

Secretary’s Order No. 2006-A-00--issued on DATE

This permit is issued subject to the following conditions:

1. **General Provisions**

   1.1. This permit expires on May 31, 2008. The construction of the Belco pre-scrubber and amine-based Cansolv regenerative WGS shall be constructed in accordance with the relevant schedules identified in the Consent Decree.

   1.2. The project shall be constructed in accordance with the application described above. If any changes are necessary, revised plans must be submitted and supplemental approval issued prior to actual construction.

   1.3. Representatives of the Department may, at any reasonable time, inspect this facility.

   1.4. The applicant shall, upon completion of the construction, installation, or alteration, request that the Department grant approval to operate.

   1.5. A separate application to operate pursuant to Regulation No. 2 does not need to be submitted to the Department for the equipment or process covered by this construction permit. Upon a satisfactory demonstration by an on-site inspection that the equipment or process complies with all of the terms and conditions of this permit, the Department shall issue a Regulation No. 2 Operation Permit for this equipment or process. The conditions in the existing operation permit shall remain in effect until construction authorized by this permit is completed.

   1.6. The provisions of Regulation No. 2 Sections 2.1 and 11.3 shall not apply to the operation of equipment or processes for the purposes of initially demonstrating satisfactory performance to the Department following construction, installation, modification, or alteration of the equipment or processes. The applicant shall notify the Department sufficiently in advance of the demonstration and shall obtain the Department’s prior concurrence of the operating factors, time period, and other pertinent details relating to the demonstration.
The owner or operator shall not initiate construction, install, or alter any equipment or facility or air contaminant control device which will emit or prevent the emission of an air contaminant prior to submitting an application to the Department pursuant to Regulation No. 2, and, when applicable Regulation No. 25, and receiving approval of such application from the Department; except as authorized by this permit or exempted in Regulation No. 2 Section 2.2 of the State of Delaware “Regulations Governing the Control of Air Pollution.”

2. Emission Limitations

2.1. Air contaminant emission levels shall not exceed those specified in the State of Delaware “Regulations Governing the Control of Air Pollution” and the following:

2.1.1. Volatile Organic Compound (VOC) Emissions

2.1.1.1. The Company shall propose a VOC emission limit within 90 days of completion of the stack test conducted pursuant to Condition 5.1 for incorporation into this permit.

2.1.1.2. The leak detection and repair requirements to control fugitive VOC emissions from the FCCU shall be in accordance with the requirements in 40 CFR 60, Subpart GGG for existing components in light liquid and gaseous service and in accordance with 40 CFR part 63 subpart CC for new components in light liquid and gaseous service. The leak detection and repair requirements to control fugitive emissions from the FCCU shall be in accordance with the Consent Decree for both new and existing components in light liquid and gaseous service.

2.1.2. Nitrogen Oxide (NOx) Emissions

Within 60 days after achieving the maximum production rate at which the facility will be operated following installation of the low-NOx burners, but not later than 180 days after initial startup of the low-NOx burners, the Company shall conduct stack tests to determine the NOx emissions from the FCCU. The Company shall propose short term concentration (parts per million as a 7 day rolling average) and long term (ton/year as a 365 day rolling average) emission limits for NOx, both at 0% oxygen on a dry basis, within 90 days of completion of this test for approval. The Department will subsequently incorporate NOx emission limits into the operating permit for this equipment.

2.1.3. Particulate Matter with an Aerodynamic Diameter Less then 10 Microns (PM_{10}) Emissions

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1 Tons per year (TPY) is defined as “tons per rolling twelve months” unless otherwise specified.
2.1.3.1 Within 60 days after achieving the maximum production rate at which the facility will be operated following installation of the low-NOx burners, but not later than 180 days after initial startup of the low-NOx burners, the Company shall conduct stack tests to determine the ammonia concentration in the uncontrolled stack gas stream, the oxidation factor for conversion of SO$_3$ to H$_2$SO$_4$, the organic condensable matter per AP-42, the sulfate/bisulfate formed and the reduction in the potential H$_2$SO$_4$ formation due to competing formation of sulfate/bisulfate. The company shall propose short term (lb/hr) and long term (ton/year) emission limits for H$_2$SO$_4$ within 90 days of completion of this test for approval. The Department will subsequently incorporate H$_2$SO$_4$ emission limits into the operating permit for this equipment. The proposal shall take into consideration the reduction in the SO$_3$ that is available for conversion to H$_2$SO$_4$ and include a revised H$_2$SO$_4$ PTE based on test data.

2.1.3.2 TSP emissions from the FCCU WGS shall not exceed 1lb/1000 lb of coke burned.

2.1.3.3 The company shall propose for approval short term (lb/hr) and long term (ton/year) PM$_{10}$ emission limits (inclusive of H$_2$SO$_4$) following the proposal required pursuant to Condition 2.1.3.1 and in consideration of the estimated organic condensable matter per AP-42. The Department will subsequently incorporate PM$_{10}$ emission limits into the operating permit for this equipment.

2.1.4. Sulfuric Acid (H$_2$SO$_4$) Emissions

H$_2$SO$_4$ emissions shall meet one of the following standards:

2.1.4.1 H$_2$SO$_4$ emissions shall be reduced by at least 40% across the wet gas scrubber system; or

2.1.4.2 The outlet concentration of H$_2$SO$_4$/SO$_3$ from the stack shall be no greater than 10 ppmvd.

2.1.5. Sulfur Dioxide (SO$_2$) Emissions

SO$_2$ emissions from the FCCU WGS shall not exceed 25 ppmvd @ 0% O$_2$ on a rolling 365 day average, 50 ppmvd @ 0% O$_2$ on a rolling 7 day average, and 361 TPY.

2.1.6. Carbon Monoxide (CO) Emissions

2.1.6.1. CO emissions from the FCCU WGS shall not exceed 500 ppmv as a 1 hour average and 3768 TPY.
2.1.6.2. The Company shall not cause or allow the emission of carbon monoxide from the FCCU unless it is burned at no less than 1300°F for at least 0.3 seconds in the FCCU COB.

2.1.7. Lead (Pb) Emissions
Pb emissions from the FCCU WGS shall not exceed 4.37 E-04 pounds per thousand pounds of coke burned.

2.1.8. Hazardous Air Pollutant (HAP) Emissions
The Company shall comply with all the applicable requirements of 40 CFR Part 63, subpart UUU.

2.2. The opacity from the FCCU WGS stack shall not be greater than twenty (20%) percent opacity for an aggregate of more than 3 minutes in any 1 hour or more than 15 minutes in any 24 hour period.

2.3. Odors from this source shall not be detectable beyond the plant property line in sufficient quantities such as to cause a condition of air pollution.

2.4. In the event that the FCCU COB is to be shut down for a period longer than 24 hours, Premcor shall promptly begin necessary process changes to provide for the complete combustion of carbon monoxide. Full CO combustion operation shall be achieved within 24 hours.

3. **Operational Limitations**

3.1. The owner or operator shall comply with the following operational limits:

3.1.1. The Company shall not burn any fuel in the FCCU COB that contains hydrogen sulfide (H₂S) in excess of 0.10 gr/dscf (162 ppm);

3.1.2. Except as provided in Condition 3.1.3, the COB, Belco pre-scrubber, the amine-based Cansolv regenerative WGS, and the caustic polishing scrubber shall be operating properly at all times when the FCCU is operating.

3.1.3. The Company shall submit for the Department’s consideration and incorporation at its discretion into the operating permit alternative operating scenarios for AQM’s approval that address startup, shutdown and malfunction conditions. These shall be submitted at least 90 days prior to the startup of the WGS.

3.2. During periods when the Belco prescrubber and the WGS have to be bypassed, the Company shall take steps to immediately respond to safely reduce the FCCU throughput to a level that does not cause a violation of any ambient air quality standard. No later than 90 days prior to startup of the WGS, the Company shall submit a proposed turndown factor for the Department’s approval that will establish the FCCU feed throughput limit
for periods of atypical operations. The reduced throughput level shall continue to be applicable during the entire duration of the bypassed operation.

3.3. There shall be no emissions of uncondensed VOCs from the condensers, hot wells or accumulators of any vacuum producing system.

3.4. During process unit turnarounds the Company shall provide for the following:

3.4.1. Depressurization venting of the process unit or vessel to a vapor recovery system, flare, or firebox.

3.4.2. No emission of VOC from a process unit or vessel until its internal pressure is 136 kiloPascals (kPa) (19.7 pounds per square inch atmospheric [psia]) or less.

3.5. At all times, including periods of startup, shutdown, and malfunction, the Company shall maintain and operate the equipment and process covered by this Permit, including all structural and mechanical components of all equipment and processes and all associated air pollution control equipment, in a manner consistent with good air pollution control practices for minimizing emissions.

3.6. Within 30 days of completion of construction of the Belco pre-scrubber, the amine-based Cansolv regenerative WGS, and the caustic polishing scrubber, the Company shall submit to the Department copies of the operating procedures governing normal operations of the equipment.

4. **Compliance Methodology**

4.1. Compliance with Conditions 2.1.1.1 (VOCs), 2.1.3 (PM$_{10}$), 2.1.4 (H$_2$SO$_4$), 2.1.7 (Pb) and 2.1.8 (HAPs) shall be based on stack testing to be conducted in accordance with Section 5 of this permit. The Company shall ensure adequate test ports are provided to carry out such testing in accordance with Regulation No. 17 section 2.3 in the exhaust stack, and upstream of the Belco pre-scrubber in accordance with EPA RM 1 of 40 CFR Part 60, Appendix “A” to ensure representative isokinetic sampling.

4.2. Compliance with Condition 2.1.1.2 for new components in light liquid and gaseous service shall be based on compliance with the standards in 40 CFR 63.162 through 63.177.

4.3. Compliance with Conditions 2.1.5, 2.1.6 and 3.1.1 shall be based on continuous monitoring systems.

4.4. The Company shall submit a proposal to calculate SO$_2$ emissions during periods when the FCCU COB is bypassed to AQM for its approval and
incorporation into the permit, at least 60 days prior to the startup of the FCCU WGS. The Company shall also supply documentation supporting its calculations sufficient to demonstrate their effectiveness and applicability.

4.5. Compliance with Condition 3.1.2 shall be based on the monitoring/testing and recordkeeping requirements.

4.6. Compliance with Conditions 3.4 and 3.5 shall be based on either piping the uncondensed vapors to a firebox or incinerator. Alternately, the vapors may be compressed and added to the refinery fuel gas. During process unit turnarounds, the Company shall conduct depressurization venting of the process unit or vessel to a vapor recovery system, flare or firebox. The Company shall monitor the pressure in each process or vessel until its internal pressure is 136kPa or less. These actions shall be documented.

4.7. Compliance with the standards in 40 CFR subpart GGG shall be based on the test methods and procedures in 40 CFR 60.592 and compliance with the requirements of 40 CFR Part 63 subpart CC shall be based on the standards in 40 CFR 63.648.

4.8. Compliance with Condition 3.6 shall be based on information available to the Department concerning the Company’s actions with respect to such events, and shall include the Department’s review of all available facts and circumstances including, but not limited to, monitoring results, opacity observations, review of operating and maintenance procedures, and inspection of the source.

5. **Testing and Monitoring Requirements**

5.1. Within 60 days after achieving the maximum production rate at which the facility will be operated, but not later than 180 days after initial startup of the WGS, the Company shall conduct performance tests for the pollutants listed in Conditions 2.1.1.1 (VOCs), 2.1.3 (PM₁₀), 2.1.4 (H₂SO₄), 2.1.7 (Pb) and 2.1.8 (HAPS) and furnish the Department with a written report of the results of such performance test(s) in accordance with the following general provisions:

5.1.1. One original and 2 copies of the test protocol shall be submitted a minimum of 45 days in advance of the tentative test date to the address in Condition 6.3. The tests shall be conducted in accordance with the State of Delaware and Federal requirements.

5.1.2. The test protocol shall be approved by the Department prior to initiating any testing. Upon approval of the test protocol, the Company shall schedule the compliance demonstration with the Air Surveillance Branch. The Department must observe the test for the results to be considered for acceptance, unless the Department determines in advance, in writing, that the test need not be observed.
Further, the Department may in its discretion determine based on its observation of the test that it need not observe the entire test.

5.1.3. The final results of the testing shall be submitted to the Department within 60 days of the test completion.

5.1.4. The final report of the results shall be submitted in a format approved by the Air Surveillance Branch, and signed by a corporate official, or his designee, whose signature shall constitute his own, and employer’s certification of compliance, clearly indicating each applicable term and condition of the permit, and whether the test(s) fulfilled the permit condition. The results must demonstrate that the emission unit is operating in compliance with the applicable regulations and conditions of this permit; if the final report of the test results shows non-compliance of the owner or operator shall propose corrective action(s). Failure to demonstrate compliance through the test may result in enforcement action.

5.2. The SO₂ CEMS shall be installed and certified by satisfying the requirements of Performance Specifications No. 2 in Appendix “B” of 40 CFR Part 60. The flow CEMS shall be installed and certified by satisfying the requirements of 40 CFR part 75, Appendix “A”. The QA/QC procedures for the SO₂ CEMS shall be established in accordance with the procedures in Appendix “F” of 40 CFR Part 60. For the purpose of determining the Relative Accuracy of the CEMS, the applicable standard shall be 25 ppmvd.

5.3. NOₓ: NOₓ emissions shall be monitored by CEMS. The CEMS shall be installed and certified by satisfying the requirements of the applicable Performance Specifications in Appendix “A” of 40 CFR Part 75. The QA/QC procedures for the CEMS shall be established in accordance with the procedures in Appendix “B” of 40 CFR Part 75.

5.4. Compliance with PM₁₀ emission limits shall be based on performance testing conducted in accordance with Condition 5.1 and annually thereafter, as follows:

5.4.1 H₂SO₄: Compliance with emission limits set in accordance with Conditions 2.1.3.1 and 2.1.4 shall be based on testing in accordance with Reference Method 8 in Appendix “A” of 40 CFR part 60, or other testing methodology approved by the Department.

5.4.2 TSP: Compliance with Condition 2.1.3.2 shall be based on testing in accordance with Reference Method 5B in Appendix “A” of 40 C.F.R. Part 60, or other testing methodology approved by the Department.
5.4.3 PM\textsubscript{10}: Compliance with emission limits set in accordance with Condition 2.1.3.3 shall be based on testing in accordance with Methods 5B/202, or other testing methodology approved by the Department.

5.5. CO: Compliance testing shall be based on CEMS. The CEMS shall be installed and certified by satisfying the requirements of Performance Specifications No. 4 in Appendix “B” of 40 CFR Part 60. The QA/QC procedures for the CEMS shall be established in accordance with the procedures in Appendix “F” of 40 CFR Part 60.

5.6. VOC as CH\textsubscript{4}: Compliance testing shall be based on an initial Reference Method 25 A in Appendix “A” of 40 CFR Part 60, and every three years thereafter. The Company may petition the Department to decrease the frequency of VOC performance tests based on the results of any performance testing.

5.7. Pb: Compliance testing shall be based on an initial Reference Method 12 testing in Appendix “A” of 40 CFR Part 60. Future compliance shall be based on the stack test based emission factor in terms of 1b/1,000 1b coke burn rate. The Company shall conduct additional performance testing in accordance with this condition every three years, unless the Department approves less frequent testing.

5.8. The Company shall continuously monitor the temperature of the FCCU COB firebox.

5.9. The Company shall develop an alternate monitoring plan for evaluating visual emissions and submit it to AQM for its approval at least 90 days prior to startup of the FCCU WGS.

5.10. All monitor certifications shall be conducted within 60 days of the unit attaining maximum production but not later than 180 days after unit start up. A “Source Sampling Guidelines and Preliminary Survey Form” must be submitted and found acceptable to the Department at least 30 days prior to the performance testing. Results of the Performance Specification testing shall be submitted to the Department, in triplicate, within 60 days after completion of the testing.

6. **Record Keeping Requirements**

6.1. The Company shall maintain all records necessary for determining compliance with this permit in a readily accessible location for 5 years and shall make these records available to the Department upon written or verbal request. These records shall include:

6.1.1. CEMS data;
6.1.2. Calibration and audit results;
6.1.3. Stack test results;
6.1.4. The daily FCCU COB fuel usage;
6.1.5. FCCU COB firebox temperature;
6.1.6. Detailed daily records of observations of visible emissions or the absence of visible emissions, or daily visible emissions observations or other records identified in an approved alternative plan;
6.1.7. Date of each FCCU process unit or vessel turnaround;
6.1.8. Internal pressure of the process unit or vessel immediately prior to venting to the atmosphere;
6.1.9. VOC leak repair records required by 40 CFR 60.592 for existing components in light liquid and gaseous service and 40 CFR 63.654 for new components in light liquid and gaseous service; and
6.1.10. Bypass stack SO₂ emissions as calculated according to Condition 4.4 measured by approved alternative methodology during atypical operations and FCCU turndown showing FCCU throughput rates.

6.2. The rolling 12 month total emissions for each pollutant shall be calculated and recorded each month in an easily accessible format for each pollutant listed in Condition 2.1.

7. Reporting Requirements

7.1. Emissions in excess of any permit condition or emissions which create a condition of air pollution shall be reported to the Department immediately upon discovery by calling the Environmental Emergency Notification and Complaint number, (800) 662-8802.

7.2. In addition to complying with Condition 7.1 of this permit, the Company shall satisfy any reporting required by the “Reporting of a Discharge of a Pollutant or an Air Contaminant” Regulation, within 30 calendar days of becoming aware of an occurrence subject to reporting pursuant to Condition 7.1. Further the Department may in its discretion require the Company to submit reports not otherwise required by the Regulation. All reports submitted to the Department pursuant to this Condition shall be submitted in writing and shall include the following information:

7.2.1. The name and location of the facility;
7.2.2. The subject source(s) that caused the excess emissions;
7.2.3. The time and date of the first observation of the excess emissions;

7.2.4. The cause and expected duration of the excess emissions;

7.2.5. For sources subject to numerical emission limitations, the estimated rate of emissions (expressed in the units of the applicable emission limitation) and the operating data and calculations used in determining the magnitude of the excess emissions; and

7.2.6. The proposed corrective actions and schedule to correct the conditions causing the excess emissions.

7.2.7. Emissions on the same day from the same emission unit may be combined into one report. Emissions from the same cause that occur contemporaneously may also be combined into one report.

7.2.8. The Company shall submit an electronic copy of all required reports to the Department’s compliance engineer assigned to the Refinery.

7.3. Semiannual reports for the preceding six month period shall be submitted to the Department by January 31 and July 31 of each calendar year. The semiannual reports required by this section shall be increased in frequency to quarterly reports at the Department’s discretion and shall become effective upon request of the Department after reasonable notice to the Company. An electronic copy of all required reports shall be sent to the Department’s compliance engineer assigned to the Refinery. The required reports shall contain the following information:

7.3.1. A summary of all excess emissions for the six month period;

7.3.2. Periods when the FCCU COB firebox temperature fell below 1300 deg. F.;

7.3.3. A summary of all periods when the FCCU WGS has been bypassed;

7.3.4. Actual hourly SO₂ emissions during periods when the FCCU WGS bypassed;

7.3.5. The duration and magnitude of all periods of excess opacity;

7.4. Quarterly CEMS reports for the preceding quarter shall be submitted to the Department for the CEMS required by this permit by January 31, April 30, July 31 and October 31 of each calendar year and shall include a report of excess emissions, quarterly audit results, data capture for the period and details of out of control periods.

7.5. Annual compliance test reports shall be submitted to the Department within 90 days of completion of the test.
7.6. VOC leak repair records shall be submitted to the Department as required by 40 CFR 60.592 for existing components in light liquid and gaseous service and 40 CFR 60.654 for new components in light liquid and gaseous service.

7.7. One original of all required reports in hard copy format shall be sent to the address below:

Air Quality Management Section  
Division of Air and Waste Management  
156 South State Street  
Dover, DE 19901

One copy of all required reports in hard copy format shall be sent to the address below:

Compliance Engineer  
Engineering & Compliance Branch  
715 Grantham Lane  
New Castle, DE 19720

8. **Administrative Conditions**

8.1. This permit shall be made available on the premises.

8.2. Failure to comply with the provisions of this permit may be grounds for suspension or revocation.

Sincerely,

DRAFT

Program Manager  
Engineering & Compliance Branch