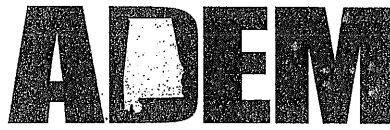


RONIS "TREY" GLENN, III
DIRECTOR



Alabama Department of Environmental Management
adem.alabama.gov

1400 Coliseum Blvd. 36110-2059 ♦ Post Office Box 301463
Montgomery, Alabama 36130-1463
(334) 271-7700
FAX (334) 271-7950

BOB RILEY
GOVERNOR

June 29, 2007

CERTIFIED MAIL NO.: 7005 1820 0003 1877 5321
RETURN RECEIPT REQUESTED

MR KIM TURNER
HES AIR QUALITY SPECIALIST
CHEVRON TEXACO
935 GRAVIER ST
NEW ORLEANS LA 70112




Re: **Consent Order 07-134-CAP**
Unocal Churchula Gas Treating and Processing Plant
Facility No.: 503-4005

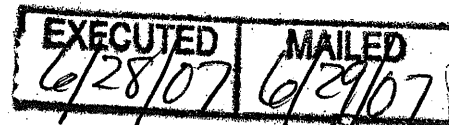
Dear Mr. Turner:

Please find enclosed ADEM Consent Order No. 07-134-CAP which requires Chevron-Texaco Corporation to take certain actions in regard to alleged violations of the Alabama Air Pollution Control Act. This Order has been issued with the consent of Chevron-Texaco Corporation and the Department. Please refer to Order Item A., which requires that monetary penalties be paid within 45 days of the date of this Order.

If you have any questions concerning this matter, please contact Joel Sutton at (334) 271-7840 in Montgomery.

Sincerely,


Ronald W. Gore, Chief
Air Division



Enclosure

cc: Olivia Rowell, Office of General Counsel

Birmingham Branch
110 Vulcan Road
Birmingham, AL 35209-4702
(205) 942-6168
(205) 941-1603 (Fax)

Decatur Branch
2715 Sandlin Road, S.W.
Decatur, AL 35603-1333
(256) 353-1713
(256) 340-9359 (Fax)



Mobile Branch
2204 Perimeter Road
Mobile, AL 36615-1131
(251) 450-3400
(251) 479-2593 (Fax)

Mobile - Coastal
4171 Commanders Drive
Mobile, AL 36615-1421
(251) 432-6533
(251) 432-6598 (Fax)

**ALABAMA DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT**

IN THE MATTER OF:)

Union Oil of California (Unocal),)

A subsidiary of Chevron-Texaco)

Churchula Gas Plant)

Churchula, Mobile County, Alabama)

Air Facility ID No. 503-4005)

CONSENT ORDER NO. 07-134-CAP

PREAMBLE

This Special Order by Consent is made and entered into by the Alabama Department of Environmental Management (hereinafter "the Department") and Union Oil of California (Unocal), a subsidiary of Chevron-Texaco, (hereinafter, the "Permittee") pursuant to the provisions of the Alabama Environmental Management Act, Ala. Code §§ 22-22A-1 to 22-22A-16 (2006 Rplc. Vol.), the Alabama Air Pollution Control Act, Ala. Code §§ 22-28-1 to 22-28-23, (2006 Rplc. Vol.) as amended, and the regulations promulgated pursuant thereto.

STIPULATIONS

1. The Permittee operates a gas processing, production, and treatment facility (Air Facility ID No. 503-4005) near Churchula, Mobile County, Alabama (hereinafter "the Facility").

2. The Department is a duly constituted department of the State of Alabama pursuant to Ala. Code §§ 22-22A-1 to 22-22A-16 (2006 Rplc. Vol.).

3. Pursuant to Ala. Code § 22-22A-4(n) (2006 Rplc. Vol.), the Department is the state air pollution control agency for the purposes of the federal Clean Air Act, 42 U.S.C. 7401 to 7671q, as amended. In addition, the Department is authorized to administer and enforce the provisions of the Alabama Air Pollution Control Act, Ala. Code §§ 22-28-1 to 22-28-23, (2006 Rplc. Vol.).

4. The Permittee currently operates the Facility under the authority of the renewal Major Source Operating Permit No. 503-4005, which was issued June 7, 2006 (hereinafter "the Renewal Permit).

5. Prior to June 7, 2006, the Facility operated under the authority of the initial Major Source Operating Permit No. 503-4005, which was issued April 13, 2000, (hereinafter "the Initial Permit").

6. Prior to the issuance of the Renewal Permit, this facility was a major source of Hazardous Air Pollutant (HAPs) since reported formaldehyde emissions exceeded the ten ton per year HAPs major source threshold.

7. On February 23, 2006, the Permittee submitted a plan to the Department for the purpose of reducing potential facility-wide formaldehyde emissions to less than ten tons per year in order to be considered a synthetic minor source of HAPs for the purposes of determining the applicability of regulations contained within 40 CFR 63. The proposed plan contained three parts:

- a. The retirement of two 2500 BHP engines (Unit Nos. 42-801C and 42-801D in the Initial Permit) from service;
- b. The limitation of operating hours to a total of 9000 hours per year for two 2500 BHP engines (Unit Nos. 42-401A and 42-401B in both the Renewal Permit and the Initial Permit); and,
- c. Formaldehyde emission limits based on AP-42 factors for four (4) 2500 BHP engines and three 600 BHP engines (Unit Nos. 42-101A, 42-101B, 42-101C, 42-401A, 42-401B, 42-801A, and 42-801B in both the Renewal Permit and the Initial Permit).

8. On March 2, 2006, the Department accepted the Permittee's proposal and incorporated it into the Facility Compressor Engines section of the Renewal Permit in addition to requiring monthly emission calculations based on emission factors recorded during an initial test for formaldehyde.

9. The Renewal Permit required an initial test to be conducted on these engines within six months of the issuance of the Renewal Permit.

10. The required initial tests were performed during the week of December 12, 2006, utilizing EPA Method 323, and the test reports for Unit Nos. 42-101B, 42-401B, and 42-801B were submitted in January 2007 without a compliance declaration or any other discussion of the results. However, the results presented clearly indicated that the formaldehyde emissions from these engines exceeded the permitted limits.

11. On February 7, 2007, the Department issued a Notice of Violation (NOV) to the Permittee for exceeding requested formaldehyde permit limits for Unit Nos. 42-101B, 42-401B, and 42-801B, as identified in both the Renewal Permit and the Initial Permit. This NOV requested testing of Unit Nos. 42-101A, 42-101C, 42-401A, and 42-801A, as identified in both the Renewal Permit and the Initial Permit since these units were not tested in December 2006.

12. On March 6, 2007, the Permittee responded to the NOV by stating that the requested emission limits were based on best available information, that the Permittee was planning on installing catalytic converters on each unit with a formaldehyde limit, and that the installation of these catalytic converters should reduce formaldehyde emissions so the emission limits would become attainable. The Permittee also requested a delay in the testing deadline stated in the NOV until after the catalytic converters were installed.

13. The following Leak Detection and Repair (LDAR) regulations apply to the Facility:

a. 40 CFR 63.760(g)(1) states:

After the compliance dates in specified in [40 CFR 63.760(f)], ancillary equipment and compressors that are subject to [40 CFR 63, Subpart HH] and that are also subject to and controlled under the provisions of 40 CFR 60, Subpart KKK, are only required to comply with the requirements of 40 CFR 60, Subpart KKK.

b. 40 CFR 63.769(b) states:

This section [equipment leaks as outlined in 40 CFR 63.769] does not apply to ancillary equipment or compressors for which the owner or operator is meeting the requirements of specified in [40 CFR 63, Subpart HH]; or is meeting the requirements of 40 CFR 60, Subpart KKK.

c. 40 CFR 63.775(e)(2)(iv) states:

For each owner or operator subject to the requirements of 40 CFR 63.769, the owner or operator shall comply with the reporting requirements specified in 40 CFR 61.247 [which are the same requirements listed in 40 CFR 60.647, as referenced by 40 CFR 60.636], except that the Periodic Reports shall be submitted [60 days after the end of the calendar period].

d. 40 CFR 61.247(b)(2)(vii) and 40 CFR 60.647(c)(2)(vii) state:

The facts that explain any delay of repairs and, where appropriate, why a process unit shutdown was technically infeasible.

14. The requirements of 40 CFR 60, Subpart KKK, apply to affected facilities located at onshore natural gas processing constructed after January 20, 1984.

15. The Cold Adsorption Unit at this Facility is subject to the requirements of 40 CFR 60, Subpart KKK, since it meets the definition of an affected facility.

16. On February 1, 2007, the Permittee submitted the second half 2006 LDAR report for the Facility. This report contained numerous minor deficiencies and also lacked a explanation as required by 40 CFR 60.647(c)(2)(vii) for equipment leaks which were not repaired during the monitoring period. The omission of this explanation required by 40 CFR 60.647(c)(2)(vii) constitutes a violation of the requirements of both 40 CFR 60, Subpart KKK and 40 CFR 63, Subpart HH, for three valves.

17. On February 15, 2007, Department Personnel visited the Facility and discussed the deficiencies in the LDAR report with the Plant Engineer.

18. The Permittee consents to abide by the terms of the following Order and to pay the civil penalty assessed herein.

19. The Department has agreed to the terms of this Order in an effort to resolve the alleged violations cited herein without the unwarranted expenditure of State resources in further prosecuting the above alleged violations. The Department has determined that the terms contemplated in this Order are in the best interests of the citizens of Alabama.

CONTENTIONS

20. Pursuant to Ala. Code § 22-22A-5(18)c (2006 Rplc. Vol.), in determining the amount of any penalty, the Department must give consideration to the seriousness of the violation, including any irreparable harm to the environment and any threat to the health or safety of the public; the standard of care manifested by such person; the economic benefit which delayed compliance may confer upon such person; the nature, extent and degree of success of such person's efforts to minimize or mitigate the effects of such violation upon the environment; such person's history of previous violations; and the ability of such person to pay such penalty. Any civil penalty assessed pursuant to this authority shall not be less than \$100.00 or exceed \$25,000.00 for each violation, provided however, that the total penalty assessed in an order issued by the Department shall not exceed \$250,000.00. Each day such violation continues shall constitute a separate violation. In arriving at this civil penalty, the Department has considered the following.

A. **SERIOUSNESS OF THE VIOLATIONS:** (1) The exceedence of the formaldehyde emission limits for the three tested units and the admitted failure for the remaining four units constitutes a violation of permit conditions. These permit conditions were requested by the facility in order to become a synthetic minor source of HAPs. (2) The second half 2006 LDAR report contained no discussion on three valves which were not repaired, which is a violation of 40 CFR 60, Subpart KKK. (3) The Department is not aware of any irreparable harm to the environment.

B. **THE STANDARD OF CARE:** The Permittee did not exhibit a standard of care commensurate with applicable regulatory requirements.

C. ECONOMIC BENEFIT WHICH DELAYED COMPLIANCE MAY HAVE CONFERRED: The Department is unaware of any evidence that either of these violations resulted in significant economic benefit.

D. EFFORTS TO MINIMIZE OR MITIGATE THE EFFECTS OF THE VIOLATION UPON THE ENVIRONMENT: (1) The Permittee has proposed to install catalytic converters on each of the units subject to formaldehyde emission limits. (2) There is no evidence that the reporting issues resulted in any harm to the environment.

E. HISTORY OF PREVIOUS VIOLATIONS: The Facility was issued a Warning Letter in 2004 concerning 40 CFR 63, Subpart HH.

F. THE ABILITY TO PAY: The Permittee has not alleged an inability to pay the civil penalty.

G. OTHER FACTORS: It should be noted that this Special Order by Consent is a negotiated settlement and, therefore, the Department has compromised the amount of the penalty it believes is warranted in this matter in the spirit of cooperation and the desire to resolve this matter amicably, without incurring the unwarranted expense of litigation.

ORDER

THEREFORE, the Permittee, along with the Department, desires to resolve and settle the compliance issues cited above. The Department has carefully considered the facts available to it and has considered the six penalty factors enumerated in Ala. Code § 22-22A-5(18)c (2006 Rplc. Vol.), as well as the need for timely and effective enforcement, and the Department believes that the following conditions are appropriate to address the violations alleged herein. Therefore, the

Department and the Permittee agree to enter into this ORDER with the following terms and conditions:

A. The Permittee agrees to pay to the Department a civil penalty in the amount of \$15,000 in settlement of the violations alleged herein within forty-five days from the effective date of this Consent Order. Failure to pay the civil penalty within forty-five days from the effective date may result in the Department's filing a civil action in the Circuit Court of Montgomery County to recover the civil penalty.

B. The Permittee agrees to: (1) Install catalytic converters on all engines covered by the Facility Compressor Engines Section of the Renewal Permit prior to June 15, 2007, the compliance date for 40 CFR 63, Subpart ZZZZ; (2) Properly maintain the catalyst according to manufacturer's recommendations; (3) Monitor those parameters set by the Department as indicative of the catalyst functioning in an effective manner; and, (4) Otherwise operate these engines in accordance with acceptable practices for minimizing air emissions.

C. The Permittee agrees that all penalties due pursuant to this Consent Order shall be made payable to the Alabama Department of Environmental Management by certified or cashier's check and shall be remitted to:

Office of General Counsel
Alabama Department of Environmental Management
P.O. Box 301463
Montgomery, Alabama 36130-1463

D. The Permittee agrees to comply with all requirements of ADEM Administrative Code div. 335-3 and Major Source Operating Permit No. 503-4005 immediately upon the effective date of this Order and continuing each and every day thereafter.

E. The parties agree that this Consent Order shall apply to and be binding upon both parties, their directors, officers, and all persons or entities acting under or for them. Each

signatory to this Consent Order certifies that he or she is fully authorized by the party he or she represents to enter into the terms and conditions of this Consent Order, to execute the Consent Order on behalf of the party represented, and to legally bind such party.

F. The parties agree that, subject to the terms of these presents and subject to provisions otherwise provided by statute, this Consent Order is intended to operate as a full resolution of the violations which are cited in this Consent Order.

G. The Permittee agrees that it is not relieved from any liability if it fails to comply with any provision of this Consent Order.

H. For purposes of this Consent Order only, the Permittee agrees that the Department may properly bring an action to compel compliance with the terms and conditions contained herein in the Circuit Court of Montgomery County. The Permittee also agrees that in any action brought by the Department to compel compliance with the terms of this Agreement, the Permittee shall be limited to the defenses of *Force Majeure*, compliance with this Agreement and physical impossibility. A *Force Majeure* is defined as any event arising from causes that are not foreseeable and are beyond the reasonable control of the Permittee, including its contractors and consultants, which could not be overcome by due diligence (i.e., causes which could have been overcome or avoided by the exercise of due diligence will not be considered to have been beyond the reasonable control of the Permittee) and which delays or prevents performance by a date required by the Consent Order. Events such as unanticipated or increased costs of performance, changed economic circumstances, normal precipitation events, or failure to obtain federal, state, or local permits shall not constitute *Force Majeure*. Any request for a modification of a deadline must be accompanied by the reasons (including documentation) for each extension and the proposed extension time. This information shall be submitted to the

Department a minimum of ten working days prior to the original anticipated completion date. If the Department, after review of the extension request, finds the work was delayed because of conditions beyond the control and without the fault of the Permittee, the Department may extend the time as justified by the circumstances. The Department may also grant any other additional time extension as justified by the circumstances, but it is not obligated to do so.

I. The Department and the Permittee agree that the sole purpose of this Consent Order is to resolve and dispose of all allegations and contentions stated herein concerning the factual circumstances referenced herein. Should additional facts and circumstances be discovered in the future concerning the facility which would constitute possible violations not addressed in this Consent Order, then such future violations may be addressed in Orders as may be issued by the Director, litigation initiated by the Department, or such other enforcement action as may be appropriate, and the Permittee shall not object to such future orders, litigation or enforcement action based on the issuance of this Consent Order if future orders, litigation or other enforcement action address new matters not raised in this Consent Order.

J. The Department and the Permittee agree that this Consent Order shall be considered final and effective immediately upon signature of all parties. This Consent Order shall not be appealable, and the Permittee does hereby waive any hearing on the terms and conditions of same.

K. The Department and the Permittee agree that this Order shall not affect the Permittee's obligation to comply with any Federal, State, or local laws or regulations.

L. The Department and the Permittee agree that final approval and entry into this Order are subject to the requirements that the Department give notice of proposed Orders to the public, and that the public have at least thirty days within which to comment on the Order.

M. The Department and the Permittee agree that, should any provision of this Order be declared by a court of competent jurisdiction or the Environmental Management Commission to be inconsistent with Federal or State law and therefore unenforceable, the remaining provisions hereof shall remain in full force and effect.

N. The Department and the Permittee agree that any modifications of this Order must be agreed to in writing signed by both parties.

O. The Department and the Permittee agree that, except as otherwise set forth herein, this Order is not and shall not be interpreted to be a permit or modification of an existing permit under Federal, State or local law, and shall not be construed to waive or relieve the Permittee of its obligations to comply in the future with any permit.

Executed in duplicate, with each part being an original.

Union Oil of California, (Unocal)
A subsidiary of Chevron-Texaco.

ALABAMA DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT

Gary Chiasson
(Signature of Authorized Representative)

for Onis "Trey" Glenn, III
Director

Gary J. Chiasson
(Printed Name)

6-28-07
(Date)

Operation Manager
(Printed Title)

5/7/07
(Date)