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August 10, 2012

**Via E-Mail**

Mr. Kevin O'Hanlon  
**O'HANLON, MCCOLLOM & DEMERATH**  
808 West Avenue  
Austin, Texas 78701

Re: Valero Port Arthur Expansion Project

Dear Kevin:

As we discussed over the telephone, the Refinery Expansion Project ("the Project") currently being undertaken at The Premcor Refining Group Inc. d/b/a Valero Port Arthur Refinery's ("Valero's") Port Arthur, Texas facility is comprised of the following work:

- Replacement of components of existing Delayed Coker Unit
- Design and construction of a new 50 MBPSD Gas Oil Hydrocraker along with an associated Saturates Gas Plant
- Design and construction of a new 1325 Gallons Per Minute Amine Treatment Unit and a new 900 Gallons Per Minute Sour Water Stripper Unit
- Expansion of the existing Distillate Hydrotreaters by a combined 50 MBPSD
- Modification of the existing Sulfur Recovery Units to increase the sulfur processing capacity by approximately 270 Long Tons Per Day
- Expansion and improvement of the refinery's feed and product logistical systems by building new Crude, Distillate, Gasoline and Intermediate storage/finished product tanks and associated pipelines
- Expansion and improvement of the refinery's utility and infrastructure systems, including but not limited to new electrical power distribution systems, new and expanded process control systems, new and expanded cooling water systems, new and expanded flare systems, and other systems as necessary to support these new facilities

As we previously discussed, Valero was required to postpone the Project after the 2008 Agreement was entered into with the Port Arthur Independent School District, due to various economic and profitability concerns that had developed after the Agreement was entered into. Thereafter, when economic conditions improved, Valero resumed the Project. Valero anticipates that the Project will be completed and production through the new and revamped units commenced in December 2012.

Mr. Kevin O' Hanlon  
August 10, 2012  
Page - 2 -

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It is our understanding that there may have been some misunderstanding as to Valero's intent concerning the Project and whether it was cancelled or simply postponed. This confirms that it had always been Valero's intent to simply postpone the Project until such time that economic conditions improved.

As always, please do not hesitate to contact us with any questions regarding the foregoing or should you need anything else.

With best regards, I remain,

Very truly yours,

CALVERT EAVES CLARKE & STELLY, L.L.P.

By: 

Michael K. Eaves

MKE/ss

cc: Mr. Russell Minor **(via e-mail)**  
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