

NATURAL RESOURCE DAMAGE
MEMORANDUM OF AGREEMENT

This Memorandum of Agreement ("MOA") is made and entered into by and between the United States Department of Defense, acting through the Department of the Navy as represented by the Commander, Naval Base, Pearl Harbor ("the Navy"); the United States Department of Commerce, acting through the National Oceanic and Atmospheric Administration ("NOAA"); the United States Department of the Interior, acting through the Office of Environmental Policy and Compliance ("DOI"); the State of Hawaii, acting through the Department of Health ("the State"); and Chevron Products Company Hawaii Refinery ("Chevron"). Hereinafter, the Navy, NOAA, DOI, and the State shall be collectively referred to as the "Trustees." Chevron and the Trustees are hereinafter referred to collectively as "the parties."

RECITALS

1. On or about May 14, 1996, Chevron learned that a pipeline, belonging to and operated by Chevron and that carries a formulation of #6 bunker fuel between the Chevron Hawaii Refinery in Kapolei, Oahu, Hawaii, and the Chevron Marketing Terminal in Honolulu, Oahu, Hawaii, was discharging product into the environment. Product was discharged from the pipeline onto the ground and thence into Waiau Stream and Pearl Harbor.
2. The waters and shorelines of Pearl Harbor provide: recreation and education services to residents and visitors; habitat for biota, including endangered, threatened, migratory, commercial, recreational, and subsistence species; recreational, commercial and industrial services to a number of entities; and support to the national defense mission performed by the Navy.
3. The discharge of product from the pipeline, discovered on or about May 14, 1996 (the "Incident"), constitutes a discharge of oil into waters of the United States and is, therefore, a matter addressed under the Oil Pollution Act of 1990, 33 U.S.C. Sections 2701-2761 ("OPA") and the National Contingency Plan (NCP), 40 C.F.R. §§ 300.600 et seq. Under OPA and Executive Order 12777, the Secretary of Defense, the Secretary of the Interior, the Administrator of NOAA, and the State are designated trustees of natural resources, which may have been, or may be, injured, lost or destroyed as a result of the Incident. By Hawaii Revised Statutes ("H.R.S.") Chapter 128D, the Governor of the State of Hawaii designated the Director of the State Department of Health ("DOH") as a trustee of natural resources, which may have been, or may be, injured, lost or destroyed as a result of the Incident.

The Navy, NOAA, the National Park Service (a bureau within the DOI), the Fish and Wildlife Service (a bureau within the DOI), and the State manage or have jurisdiction over resources actually or potentially affected by the discharge.

4. Chevron agrees that the Trustees have jurisdiction to pursue restoration, replacement, rehabilitation, or acquisition and such others acts to the extent authorized and appropriate under OPA, the NCP, and H.R.S. Chapter 128D. The Navy, NOAA, the DOI, through its bureaus, and the State with the full cooperation of Chevron, have commenced the assessment of actual or potential injuries to their trust resources as a result of the discharge, in order to determine, as provided in 15 C.F.R. Part 990, Subpart D-Preassessment Phase, and H.R.S. 128D, whether conducting restoration planning is appropriate.

5. Chevron desires to continue its participation in damage assessment, restoration planning, restoration implementation and restoration monitoring as appropriate, and has agreed to fund certain costs of the Trustees in undertaking these activities in accordance with the terms of this MOA. This MOA documents the agreement of the parties regarding this matter.

6. This MOA is intended to promote the coordination of activities between the Trustees, to delineate the participation of Chevron in these activities, to delineate the obligations of the Parties pursuant to this MOA, and to accelerate the planning and implementation of restoration. This MOA does not alleviate or limit any responsibility Chevron may have in regard to other removal or remediation activities apart from natural resource damage activities.

Now, therefore, in consideration of the foregoing recitals, and for the agreements recited below, the parties hereby agree as follows:

AGREEMENTS

1. The parties will form a group of technical experts known as the "Technical Working Group" ("TWG") to cooperatively perform the following damage assessment and restoration planning activities:

a. Review current response data and existing literature applicable to the discharge to determine which natural resources and resource services may have been injured, lost or destroyed as a result of the Incident.

b. Review current response data and existing literature applicable to the discharge to prepare:

- (1) characterization of the discharge and environmental setting;
- (2) determination of actual or potential exposure; and
- (3) determination of actual or potential injuries;

c. Following the review of relevant data, the TWG will develop a strategy and budget for the following activities:

- (1) quantification of injuries, including risks to natural resources and lost services;
- (2) determination of the value of interim lost use;
- (3) development of alternative primary and compensatory restoration measures;
- (4) evaluation of alternative primary and compensatory restoration measures;
- (5) development of a draft restoration plan;
- (6) conduct of a public review of the draft restoration plan, including a response to public comments;
- (7) development of a final restoration plan, including implementation and monitoring costs as appropriate.

d. The parties agree to work in good faith to reach agreement on each of the damage assessment and restoration activities listed above. If the parties cannot reach agreement on restoration due to a lack of consensus on the actual and potential injuries to resources and services, the parties will work together to design a cost-effective cooperative study to resolve the issue. Chevron will fund the agreed-upon cooperative study. Chevron will not withdraw from its obligation to fund the agreed-upon cooperative study so long as the study is conducted consistent with the agreed study plan and any agreed modifications thereto. If Chevron refuses to fund the agreed-upon cooperative study, the Trustees reserve the right to fund the study and to seek reimbursement for such costs.

2. The parties shall each designate representatives to the TWG in writing to each other within ten (10) working days after executing this MOA. The parties shall work cooperatively to

ensure that each member of the TWG does not duplicate the expertise of other members, so as to minimize the costs of the TWG. The membership of the TWG can be expanded or reduced as the TWG deems necessary to achieve its purposes.

3. Each Trustee may periodically submit to Chevron an accounting of the reasonable costs it incurs in participation on the TWG, but, in any event, each Trustee shall submit a final accounting of its costs within 60 days after the earlier of (1) completion of the work covered by this MOA or (2) termination or expiration in accordance with paragraph 5 of this MOA. The accounting shall include backup documentation such as time sheets, travel vouchers and receipts for expenses. Chevron shall pay the costs submitted to an account or accounts as directed by each Trustee, within 30 days after an accounting is submitted by that Trustee. The costs to which the Trustees are entitled under this MOA are the reasonable costs of the activities described herein, not previously reimbursed by Chevron, that were incurred by the Trustees on or after May 14, 1996. These accountings of Trustees' costs should be directed to the following Chevron address:

Robert A. Burstedt
Finance Manager, Hawaii Refinery
91-480 Malakole Street
Kapolei, Hawaii 96707-1807

4. Chevron agrees that it will reimburse the reasonable costs of the activities described herein up to the following initial funding ceilings for each of the following participating Trustee representatives pursuant to this MOA. These initial funding ceilings are agreed upon in order to allow the Trustees to set up reimbursable accounts and avoid any potential for violation of the Anti-Deficiency Act:

Department of Defense	
Department of the Navy	
Commander, Naval Base Pearl Harbor:	\$100,000.00
Department of Commerce	
National Oceanic and Atmospheric Administration:	\$45,000.00
Department of the Interior	
Fish and Wildlife Service:	\$30,000.00
National Park Service:	\$30,000.00
Office of Environmental Policy and Compliance and	
Office of Policy Analysis:	\$20,000.00
State of Hawaii	
Department of Health:	\$15,000.00
Department of Land and Natural Resources	
Division of Aquatic Resources:	\$15,000.00
Division of Forestry and Wildlife:	\$15,000.00

Chevron's payment obligation, however, shall be limited to the payment of reasonable costs which are or have been properly incurred according to the terms of this MOA and which are documented in accordance with this MOA. Each Trustee agrees to notify Chevron in writing within thirty (30) days if its costs reach ninety percent (90%) of the amounts listed above and if the Trustee will be requesting a new funding ceiling. The parties agree to review the costs actually incurred and work in good faith to determine whether the funding ceiling listed above should be adjusted. Notwithstanding the foregoing, however, nothing herein shall be construed to limit the obligation of Chevron to the above-specified initial funding ceilings.

5. This MOA shall remain in effect until the purposes set forth in Paragraph 1 are accomplished, but shall not extend beyond two (2) years from the date of the execution of this MOA by Chevron unless the parties otherwise agree in writing. This MOA may be terminated by the Trustees, acting jointly, or by Chevron after providing thirty (30) days notice in writing to the other parties. Furthermore, any Trustee may withdraw from this MOA at any time on thirty (30) days notice in writing to the other Trustees and to Chevron, provided however that if any Trustee withdraws, Chevron may terminate this MOA as of the date of the Trustee's withdrawal. Upon termination by all the Trustees or by Chevron, or upon expiration, this MOA shall be of no further force or effect, except that Chevron shall remain obligated to pay all the costs of the Trustees incurred through the effective date of the termination or expiration.

6. Nothing in this MOA is intended to be nor should it be construed to be a limitation on any Trustee's authority to pursue any other method of recovery or to pursue any claim. This determination remains the sole discretion of each Trustee; provided however that a Trustee must terminate this MOA pursuant to paragraph 5 in order to pursue any natural resource damage claim related to this Incident.

7. The Trustees agree that the determinations described in paragraph 1 shall be based on the consensus of all the Trustees unless otherwise expressly noted in this MOA.

8. Any notice or other writing to be delivered hereunder shall be mailed or faxed to the following persons at the addresses or fax numbers listed below:

For the Navy: RADM Gordon S. Holder
Commander, Naval Base, Pearl Harbor
Box 110
Pearl Harbor, HI 96860-5020
FAX: (808) 471-0286

For NOAA: John Naughton
National Marine Fisheries Service, SWR
Pacific Area Office
2570 Dole Street, Room 106
Honolulu, HI 96822-2396
FAX: (808) 973-2941

For the DOI: Patricia Sanderson Port
Regional Environmental Officer
Department of the Interior
Office of Environmental Policy and Compliance
600 Harrison Street, Suite 515
San Francisco, CA 94107-1376
FAX: (415) 744-4121

For the State: Bruce S. Anderson, Ph.D.
Deputy Director for Environmental Health
Department of Health, State of Hawaii
1250 Punchbowl Street
Honolulu, Hawaii 96813
FAX: (808) 586-4444

For Chevron: Rick L. Roberts
Manager, Hawaii Refinery
91-480 Malakole Street
Kapolei, Hawaii 96707-1807
FAX: (808) 682-2214

9. The undersigned signatories represent and warrant that they are duly authorized to enter into this MOA on behalf of the parties they represent and that upon their signature, this MOA shall become the binding obligation of the parties they represent. This MOA may be signed in counterparts. After Chevron has executed this MOA, this MOA shall be effective between Chevron and each Trustee as of the date of the Trustee's signature. In the event that all Trustees have not executed this MOA on or before September 5, 1996, Chevron may elect to terminate this MOA as provided in paragraph 5. If Chevron elects to terminate pursuant to this provision, such termination shall be effective as of September 5, 1996.

In witness whereof, the Navy, NOAA, the DOI, the State and Chevron set forth their signatures on the following dates:

Chevron Products Company

By:

Name:

Title:



Rick L. Roberts

Manager, Hawaii Refinery

Date:

July 19, 1996

The State of Hawaii

By:

Name:

Title:



Bruce S. Anderson, Ph.D.

Deputy Director for Environmental Health,
Department of Health, State of Hawaii

Date:

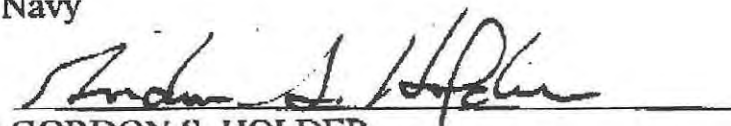
July 31, 1996

Department of Defense
For the Secretary of the Navy

By:

Name:

Title:

A handwritten signature in dark ink, appearing to read "Gordon S. Holder", is written over a horizontal line.

GORDON S. HOLDER

Rear Admiral, U.S. Navy

Commander, Naval Base, Pearl Harbor

Date:

September 17, 1996

The National Oceanic and Atmospheric Administration

By:

Name:

Title:

Date:

C. E. Ehler

Charles E. Ehler, Authorized Official

Director, Office of Ocean Resources, Conservation
and Assessment

7/25/96

, 1996

The Department of the Interior

By:

Name:

Title:

Willie R. Taylor

Willie R. Taylor

Director, Office of Environmental Policy and
Compliance, Office of the Secretary

Date:

7/26/96, 1996