SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") with its principal office at 1001 I Street, Sacramento, California 95814, and BP WEST COAST PRODUCTS LLC (hereinafter "BP") with its principal place of business at 6 Centerpointe Drive, La Palma, California 90623.

I. RECITALS

(1) California Code of Regulations (hereinafter "CCR"), title 13, section 2265 (a)(1) and (2) states, "[i]n order to sell or supply from its production facility or import facility a final blend of California gasoline as a PM alternative gasoline formulation subject to PM alternative specifications, ... the producer shall notify the executive officer of: (A) The identity, location, and estimated volume of the final blend; (B) the PM alternative specifications that will apply to the final blend, including for each specification whether it applies as a PM flat limit or a PM averaging limit; and (C) the numerical values for percent change in emissions for oxides of nitrogen, total ozone forming potential, and potency-weighted toxic air contaminants as determined in accordance with the applicable Predictive Model Procedures."

(2) CCR, title 13, section 2265(b) states, "[n]o producer or importer shall sell, offer for sale, supply, or offer for supply from its production or import facility California gasoline which is reported pursuant to section 2265(a) as a PM alternative gasoline formulation subject to PM alternative specifications if any of the following occur: ... (C) The gasoline fails to conform with any PM flat limit in the identified PM alternative specifications..."

(3) CCR, title 13, section 2266.5(a)(1) states, "[a]ll of the standards and requirements in sections 2261, 2262, 2262.3, 2262.4, 2262.5(a), (b), (c) and (e), 2262.6, 2264, 2264.2, 2265, 2266, 2268, 2270, 2271 and 2272 pertaining to California gasoline or transactions involving California gasoline also apply to CARBOB or transactions involving CARBOB." Whenever the term "California gasoline" is used in the sections identified in the preceding sentence, the term means "California gasoline or CARBOB." Whenever the term "gasoline" is used in section 2265(b)(1), the term means "California gasoline or CARBOB."

(4) CCR, title 13, section 2266.5(2)(B) states, "[a] producer or importer may elect to have the CARBOB model used in determining whether a final blend designated as CARBOB complies with the standards applicable to California gasoline ..."

(5) CCR, title 13, section 2268 states, "[f]or the purposes of this subarticle, each sale of California gasoline at retail, and each dispensing of California gasoline into a

motor vehicle fuel tank, shall also be deemed a sale or supply by any person who previously sold or supplied such gasoline in violation of any applicable section of this subarticle."

(6) California Health and Safety Code (hereinafter "H&SC") section 43027(a) states, "[a]ny person who willfully and intentionally violates any provision of this part, or any rule, regulation, permit, variance, or order of the state board, pertaining to fuel requirements and standards, is liable for a civil penalty of not more than two hundred fifty thousand dollars ($250,000), and the prosecuting agency shall include a claim for an additional penalty in the amount of any economic gain that otherwise would not have been realized from the sale of the fuel determined to be in noncompliance."

(7) H&SC section 43027(b) states, "[a]ny person who negligently violates any provision of this part, or any rule, regulation, permit, variance, or order of the state board, pertaining to fuel requirements and standards, exclusive of the documentation requirements specified in subdivision (d), is liable for a civil penalty of not more than fifty thousand dollars ($50,000)."

(8) H&SC section 43027(c) states, "[a]ny person who violates any provision of this part, or any rule, regulation, permit, variance, or order of the state board, pertaining to fuel requirements and standards, exclusive of the documentation requirements specified in subdivision (d), is strictly liable for a civil penalty of not more than thirty-five thousand dollars ($35,000)."

(9) H&SC section 43027(d) states, "[a]ny person who enters false information in, or fails to keep, any document required to be kept pursuant to any provision of this part, or any rule, regulation, permit, variance, or order of the state board, pertaining to fuel requirements and standards, is strictly liable for a civil penalty of not more than twenty-five thousand dollars ($25,000)..."

(10) H&SC section 43029 requires the prosecuting agency to include a claim for an additional penalty designed to eliminate the economic benefits from noncompliance against any person who violates any provision of this part, or any rule, regulation, permit, variance, or order of the state board pertaining to fuel requirements or standards a follows; "(a) For violations of gasoline requirements, the amount of the penalty shall equal the product of the number of tons of incremental increased vehicular emissions resulting from the manufacture, distribution, and sale of the specified volume of noncompliant fuel and nine thousand one hundred dollars ($9,100) per ton, which is the maximum calculated cost-effectiveness for California Phase 2 Reformulated Gasoline..."

(11) H&SC section 43030(a) states, "for the penalties prescribed in Sections 43027..., each day during any portion of which a violation occurs is a separate offense."

(12) H&SC section 43031(b) states, "[i]n determining the amount assessed, ...the state board, in reaching any settlement, shall take into consideration all relevant circumstances, including, but not limited to, all of the following: (1) The extent of harm to public health, safety, and welfare caused by the violation. (2) The nature and persistence of the violation, including the magnitude of the excess emissions. (3) The compliance history of the defendant, including the frequency of past violations. (4) The preventive efforts taken by the defendant, including the record of maintenance and any program to ensure compliance. (5) The innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods. (6) The efforts to attain, or provide for, compliance. (7) The cooperation of the defendant during the course of the investigation and any action taken by the defendant, including the nature, extent, and time of response of any action taken to mitigate the violation. (8) For a person who owns a single retail service station, the size of the business."

(13) ARB alleges in Notice of Violation **F10-10-1** the following: Between July 19, 2010 and July 20, 2010, BP Carson refinery supplied approximately 95,888 barrels of regular grade CARBOB to commerce. The predictive model notification for this CARBOB, batch number 100473, was submitted to ARB on July 20, 2010 after the start of physical transfer.

(14) ARB alleges that the regular grade CARBOB was sold, offered for sale, supplied, or offered for supply to BP's Vinvale and East Hynes Terminals and to a 3rd party terminal for a period of 2 days.

(15) ARB alleges that the sale, offer for sale, supply, or offer for supply of regular grade CARBOB, batch number 100473, from BP Carson refinery tank 50, was unlawful and in violation of CCR, title 13, sections 2265, 2266.5 and 2268.

(16) ARB alleges that if the facts described in recital paragraphs 1-15 were proven, civil penalties could be imposed against BP as provided in H&SC sections 43027, 43029, 43030, and 43031.

(17) BP alleges that it has defenses to the allegations set forth herein that it has chosen not to assert in order to enter into this Settlement Agreement and Release, and BP denies any and all liability with respect to these allegations.

(18) All alleged violations referred to herein resulted in no excess emissions.

(19) BP is entering into this Agreement solely for the purpose of settlement and resolution of this matter with ARB. Further, ARB accepts this Agreement in termination of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

II. TERMS AND RELEASE

In consideration of ARB not filing a legal action against BP for the violation referred to above, ARB and BP agree as follows:

(1) Within 15-days of the execution of this Agreement, BP shall pay the sum of ten thousand dollars ($10,000.00). Payment shall be made by check payable to the California Air Pollution Control Fund and addressed to:

Steve Brisby
Enforcement Division
Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

(2) BP shall not seek to reduce any tax liability by virtue of paying the above amount.

(3) This Agreement shall apply to and be binding upon BP and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

(4) Now therefore, in consideration of the payment of BP to the California Air Pollution control Fund, ARB herby releases BP and its principals, officers, directors, agents, receivers, trustees, employees, parents, subsidiaries, predecessors, successors, and assignees, and each of their officers, directors, agents, and employees from any and all claims that ARB may have based on the facts and allegations described in recital paragraphs 1-19. The undersigned represent that they have the authority to enter this Agreement.

(5) No provision of the Agreement shall be construed as an admission of any wrongdoing, or of a violation of the CCR or any other statute, regulation, ordinance, order, or legal requirement by BP, its principals, officers, directors, agents, employees, parents, or subsidiaries. BP does not admit the truth of any of the alleged facts contained herein. The parties acknowledge that the agreements, statements, stipulations, and actions herein are made solely for the purpose of settling this matter economically and without litigation or further expense.

(6) This Agreement constitutes the entire agreement and understanding between ARB and BP concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between ARB and BP concerning these claims.

(7) If any court of competent jurisdiction declares or determines any provision of this Agreement to be illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, and provisions shall not be affected thereby, and said illegal, unenforceable, or invalid part, term or provision will be deemed not to be part of this Agreement.

(8) No agreement to modify, amend, extend, or supersede this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all parties to this Agreement.

(9) This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice of law rules.

III. SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires the ARB to provide information on the basis for the penalties it seeks (see Health and Safety Code section 39619.7). This information, which is provided throughout this settlement agreement, is also summarized here.

The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43031.

The per unit penalty in this case is a maximum of $35,000 per day per strict liability violation. The penalty obtained in this case is approximately $ 5,000 per day of violation, representing 2 days of violation. The penalty was reduced because the incident was inadvertent, BP cooperated fully with the investigation and procedures have been put into place to reduce the likelihood of a similar occurrence. Furthermore, the investigation concluded that the fuel supplied was in compliance with the specifications of the predictive model; whereas on time notification and submission of the predictive model would not have resulted in a violation.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

The penalty provision being applied in this case is Health and Safety Code section 43027 because CARB alleges that BP put fuel into commerce in California in violation of Title 13 California Code of Regulations section 2265, 2266.5, and 2268.

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and if so, a quantification of excess emissions, if it is practicable to do so.

The provisions cited above do not prohibit emissions above a specified level. CARB alleges that, since the fuels did not meet California air pollution standards, any emissions attributable to them are illegal. However, it is not practicable to quantify these emissions because the information necessary to do so is not available.

(1) BP acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health and Safety Code section 43031, has explained the manner in which the penalty amount was calculated (including a per unit or per vehicle penalty, if appropriate), has identified the provision of law under which the penalty is being assessed and has considered and determined that this penalty is not being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

(2) Penalties were determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar cases, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a certain number of days considered together with the complete circumstances of this case. The penalty was discounted in this matter based in part on the fact that the violator made unusually diligent efforts to comply, to cooperate with the investigation and to mitigate any potential emissions consequences. Penalties in future cases might be smaller or larger on a per day basis.

(3) The penalty in this case was based in part on confidential financial information or confidential business information provided by BP that has not been retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and BP that ARB does not retain in the ordinary course of business either. The penalty is the product of an arm's length negotiation between ARB and BP and reflects ARB's assessment of the relative strength of its case against BP, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that BP may have secured from its actions.

CALIFORNIA AIR RESOURCES BOARD

By _____

Name Ellen M. Peter

Title Chief Counsel

Date 11/17/11

BP West Coast Products LLC

By _____ DPF

Name Dennis Bak

Title Marketing Supply Manager

Date 11-8-11