June 5, 2008

Valero Energy Corporation
1 Valero Way
San Antonio, TX 78249-1112

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (http://www.contractormisconduct.org/), a compilation of information from public resources regarding government contractors, including Valero Energy Corporation. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Valero Energy, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure
**Instances**

1. Violations of the Clean Air Act  
   Date: 06/16/2005 (Date of Consent Decree)  
   Misconduct Type: Environment  
   Enforcement Agency: EPA  
   Contracting Party: None  
   Court Type: Administrative  
   Amount: $11,000,000  
   Disposition: Settlement  
   Synopsis: On June 16, 2005, the U.S. Department of Justice and the U.S. Environmental Protection Agency announced "comprehensive Clean Air Act settlements with petroleum refinery Valero that are expected to reduce harmful air emissions by more than 20,000 tons per year from 14 refineries in six states." Under a consent decree, Valero will pay a $5.5 million civil penalty, spend more than $5.5 million on "environmentally beneficial projects," and, together with Tesoro (purchaser of the former Valero Golden Eagle Refinery in Martinez, Calif.), spend more than $700 million to "install and implement innovative emission control technologies at their refineries."

2. EPA Region V v. Total Petroleum, Inc. (Violations of the Clean Air Act and RCRA)  
   Date: 03/27/2001 (Date of Consent Decree)  
   Misconduct Type: Environment  
   Enforcement Agency: EPA  
   Contracting Party: None  
   Court Type: Administrative  
   Amount: $13,900,000  
   Disposition: Settlement  
   Synopsis: An enforcement action began in September 1997 in response to various alleged environmental violations at the Alma, Michigan refinery of Valero subsidiary Total Petroleum, Inc. The Environmental Protection Agency identified Clean Air Act violations relating to emissions monitoring, reporting and inspection and Resource Conservation and Recovery Act (RCRA) violations relating to the maintenance of wastewater ponds and hazardous waste storage and disposal. In April 2000, TPI settled the matter, and agreed to pay $9.9 million for specific environmental and economic development projects and $4 million in penalties. A Consent Decree reflecting the settlement was entered by the court on March 27, 2001.

3. Incorrect Emission Reporting  
   Date: 02/04/2003 (Date of Settlement Conference)  
   Misconduct Type: Environment  
   Enforcement Agency: State/Local  
   Contracting Party: None  
   Court Type: Administrative  
   Amount: $10,000  
   Disposition: Settlement  
   Synopsis: "On August 21, 2002, Valero advised that three DAL batch reports submitted between August 17 and August 20, 2002, had incorrect aromatics values because of a laboratory software
error. A settlement conference was held [with the California Environmental Protection Agency] on February 4, 2003, and the case has since been settled in principle for $10,000."

4. Failure to Make Proper Notification of a Marine Vessel Import
Date: 06/01/2005 (Date of Settlement - approximate)
Misconduct Type: Environment
Enforcement Agency: State/Local
Contracting Party: None
Court Type: Administrative
Amount: $7,500
Disposition: Settlement
Synopsis: "Valero self-reported [to the California Environmental Protection Agency] their failure to make proper notification of a marine vessel import of July 3, 2003, on the vessel O/S Philadelphia. One of the tanks into which the fuel was offloaded was designated a production tank, and a predictive model was in effect for that tank which the imported fuel did not meet, although it met all flat limits. The case was settled for $7,500 and was closed in June 2005."

5. Record Keeping Deficiencies and Emissions Exceedances
Date: 12/20/1999 (Date of Settlement)
Misconduct Type: Environment
Enforcement Agency: State/Local
Contracting Party: None
Court Type: Administrative
Amount: $174,455
Disposition: Fine
Synopsis: In June 1999, the Texas Natural Resources Conservation Commission initiated proceedings against Valero's Texas City refinery alleging certain record keeping deficiencies and emissions exceedances, most of which occurred prior to Valero's acquisition of the refinery. The company ultimately agreed to pay a penalty of $174,455.

6. EPA Region VIII vs. Ultramar Diamond Shamrock Corporation (Underground Storage Tank Violations)
Date: 11/01/2001 (Date of Settlement - approximate)
Misconduct Type: Environment
Enforcement Agency: EPA
Contracting Party: None
Court Type: Administrative
Amount: $126,764
Disposition: Fine
Synopsis: In 2000, the EPA and state regulators inspected certain retail facilities [of Valero subsidiary Ultramar Diamond Shamrock Corporation] for compliance with federal and state rules and regulations at such facilities. On April 3, 2001, UDS received an administrative complaint from the EPA seeking penalties in connection with alleged violations and non-compliance issues arising primarily prior to October 1999. This matter was settled in November 2001 upon payment of $126,764 in penalties."
7. Air Emission Violations
Date: 04/18/2005 (Date of Consent Order)
Misconduct Type: Environment
Enforcement Agency: State/Local
Contracting Party: None
Court Type: Administrative
Amount: $4,293,000
Disposition: Settlement
Synopsis: On April 18, 2005, Valero Refining Company - New Jersey and the New Jersey Department of Environmental Protection signed an Administrative Consent Order settling air emission violations at its Paulsboro refinery that occurred between 2001 and 2004. Under the agreement, Valero agreed to pay $793,000 in fines and install emission controls that will significantly reduce emissions of volatile organic compounds, oxides of nitrogen and sulfur dioxide. To that end, Valero will install a $3.5 million, state-of-the-art air pollution control at the Paulsboro refinery waste water treatment system.

8. Ground Water Pollution
Date: 01/05/2006 (Date of Agreement Announcement)
Misconduct Type: Environment
Enforcement Agency: State/Local
Contracting Party: None
Court Type: Administrative
Amount: Unknown
Disposition: Settlement
Synopsis: On January 5, 2006, the New Jersey Department of Environmental Protection announced an agreement with Valero Refining Company "to preserve four properties in southern New Jersey totaling 615 acres as compensation to the public for ground water pollution at its oil refinery in Greenwich...Valero Refining Company will fund the acquisition of four properties located in Winslow Township, Camden County (359.5 acres); East Greenwich Township, Gloucester County (60.5 acres); Pennsville Township, Salem County (130 acres); and, Lawrence Township, Cumberland County (65 acres). Valero also will pay the Department's assessment costs."

9. Texas Air Quality Violations
Date: 08/23/2006 (Date of Penalty)
Misconduct Type: Environment
Enforcement Agency: State/Local
Contracting Party: None
Court Type: Administrative
Amount: $700,000
Disposition: Fine
Synopsis: On August 23, 2006, the Texas Commission on Environmental Quality approved a $700,000 penalty against Valero Refining-Texas L.P. for air violations. The order resulted from 16 violations found during investigations in March and April of 2006. The violations included exceeding emissions limits, failure to properly report emission events, and failure to prevent nuisance conditions.
10. Failure to Install Emission Monitors  
Date: 02/18/1999 (Date of Revised Order)  
Misconduct Type: Environment  
Enforcement Agency: State/Local  
Contracting Party: None  
Court Type: Administrative  
Amount: $111,000  
Disposition: Fine  
Synopsis: On November 25, 1998, the Texas Natural Resource Conservation Commission initiated an enforcement action against Valero's Corpus Christi Refinery alleging violations of state and federal air regulations due to nitrous oxide emission monitors not being installed in two utility boiler stacks and certain recordkeeping deficiencies. On February 18, 1999 the TNRCC issued a revised Agreed Order for $111,000 in penalties.

11. EPA Region VI v. Diamond Shamrock Refining Company (Record-Keeping and Reporting Violations)  
Date: 09/20/2001 (Date of Consent Decree)  
Misconduct Type: Environment  
Enforcement Agency: EPA  
Contracting Party: None  
Court Type: Administrative  
Amount: $1,825,000  
Disposition: Settlement  
Synopsis: Valero subsidiary Diamond Shamrock Refining Company settled with the Environmental Protection Agency allegations of various record-keeping, reporting, operating and permitting violations at the McKee Refinery and Three Rivers Refinery. Pursuant to a consent decree entered by the federal district court on September 20, 2001, Diamond Shamrock paid a penalty of $1.2 million and funded a supplemental environmental project in the amount of $625,000.

12. Air and Water Pollution and Hazardous Waste Violations (Delaware City, DE)  
Date: 06/28/2007 (Date of Settlement)  
Misconduct Type: Environment  
Enforcement Agency: State/Local  
Contracting Party: None  
Court Type: Administrative  
Amount: $6,255,000  
Disposition: Fine  
Synopsis: Valero Energy subsidiary The Premcor Refining Group, Inc., which owns the Delaware City Refinery, agreed to pay more than $6 million in fines, system improvements and environmental projects to settle allegations of water and air pollution and hazardous waste violations. The Delaware Department of Natural Resources and Environmental Control alleged several instances of noncompliance occurred at the refinery between May 2004 and September 2006. Premcor will pay administrative penalties of $425,000 for the alleged air pollution violations and $30,000 for the alleged hazardous waste violations; spend approximately $4.5
million on improvements and upgrades to its equipment, and spend an estimated $1.3 million on environmental improvement projects. Valero Energy acquired Premcor and its subsidiaries in September 2005.

13. Texas City Emissions
 Date: 08/08/2007 (Date of Press Release)
 Misconduct Type: Environment
 Enforcement Agency: State/Local
 Contracting Party: None
 Court Type: Administrative
 Amount: $119,149
 Disposition: Fine
 Synopsis: The Texas Commission on Environmental Quality fined Valero Refining-Texas L.P. $119,149 for 12 different air emissions violations that occurred at its Texas City plant in 2006. The violations involved the release of sulfur dioxide or volatile organic compounds into the atmosphere.

14. Upgrading Pollution Controls (Clean Air Act Violations)
 Date: 08/14/2007 (Date of Consent Decree)
 Misconduct Type: Environment
 Enforcement Agency: EPA
 Contracting Party: None
 Court Type: Administrative
 Amount: $237,850,000
 Disposition: Settlement
 Synopsis: Valero Energy Corp. agreed to pay a $4.25 million civil penalty and spend $232 million to upgrade pollution controls at its Port Arthur, Texas; Lima, Ohio and Memphis, Tennessee refineries. The new controls will reduce nitrogen oxide, sulfur dioxide and other air pollutants in compliance with the Clean Air Act. The settlement also requires Valero Energy to spend an additional $1.6 million on various environmental health projects in the three communities. The refineries were previously owned by the Premcor Refining Group, Inc., which Valero Energy acquired in September 2005.

15. Nationwide MTBE Groundwater Contamination Litigation
 Date: 03/12/2008 (Date of Settlement)
 Misconduct Type: Environment
 Enforcement Agency: State/Local
 Contracting Party: None
 Court Type: Civil
 Amount: Unknown
 Disposition: Settlement
 Synopsis: A dozen oil companies, including BP America Inc., Chevron Corp., Shell Oil Co. and Valero Energy Corp., agreed to pay over $423 million to settle litigation with public water providers in 17 states over groundwater contamination from the gasoline additive methyl tertiary butyl ether (MTBE). The companies also agreed to pay cleanup costs that arise in the next 30
years. Defendant ExxonMobil refused to settle and faces numerous MTBE trials, scheduled to begin in September 2008.

16. Pollution Violations (Greenwich Township Refinery)
Date: 04/03/2008 (Date of Settlement)
Misconduct Type: Environment
Enforcement Agency: State/Local
Contracting Party: None
Court Type: Administrative
Amount: $1,883,604
Disposition: Settlement
Synopsis: The New Jersey Department of Environmental Protection reached a settlement with Valero over dozens of air pollution violations at Valero’s refinery in Greenwich Township during 2005, 2006 and early 2007. The DEP cited Valero for exceeding overall emissions limits, violating stack-emission testing requirements, exceeding emission standards for pollutants during stack tests, failing to maintain records for monitoring of an air scrubber, and deviating from various other leak detection and repair requirements. Valero will pay a penalty of $905,796 and fund special community projects worth $977,808 that include emergency alert systems and improvements to local schools’ heating and ventilation systems.

17. Safety Violations (Port Arthur, TX)
Date: 04/15/2008 (Date of Announcement)
Misconduct Type: Labor
Enforcement Agency: Labor – OSHA
Contracting Party: None
Court Type: Administrative
Amount: $101,750
Disposition: Fine
Synopsis: The U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) cited Valero Energy Corp. for 13 alleged serious violations, two repeat violations and one other-than-serious violation at Valero’s Port Arthur, Texas petroleum refinery and proposed penalties totaling $101,750. According to an OSHA news release, “Serious violations include failing to: implement accurate process safety information, provide employees with accurate operating procedures, have an adequate system in place to advance recommendations from process hazard analysis and correct equipment deficiencies. A serious violation is one with potential to cause death or serious physical harm to employees when the employer knew or should have known of the hazard. The repeat violations address the company's failure to implement inspection and testing procedures that follow OSHA's standards and regulations. Repeat violations are issued when an employer previously has been cited for the same, or a substantially similar, violation that has become a final order.”

Pending Instances

Wrongful Death
Date: 02/06/2006 (Date of Ferguson Filing)
Misconduct Type:  Labor  
Enforcement Agency:  Non-Governmental  
Contracting Party:  None  
Court Type:  Civil  
Amount:  $0  
Disposition:  Pending  
Synopsis:  An accident in 2005 at Valero Energy Corp.'s Delaware City refinery killed John J. Ferguson and John A. Lattanzi. Their families filed federal wrongful death lawsuits in February 2006 claiming Ferguson and Lattanzi suffocated inside a refinery unit filled with nitrogen gas due to Valero’s negligence and/or recklessness in running the refinery and failure to adequately protect workers.

Overtime Pay Class Action  
Date:  04/18/2008 (Date of Filing)  
Misconduct Type:  Labor  
Enforcement Agency:  Non-Governmental  
Contracting Party:  Non-Governmental  
Court Type:  Civil  
Amount:  $0  
Disposition:  Pending  
Synopsis:  A lawsuit filed in Jefferson County, Texas District Court alleges Valero Energy avoided paying its contractors overtime by misclassifying their wages. The lawsuit, filed on behalf of class representative Ruston Benoit, also names Bay Ltd. as a defendant and alleges that Valero and Bay wrongfully classified weekly wages as a "per diem" allowance to avoid paying the workers time-and-a-half. The suit claims that Benoit, who worked for Bay as an electrical technician, worked in excess of 40 hours per week but was not compensated at one and one-half times his regular rate of pay as required under the Fair Labor Standards Act.