

Phase I Environmental Site Assessment  
Kelsey Bass Station

I. SITE DESCRIPTION

Kelsey Bass Station is located approximately 19 miles southwest of Encino, Texas; and about a mile north of Farm Road 755. The Station is on a 10.0 acre leased site out of the J.C. McGill property, "La Blanca" Ygnacio Rivas Survey No. 459, Allen Land & Improvement Company Subdivision No. 2, Brooks County, Texas.

II. SITE HISTORY

Kelsey Bass Station was built by Humble Pipe Line Company, (now Exxon Pipeline Company) in 1939 to receive gathered crude oil from the Kelsey Oil Field for delivery to EPC's Ingleside Station with subsequent deliveries to its Harbor Island Marine Terminal and Corpus Christi area refineries. Several modifications to piping, pumps and tankage have been made since the station was originally built.

III. SITE ASSESSMENT METHODOLOGY

The assessment methodology consisted of an internal file search, personnel interviews and a site walk-around on 9-1-94. No field sampling or sample analyses were conducted.

IV. ENVIRONMENTAL ISSUES

A. Station Spills

Leak records reflect one crude oil spill has occurred at the Station; Leak Report #135, dated 11-16-66 lists 70 barrels out of line and net oil loss of 70 barrels.

B. Land Farming

A review of files found no documented land farming at Kelsey Bass Station. See attached addendum dated 8-11-94 for details regarding leak record search and landfarming.

#### C. Asbestos/Lead Paint/PCB

Although not documented it is probable that some of the external coating on the piping at the station contains asbestos in the felt-wrap material. This type material typically contains asbestos. Proper procedures should be followed when working on or removing any of the coating.

Some of the above-ground piping, pumps, meters, etc. may be primed with a lead base paint. This could have been a typical paint system several years ago. Proper procedures should be followed when dismantling and painting any of the piping and other devices.

There are no EPC owned transformers or starters at this station that contain fluids. The power company has a pole mounted transformer just outside the property line which was inspected and there appeared to be no leakage and no visible indication of any previous leakage of transformer fluids.

#### D. Other Observations

There is about a 1' diameter oily area on the ground beneath a float switch that is located 60' north of the station pump slab.

A junk area at the northeast corner of the station property where miscellaneous pipe, conduit, wire, light poles, fence post etc. are stored.

Two areas of tar/gravel mix (15' by 20' and 10' by 30') inside the firewall of former tank R-1573 which was dismantled several years ago.

Tank R-1574 has been dismantled several years ago and the concrete over steel bottom remains in place. It is about 80' diameter by 1' high.

#### E. Adjacent Properties

EPC released a 0.86 acre parcel of its leased station site in 1951. Said released property is just east of the former location of tank R-1574. This released parcel was the former location of EPC tanks R-1575 and R-1576 which had been dismantled. At the R-1575 site there is an abandoned truck unloading site and at the R-1576 site there are four, 2,000 barrel tanks owned by others.

Kelsey Bass Station is located in the middle of a ranch and is surrounded by undeveloped land and scattered oil leases.

Phase I Environmental Assessment  
Kelsey Bass Gathering System

I. GATHERING SYSTEM DESCRIPTION

Exxon Pipeline Company's Kelsey Bass Gathering System is connected to 4 active Producer owned crude oil leases and contains approximately 24.61 miles of 2" to 8" pipeline plus all required pumping units, valves, and fittings. The gathering system receives oil from said leases into EPC's Kelsey Bass Station which is located on the north side of Farm to Market Highway 755 about 19 miles southwest of Encino, Texas, in the southwest corner of Brooks County, Texas. The Station is further located as being out of the J.C. McGill property, "La Blanca" Ygnacio Rivas Survey No. 459, Allen Land & Improvement Co. Subdivision No. 2, Brooks County, Texas.

II. GATHERING SYSTEM HISTORY

Operation of the Kelsey Bass Gathering System began in the late 1930's. Initially crude oil was gathered from the Kelsey Oil Field into tankage at Humble Pipe Line Company's (now Exxon Pipeline Company) Kelsey Bass Station for trunkline deliveries to EPC's Ingleside Station with ultimate delivery to Corpus Christi refineries and EPC's Harbor Island Marine Terminal. Later, a trunk line was laid to the Houston area to also allow delivery to Texas City and Houston area refineries.

As is typical with gathering systems; there have been constant changes to the Kelsey Bass Gathering System to be able to serve the new leases as they were built and to disconnect from old leases that were abandoned.

III. ASSESSMENT METHODOLOGY

The assessment methodology consisted of an internal file search and personnel interviews. No on site walk-around, field sampling, or sample analyses were included.

IV. ENVIRONMENTAL ISSUES

A. Pipeline Spills

A record search of the Kelsey Bass Gathering System leak history revealed the following data:

1. Total pipeline spills(1/31/49-8/5/94): 429 Spills
2. Barrels out of line as result of spills: 5,634 Bbls.
3. Net unrecovered barrels from spill: 5,394 Bbls.

## B. Land Farming

Land farming, involving mixing and turning the affected soils to accelerate natural degradation of hydrocarbons, has been a standard practice for EPC leak cleanup and is documented on many of the reports that were reviewed. Therefore the assumption was made, but cannot be verified, that after picking up or burning all free oil at each spill site, the affected area was land farmed.

NOTE: See attached addendum dated 8/11/94 for details regarding leak record search and land farming.

## C. Asbestos/Lead Paint

Although not documented it is probable that some of the external coating on the piping throughout the gathering system contains asbestos in the felt-wrap material. This type material typically contains asbestos. Proper procedures should be followed when working on or removing any of the coating.

Some of the above-ground piping, pumps, meters, etc., may be primed with a lead base paint. This could have been a typical paint system several years ago. Proper procedures should be followed when dismantling and painting any of the piping and other devices.

# PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement ("Agreement") is made and entered into effective this 10<sup>th</sup> day of January, 1995 by and between EXXON PIPELINE COMPANY, a Delaware corporation ("EPC") and KOCH GATHERING SYSTEMS, INC., a Kansas corporation ("Buyer"):

## WITNESSETH

WHEREAS, EPC is the owner of the real and personal property and related rights described in Section 1 below (collectively the "Assets"); and

WHEREAS, Buyer wishes to purchase the Assets from EPC; and

WHEREAS, EPC wishes to sell the Assets to Buyer;

NOW, THEREFORE, for the consideration hereinafter specified, EPC and Buyer agree as follows:

1. Purchase and Sale. Subject to the terms and conditions of this Agreement, EPC agrees to sell and Buyer agrees to buy all of EPC's right, title, and interest in the following Facilities, Rights, Easements, Fee Lands, and Leases:

A. The South Texas Crude Oil Pipeline System, all as depicted in Exhibits "A" & "B", attached hereto and made a part hereof, together with attached valves, meters and pumping equipment (the "Facilities"), consisting of:

- (1) Harbor Island Delivery Facilities and Harbor Island Station, all located within Nueces County, Texas; *Tracts w/ Port for Ingleside*
- (2) Harbor Island-Ingleside trunkline system, extending from Nueces County to San Patricio County, Texas; *Sold to Chevron 1999 - for Salvage - Lines removed in Fall 1999*
- (3) Kemper-Vinla Pipeline System as follows: *Lines not operated by Koch*

- a. The Kemper-Edwards/Real County line trunkline system, extending from Reagan County to Edwards County, Texas, *Dec 2000 - Kemper to Real Booster Station*
- b. The Edwards/Real County line-Lytle trunkline system, extending from Real County to Medina County, Texas, *See notes*
- c. The Lytle-Ingleside trunkline system, extending from Medina County to San Patricio County, Texas, *See notes*
- d. The Charlotte-Imogene trunkline system, including lines all located within Atascosa County, Texas, *Not operated*



### Purchase and Sale Agreement

- d. The Government Wells-Benavides trunkline system, including lines all located within Duval County, Texas. *Line was removed & replaced in 1997 -> active Jan 95-97 Koch Operated -> present*
- e. The West Charamousca/Lundell-Benavides trunkline system, including lines all located within Duval County, Texas. *at/00 Sold to Shareham - Shareham #2 Restricted Jan 95-97 Koch Operated -> ask Lance Baker*
- f. Viola-Texas Co. Jct 2 trunkline system, including lines located within Nueces County, Texas. *Viola to Koch East 10-1a 98 to present East 1/2 Jan/95 Operated by Koch until Present was replaced*
- g. The Kelsey Bass gathering system, including lines all located in Brooks County, Texas. *Lance Baker - currently inactive sold to Aliant.*
- h. The Bruni gathering system, including lines all located in Webb County, Texas. *Dago might know? Tommy Watson*
- i. The Government Wells gathering system, including lines all located within Duval County, Texas, and *Dago*
- j. Bruni, Thompsonville, Benavides, - Kelsey Bass, Coxamo, West Charamousca, Government Wells, Green, and Lundell pipeline stations.

(6) Viola-Corpus Christi Pipeline System as follows:

- a. The Viola-Corpus Christi 10" trunkline system, including lines all located within Nueces County, Texas, and *Jan 95-99 Koch Operated*
- b. The Citgo/Southwestern Meter Site, located in Nueces County, Texas; and *Down dry shut down*

(7) Viola Crude Station, located in Nueces County, Texas.

*Active since 1995 - P*  
The Facilities include trunkline and gathering system pipe of various diameter, crude oil storage tanks, and attached valves, buildings, meters, and pumping equipment. The Facilities will also include the vehicles, boats (if any), tools, warehouse stock, equipment and materials identified in Exhibit "C".

- B. EPC shall grant to Buyer a right of first refusal to purchase the Viola-Webster 18" pipeline and a right of first refusal to purchase the 6" and 16" Viola-Corpus Christi pipelines (the "Rights"), as hereafter described.
- C. The interests in easements, prescriptive rights, and/or right of way agreements, and to the extent assignable, those permits, land use, water crossings, and governmental authorizations relating to the Assets, listed in Exhibit "D" (collectively the "Easements"). Where EPC is retaining a pipeline or pipelines covered by an Easement, only the interests needed for pipelines being transferred will be partially assigned to Buyer.
- D. EPC's interest in fee lands at EPC's Corpus Christi office (subject to a rent-free lease through March 31, 1995, to the E. E. South Texas Credit Union ("Credit Union")), to be executed by Buyer at closing, Viola Station, Harbor Island Terminal,

discovery order or other relief in connection with this Agreement or the transactions contemplated hereby.

H. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any person acting on behalf of Buyer or its Affiliates in such manner as to give rise to any valid claim against EPC for any broker's or finder's fee or similar compensation in connection with the transactions contemplated hereby. Buyer agrees to pay and to indemnify fully, hold harmless and defend EPC and its Affiliates from and against any claims by any person alleging a right to a broker's or finder's fee based upon any actions of Buyer or its affiliates.

6. Monetary Allowances. Notwithstanding the "as is" sale and exclusion of all representations and warranties with respect to the Assets, EPC agrees to the following Monetary Allowances:

A. EPC shall reimburse Buyer up to a maximum aggregate liability to EPC of \$3,500,000.00 for Reimbursable Costs incurred by Buyer within ten (10) years after the Closing for environmental remediation of conditions existing on or before Closing that a governmental agency mandates under a law or regulation which was applicable as of the date of Closing and property damage claims from third parties on whose land such remediation takes place, provided Buyer also bears a portion of such Reimbursable Costs according to the following schedule (with EPC's share and maximum reimbursement liability being referred to as "EPC's Monetary Allowance"):

- (1) Buyer shall pay 100% of the first \$1,000,000.00 of such aggregate Reimbursable Costs,
- (2) EPC shall reimburse 100% of the next \$1,000,000.00 of such aggregate Reimbursable Costs,
- (3) EPC and Buyer shall split (EPC reimbursing and Buyer paying) the next \$1,000,000.00 of such aggregate Reimbursable Costs on a 50/50 basis,
- (4) EPC shall reimburse 100% of the next \$1,000,000.00 of such aggregate Reimbursable Costs, and
- (5) EPC and Buyer shall split (EPC reimbursing, and Buyer paying) the next \$2,000,000.00 of such aggregate Reimbursable Costs on a 50/50 basis.

Buyer shall be responsible for all costs, claims, and damages not covered by EPC's Monetary Allowance.

B. If Buyer determines, in the course of the due diligence review prior to closing or discovers during the first thirty (30) days of its ownership of the Assets, that there are any Material Defects (defined as a significant impairment of the operating functions or safety and which was not disclosed to or known by Buyer prior to the execution of the Purchase and Sale Agreement), EPC will either correct or pay up to