UNITED STATES OF AMERICA
OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

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In Re Inspection of:	)	
	)	
BP PRODUCTS NORTH AMERICA INC., and its Successors,	)	Inspection Nos. 308314640, 308314988, 308314632, 308316942, 308316322, 308316314, 308314996, 308315019, 308316751
	)	

SETTLEMENT AGREEMENT

WHEREAS, the United States Department of Labor, Secretary of Labor, Occupational Safety and Health Administration ("OSHA") has issued citations in connection with Inspection Nos. 308314640 and 308314988 (the "citations"), and its investigation of an explosion and fire at the Refinery owned by BP Products North America Inc. ("BP Products") located at Texas City, Texas (the "Texas City Refinery" or "Refinery");

WHEREAS, OSHA has other ongoing investigations at the Texas City Refinery identified by the Inspection Nos. 308314632, 308316942, 308316322, 308316314, 308314996, 308315019, and 308316751 (the "other inspections");

WHEREAS, OSHA has presented its findings concerning the other inspections to BP Products; and

WHEREAS, OSHA and BP Products desire to resolve all issues involving the citations and matters connected with all of the identified inspections;

OSHA and BP Products hereby agree as follows with respect to the Texas City Refinery:

1. PSM Expert: BP Products agrees, as a condition of settlement, to perform the following with respect to the Texas City Refinery:

Δ π EXHIBIT 331
Deponent Grower
Date 5/5/06 Rptr. SB
WWW.DEPOBOOK.COM

a. BP Products shall retain one or more firms with expertise in the field of process safety management, including pressure relief systems, safety instrumented systems, human factor analysis and performing process safety audits and PSM system audits ("PSM Expert") to conduct a comprehensive audit and analysis of the PSM Systems at BP Products' Refinery and assess the robustness of the PSM systems. BP Products shall nominate a firm or firms and shall provide credentials for the firm(s) and its principals to the OSHA office within sixty (60) days following the execution of this Settlement Agreement. If OSHA does not concur in the retention of a firm, BP Products shall continue the search until it nominates a firm which is accepted by OSHA. That firm(s) shall be retained by BP Products within thirty (30) days following OSHA's concurrence. For purposes of this Agreement, the retained firm or firms is referred to as the "PSM Expert."

b. The audit and analysis shall be comprehensive, conducted in accordance with best practices in the industry, and shall include, but is not limited to, the following matters:

(1) The safe location of personnel in relation to hazardous processes;

(2) The safe movement of vehicles into process areas;

(3) The construction of fired and unfired pressure vessels, particularly the relief of overpressures to a safe location, in accordance with 29 CFR 1910.106(i)(3) and the referenced ASME codes;

(4) The classification of hazardous locations as defined in 29

CFR 1910.399;

(5) The notification of contractors and employees regarding potential hazards;

(6) The inspection and maintenance of alarms providing personnel with notification of hazardous conditions that may be developing;

(7) The standard operating procedures (particularly start up and emergency shut down procedures);

(8) The adequacy of pressure relief for individual pieces of equipment;

(9) The adequacy of safety instrumented systems;

(10) Human factor analysis; and

(11) Lock out/Tag out programs, procedures, and applications.

In conducting the audit and assessment, the PSM Expert shall seek input from BP Products' authorized employee representative.

c. The PSM Expert shall produce to BP Products, pursuant to the terms of this Agreement, his first audit report within six (6) months from the date of retention by BP Products. Thereafter, the PSM Expert shall provide two semi-annual progress reports and one final report (collectively, the "Safety Reports"). The final report shall be submitted to BP Products two (2) years from the date BP Products retains the PSM Expert. Each Safety Report shall include the deficiencies found and recommendations for correction. These recommendations shall be prioritized to place those recommendations first that address the most imminent hazards posed to personnel.

Within ten days of BP Products' receipt of a Safety Report, BP Products will provide the Report to OSHA's Houston South Area Office and to BP Products' authorized employee representative for review and comment. Should any Safety Report contain confidential business information ("CBI"), BP Products will provide that portion of the Report only to OSHA; BP Products will also provide that portion of the Report to any authorized employee representative that has executed a confidentiality agreement with BP Products in which the employee representative agrees not to disclose any CBI in the Report to third parties. BP Products shall implement all feasible recommendations in the Safety Reports. BP Products shall prepare and provide a copy of a statement of action to be taken on the recommendations set forth in the Safety Report ("statement of action") to OSHA and the authorized employee representative within thirty days (30) of receipt of the Safety Report. If BP Products determines not to implement any recommendation(s) contained in the Safety Report, BP Products will state in detail in the statement of action the reason(s) why the recommendation will not be implemented and an indication of the action(s) to be taken to deal with the stated issue, including measures BP Products will employ to protect employees from the stated issue.

d. OSHA and the authorized employee representative shall have fifteen (15) business days to respond to BP Products' statement of action. In the event OSHA and BP Products disagree, they will confer to resolve such disagreement within a reasonable time after OSHA's comments are received. The responsibility to confer within a reasonable time does not waive BP Products' right to file a petition for modification under 29 CFR 1903.14a, nor does it waive BP Products' obligations to comply with the time periods and posting requirements provided in 29 CFR 1903.14a.

2. Organizational Expert: BP Products agrees to retain an expert who is qualified by education, experience and training in organizational communication, organizational behavior, or organizational analysis ("Organizational Expert"). The names and credentials of firms and their principals having this expertise that are under consideration shall be provided to the OSHA office within sixty (60) days following the execution of this Settlement Agreement. If OSHA does not concur in the retention of a firm, BP Products shall continue the search until it locates a firm with whose retention OSHA concurs. That firm shall be retained by BP Products within thirty (30) days following OSHA's concurrence.

a. The Organizational Expert's focus and recommendations should address, at a minimum, the following concepts and desired results:

1. Concepts:

Management Commitment/Employee Involvement: Management commitment and employee involvement are complementary. Management commitment provides the motivating force and the resources for organizing and controlling activities within an organization. In any effective safety and health program, management regards workers' safety and health as a fundamental core value of the organization and applies its commitment to safety and health protection with as much vigor as to other organizational purposes. Employee involvement provides the means through which workers develop and/or express their own commitment to safety and health protection, for themselves and for their fellow workers.

2. Results:

(a). State clearly a worksite policy on safe and healthful work and working conditions so that all personnel with responsibility at the site and personnel at other locations with responsibility for the site understand the priority of safety and health protection in relation to other organizational values.

(b). Provide visible top management involvement in developing and implementing the program, so that all will understand that management is committed to establishing safety and health as a core value of all company operations.

(c). Strive to develop a process with represented organized labor, such as the Triangle of Prevention System ("TOPS Program") or the Safety Training Operations Maintenance Process Program ("STOMP Program"), to encourage employee involvement in the structure and operation of the program and in decisions that affect their safety and health.

(d). Provide adequate authority and resources to responsible parties, so that assigned responsibilities can be met.

(e). Hold managers, supervisors, and employees directly accountable for meeting their safety and health responsibilities, so that essential tasks will be performed.

b. The Organizational Expert will provide a written interim and final assessment of the communication within BP Products' Refinery with respect to safety and safety commitment (collectively the "Organizational Reports"). The Organizational Reports shall be submitted to BP Products at six months and at one (1) year from the date this Settlement Agreement is executed if the Organizational Expert has been previously retained by BP Products or, if that is not the case, from the date BP Products retains the Organizational Expert. The Organizational Reports will include communication within and between the following groups: management employees, supervisors, authorized employee representatives and non-management employees, and will assess the impact of the communication on the implementation of safety practices and procedures. Within ten days of BP Products' receipt of an Organizational Report, it shall provide that Report to OSHA's Houston South Area Office and to BP Products' authorized employee representative for their review and comment. Should any Organizational Report contain

CBI, BP Products will provide that portion of the Report only to OSHA; BP Products will also provide that portion of the Report to any authorized employee representative that has executed a confidentiality agreement with BP Products in which the employee representative agrees not to disclose any CBI in the Report to third parties.

c. BP Products will implement all feasible recommendations in the Organizational Reports. BP Products shall prepare and provide a copy of a statement of action to be taken on the recommendations set forth in the Organizational Report ("statement of action"). In the event BP Products determines not to implement any recommendation(s) contained in the Organizational Report, BP Products will detail in the statement of action the reason(s) why the recommendation is not to be implemented and an indication of the action(s) to be taken to deal with the stated issue. BP Products agrees to provide a copy of the statement of action to the company's authorized representative at the same time OSHA is provided such statements. OSHA shall have fifteen (15) business days to respond to BP Products' statement of action. In the event OSHA and BP Products disagree over any actions being or not being taken as a result of the recommendations, they will confer to resolve such disagreement within a reasonable time after OSHA's comments are received. The responsibility to confer within a reasonable time does not waive BP Products' right to file a petition for modification under 29 CFR 1903.14a, nor does it waive BP Products' obligations to comply with the time periods and posting requirements provided in 29 CFR 1903.14a.

3. Safety and Health Training: BP Products shall ensure that all employees (management and labor) and contractors (to the extent training and communication is required for contractors by 29 CFR 1910.119) understand the hazards to which they may

be exposed and how to prevent harm to themselves and others from exposure to these hazards, so that employees accept and follow established safety and health protections, including safe operating procedures.

a. So that supervisors will carry out their safety and health responsibilities effectively, ensure that they understand those responsibilities and the reasons for them.

b. Supervisors shall reinforce the employee training on the nature of potential hazards in their work and on needed protective measures through continual performance feedback and, if necessary, through enforcement of safe work practices.

4. Occupational Injuries and Illnesses Logs: Every six (6) months, beginning six (6) months after the execution of this Agreement, for a total period of three (3) years, BP Products agrees to submit to OSHA, and to BP Products' authorized employee representative, its Logs of Occupational Injuries and Illnesses ("OSHA 300 Logs") and all incident reports related to PSM issues that are required by 29 CFR 1910.119(m), including near misses. Copies of reports provided pursuant to this paragraph (and any questions regarding such notices) shall be directed to: Occupational Safety and Health Administration, c/o Charles Williams, Area Director, Houston South Area Office, 17625 El Camino Real, Suite 400, Houston, Texas 77058. In addition, BP Products shall notify OSHA's Houston South Area Office of any accident or injury involving PSM and/or Lock out/Tag out related issues at BP Products' Refinery that results in an employee losing work-time of one or more days during the three (3) year period following the date this Settlement Agreement is executed. Further, BP Products agrees to permit OSHA access to the workplace at BP's Products' Refinery to inspect and investigate any such

accident or injury.

5. Enforcement of Agreement: BP Products agrees that the citations incorporate the abatement measures set forth in Paragraphs numbered 1 through 4 (including subparagraphs) of this Settlement Agreement and that these measures are required abatement of the cited conditions. BP Products waives its right to contest the Texas City Refinery citations and consents to the entry of a Final Order by the Occupational Safety and Health Review Commission that incorporates the terms of this Settlement Agreement, the citations, penalties, and abatement dates. The failure to perform any measure required in this Agreement may be cited as a failure to abate under Section 10(b) of the Occupational Safety and Health Act (the "Act"), 29 U.S.C. § 659(b). BP Products agrees that this Settlement Agreement and its terms, including the abatement measures set forth in Paragraphs 1 through 4 (including subparagraphs), shall be enforceable under Section 11(b) of the Act, 29 U.S.C. § 660(b). BP Products agrees that it will not oppose the filing of a petition for summary enforcement of this Agreement and citations under Section 11(b) of the Act, 29 U.S.C. § 660(b). Nor will BP Products oppose the entry of an order of enforcement in such a proceeding by the United States Court of Appeals. Nothing in this agreement limits BP Products' defenses and arguments in an action for contempt or failure to abate (other than the argument that the provisions of this Agreement are not required abatement).

6. Abatement: BP Products represents that hazardous conditions are, or will be, abated as follows:

a. The citation items listed below are related to the Isomerization Unit ("ISOM unit") itself and have been abated by the shutdown of the ISOM unit. If BP

Products elects to restart the ISOM unit, BP Products will submit an abatement action plan addressing these items to OSHA at the Houston South Area Office at least ninety (90) days prior to restarting the ISOM unit. OSHA will then have thirty (30) days to review the plan and make requests or modifications to the plan by submitting them to the Texas City Refinery. BP Products will then have thirty (30) days to respond to OSHA's requests or modifications and to discuss with OSHA any disagreements concerning the requests or modifications. The responsibility to confer with OSHA does not waive BP Products' right to file a petition for modification under 29 CFR 1903.14a, nor does it waive BP Products' obligations to comply with the time periods and posting requirements provided in 29 CFR 1903.14a.

- **Inspection Number 308314640:**
  - Citation 1, Items 1, 2a, 2b, 2c, 2d, 3, 4, 6, 7a, 7b, 8, 9, 10, 11, 12 and 13;
  - Citation 2, Items 2, 3, 4, 5, 6, 7, 8;
  - Citation 2, Items 10 through 39;
  - Citation 2, Items 41 through 109;
  - Citation 2, Item 110 and 116.

b. The citation items related to the blowdown stack in the ISOM unit, as listed below, are hereby abated by BP Products' representation that the ISOM unit blowdown stack system has been permanently removed from service, other than for use required to de-inventory the ISOM process unit as part of the ongoing investigation by governmental agencies. Deinventory will be done in a manner that avoids exposing employees to hazards.

- **Inspection Number 308314640:**
  - Citation 1, Item 5;
  - Citation 2, Items 1, 40 and 111 through 115.

c. BP Products represents that the citation items listed below have been abated as of the signing of this Agreement. Specifically, BP Products states that it has moved the contractor trailers and the electrical equipment connected to and added on to the contractor trailers, to a location a safe distance from any process units and other hazards of the work site.

- **Inspection Number 308314640:**
  - Citation 2, Items 117 through 134 and Items 147 through 301.

d. The items listed below will be deemed to be abated when BP Products notifies OSHA of the completion of the work of the Organizational Expert and the PSM Expert(s), as outlined previously in this Agreement. Each notice shall be submitted within thirty (30) days of the completion of the experts' work.

- **Inspection Number 308314640:**
  - Citation 2, Item 9;
  - Abatement specified in Paragraphs 1, 2, 3 and 4 of this Agreement.

e. BP Products agrees that it will notify OSHA how it intends to abate the items listed below in an abatement action plan to be submitted to OSHA, pursuant to 29 CFR 1903.19(e), within sixty (60) days of the execution of this Agreement. OSHA will then have thirty (30) days to review the plan and make requests or modifications to the plan by submitting them to the Texas City facility. BP will then

have thirty (30) days to respond to OSHA's requests or modifications and to discuss with OSHA any disagreements concerning the requests or modifications. The responsibility to confer with OSHA does not waive BP Products' right to file a petition for modification under 29 CFR 1903.14a, nor does it waive BP Products' obligations to comply with the time periods and posting requirements provided in 29 CFR 1903.14a.

- **Inspection Number 308314640:**
  - Citation 2, Items 135 through 146.
- **Inspection Number 308314988 (The Health Inspection):**
  - Citation 1, Items 1 through 9;
  - Citation 2, Items 1 through 2;
  - Citation 3, Items 1a, 1b and 2.

f. The items addressed in this section 6(f) relate to the other inspections at the Texas City Refinery listed below. To the extent such items are not addressed in this Agreement or have not already been abated, BP Products agrees that it will notify OSHA how it intends to abate the items listed below in an abatement action plan to be submitted to OSHA, pursuant to 29 CFR 1903.19(e), within sixty (60) days of the execution of this Agreement. OSHA will then have thirty (30) days to review the plan and make requests or modifications to the plan by submitting them to the Texas City Refinery. BP Products will then have thirty (30) days to respond to OSHA's requests or modifications and to discuss with OSHA any disagreements concerning the requests or modifications. The responsibility to confer with OSHA does not waive BP Products' right to file a petition for modification under 29 CFR 1903.14a, nor does it waive BP Products' obligations to comply with the time periods and posting requirements provided

in 29 CFR 1903.14a.

Under BP Products' siting procedures, BP Products has examined the location of all temporary and permanent occupied structures, in particular trailers and satellite control rooms, in the Texas City Refinery, and will re-examine these structures in compliance with the findings of the PSM Expert. Pursuant to its examination, BP Products has either evacuated or removed all trailers within 500 feet of blowdowns and flares, moved approximately 190 people from trailers to other buildings and has leased offsite space for further movement of personnel. Additionally, as to the Satellite Control Room ("Pump Room") in the Fluid Catalyst Cracking Unit No. 1, BP Products has relocated resident employees from that room to the Central Control Room. In the future, BP Products will construct a substitute Satellite Control Room that is properly placed pursuant to BP Products' policies and procedures on the siting of permanent facilities.

Further, as part of the audit by the PSM expert, BP Products will address a positive material identification program for its piping system and the use of safety integrity levels ("SILs") in its PHAs.

- **The other inspections:** OSHA Inspection Nos. 308314632, 308316942, 308316322, 308316314, 308314996, 308315019, and 308316751.

7. Abatement Verification: BP Products will comply with all applicable abatement verification provisions of 29 C.F.R. 1903.19, including but not limited to, all certification, documentation, and posting requirements. Abatement certification shall be accomplished within 45 calendar days after the abatement dates specified in the OSHA-approved abatement plan, by mailing a letter to Occupational Safety and Health Administration, c/o Charles Williams, Area Director, Occupational Safety and Health

Administration, Houston South Area Office, stating that abatement has been completed, the date and method of abatement, and that affected employees and their representatives have been informed, in writing, of the abatement. Any required abatement documentation shall be submitted along with the abatement certification.

8. Abatement Monitoring: BP Products shall permit OSHA, including its experts, to have access to the workplace at BP Products' Refinery subsequent to the dates fixed for abatement for the specific and limited purpose of determining if the conditions described in the citations and this Agreement have been corrected. BP Products also agrees to allow OSHA (including its experts) access to the Texas City Refinery to determine progress and compliance with this Agreement. Any experts retained by OSHA to assist in the monitoring effort shall execute a confidentiality agreement which prohibits such experts from disclosing to third parties any information related to the operation of the Texas City Refinery learned in connection with the monitoring. OSHA shall provide such confidentiality agreement(s) to BP Products prior to any such expert's entry onto the Texas City Refinery. Nothing in this Agreement shall be construed as limiting OSHA's authority to conduct any type of inspection authorized by the Act.

9. Settlement Payment: BP Products shall pay the total penalty of $21,361,500.00 within forty five (45) days after the date this Settlement Agreement is executed. BP Products shall tender payment to: U.S. Department of Labor, Occupational Safety and Health Administration, c/o Charles Williams, Area Director, Houston South Area Office, 17625 El Camino Real, Suite 400, Houston, Texas 77058. The check shall be made payable to "U. S. Department of Labor - OSHA."

10. Compliance with OSH Act: BP Products shall comply with the

Occupational Safety and Health Act.

11. Authorized Employee Representative(s): BP Products certifies that the names and addresses of all authorized employee representatives of affected employees are: Joe Bilancich, Chairman, United Steelworkers of America, 2327 Texas Avenue, Texas City, Texas 77590-8341. 12. No Other Authorized Employee Representative(s): BP Products further certifies that there are no other unions representing affected employees except those set forth above.

13. Service on Authorized Employee Representative(s): OSHA certifies that service of the fully executed Settlement Agreement was made on the authorized employee representative(s) on the 22 day of September, 2005.

14. Non-Admissions: Neither this Settlement Agreement nor BP Products' consent to entry of a final order by the Commission pursuant to this Agreement constitutes any admission by BP Products, its parents, subsidiaries, affiliates, representatives, agents, officers, directors, or employees (the "BP Products Parties") of violation of the Occupational Safety and Health Act ("OSH Act") or regulations or standards promulgated there under. Neither this Settlement Agreement nor the Texas City Refinery citations, related reports or any order entered pursuant to this Agreement (collectively, the "Enforcement Documents") is intended to be offered, used or admitted in evidence against any BP Products Parties in any proceeding or litigation, except for proceedings and matters brought by the United States Government. This does not preclude any BP Products Party from arguing the admissibility or non-admissibility of the Enforcement Documents under applicable rules of evidence in any subsequent proceedings, other than in proceedings brought by the Secretary of Labor to enforce this

Agreement. BP Products is entering into this Agreement without any prejudice to the BP Products Parties' rights to raise any defense or argument in any future or pending cases, proceeding, or litigation. The BP Products Parties retain the right to assert in any subsequent action or proceeding that any future existing conditions identical or similar to those alleged in the Texas City Refinery citations do not violate the Occupational Safety and Health Act or any standard promulgated there under. By BP Products' entry into this Agreement, the BP Products Parties do not admit, and in fact specifically deny, the truth of any alleged facts, any of the characterizations of BP Products Parties' alleged conduct or any of the conclusions set forth in the Texas City Refinery citations or amended citations issued in this matter. 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.

15. Compliance with this Agreement: The parties agree that OSHA reserves the right to take appropriate action in the event it deems BP Products has not appropriately complied with this Agreement in good faith.

16. Resolution of Other OSHA Inspections: Since the abatement contained in this Agreement is extensive and Refinery-wide, this Agreement resolves all pending issues in OSHA Inspection Nos. 308314640, 308314988, 308314632, 308316942, 308316322, 308316314, 308314996, 308315019 and 308316751.

17. Costs: Each party agrees to pay its own attorney's fees, costs, and other expenses incurred by such party in connection with any stage of the above-referenced proceeding including, but not limited to, attorney's fees which may be available under the Equal Access to Justice Act, as amended.

18. Expiration: This Agreement shall expire four years from the date of execution of this Agreement or 45 days after BP Products certifies that it has completed the abatement actions required by Paragraphs 1-6 and 7, whichever is earlier.

19. Notice or Communication to Texas City Refinery: When notice or communication to the Texas City Refinery is required herein, such notification will be accomplished by notifying all of the following:

Pat Gower
Refining Vice-President, U.S. Region
BP Products North America Inc.
Naperville Complex
150 West Warrenville Road
Mail Station 605-1E
Naperville, IL 60563

James Pickett
BP Legal Department
BP America Inc.
Mail Code 4 West
4101 Winfield Road
Warrenville, IL 60555

Paul Kaufman
HSSE Compliance Manager, Texas City Refinery
BP Products North America Inc.
2401 5th Avenue South
P. O. Box 401
Mail Code NOB-4A
Texas City, TX 77590-0401

Should there be a change in the person(s) occupying the above positions during the term of this Agreement, BP Products will provide OSHA with the name of the new person.

20. Force Majeure: No BP Products Party shall be sanctioned or otherwise held liable for any failure to perform the obligations in connection with any actions described in this Agreement, if such failure results from any act of God, riot, war, civil unrest, terrorism, hurricane, flood, earthquake or other cause beyond BP Products Party's

control. Nothing in this Agreement shall be construed as any type of limitation of OSHA's authority or ability to conduct any type of inspection authorized by the Act.

21. Construction: The headings in this Agreement are for convenience and are not intended to affect construction or interpretation. The plural includes the singular and the singular includes the plural; "and" and "or" are each used both conjunctively and disjunctively; "any" and "all" each mean "any and all"; "each" and "every" each mean "each and every"; and "including" and "includes" are each "without limitation."

Respectfully submitted,

BP PRODUCTS NORTH AMERICA INC.

BY:

PATRICK E. GOWER
Refining Vice-President, U. S. Region

Signed this 22nd day of September, 2005.

BP Products North America, Inc.
Naperville Complex
150 West Warrenville Road
Mail Station 605-1E
Naperville, Illinois 60563

Authorized Representative of Respondent.

UNITED STATES DEPARTMENT OF LABOR, OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

BY:

JOHN B. MILES, JR.
OSHA Regional Administrator, Region VI

Signed this 22 day of September, 2005.

U. S. Department of Labor
Occupational Safety & Health Administration
Region VI Office
525 S. Griffin Street, Suite 602
Dallas, Texas 75202

Representative for OSHA.