

**Agreement for Exclusive Reservation of Recycled Water Between
Flint Hills Resources Corpus Christi, LLC and the City of Corpus Christi**

This Agreement for Exclusive Reservation of Recycled Water (the "Reservation") is made by and between The City of Corpus Christi, acting by and through its authorized representative, the City Manager or designee (the "City"), and Flint Hills Resources Corpus Christi, LLC (FHR). FHR and the City may hereinafter be referred to as a "Party" or collectively as the "Parties".

WHEREAS, FHR operates two petroleum refineries located in Corpus Christi, Texas;

WHEREAS, the Texas Commission on Environmental Quality has issued an Authorization for Reclaimed Water to the City that provides the City with certain authority for the use and transfer of reclaimed water or treated wastewater effluent, referred to in this Agreement as "recycled water");

WHEREAS, FHR would like time to evaluate entering into a recycled water agreement with the City;

WHEREAS, the City is subject to that certain Agreed Order issued by the Texas Commission on Environmental Quality (TCEQ) Amending the Operational Procedures and Continuing an Advisory Council Pertaining to Special Condition 5.B., Certificate of Adjudication No. 21-3214, Docket No. 2001-0230-WR, referred to in this Agreement as the "Agreed Order";

NOW, THEREFORE, for and in consideration of mutual covenants herein contained, it is agreed by and between the Parties as follows:

I. Reservation.

A. Term and Fee. Subject to the Agreed Order and all other applicable laws, regulations and orders, for and in consideration of payment of a reservation fee in the amount of Fifty Thousand Dollars (\$50,000.00) to be paid within thirty days of the date the City Manager or the City Manager's designee signs this Reservation, ("Reservation Fee"), the City will reserve for the exclusive benefit of FHR the capacity for delivery of up to 2 million gallons per day (mgd) of recycled water/treated wastewater effluent from the Allison Wastewater Treatment Plant (AWWTP), or 2 million mgd from any of the City's other wastewater treatment plants in the event that the City will no longer be operating the AWWTP.

The Reservation shall start on the Effective Date and expire nine months from the Effective Date. During the term of the Reservation, the City shall not enter into any other agreement or reservation for the 2.0 mgd of treated wastewater effluent from the AWWTP or an amount of treated wastewater effluent that would in any way restrict the City's ability to furnish FHR the 2.0 mgd of treated wastewater effluent subject to this Reservation.

The nine-month reservation period is to allow FHR time for evaluation, equipment pilot testing and water quality testing to confirm suitability of the recycled water and any onsite treatment cost for the intended industrial applications. Before the expiration of the Reservation, FHR will inform the City in writing if it intends to enter into a recycled water agreement(s) for either or both of its local refineries commonly referred to as the FHR Corpus Christi West Refinery and the FHR Corpus Christi East

Refinery.

B. Effective Date. The Effective Date of this Reservation is the date upon which it is signed by the City.

C. Termination. The City may terminate this Reservation in the event that FHR fails to timely pay the \$50,000.00 reservation fee and FHR has been provided written notice of this failure and thirty (30) days to cure.

D. Extension. FHR may request to extend this Reservation for an additional three-month period by providing the City with a written request at least thirty (30) days prior to the termination date of this Agreement. If the City approves FHR's request to extend this Reservation, upon FHR's payment of a reservation extension fee of Thirty-Seven Thousand Five Hundred Dollars (\$37,500), which must be received by the City before the termination date, ("Reservation Extension Fee") this Reservation will extend for a period of three months. The extended Reservation shall be exclusive and during the extended term of the Reservation, the City shall not enter into any other agreement or reservation for the 2.0 mgd of treated wastewater effluent from the AWWTP or an amount of treated wastewater effluent that would in any way restrict the City's ability to furnish FHR the 2.0 mgd of treated wastewater effluent subject to this Reservation.

E. During the nine-month Reservation period, and the three-month extension period, the City shall determine compliance with the Agreed Order with the assistance of information provided by FHR related to FHR's planned effluent discharges. If during the nine-month Reservation period, the City determines that planned use of effluent by FHR does not comply with the Agreed Order, the City will refund the Reservation Fee. If during the three-month extension period, the City determines that planned use of effluent by FHR does not comply with the Agreed Order, the City will refund the Reservation Fee and the Reservation Extension Fee.

F. Notices. Any notice provided for in this Reservation and any other notice, demand or communication which any Party may wish to send to any other Party relating to the subject matter of this Reservation shall be in writing and either delivered by recognized national overnight courier delivery service such as Federal Express, UPS or DHL, hand-delivered, or sent by regular U.S. postage prepaid, and addressed to the Party for which such notice, demand, or communication is intended at such Party's address as provided below. Copies of all notices to FHR shall include a copy to:

If to FHR: Flint Hills Resources Corpus Christi LLC Texas, L.P.
PO Box 2608 (US Mail)
2825 Suntide Road (courier)
Corpus Christi, TX 78409
Attn: Plant Manager
Telephone: 361-242-8358
Facsimile: 361-242-4821

If to the City: City of Corpus Christi
2726 Holly Road
Corpus Christi, TX 78415
Attn: Gustavo Gonzalez, Assistant City Manager
Telephone: 361-826-1874
Facsimile: 361-826-1889

City of Corpus Christi
1201 Leopard Street
Corpus Christi, TX 78401
Attn: Veronica Ocanas, Senior Assistant City Attorney
Telephone: 361-826-3375
Facsimile: 361-826-3239

Any Party may change its address for notice hereunder to any other address by giving written notice of such new address to the other Parties in accordance with this Section. Any notice, demand, or other communication shall be in English, and shall be deemed given and effective as of the date of delivery. The inability to deliver because of a changed address of which proper notice was not given, or rejection or other refusal to accept any notice, demand or other communication, shall be deemed to be the receipt of the applicable notice, demand or other communication as of the date of such inability to deliver or rejection or refusal to accept. The date of notice shall be the date it is received by the addressee or the office of the addressee, whichever is earlier.

II. Negotiation of Recycled Water Agreement Terms Within the Reservation Period.

A. The Two Refineries. Upon written notice at any time during the term of this Reservation from FHR that it wishes to enter into a recycled water agreement for 2 mgd of recycled water, the Parties will negotiate the terms of any agreement in good faith. The parties acknowledge that the recycled water agreement negotiations are subject to the Agreed Order and applicable laws and regulations.

III. Reservation is Not a Reclaimed Water Supply Agreement.

A. The Parties recognize that this Reservation is an agreement to reserve 2 mgd for a period of time, not an agreement to supply or deliver 2 mgd; that this Reservation neither outlines the specific and essential terms for the delivery or supply of recycled water, nor contains any prices or quantities for the delivery or supply of recycled water; and that a future agreement(s) between the Parties will be required in order to actually supply/deliver such water.

IV. Miscellaneous Terms.

A. Complete Agreement. This Reservation embodies the entire agreement between the Parties hereto relating to the subject matter hereof, and supersedes and replaces in their entirety all prior understandings and agreements relating to the subject matter hereof.

B. Severability. Should any provision of this Reservation or portion hereof be declared invalid, void or unenforceable, it shall not affect the validity or enforcement of the remaining provisions or portion hereof which shall remain in full force and effect as if the Reservation had been executed without such invalid, void or unenforceable provision or portion hereof having been included.

C. Assignment. The Parties may not assign this Reservation without the written consent of the other party which may not be unreasonably withheld. Arrangements to effectuate the intent of this section may include FHR assigning, with City Manager's written consent, its rights hereunder to a third party that FHR desires to build/operate a facility that would treat/handle the water and sell such water to FHR after such third party has purchased such water from the City.

D. Modification and Waiver. This Reservation may not be modified or amended except by an instrument in writing duly executed by both Parties. Either party hereto may, by an instrument in writing, waive compliance with or breach of any term or provision of the Reservation by the other Party. The waiver by any Party hereto of compliance with or breach of any term or provision of the Reservation shall not be construed as a waiver of subsequent compliance or of any subsequent breach.

E. Authority. Each person executing the Reservation represents that he or she has been duly authorized to do so by the Party on whose behalf he or she is signing, and that in so doing he or she shall bind such Party to all of the terms hereof.

F. Counterparts. The Parties may execute the Reservation in identical multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but a single instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Reservation to be effective upon approval by the City.

FHR:

Flint Hills Resources Corpus Christi, LLC

By: [Signature] AEO

Name: Valee Pope

Title: VP - Mgr

CITY:

CITY OF CORPUS CHRISTI

By: _____

Name: _____

Title: _____