UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

VIA EMAIL to smcnear@colonialoil.com

NOV 0 7 2011

Colonial Oil
Attention: Steve McNear, Responsible Corporate Officer
Three Riverway Suite 2000
Houston, TX 77056

Re: Notice of Violation of Renewable Fuel Standards
File Number AED/MSEB # 7958

Dear Steve McNear:

The Environmental Protection Agency (EPA or we) has commenced an investigation into Colonial Oil (Colonial or you) regarding whether you used invalid Renewable Identification Numbers (RINs) to meet your 2010 Renewable Volume Obligation (RVO) under the Clean Air Act (CAA). Based on the information available to the EPA as a result of this investigation, we have determined that Clean Green Fuels, LLC (Clean Green Fuels) created invalid RINs, and that Colonial used some of the RINs created by Clean Green Fuels in an effort to satisfy your 2010 RVO. Use of invalid RINs to satisfy RVOs is a violation of the EPA's regulations governing RINs and renewable fuels. 40 C.F.R. § 80.1460(c).

Section 211(o) of the CAA originally was enacted as part of the Energy Policy Act of 2005 (EPAct), and was amended by the Energy Information and Security Act of 2007 (EISA). The EPA promulgated the original renewable fuels standards regulations (RFS 1) at 40 C.F.R. Part 80, Subpart K to implement EPAct, and subsequently promulgated the current renewable fuels standards regulations (RFS 2) at 40 C.F.R. Part 80, Subpart M to implement EISA. EPAct set the first national renewable fuel mandate in the United States, and required 7.5 billion gallons of renewable fuel to be blended into gasoline by 2012. EISA required the EPA to make several important changes to the original renewable fuels regulations, including increasing the volume of renewable fuel required to be blended into transportation fuel to 36 billion gallons per year by 2022. EISA and the RFS 2 regulations also established new categories of renewable fuel with separate volume requirements, and set new greenhouse gas (GHG) emission reduction thresholds for each separate category of renewable fuel. The RFS 2 regulations lay the foundation to achieve significant reductions of GHG

emissions from the use of renewable fuels, reduce petroleum importation, and encourage the development and expansion of our nation's renewable fuels sector.

The RFS 2 regulations require petroleum refiners and importers (referred to as "obligated parties"), and exporters of renewable fuel to acquire sufficient RINs to demonstrate compliance with their RVOs. The regulations include a credit trading program to facilitate compliance with the renewable fuel standards. The credit trading program allows obligated parties and exporters of renewable fuel to comply with their RVOs through the purchase of RINs.

The RFS 2 regulations provide that no person shall use invalid RINs to meet their RVO, regardless of that person's good faith belief that the RINs were valid at the time they were acquired. 40 C.F.R. §§ 80.1431(b)(2), 80.1460(c)(1). RINs that do not represent renewable fuel are invalid. 40 C.F.R. § 80.1431(a)(1)(vi).

Based on available information, the EPA has determined that Colonial used the 162,750 invalid RINs identified in Attachment A to meet your 2010 RVO. These RINs are invalid because they do not represent renewable fuel. The company that generated these RINs, Clean Green Fuels, neither produced nor imported any biodiesel as necessary to legally generate these RINs. This determination is based upon the EPA's inspection of the purported production facility and subsequent investigation.

As noted above and detailed in 40 C.F.R. § 80.1431(b), invalid RINs cannot be used for compliance. In view of the EPA's determination that Clean Green Fuels RINs are invalid, any RINs generated by Clean Green Fuels must be removed from your 2010 annual compliance report and a corrected report must be resubmitted. The resubmitted report must include only valid RINs. We request that you make these adjustments and resubmit your annual compliance report within 14 business days after your receipt of this Notice of Violation (NOV). You may contact the EPA Fuels Help Line at (202) 343-9755 if you have questions regarding these reports, including how to make adjustments.

The EPA issues this NOV under Sections 205 and 211 of the CAA, 42 U.S.C. §§ 7524 and 7545, for the violations described above. Sections 205 and 211 of the CAA authorize the EPA to assess a civil penalty of up to $37,500 for every day for each violation, plus the economic benefit or savings resulting from each violation. 42 U.S.C. §§ 7524, 7545(d); *see also* 40 C.F.R. §§ 19.4, 80.1461, 80.1463. In determining an appropriate penalty for violations, the EPA considers the gravity of the violation, the economic benefit or savings (if any) resulting from the violation, the size of your business, your history of compliance with the CAA, actions taken by you to remedy the violation and prevent future violations, the effect of the penalty on your ability to continue in business, and other matters as justice may require. 42 U.S.C. § 7524. This NOV does not create any rights or waive any of your obligations under the CAA, but rather is for the purpose of notifying you of the violations.

We are offering you an opportunity to confer with us about the violations alleged in this NOV. The conference will give you an opportunity to present information on the alleged violations, any efforts you have taken to comply, and the steps you will take to prevent future violations.

The EPA attorney assigned to this matter is Evan M. Belser. He can be reached at (202) 564-6850, Belser.Evan@epa.gov, or at the following address:

Evan M. Belser, Attorney Adviser
EPA, Air Enforcement Division
1200 Pennsylvania Avenue, NW
Ariel Rios South Building Room 1111A, Mailcode 2242A
Washington, D.C. 20460 (20004 for non-USPS couriers)

Contact Mr. Belser to request the conference described above. Any conference should be held within 60 calendar days of your receipt of this NOV. By offering the opportunity for a conference, or participating in one, the EPA does not waive or limit its right to any remedy available under the CAA.

We appreciate your attention to this important matter and look forward to working with you to reach a resolution.

Sincerely,

Matthew W. Morrison

for Phillip A. Brooks
Director
Air Enforcement Division

cc: Matthew W. Morrison, Associate Director, Air Enforcement Division
Jacqueline Robles Werner, Chief, Mobile Source Enforcement Branch
Jeffrey A. Kodish, Fuels Team Leader, Mobile Source Enforcement Branch

Attachment A
Notice of Violation of Renewable Fuel Standards, File Number AED/MSEB # 7958

List of Invalid Renewable Identification Numbers Colonial Oil Retired for Compliance Purposes

2201034608400002586152000075000000750 0
2201034608400003232152000000100009750
2201034608400003233152000000100006750
2201034608400003234152000000100006000
2201034608400003235152000000100012000
2201034608400003236152000000100012000
2201034608400003237152000000100012000
2201034608400003238152000000100011250
2201034608400003239152000000100011250
2201034608400003240152000000100010500
2201034608400003241152000000100010500
2201034608400003242152000000100007500
2201034608400003243152000000100006000
2201034608400003244152000000100006000
2201034608400003245152000000100012000
2201034608400003246152000000100012000
2201034608400003247152000000100005797