

MEMORANDUM OF AGREEMENT
FOR RESPONSE, NOTIFICATION AND COMPLIANCE ASSURANCE
RELATIVE TO OIL PRODUCTION SITES AND GATHERING LINE SYSTEMS

Between

Illinois Environmental Protection Agency and
Illinois Department of Natural Resources

I. PURPOSES

This Memorandum of Agreement ("MOA") is entered into between the Illinois Environmental Protection Agency ("IEPA") and the Illinois Department of Natural Resources ("IDNR") who, hereinafter, will be referred to collectively as the "Parties." IEPA and IDNR enter into this MOA for the following purposes:

- to allocate appropriate roles and responsibilities for IEPA and IDNR relative to crude oil or brine releases from oil production sites or permitted gathering lines, within a cooperative framework;
- to ensure appropriate response to all crude oil or brine releases, such that they do not constitute a threat to human health or the environment; and
- to promote education of oil producers and gathering line operators as to IEPA and IDNR expectations and criteria for spill clean-up, prevention and notification.

II. DESIGNATED REPRESENTATIVES AND ALTERNATES

The Directors of IEPA and IDNR will each designate a representative and an alternate to be the central points of contact for their respective agencies for all matters dealing with or arising under this MOA. Each Director may change a representative or alternate at any time by so notifying the other in writing.

III. APPROPRIATE ROLES AND RESPONSIBILITIES OF IEPA AND IDNR AND JOINT SPILLS HANDLING PROTOCOL

This MOA acknowledges that the Parties have appropriate roles to play with regard to releases of crude oil or brine from oil production sites or permitted gathering lines within Illinois. IEPA's role arises from its responsibilities under the Illinois Environmental Protection Act, 415 ILCS 5/1, et seq. ("IEP Act") and Title 35 of the Illinois Administrative Code to inspect and enforce against violations of the IEP Act, including, but not limited to, the causing, allowing or threatening of water pollution or the creation of a water pollution hazard. IDNR's role arises from its responsibilities under the Illinois Oil and Gas Act, 225 ILCS 725/1, et seq. ("IOG Act") and Title 62 of the Illinois Administrative Code to issue permits to oil production facilities and enforce against permit violations.

**PEOPLE'S
EXHIBIT**

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The Parties have developed a Joint Spills Handling Protocol which reflects the appropriate roles and responsibilities of each Agency relative to crude oil or brine releases from oil production sites or permitted gathering lines. This Protocol, dated October 7, 1999, is attached to and incorporated by reference into this MOA. The Protocol describes the practical division of labor agreed to between IEPA and IDNR for responding to crude oil or brine spills, notifying each other of information and activities, and assurance compliance from responsible parties.

IV. IMPLEMENTATION OF THIS MOA

- A. Each Party will take necessary steps to implement this MOA relative to oil production sites including the following:
1. The designated representatives of IEPA and IDNR and appropriate other staff will hold regular quarterly meetings to coordinate the on-going implementation of this MOA; to share data on releases of crude oil or brine; to develop practical procedures for notification; to collaborate on regulatory development relative to the subject matter of this MOA; and to coordinate educational and informational efforts to oil producers, gathering lines operators and the public.
 2. The designated representatives of IEPA and IDNR will jointly prepare an annual progress report on implementation of this MOA, with recommendations for improvement and/or enhancement of this MOA, where appropriate, for evaluation by the Directors of IEPA and IDNR.
 3. The Parties will work cooperatively to develop necessary statutory or regulatory proposals to enable IDNR to grant permits to gathering lines 6.5 inches in diameter or less (outside diameter). It is the understanding of the Parties that this MOA will apply only to those gathering lines which may be eventually permitted by IDNR, after they have received permits from IDNR.
 4. Each Party agrees to notify the other's designated representative in writing within three business days of that Party's receipt of a request under the Freedom of Information Act or a request for production under subpoena related to a release of crude oil or brine from a production site or permitted gathering line, or other information reasonably related to this MOA.
- B. The Parties will also conduct a cooperative evaluation of the appropriateness and continuing usefulness of this MOA one year after its effective date.

V. ISSUE RESOLUTION

In the event that issues arise between the Parties with regard to the subject matter of this MOA, the Parties will negotiate informally to reach a resolution of the issues, with appropriate escalation from the designated representatives of the IEPA and IDNR through the Directors of IEPA and IDNR, as necessary.

VI. RESERVATION OF RIGHTS

This MOA does not create nor shall it be construed to create any claim, right or cause of action for the benefit of any person not a Party to this MOA against either Party hereto, the State of Illinois, or any officers, agents or employees of any of them.

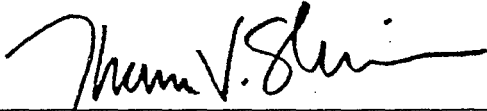
VII. LIMITATION

Nothing in this MOA shall be construed as obligating either Party, the State of Illinois, or any officers, agents or employees of any of them to expend any funds in excess of allocations or appropriations authorized by law.

VIII. MODIFICATION AND TERMINATION OF THIS MOA

This MOA may be modified in writing upon approval of both Parties hereto. Either Party may withdraw from and terminate this MOA at any time, following ten days advance written notice to the other Party.

Illinois Environmental Protection Agency

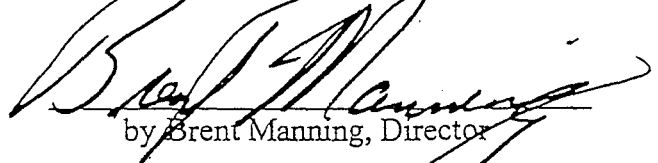


by Thomas V. Skinner, Director

7.12.00

Date

Illinois Department of Natural Resources



by Brent Manning, Director

24 July 00

Date

APPROVED FOR EXECUTION

Date: 7-17-00

Legal Counsel: Robert T. Landry

JOINT SPILLS HANDLING PROTOCOL FOR OIL PRODUCTION SITES AND GATHERING LINES

This protocol has been jointly developed for handling spills from oil production sites and gathering lines in accordance with applicable law. This protocol addresses roles and responsibilities for spills and the respective agencies, expectations for cleanup criteria and geographic applicability of regulatory authorities.

Effective October 7, 1999, this protocol includes the following principal components:

- I. IDNR-DO&G (Illinois Department of Natural Resources, Div. Of Oil and Gas) will respond to spills of crude oil or brine from permitted oil exploration and production sites and permitted gathering lines (less than 6.5 inches) regulated by IDNR-DO&G per this protocol document. IDNR regulations will govern at these sites as further specified below.
- II. IDNR-DO&G will also initially respond whenever spills from such regulated sites enter designated waters of the State or create an oil sheen or when a sensitive area (as defined in IV.B.2) is impacted. IDNR-DO&G shall also immediately notify the IEPA Duty Officer of the situation and the spiller's response actions thereafter.

Under this protocol, "designated waters" means those surface waters (i.e. perennial or intermittent, "blue line" waterways, ponds, lakes, and wet lowland areas) shown on current USGS topographical maps and potable and special resource groundwater as defined in 35 Ill. Ad. Code 620.

- III. IDNR-DO&G will advise IEPA when IDNR contractors are activated to achieve control of a spill at a site. This notification will occur by fax (217-524-4036) during normal business hours and by telephone (IEPA Duty Officer) during other times.
- IV. Compliance criteria for handling spill incidents from these regulated sites shall be applied as follows:
 - A. Except as provided in subsection (b), IDNR-DO&G will implement compliance criteria specified in 62 Ill. Adm. Code 240. Such criteria shall be applied, enforced and demonstrated by sampling at any spills which occur on permitted lease areas and any contiguous land areas affected by the spill, or on grass waterways and roadside ditches beyond designated waters of the State.
 - B. IEPA will implement compliance criteria specified in 35 Ill. Adm. Code 302, 620 and 742. Such criteria shall be applied, enforced and demonstrated by sampling at spills that enter:
 1. Designated waters of the State or otherwise cause a sheen; or
 2. Sensitive areas with: 200 feet of private drinking water wells, residences, playgrounds, or parks; 400 feet of community drinking water wells; 100 feet inland of where a spill enters an intermittent designated water; or 200 feet inland of where a spill enters a perennial designated water.
- V. IEPA will notify IDNR-DO&G upon receipt of citizen or local official complaints about spill situations that have not otherwise been reported to IEMA.
- VI. IEPA and IDNR-DO&G will jointly develop a user-friendly guide or workbook for spillers that clearly explains what is expected in various spill circumstances and provides explicit instructions on regulatory expectations and how to comply with the expectations including examples of acceptable practices and documentation.
- VII. IEPA and IDNR-DO&G will proceed with necessary administrative actions to initiate use of this protocol within 30 days after adoption. Longer term regulatory changes to address gathering lines will also be pursued in a timely and cooperative manner.