



THE VIRGIN ISLANDS OF THE UNITED STATES
OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Tel: (340) 773-1404
Fax: (340) 713-9806

1105 King Street
Christiansted, St. Croix, U.S.V.I. 00820

Tel: (340) 772-1000
Fax: (340) 772-0333

August 9, 2013

VIA E-MAIL AND U.S. MAIL

lornstein@hess.com

Mr. Lawrence H. Ornstein
Executive Vice President – Refining, Operations, and Marketing
Hess Corporation
1185 Avenue of the Americas
New York, NY 10036

bravoo@pdvsa.com

Mr. Omar Bravo
Director General Adjunto de Centro Refinacion Paraguana
Petroleos de Venezuela, S.A.
Centro Refinacion Paraguana
Edificio Sede Amuay
Apartado 42 / 4147A
Judibana Estado Falcon
Venezuela

Re: Non-Ratification of the Fourth Amendment Agreement

Dear Messrs. Ornstein and Bravo:

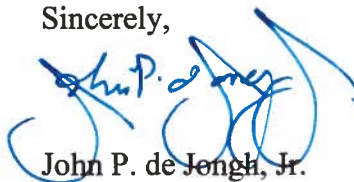
On August 7, 2013, despite the best efforts of the Government, yourselves, and many dedicated members of the Virgin Islands community, the Legislature voted to reject the Fourth Amendment to the Concession Agreement. Accordingly, by its terms, the Fourth Amendment Agreement, executed by the Government, HOVENSA, HOVIC, and PDVSA VI as of April 3, 2013, will expire on August 15, 2013.

Mr. Lawrence H. Ornstein
Mr. Omar Bravo
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Upon expiration of the Fourth Amendment Agreement, the parties' interim arrangements end and all the provisions of the original Concession Agreement are in effect. The Government expects HOVENSA to comply fully with all its obligations under that Concession Agreement. Those obligations include, among many others, the obligation to operate the refinery; to maintain it in a manner consistent with the protection of public health; to bid to supply the Water and Power Authority (WAPA) with fuel at the lower of the landed cost of crude and a price calculated as a function of prices posted in the Oil Buyer's Guide; to pay all applicable taxes and fees, including the fixed sum of \$14 million annually in real property taxes; to pay import duties on all shipments of petroleum and petroleum products not destined for use or consumption within the Territory; to maintain in storage sufficient fuel to ensure that there are adequate supplies to meet the local fuel needs of the Territory, including the needs of WAPA; to comply with applicable environmental laws and regulations; to supply certain Government agencies with gasoline and diesel fuel at posted rack prices; and to establish and conduct certain education and training programs for Virgin Islands residents. The Government will take all necessary measures to enforce those obligations and protect its rights.

As you know, it has always been the Government's position that a stand-alone storage terminal business operating free from generally applicable import duties is not permitted by the existing Concession Agreement, and is not in the long-term interest of the Virgin Islands. Accordingly, I have instructed Customs and Border Protection to cease its forbearance on the collection of duties on non-exempt shipments of petroleum products for storage at HOVENSA, effective August 16, 2013. The letter conveying that instruction is attached for your convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read "John P. de Jongh, Jr.", is written over a circular stamp or seal.

John P. de Jongh, Jr.
Governor

pc: Vincent F. Frazer, Esq., Attorney General, Department of Justice
George H. T. Dudley, Esq., Counsel to HOVENSA



THE UNITED STATES VIRGIN ISLANDS
DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

VINCENT F. FRAZER, ESQUIRE
ATTORNEY GENERAL

August 8, 2013

Mr. Louis W. Harrigan
Port Director
U. S. Customs and Border Protection
Department of Homeland Security
Federal Office Building, Room 248
St. Thomas, Virgin Islands 00801

Dear Director Harrigan:

In several letters of March and December 2012, the Government and HOVENSA previously entered into an interim arrangement pursuant to which (among other things) HOVENSA provided discounted fuel oil to the Territory and the Water and Power Authority through the end of 2012, in exchange for the Government's promise temporarily to forbear from enforcing the 6% customs duty and other fees on imports of petroleum and petroleum products (not destined for local consumption) into the HOVENSA facility. In December 2012, that agreement was extended through February 28, 2013, and then extended again by mutual agreement pending the ratification by the Legislature of the Fourth Amendment to the HOVENSA concession agreement.

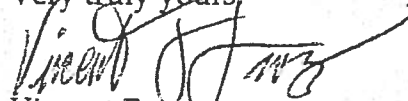
On August 7, 2013, the Legislature rejected the Fourth Amendment, which by its terms will now expire on August 15, 2013. Accordingly, as of August 16, 2013, the interim arrangement will no longer be in effect, and the Government will no longer forbear on the collection of taxes and duties on such petroleum and petroleum products. I am therefore instructing your agency to resume collection of all applicable duties, taxes, and fees on such shipments to and from HOVENSA and its affiliates.

In this regard, I remind you that, pursuant to 33 V.I.C. § 530(b), shipments of "gasoline, diesel and fossil fuel" that enter the Territory are subject to customs duties, unless the product is to be "used or consumed in the Virgin Islands." Therefore I am

hereby instructing, (on behalf of Governor John P. de Jongh, Jr.) Customs and Border Protection to levy and collect the customs duty on all gasoline, diesel and fossil fuel brought into the HOVENSA facility, not intended to be used or consumed in the Territory. This should take effect on August 16, 2013.

Please do not hesitate to contact me if you have questions regarding this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Vincent Frazer', written over a faint, illegible stamp or watermark.

Vincent Frazer
Attorney General

cc. Honorable John P. de Jongh, Jr., Governor of the Virgin Islands