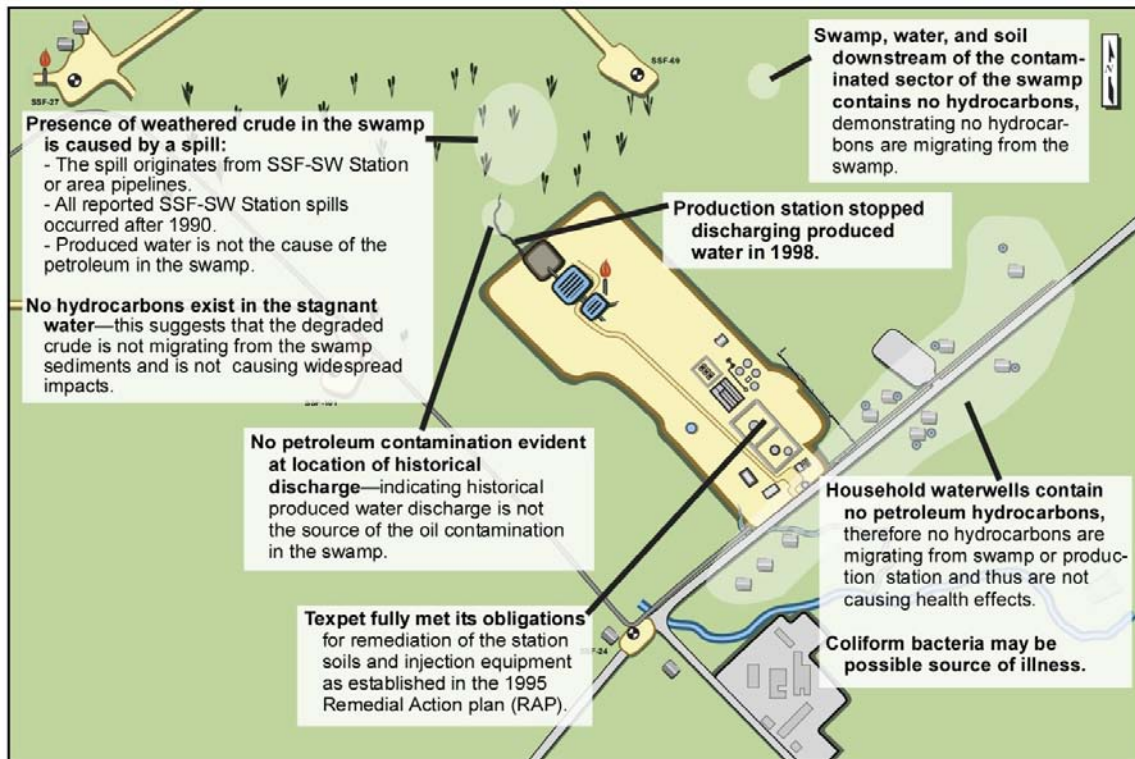


Report of Expert Mr. Ernesto Baca, P.E. Judicial Inspection of the Shushufindi Southwest Station

Maria Aguinda et al v. ChevronTexaco Corporation
Proceeding No. 002-2003, Superior Court of Justice, Nueva Loja, Ecuador

1.0 EXECUTIVE SUMMARY

The main conclusions of the judicial inspection of the Shushufindi Southwest Station (SSF-SO) are summarized in the following illustration and in the report below.



The May 4, 1995 agreement between Texaco, the Government of Ecuador and Petroecuador required the implementation of two tasks at station SSF-SO:

- Supply of the reinjection equipment, and
- Remediation of soil in Area C inside station SSF-SO.

The two tasks were implemented to the satisfaction of the Ecuadorian Government and Petroecuador. Texpet was relieved of all its obligations, responsibilities and legal liabilities related to station SSF-SO on October 29, 1996. The rest of the remediation, operations or any other task

that remained was assumed by Petroecuador. In 1998, Petroecuador installed the injection pumps and began reinjecting production water in wells SSF-38 and SSF-50.

SSF-SO Production Station was built in approximately 1975. Since the time when operations began at SSF-SO station until reinjection of the production water began in 1998, this water was discharged north of the station. There is a natural swamp north of station SSF-SO. Historically, the production water entered the swamp after first passing through a separation system and then through decanting pits. The production liquids were separated in two locations: i) in the main separator, and ii) in the decanting pits. The use of decanting pits was a practice consistent with Ecuadorian standards at that time, and it is a practice that is currently in use internationally. The decanting pits were designed to allow only production water to pass through.

On October 29, 1996, the Government of Ecuador and Petroecuador approved the remediation actions at station SSF-SO. At that time, no additional remediation action was required along the discharge route. However, during the Judicial Inspection on October 6, 2004, petroleum was found in the swamp. The sampling conducted during the Judicial Inspection could not determine the origin of the petroleum found in the swamp. No evidence was found showing that the petroleum came from the production water of station SSF-SO. In addition, it would have been physically and chemically impossible to accumulate such a large quantity of petroleum in the swamp during normal operation of the decanting pits.

The weathered petroleum present in the swamp came from a spill from station SSF-SO or from one of the pipelines located in the areas surrounding the swamp. However, no spills originating from station SSF-SO was reported before 1990 (see Appendix X, HBT Agra, PET 040884-85). According to articles in Ecuadorian newspapers and reports from the National Hydrocarbons Office (Dirección Nacional de Hidrocarburos - DNH), there were four spills that occurred at station SSF-SO after 1990. Consequently, the petroleum present in the swamp was probably caused by one of the aforementioned spills occurring after 1990.

An analysis of the swamp samples showed that the petroleum is highly weathered and that it does not contain any toxic constituents. It was also determined that, in addition to being totally inaccessible, the petroleum inside the swamp poses no risk to the human health, since no person is exposed to it. Furthermore, water resources presently used by the settlers who live around the swamp do not have petroleum contamination, but they are polluted with coliform bacteria, both fecal and total coliform.

Based on an analysis of aerial photographs of the swamp, it was determined that an area of less than 6.7 hectares of vegetation was affected by the production water. However, once the release of water ceased, the vegetation recovered quickly, as can be seen by comparing the 1995 and 2004 images, and further confirmed during the Judicial Inspection [see Figure 5 (1990) and Figures 6 and 7 (2004)]. In addition, when the release of production water ceased, the large quantity of rainfall that characterizes this zone diluted the salt and replaced the swamp water with fresh water.

The swamp is inaccessible to cattle, since the settlers have built a fence at its edges in order to prevent the animals from sinking or falling into it. During the Judicial Inspection, it was observed that the swamp wildlife is in very good condition and includes a large variety of invertebrates. The swamp located north of station SSF-SO has always existed and was not created as a result of the Petroecuador – Texpet Consortium's operations, as claimed by the plaintiffs. This is evidenced with the presence of said swamp, both in the 1975 aerial photograph as well as in the 2004 satellite image of the same area. The swamp's topography has not changed significantly, but deforestation by the settlers is clear. This deforestation contributes to the soil particles being carried by the rain to the bottom of the swamp where the soil settles. The particle deposition did not occur when the area was vegetated.