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Oil Firms Settle Claims In MTBE Leak Cases

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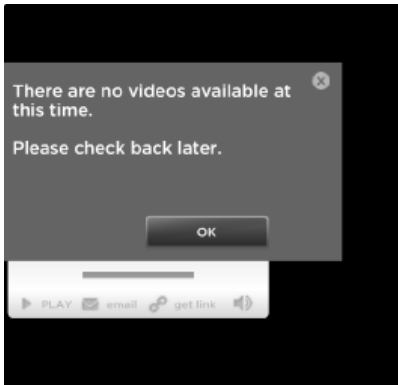
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By HEATHER WON TESORIERO

About a dozen of the nation's largest oil companies agreed to pay \$423 million in cash to settle litigation with 153 public water providers in 17 states that sued over groundwater contaminated by the gasoline additive MTBE.

The companies also agreed to pay cleanup costs that arise in the next 30 years. Terms of the deal were submitted for court approval Wednesday in the U.S. District Court in the Southern District of New York.



Scott Summy, a tort lawyer with Dallas-based Baron & Budd, talks with WSJ's Heather Won Tesoriero about the significance of the landmark settlement with oil firms.

The settlement is the largest to date in a case involving MTBE, an abbreviation for the oil-refining byproduct methyl tertiary butyl ether. During the 30 years that oil companies added it to gasoline to curb smog emissions, leaky storage tanks released MTBE into the water table in locales throughout the U.S. Communities have taken a variety of steps, from building water-treatment plants to doling out bottled water.

The Environmental Protection Agency calls MTBE a "known animal carcinogen" and a "possible human carcinogen." It has been detected in at least 36 states and has been banned in 23, including California and New York, which accounted for 40% of total MTBE consumption in the U.S. The

settlement doesn't shield defendants from liability in the event MTBE is shown in the future to carry human health risks.

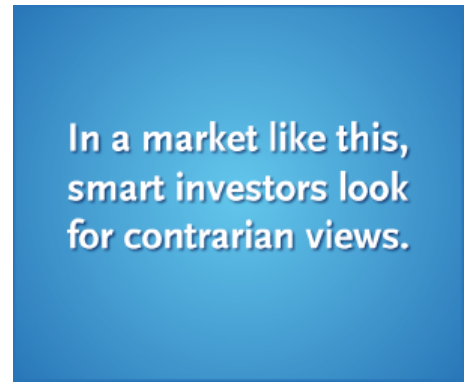
The deal was negotiated by Baron & Budd P.C. and Weitz & Luxenberg P.C. on behalf of the plaintiffs. Skadden Arps negotiated on behalf of several defendants.

MTBE producers have argued that because the government mandated the addition of oxygenates to gasoline to help curb smog, the companies shouldn't be held liable for MTBE damages.

The companies in the settlement include BP America Inc., a unit of BP PLC; Chevron Corp.; ConocoPhillips; Shell Oil Co., an arm of Royal Dutch Shell PLC; Marathon Oil Corp.; Citgo Petroleum Corp.; Sunoco Inc.; and Valero Energy Corp. At least six companies declined to settle, the largest being Exxon Mobil Corp.

The oil companies' individual contributions to the \$423 million lump sum are confidential. The parties offered no estimate of the potential overall tab. Past estimates have ranged as high as \$30 billion to remediate all tainted sites.

The local water providers will be compensated according to a formula based on MTBE levels



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and the size of wells. If MTBE is found to surpass the specified threshold at a given site during the next 30 years, defendants will pay 70% of the water-treatment cost for 10 years from the point of detection. Payments will end if the affected area is deemed MTBE-free for one year. At the end of the 10-year period, payments can be extended five more years if the water source still shows a certain level of contamination.

The affected community would be barred from suing over the contamination.

Write to Heather Won Tesoriero at [heather.tesoriero@wsj.com](mailto:heather.tesoriero@wsj.com)

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