
**CHARTER
OF THE
AUDIT COMMITTEE
OF PREMCOR INC.**

I. PURPOSE

The primary function of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") of Premcor Inc. (the "Corporation") in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation's systems of internal controls regarding finance, accounting, compliance that management and the Board have established; and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Committee should encourage continuous improvement of, and adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control system.
- Review and appraise the qualifications, independence and audit efforts of the Corporation's independent auditor and internal auditing department.
- Provide an open avenue of communication among the independent auditor, financial and senior management, the internal auditing department, and the Board.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

The function of the Committee is oversight. It is not the Committee's responsibility to certify the Corporation's financial statements or to guarantee the report of the independent auditor. The Corporation's management is responsible for the (i) preparation, presentation and integrity of the Corporation's financial statements, (ii) maintenance of appropriate accounting and financial reporting principles and policies, and (iii) maintenance of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditor is responsible for planning and carrying out a proper audit and reviews. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Corporation. As such, it is not the duty or responsibility of the Committee or its members to conduct auditing or accounting reviews or procedures, except to the extent described below under "Performance Evaluations". Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee by such persons and organizations absent actual knowledge to the contrary (which shall be promptly reported to the Corporation's Board). In addition, the evaluation of the Corporation's financial statements by the Committee is not of the same scope as, and does not involve the extent of detail as, audits performed by the independent

auditor, nor does the Committee's evaluation substitute for the responsibilities of the Corporation's management for preparing, or the independent auditor for auditing, the Corporation's financial statements:

II. COMPOSITION

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be (i) "independent," as defined under Section 10A(m)(3) of the Securities Exchange Act of 1934, the rules of the New York Stock Exchange and any other securities exchange on which the Corporation's securities are listed, and (ii) free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall be financially literate, and at least one member of the Committee shall have accounting or related financial management expertise as such qualifications are interpreted by the Board in its business judgment, and qualify as a "financial expert" as defined by the U.S. Securities and Exchange Commission. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant. No member shall serve on the audit committees of more than a total of three public companies without further consultation of the Board.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The compensation to be paid by the Corporation to any Committee member must consist solely of director's compensation; provided, however, that pension or other deferred compensation that is not contingent on future service to the Corporation will not be deemed to violate this requirement. Directors will be reimbursed for their expenses incurred in performing their duties.

III. MEETINGS

A majority of the Committee shall constitute a quorum. The Committee may act by a majority of the members present at a meeting of the Committee. In the event of a tie vote on any issue, the Chair's vote shall decide the issue. The Committee shall meet in person or telephonically at least four times annually, or more frequently as circumstances dictate. The Committee may delegate some or all of its duties to a subcommittee comprised of one or more members of the Committee. The Committee may ask members of management or others whose advice and counsel are relevant to the issues then being considered by the Committee to attend any meetings and to provide such pertinent information as the Committee may request.

As part of its job to foster open communication, the Committee should meet at least annually with management, the director of the internal auditing department and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

Documents/Reports Review

1. Review with financial management and the independent auditor the Corporation's annual financial statements, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
2. Review with financial management and the independent auditor the Corporation's quarterly financial statements, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to their filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review.
3. As appropriate, review any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditor.
4. Review the regular internal reports to management prepared by the internal auditing department and management's response.
5. Discuss earnings press releases, and, as appropriate, financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Committee is not required to discuss in advance each earnings press release or each instance in which the Corporation provides earnings guidance.
6. Prepare an audit committee report satisfying the requirements of the Securities Exchange Act of 1934 to be included in the Corporation's annual proxy statement.
7. Review with management guidelines and policies to govern the process by which risk assessment and management is undertaken.

Independent Auditor

8. Retain and terminate the Corporation's independent auditor (subject, if applicable, to shareholder ratification). The Committee shall have the sole authority to approve and/or pre-approve all audit engagement fees and terms, as well as all significant non-audit engagements with the independent auditor. The Committee must approve, but need not pre-approve, non-audit services that fall within the "De Minimis Exception" set forth in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934.
9. At least annually, obtain and review a report by the independent auditor describing: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities,

within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Corporation. After reviewing the foregoing report and the independent auditor's work throughout the year, the Committee shall evaluate the auditor's qualifications, performance and independence. This evaluation shall include the review and evaluation of the lead partner of the independent auditor and the appropriateness of rotating the audit firm itself. In making its evaluation, the Committee shall take into account the opinions of management and the Corporation's internal auditing department. The Committee shall present its conclusions with respect to the independent auditor to the full Board.

10. Review the performance of the independent auditor and approve any proposed discharge of the independent auditor when circumstances warrant.
11. Periodically consult with the independent auditor out of the presence of management about internal controls and the fullness and accuracy of the Corporation's financial statements.
12. Review with the independent auditor any audit problems or difficulties and management's response. The Committee must regularly review with the independent auditor any difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management. The review should also include discussion of the responsibilities, budget and staffing of the Corporation's internal auditing department.
13. Set clear hiring policies for the hiring by the Corporation of employees or former employees of the independent auditor.

Financial Reporting Processes

14. In consultation with the independent auditor and the internal auditing department, review the integrity of the Corporation's financial reporting processes, both internal and external.
15. Consider the independent auditor's judgment about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
16. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditor, management, or the internal auditing department.

Process Improvement

17. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation, regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

18. Establish regular and separate systems of reporting to the Committee by each of management, the independent auditor and the internal auditing department regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
19. Following completion of the annual audit, review separately with each of management, the independent auditor and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
20. Review any significant disagreement among management and the independent auditor or the internal auditing department in connection with the preparation of the financial statements.
21. Review with the independent auditor, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

Compliance

22. Ensure that management has the proper review system in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
23. Review activities, organizational structure, and qualifications of the internal auditing department.
24. As appropriate, review, with the Corporation's outside legal counsel, legal compliance matters including corporate securities trading policies.
25. As appropriate, review, with the Corporation's outside legal counsel, any legal matter that could have a significant impact on the Corporation's financial statements.
26. As appropriate, obtain advice and assistance from outside legal counsel and accounting or other advisors.
27. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.
28. Report regularly to the Board and review with the Board any issues that arise with respect to the quality or integrity of the financial statements, compliance with legal or regulatory requirements, performance and independence of auditors and performance of internal audit function.

V. PERFORMANCE EVALUATION

At least annually, the Committee shall review the adequacy of this Charter, evaluate its performance hereunder and, as appropriate, revise this Charter.

While the fundamental responsibility for the Corporation's financial statements and disclosures rests with management and the independent auditor, the Committee shall review: (i) major issues regarding accounting principles, and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including analyses of the effects of using alternative methods under generally accepted accounting principles ("GAAP") on the financial statements; (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Corporation's financial statements; and (iv) earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information) and, as appropriate, financial information and earnings guidance provided to analysts and rating agencies.

VI. RESOURCES AND AUTHORITY OF THE COMMITTEE

In discharging its oversight responsibilities, the Committee shall have unrestricted access to the Corporation's management, books and records and the authority to retain, at the Corporation's expense, outside counsel, accountants or other consultants in the Committee's sole discretion. The Committee may direct any officer of the Corporation, the independent auditor and/or the Corporation's internal auditing department to inquire into and report to the Committee on any matter. Nothing contained in this Charter is intended to, or should be construed as, creating any responsibility or liability of the members of the Committee except to the extent otherwise provided under applicable Delaware law which shall continue to set the legal standard for the conduct of the members of the Committee.