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FROM: T. G. Grumbles
DATE: February 28, 1990

Interoffice
Communication

SUBJ: LCCC GROUNDWATER COST-SHARING

VISTA

I met with Terry Thoem on Monday to discuss counter offers to our January 31 letter (attached). Below are their counter offers and my comments. I would like to schedule a conference call for Monday, March 5 at 1:00 p.m. Please let me know if you are available.

1. The buy-out option is dead.
2. Conoco is still interested in pursuing a cost-sharing formula with a finite period at which time their liabilities cease. They are willing to offer a higher percentage in the formula to make this approach acceptable. Below are the two Conoco proposals for a finite liability period.
 - A. 70% Conoco 30% Vista - 1st 5 yrs.
60% Conoco 40% Vista - 2nd 5 yrs.
10% Conoco 90% Vista - 3rd 5 yrs.
End of Conoco Liability

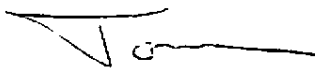
The 10%/90% for the last 5 year period is negotiable based on comments made by Thoem.

- B. The second finite liability proposal is a flat 60%/40% split for 12 years. The only rationale expressly mentioned for this was "simplicity".

If we do not agree to a "finite liability" deal then Conoco is proposing a 3 year deal with a 60%/40% split. I believe we could easily get them to 65%/35% if cost-sharing percentage were the only issue. Conoco is still taking the position that O&M costs are not to be included in any cost-sharing.

The new cost-sharing agreement will need modifications to cover the construction phase logistics as well as the percentages. Conoco also raised the issue of their 100% pay-out for the first several years of the project as rationale for not going strictly on time-line for determining the percentage splits.

Once again, please let me know if you're available on Monday at 1:00 p.m. For your information, I've attached the 5 year segment time-line percentages.


T. G. Grumbles

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