Vista Chemical Company
15990 N. Barker's Landing Rd.
Post Office Box 19029
Houston, Texas 77224
Phone (713) 531-3200

~~LC~~ LCVCM - banking agreement

July 15, 1985

VISTA

Thomas E. Souls
Conoco Inc.
Domestic Marine Division
630 Bagdad Road
Westlake, LA 70699

RE: Exchange of Credits Proposal

Dear Mr. Souls:

We are in receipt of your offer to exchange emissions credits from the Concarb Bank for LC VCM hydrocarbon credits. Upon further review of your proposal we have the following comments.

The first is the definition of contemporaneous emissions. The PSD regulations establish a five year limit on emissions changes for netting purposes. Under this scenario, it appears the Concarb reductions effectively expire in June 1986, and are of no useful purpose to Vista. One possible alternative for Conoco to explore is to get EPA approval for extension of the Concarb reductions for an extended period if traded. An additional five years for netting or offset purposes would considerably increase their attractiveness to Vista.

Because of the bubble efforts which took place in 1982, the size of the VCM bank has been reduced. A recent review by EPA has also resulted in a deletion of a portion of the banked emissions. As such, this bank is reduced considerably and is of great value to Vista. Therefore, the factors for trade, are not acceptable as proposed. Based on the success of the recommendations in the paragraph above, Vista will repropose factors based upon your response to the above.

One other alternative for trade is the Alcohol plant continuous reactor bank, which is recognized by the state but has not been clearly recognized by EPA. We may be able to trade using that bank provided DEQ approval of the trade and the usage. Use of some factors would be more palatable if Conoco is willing to explore this possibility.

Sincerely,

Thomas G. Grumbles

Thomas G. Grumbles, C.I.H.
Environmental Quality Manager

SAL 000064931

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cc WLM, JCL, MGH, RTF, JAD, RAC, RDG