

Interoffice
Communication

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FROM: Thomas G. Grumbles

DATE: July 11, 1991

SUBJ: MEETING WITH CONOCO ON JUNE 27, 1991 RE: COST-SHARING FOR
LCCC HAZARDOUS AND AN SOLID WASTE FACILITY INVESTIGATION
AND REMEDIATION

VISTA

A meeting was held with Jay Christopher and Adele Buchman which focused on two areas:

- 1) The proposed cost-sharing agreement and approach (attached); and,
- 2) The general issues of Conoco's retained liability for the activities involved in investigation and remediation of solid waste management units.

Concerning the proposed agreement, Conoco had few substantive comments on the document and generally agreed with the approach. Issues raised in the text included referring to the USEPA draft regulation in Section A, lengthening arbitration time-frames in Section J, and redefining the points of actual cost allocation formula determination. Also, in regards to the general services contract used for C-K, Conoco asked to obtain a "flow-through" indemnity with C-K, equivalent to what Vista has in the contract.

A number of issues were resolved except for several fundamental philosophical issues, which are discussed later.

Action Item:

Adele will draft indemnity clause language to be used outside of the contract.

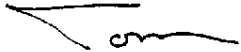
Concerning Conoco's position on fundamental issue, their "novel" interpretations are summarized below.

1. In simple terms, Conoco believes their liability applies only to remediation activities: i.e., removal of contaminated soil, sediments, groundwater, etc. and actual construction of remedial alternatives.
2. While they are willing to admit that investigation may be a part of remediation, they are unwilling to accept liability for any investigation that doesn't result in remediation. This supports their rationale for delaying the allocation of actual cost-sharing percentages until the final corrective measures design is completed.

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3. Because corrective action activities are a result of a permit action which is beneficial to and necessary for Vista's continued operations at LCCC, this benefit to Vista should be factored into negotiating a cost-sharing formula.
4. If the corrective measure study concludes, that no action (no remediation) is needed for a given unit, they are not liable for the costs of performing the investigation or corrective measure study for that unit.
5. Conoco also feels that any remediation they pay for which results in an increased commercial value to Vista should also be factored into the cost-sharing formula.

We made it clear that we have significant differences of opinion what the APA language means and that we would have to review Conoco's positions with our senior management prior to any further discussions. We also stated that we doubted we could progress on the proposed cost-sharing agreement until some of the fundamental retained liability issues were resolved.



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