

Vista Chemical Company

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March 28, 1989

~~FOR JCL: MMG: AJO RF~~

~~XP: Desk~~

VISTA

Mr. B. I. Raffle
Supervising Counsel
Environmental & Engineering Group
Conoco Legal Department
P.O. Box 2197
Houston, TX 77252

Mr. H. J. Neeld
Director, Environmental Programs
Environmental Conservation
Conoco Inc.
P.O. Box 2197
Houston, TX 77252

Re: COST SHARING AGREEMENT FOR LCCC GROUNDWATER EXPENDITURES

Gentlemen:

The following is a summary of the meeting held on March 20 to further discuss cost sharing for the LCCC groundwater project.

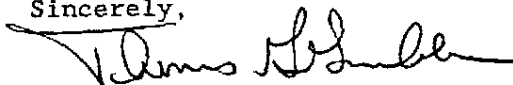
In summary, Conoco accepts the principles and elements outlined in Attachment I, with the exception of Items 4 and 5. Item 4 was discussed in terms of Conoco's offer to settle on a "cash-out" amount prior to DEQ approval of a remediation plan. Item 5 was tabled for later discussion.

Conoco presented a cash-out proposal "concept" document (Attachment II) for discussion. This was reviewed in terms of contents and relative dollar amounts. The document was recognized not to include a value for Vista's risk.

Vista noted that we felt manpower costs for the remediation system were significant for the 20 year remediation period and should be included in the "cash-out".

The next meeting was scheduled for Tuesday, April 11, 1:00-3:00 p.m. at Conoco. Prior to that meeting, Vista will develop a proposed value for Vista risk, and review the dollar amounts and elements presented in Attachment II.

Sincerely,



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

dlj
Attachment

cc: W. L. McClain, M. G. Hayes-LCCP

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DEFINITION OF CASH OUT

The receipt by Vista of a lump sum payment of money in exchange for a total release of liability of Conoco for future costs incurred to remediate any and all subsurface "groundwater" at the Lake Charles Chemical Complex.

ELEMENTS OF CASH OUT

1. Capital costs for:
 - a. Recovery system (new equipment)
 - b. Treatment system
2. O & M for:
 - a. Recovery system
 - b. Treatment system
 - c. P & A costs
3. Value for Vista assumed risk

ASSUMPTIONS

1. 20 year remediation life
2. 5% inflation
3. 10% discount factor
4. Based on system initially approved for installation by DEQ based on feasibility study recommendations.
5. Vista obtains subrogation rights against consultants
6. Separate treatment system that considers available synergies

CASH OUT

ADVANTAGES/DISADVANTAGES TO CONOCO/VISTA

1. Certain price for undefined actual project lifetime costs
2. Elimination of Conoco manpower and substitution of Vista manpower requirement for project management
3. Protection from and exposure to changing clean-up standards
4. Elimination of Conoco transactions with consultants-substitution of Vista
5. Adds another level of uncertainty for Vista APA claims based on scope of release.

LCCC Groundwater Project Buyout Costs

Summary

If Conoco continues to be involved in this project at 70% cost for the next 5 years, 50% for the following 5 years, and 30% for the following 5 years, and 10% for the last 5 years, it will cost an estimated \$717,216 NPV (Net Present Value at 10% discount factor) for the next 20 years. This should be the starting point for negotiations. A risk factor needs to be included so the cost will go up by some amount. The major items anticipated to complete the project and estimated costs are discussed below.

Remediation Well Installation

A design basis of 20 pumping wells in the 50-ft sand with an average pumping rate of 5 gpm each was used. It was assumed that 5 of the wells would be existing wells and 15 would be new. Assuming 6-inch stainless steel wells, it would cost \$242,000 just for the well installation and the total project would cost in the neighborhood of \$300,000.

Remediation Pumping System Installation

The system for the 2 current wells pumping the 50-ft sand cost about \$10,000. For 18 more wells the cost was assumed to be \$180,000. Maintenance was assumed to be 5% of the capital cost per year with a 5% inflation factor.

Mossville Monitoring Wells Installation

It is assumed that 3 monitoring wells will have to be installed in Mossville in the 50-ft sand. The total cost for this project is estimated to be about \$57,000.

New Steam Stripper Installation and Operation

The installation of a new steam stripper to treat 100 gpm of groundwater is estimated to cost about \$320,000. No operating costs were estimated, but they are expected to be low because excess steam is available and the pumps required are low horsepower. Maintenance costs are estimated at 5% of the capital cost annually with a 5% inflation factor.

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Plugging and Abandonment of Wells

Three steel wells, (soon to be 4) and 5 PVC wells have been P&A'ed to date. Only a couple of more wells have obvious problems and will need to be P&A'ed. The P&A cost (and possibly other costs associated with these wells) may be recovered from G&M. An effort to eliminate wells not needed for either recovery or monitoring could result in P&A of a maximum of 30 wells. Using a cost of 10 times the cost of the three wells already P&A'ed plus 10 percent gives a cost of \$50,000.

Miscellaneous Contractor Studies

\$10,000 per year was added to cover the cost of additional studies by a groundwater consultant. Also, \$10,000 per year analytical costs for outside laboratories was added. Prices may go up over the years, but the amount of studies and analyses should decrease.

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LCCC GROUNDWATER PROJECT BUYOUT

Year	Pumpout	stripper	New Wells	contractors
1	0	0	357,000	
2	120,000	320,000	0	70,000
3	9,000	16,000		20,000
4	9,450	16,800		20,000
5	9,923	17,640		20,000
6	10,419	18,522		20,000
7	10,940	19,448		20,000
8	11,487	20,421		20,000
9	12,061	21,442		20,000
10	12,664	22,514		20,000
11	13,297	23,639		20,000
12	13,962	24,821		20,000
13	14,660	26,062		20,000
14	15,393	27,365		20,000
15	16,163	28,734		20,000
16	16,971	30,170		20,000
17	17,819	31,679		20,000
18	18,710	33,263		20,000
19	19,646	34,926		20,000
20	20,628	36,672		20,000
Total				
NPV	233,130	414,452	324,545	193,412

Conoco cost + Vista cost = Total NPV
 \$717,216 \$448,323 \$1,165,539

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