

Vista Chemical Company

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January 31, 1990

TGG: JCL: ERT: MJH: AJO: RF
XF: _____

VISTA

Mr. Terry Thoem
Manager, Environmental and
Occupational Health Services
600 N. Dairy Ashford
Houston, TX 77079

Dear Terry:

Vista management has carefully reviewed your offers, described below, for resolution of the retained liability costs for matters related to the groundwater remediation program at the Lake Charles Chemical Complex.

CONOCO BUY-OUT\CARVE OUT OFFER

- \$1.4 million paid to Vista in exchange for a limited release
- Conoco retain Asset Purchase Agreement liabilities for:
 - 1) Natural resource damage claims
 - 2) 3rd party lawsuits - regardless of subject matter
 - 3) Chico aquifer contamination

CONOCO TERM COST-SHARING AGREEMENT

- Three five year period with the following cost split:
 - 1) 1st 5 - Conoco 60%\VISTA 40%
 - 2) 2nd 5 - Conoco 40%\VISTA 60%
 - 3) 3rd 5 - Conoco 20% VISTA 80%
- No further liability retention by Conoco after 15 years

As to the term cost-sharing offer Vista is willing to offer the following.

- 1st 5 years - VISTA 30%\Conoco 70%
- 2nd 5 years - VISTA 40%\Conoco 60%

After 10 years, cost-sharing for future periods would be negotiated. An absolute end to Conoco's liability at any time earlier than provided in the Asset Purchase Agreement is not acceptable at this time.

As to the Buy-out\Carve-out offer, Vista is unable to respond at this time. We have analyzed the value of the cash-out offer and believe that although the "carve-outs" offered go a long way in addressing our liability concerns, the \$1.4 million offer does not provide any financial incentive to Vista based on current project

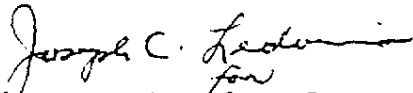
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cost estimates. Clearly, Vista must receive some financial incentive in any buy-out scenario to assume the full responsibility for a project of such indefinite duration and potential cost.

As to cost-sharing formula, please contact me after your review of Vista's counter offer and we can discuss how to proceed with this option. Our desire, as yours, is to complete these negotiations as soon as possible.

Sincerely,



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

dlj

bcc: R. D. Gamblin, T. H. Huffman, J. A. DeBernardi, N. C. Frost,
W. L. McClain

J. Friend, M. G. Hayes-LCCP

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Vista/Conoco Time Line
Cost Sharing Agreement

<u>Milestones</u>		<u>Time(mos)</u>	<u>Vista %</u>	<u>Conoco %</u>
VCM Plant startup date	1 Feb 68	0	-	-
Vista formation(7/20/84)	1 Aug 84	198	0	100
1st cost sharing	1 May 86	219	10	90
Present time	1 Feb 90	264	25	75
-	1 Feb 95	324	39	61
-	1 Feb 00	384	48	52
-	1 Feb 05	444	55	45

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