

Author: Kenneth Vogel at -MMS-DENVER-85-1

Date: 05/21/98 09:33 AM

Priority: Normal

TO: David Domagala at -MMS-DENVER-GH-4, David Hubbard at -MMS-DENVER-GH-4,
Linda Shishido-Sheahan at -MMS-DENVER-GH-2, Deborah Gibbs-Tschudy at -MMS-DENVER-GH-4

CC: Lucy Querques Denett at -MMS-DOI

Subject: Re[2]: Counter to the Refinery Offer

I spoke with Neil Stampe (our consultant) about the offer. This is what he had to say:

X-5 + X-4

Reply Separator

Subject: Re: Counter to the Refinery Offer

Author: Deborah Gibbs-Tschudy at -mms-Denver-GH-4

Date: 5/20/1998 5:56 PM

Let me try again, in English this time.

I'm very comfortable with your proposed counteroffer. Thanks for your continued hard work on this project.

It's nearly 8 p.m. EST and I'm still in Dale's office and very tired of reading Lin Smith's critique of our analysis of HR 3334 that we just received -- the night before the hearing tomorrow. Still no excuse for not reading my own messages before I hit the send button.

Reply Separator

Subject: Counter to the Refinery Offer

Author: David Domagala at -mms-denver-gh-4

Date: 05/20/98 04:43 PM

Debbie,

I know that you are very busy with other important matters, but as you may be aware, the refiners countered our offer with:

X-5 + X-4

Linda, Mary and I have looked at the numbers for the grades of LLS, HLS and EI. This analysis showed an increase of 5.75% or \$12.4MM for the 13 months in '97-'98. So there is no doubt that this is a revenue winner for us. The Bonito grade began publication the first of the year so we did not analyze it, but I think we can expect the same gains in this area.

The Texas City proposal looks sound, it really does not vary much from what we were proposing previously. Only we used $X-5$, $X-4$ posters, but the differentials are still relatively the same. $X-4$, $X-5$ is usually one of the lower value

The MARS proposal will, in some cases, net us lower values than their original $X-4$, $X-5$

I've talked this over with Dave and we feel that a suitable counter to their offer would be doubling our original $X-5$, $X-4$ for the four spot crudes and accepting their terms for Texas City with our $X-5$, $X-4$ deduction. We would like to negotiate $X-2$, $X-4$ when we can gather more information as to its value. Our thinking is that we may then meet somewhere in the middle at $X-4$ or something when this is finished. We feel that we should at least try to get them down from the $X-4$
 $X-5$

We would like to present this offer Thursday because it is likely that with everyone out on Friday, it may be next Tuesday at the earliest. Please let us know if you do not feel o.k. with this counter. We will hold if you would like to further discuss when you have time.