
ARTHUR
ANDERSEN
& CO

KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 1987 AND 1986

TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN & Co.
OKLAHOMA CITY, OKLAHOMA

To Kerr-McGee Corporation:

We have examined the consolidated balance sheet of KERR-McGEE CHEMICAL CORPORATION (a Delaware corporation and a wholly owned subsidiary of Kerr-McGee Corporation) and subsidiaries as of December 31, 1987 and 1986, and the related consolidated statements of income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kerr-McGee Chemical Corporation and subsidiaries as of December 31, 1987 and 1986, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Oklahoma City, Oklahoma,
March 18, 1988.

KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1987 AND 1986
(In Thousands of Dollars)

| | <u>1987</u> | <u>1986</u> | | <u>1987</u> | <u>1986</u> |
|---|------------------|------------------|--|------------------|------------------|
| <u>ASSETS</u> | | | | | |
| <u>CURRENT ASSETS</u> | | | <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u> | | |
| Cash | \$ 2,696 | \$ 3,159 | <u>CURRENT LIABILITIES</u> | | |
| Marketable securities, at cost, approximating market value | 3,300 | 2,950 | Accounts payable | \$ 38,738 | \$ 37,717 |
| Notes and accounts receivable | 6,283 | 3,429 | Taxes on income | 696 | 1,764 |
| Accounts receivable sold to parent company | 50,274 | 58,796 | Long-term debt due within one year | 2,508 | 1,713 |
| Advances to parent company | 260,156 | 170,002 | Accrued liabilities | 7,400 | 7,115 |
| Inventories | 109,788 | 117,245 | Total Current Liabilities | <u>49,342</u> | <u>48,309</u> |
| Deposits and prepaid expenses | 2,079 | 1,614 | <u>LONG-TERM DEBT</u> | <u>1,349</u> | <u>3,441</u> |
| Total Current Assets | <u>434,576</u> | <u>357,195</u> | <u>ADVANCES TO BE PAID FROM FUTURE PRODUCTION</u> | <u>2,031</u> | <u>2,031</u> |
| <u>INVESTMENTS AND OTHER ASSETS</u> | | | <u>DEFERRED CREDITS AND RESERVES</u> | | |
| Long-term notes receivable | 6,406 | 3,747 | Income taxes | 85,605 | 52,175 |
| Other | 873 | 898 | Other | 35,589 | 39,183 |
| | <u>7,279</u> | <u>4,645</u> | | <u>121,194</u> | <u>91,358</u> |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u> | | | <u>STOCKHOLDER'S EQUITY</u> | | |
| Land and timberlands | 6,897 | 6,787 | Common stock - \$746 stated value - 100,000 shares authorized and issued | 74,643 | 74,643 |
| Development costs | 18,593 | 17,736 | Capital in excess of stated value | 163,832 | 163,832 |
| Plant and mining facilities | 678,598 | 642,889 | Retained earnings | 435,974 | 381,389 |
| Other | 63,748 | 64,433 | Total Stockholder's Equity | <u>674,449</u> | <u>619,864</u> |
| Less- Reserve for depreciation, depletion, and amortization | 767,836 | 731,845 | | | |
| | <u>365,055</u> | <u>332,430</u> | | | |
| | <u>402,781</u> | <u>399,415</u> | | | |
| <u>DEFERRED CHARGES</u> | <u>3,729</u> | <u>3,748</u> | | | |
| | <u>\$848,365</u> | <u>\$765,003</u> | | | |
| | | | | <u>\$848,365</u> | <u>\$765,003</u> |

intangible assets

The accompanying notes are an integral part of this balance sheet.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986
(In Thousands of Dollars)

| | <u>1987</u> | <u>1986</u> |
|---|------------------|------------------|
| SALES AND SERVICES | <u>\$463,577</u> | <u>\$455,585</u> |
| COSTS AND EXPENSES | | |
| Costs and operating expenses | 316,323 | 319,279 |
| Selling, general, and administrative expenses | 27,378 | 29,448 |
| Depreciation, depletion, and amortization | 39,811 | 36,362 |
| Exploration | 31 | 178 |
| Taxes, other than income taxes | <u>10,600</u> | <u>11,107</u> |
| Total Costs and Expenses | <u>394,143</u> | <u>396,374</u> |
| | 69,434 | 59,211 |
| OTHER INCOME | <u>20,024</u> | <u>19,689</u> |
| INCOME BEFORE INCOME TAX | 89,458 | 78,900 |
| PROVISION FOR INCOME TAXES | <u>34,873</u> | <u>32,842</u> |
| NET INCOME | <u>\$ 54,585</u> | <u>\$ 46,058</u> |

The accompanying notes are an integral part of this statement.

KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986
(In Thousands of Dollars)

| | <u>1987</u> | <u>1986</u> |
|---|-----------------|-------------------|
| FUNDS PROVIDED FROM OPERATIONS | | |
| Net income | \$ 54,585 | \$ 46,058 |
| Depreciation, depletion, and amortization | 39,811 | 36,362 |
| Deferred income taxes | 33,430 | 30,450 |
| Other noncash items | 5,758 | 1,030 |
| Total | <u>133,584</u> | <u>113,900</u> |
| PROCEEDS FROM DISPOSAL OF PROPERTIES | | |
| | <u>1,577</u> | <u>8,556</u> |
| UTILIZATION OF FUNDS | | |
| Capital expenditures | 46,794 | 28,356 |
| Repayment of long-term debt | 2,092 | 1,765 |
| Other | 9,927 | 15,293 |
| Total | <u>58,813</u> | <u>45,414</u> |
| INCREASE (DECREASE) IN WORKING CAPITAL, EXCLUDING CASH | | |
| Notes and accounts receivable | 2,854 | 1,476 |
| Accounts receivable sold to parent company | (8,522) | (7,233) |
| Advances to parent company | 90,154 | 98,304 |
| Inventories | (7,457) | (10,489) |
| Accounts payable | (1,021) | (6,210) |
| Other | 453 | 2,333 |
| Total | <u>76,461</u> | <u>78,181</u> |
| DECREASE IN CASH AND MARKETABLE SECURITIES | | |
| | <u>\$ (113)</u> | <u>\$ (1,139)</u> |

The accompanying notes are an
integral part of this statement.

KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation-

Kerr-McGee Chemical Corporation (the company) is a wholly owned subsidiary of Kerr-McGee Corporation (the parent). The accompanying consolidated financial statements include the accounts of all the subsidiary companies of Kerr-McGee Chemical Corporation. All material intercompany transactions among the company and its subsidiaries have been eliminated.

Inventories-

Inventories are valued at the lower of cost or market. The cost of product inventories is determined by the first-in, first-out method, and materials and supplies are valued using an average cost. Inventory carrying values include material costs, labor, and indirect manufacturing expense associated therewith.

Property, Plant, and Equipment-

Property, plant, and equipment is stated at original cost less reserves for depreciation, depletion, and amortization sustained to date. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the life of existing property are capitalized. Property, plant, and equipment is depreciated, depleted, or amortized over its estimated life by application of the straight-line method. The cost and related depreciation, depletion, and amortization reserves are removed from the respective accounts upon retirement or sale of property, plant, and equipment. The resulting gain or loss is included in income.

Environmental Costs -

The company provides for estimated future environmental expenditures based on current costs and regulations when it is determined that an environmental liability is probable and measurable.

Income Taxes-

Kerr-McGee Corporation and its subsidiaries, including the company, file a consolidated income tax return. The amount of income taxes is recorded by the company as directed by Kerr-McGee Corporation, but is generally calculated as though a separate consolidated tax return were filed by the company and its subsidiaries. The company and the parent company believe that adequate provisions have been made for income taxes that may become

payable. Deferred income taxes are provided for all material items of income and expense that are recognized in different time periods for financial reporting and income tax reporting purposes. Investment tax credits were included as a reduction of income tax expense in the year the credit was earned.

Interest Capitalized-

The company has a policy of capitalizing interest costs on major projects that require a considerable length of time to complete. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the asset's estimated useful life. The company capitalized interest of \$682,000 and \$93,000 in 1987 and 1986, respectively.

Lease Commitments-

The company utilizes various leased properties, primarily for marketing facilities and railroad cars. Net lease rentals expensed were \$6,016,000 and \$4,199,000 in 1987 and 1986, respectively. Aggregate minimum annual rentals under noncancelable leases in effect at December 31, 1987, totaled \$9,267,000, of which \$3,865,000 is due in 1988, \$3,540,000 in 1989, \$1,578,000 in 1990, \$247,000 in 1991, and \$37,000 thereafter.

2. CENTRAL FLORIDA PHOSPHATE OPERATIONS

The company owns 3,633 acres of phosphate lands near Lakeland, Florida. These lands were dedicated to and were being mined through a partnership with American Cyanamid Company, named Brewster Phosphates.

In late 1986, the company and American Cyanamid Company finalized an agreement with International Minerals and Chemical Corporation for the long-term lease of Brewster Phosphate's plants and acquisition of the rights to Brewster's phosphate rock reserves.

3. TRANSACTIONS WITH AFFILIATES

The company has certain transactions with its parent or other subsidiaries of its parent. During 1987 and 1986, the company made no sales to these affiliates; however, certain products (mainly fuel) were purchased from certain subsidiaries of the parent. These purchases totaled \$2,325,000 and \$2,014,000 in 1987 and 1986, respectively, and were at prices which management believes approximate prices which would have been paid to an unrelated party for the same products. The parent company provides certain services for all of its subsidiaries which are billed monthly to each subsidiary based generally on usage. The total amount of such billings to the company for 1987 was approximately \$59 million, compared to \$56 million in 1986. This amount is not necessarily the same as it might cost the company to obtain these services from outside parties.

Other dealings with affiliates affecting operations were for interest and taxes. The company recorded interest income, included in the "Other Income" caption in the accompanying Consolidated Statement of Income, of \$18,119,000 and \$10,419,000 in 1987 and 1986, respectively, from its parent for interest on advances made to the parent. Interest is charged on these advances based on prime lending rates, which ranged from 7.5% to 9.25% during 1987 and 7.5% to 9.5% during 1986. These advances do not include intercompany accounts receivable or payable related to purchases, services and income taxes or amounts attributable to the sale of accounts receivable to the parent. The parent sells such trade accounts receivable to its wholly owned finance subsidiary. These accounts bear no interest for the company.

4. TAXES

The company's income before income taxes was substantially all from domestic sources in 1987 and 1986. The components of taxes on income for 1987 and 1986 are summarized below (in thousands of dollars):

| | <u>1987</u> | <u>1986</u> |
|-----------------------|-----------------|-----------------|
| U.S. Federal- | | |
| Current | \$ - | \$ 2,303 |
| Investment tax credit | - | (1,057) |
| Deferred | <u>33,430</u> | <u>30,450</u> |
| Foreign, current | 33,430 | 31,696 |
| State and city | 100 | 93 |
| | <u>1,343</u> | <u>1,053</u> |
| | <u>\$34,873</u> | <u>\$32,842</u> |

The major items affecting deferred taxes are the utilization of tax net operating losses and transactions affecting reserves established for financial reporting purposes.

The company has received assessments from the Franchise Tax Board of California totaling \$10,982,000 for the years 1978 through 1984 for taxes calculated under the "Unitary Method" which is different than that used by the company in filing its returns for these years. The company and the parent company believe adequate provisions have been made for any taxes which may ultimately be paid.

In December 1987, the Financial Accounting Standards Board issued a new standard, No. 96, "Accounting for Income Taxes." The company will be required to adopt the new accounting and disclosure rules no later than the year ending December 31, 1989. Adoption of the new standard will

result in a catch-up adjustment that may be reported in either the year the standard is implemented or in an earlier year if the company elects retroactive application. The company expects to adopt the new standard during 1989 and does not plan to restate prior periods. Although the full impact of the new standard has not been determined, based on existing conditions and a preliminary review, the company expects the new standard to have a favorable effect on net income and to improve the company's reported financial position in 1989 when the standard is adopted. This favorable result will be due primarily to the fact that, under current accounting, deferred income taxes are recorded at the tax rates in effect when the deferred income taxes arose, whereas the new standard will require that deferred income taxes be recorded at the rates that will be in effect when the deferred income taxes are expected to be paid.

5. NOTES AND ACCOUNTS RECEIVABLE

Summarized below are notes and accounts receivable, net of receivables sold to the parent company, together with the related allowance for doubtful accounts, at December 31, 1987 and 1986 (in thousands of dollars):

| | <u>1987</u> | <u>1986</u> |
|---------------------------------|-----------------|-----------------|
| Notes receivable | \$ 877 | \$ 388 |
| Accounts receivable | 5,624 | 3,295 |
| Total | <u>6,501</u> | <u>3,683</u> |
| Allowance for doubtful accounts | <u>(218)</u> | <u>(254)</u> |
| Net | <u>\$ 6,283</u> | <u>\$ 3,429</u> |

6. INVENTORIES

The major types of product inventories, mostly finished goods and materials and supplies, are as follows (in thousands of dollars):

| | <u>1987</u> | <u>1986</u> |
|------------------------|------------------|------------------|
| Industrial chemicals | \$ 55,399 | \$ 56,441 |
| Forest products | <u>21,815</u> | <u>28,472</u> |
| Materials and supplies | 77,214 | 84,913 |
| | <u>32,574</u> | <u>32,332</u> |
| Total | <u>\$109,788</u> | <u>\$117,245</u> |

7. LONG-TERM DEBT

Long-term debt, excluding current maturities, consisted of the following at December 31, 1987 and 1986 (in thousands of dollars):

| | <u>1987</u> | <u>1986</u> |
|---|----------------|----------------|
| 4-3/4% note payable to insurance companies | \$ - | \$1,950 |
| Note payable to Kerr-McGee Corporation, due in annual installments 1989-1990 | 921 | 1,381 |
| Note payable to Union Pacific Railroad, imputed interest of 9.54%, due in annual installments 1989-1991 | 344 | - |
| Other | <u>84</u> | <u>110</u> |
| Total long-term debt | <u>\$1,349</u> | <u>\$3,441</u> |

The note to the parent company does not provide an interest rate; however, the company pays interest based on prime lending rates, which ranged from 7.5% to 9.25% in 1987 and from 7.5% to 9.5% during 1986.

Maturities of long-term debt due after one year from December 31, 1987, are (in thousands of dollars):

| | |
|------------|----------------|
| 1989 | \$ 569 |
| 1990 | 579 |
| 1991 | 130 |
| Thereafter | 71 |
| | <u>\$1,349</u> |

8. RETIREMENT PLANS

Most employees of the company and its subsidiaries are covered by Kerr-McGee Corporation's noncontributory retirement plans. The benefits of these plans are based primarily on years of service and employees' remuneration near retirement. The company's policy is to fund the minimum amounts as permitted by ERISA.

Effective January 1, 1987, the company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." This change did not have a material effect on 1987 net income. Total pension cost was a credit of \$1,460,000 in 1987 and a credit of \$1,272,000 in 1986.

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of accumulated benefit obligations at December 31, 1987, were 8 percent and 6 percent, respectively. The expected long-term rate of return on plan assets was 8 percent.

The company's 1987 net periodic pension cost is summarized as follows (in thousands of dollars):

| | |
|--|-------------------------|
| Service cost - benefits earned during the period | \$ 2,422 |
| Interest cost on projected benefit obligations | 3,876 |
| Return on plan assets (1) | (6,015) |
| Amortization of transition asset | <u>(1,743)</u> |
| Net Pension Cost (Credit) | <u><u>\$(1,460)</u></u> |

(1) Actual return on plan assets was \$4,003,000.

The company's portion of the funded status of the plans at December 31, 1987, was as follows (in thousands of dollars):

| | Plans with Assets in Excess of Accumulated Benefits |
|---|--|
| | <u> </u> |
| Actuarial present value of accumulated benefit obligations: | |
| Vested | \$(39,878) |
| Nonvested | (2,621) |
| Total | <u><u>\$(42,499)</u></u> |
| Projected benefit obligations | \$(53,591) |
| Plan assets at fair value | <u>77,896</u> |
| Plan assets in excess of projected benefit obligations | 24,305 |
| Unrecognized net asset at January 1, 1987 | (23,076) |
| Unrecognized 1987 net loss | 2,145 |
| Prepaid pension cost at December 31, 1987 | <u><u>\$ 3,374</u></u> |

The above prepaid pension cost at December 31, 1987, is included in the accompanying Consolidated Balance Sheet as part of the advances to the parent company, since all contributions to the retirement plan trust are made by the parent company.

At December 31, 1986, the actuarial present values of accumulated plan vested and nonvested benefits were \$36,096,000 and \$2,427,000, respectively. The net assets available for benefits were \$69,464,000 and the assumed rate of return was 8 percent.

9. DEFERRED CREDITS AND RESERVES

The major portion of the other deferred credits and reserves are reserves set up for decontamination and reclamation at certain of the company's plants based on estimates from engineering studies. These reserves total approximately \$27 million at December 31, 1987, and \$33 million at December 31, 1986.

10. CONTINGENCIES

A number of court and administrative proceedings are currently pending that relate to the former operations of the company's facility located in West Chicago, Illinois. This facility, which was closed in 1973, processed thorium ores. These proceedings seek to (1) establish the method of decommissioning the facility, (2) impose liability upon the company for the cleanup of areas near the plant site, and in and along Kress Creek, (3) obtain civil penalties and removal of waste from the West Chicago site, and (4) impose liabilities upon the company for alleged personal injury resulting from the operation of the facility. The company and the parent company have accrued reserves by charges to income for its estimate of expenditures required to carry out its decommissioning plan of the facility. No reserves have been accrued for the other proceedings.

Almost all of the company's plants and facilities are subject to various environmental laws and regulations. In addition to the matter discussed above, the company has been notified that it may be responsible in varying degrees for a portion of the costs to clean up certain waste disposal sites and former plant sites. Definitive estimates of future costs of compliance cannot be made at this time because of changing environmental laws and interpretations.

In addition to the foregoing, a number of other legal proceedings are pending in various courts or agencies in which the company or a subsidiary appears as plaintiff or defendant. It is not possible to determine the ultimate disposition of such proceedings; however, after taking into consideration the company's insurance coverages and the existing reserves with respect to potential liability in certain matters, management, after consultation with general counsel, is of the opinion that the final resolution of all of the currently pending or threatened litigation, including the matters referred to in the preceding paragraphs, is not likely to have a material adverse effect on the consolidated financial position of the company.

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KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

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DECEMBER 31, 1986 AND 1985

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We have examined the consolidated balance sheet of KERR-McGEE CHEMICAL CORPORATION (a Delaware corporation and a wholly owned subsidiary of Kerr-McGee Corporation) and subsidiary companies as of December 31, 1986 and 1985, and the related consolidated statements of income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kerr-McGee Chemical Corporation and subsidiary companies as of December 31, 1986 and 1985, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Oklahoma City, Oklahoma,
March 17, 1987.

KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1986 AND 1985
(In Thousands of Dollars)

| | 1986 | 1985 | | 1986 | 1985 |
|--|------------------|------------------|--|------------------|------------------|
| <u>ASSETS</u> | | | | | |
| <u>CURRENT ASSETS</u> | | | | | |
| Cash | \$ 3,159 | \$ 2,198 | Accounts payable | \$ 37,717 | \$ 31,507 |
| Marketable securities, at cost, approximating market value | 2,950 | 5,050 | Payable to parent company for income taxes | 1,764 | 1,640 |
| Notes and accounts receivable | 3,429 | 1,953 | Long-term debt due within one year | 1,713 | 1,714 |
| Accounts receivable sold to parent company | 58,796 | 66,029 | Accrued liabilities | 7,115 | 9,478 |
| Advances to parent company | 170,002 | 71,698 | Total Current Liabilities | 48,309 | 44,339 |
| Inventories | 117,245 | 127,734 | LONG-TERM DEBT | 3,441 | 5,206 |
| Deposits and prepaid expenses | 1,614 | 1,521 | ADVANCES TO BE PAID FROM FUTURE PRODUCTION | 2,031 | 2,031 |
| Total Current Assets | <u>357,195</u> | <u>276,183</u> | DEFERRED CREDITS AND RESERVES | 52,175 | 21,725 |
| INVESTMENTS AND OTHER ASSETS | 3,747 | 4,575 | Income taxes | 39,183 | 45,814 |
| Long-term notes receivable | 898 | 667 | Other | 91,358 | 67,539 |
| Other | 4,645 | 5,242 | STOCKHOLDER'S EQUITY | 74,643 | 74,643 |
| PROPERTY, PLANT, AND EQUIPMENT | 6,787 | 7,307 | Common stock - no par value - 100,000 shares issued and outstanding | 163,832 | 163,832 |
| Lands and timberlands | 17,736 | 11,763 | Capital in excess of stated value | 381,389 | 335,331 |
| Development costs | 642,889 | 633,989 | Retained earnings | 619,864 | 573,806 |
| Plant and mining facilities | 64,433 | 61,447 | Total Stockholder's Equity | <u>\$765,003</u> | <u>\$692,921</u> |
| Other | 731,845 | 714,506 | | | |
| Less- Reserve for depreciation, depletion, and amortization | <u>332,430</u> | <u>303,824</u> | | | |
| DEFERRED CHARGES | 399,415 | 410,682 | | | |
| | 3,748 | 814 | | | |
| | <u>\$765,003</u> | <u>\$692,921</u> | | | |

The accompanying notes are an integral part of this statement.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1986 AND 1985

(In Thousands of Dollars)

| | <u>1986</u> | <u>1985</u> |
|---|-------------------|---------------|
| FUNDS PROVIDED FROM OPERATIONS | | |
| Net income | \$ 46,058 | \$ 29,473 |
| Depreciation, depletion and amortization | 36,362 | 34,745 |
| Deferred income taxes | 30,450 | 16,964 |
| Other noncash items | 1,030 | 12,921 |
| Total | <u>113,900</u> | <u>94,103</u> |
| PROCEEDS FROM DISPOSAL OF PROPERTIES | <u>8,556</u> | <u>72</u> |
| UTILIZATION OF FUNDS | | |
| Capital expenditures | 28,356 | 41,088 |
| Repayment of long-term debt | 1,765 | 1,962 |
| Other | 15,293 | 13,441 |
| Total | <u>45,414</u> | <u>56,491</u> |
| INCREASE (DECREASE) IN WORKING CAPITAL, EXCLUDING CASH | | |
| Notes and accounts receivable | 1,476 | (3,574) |
| Accounts receivable sold to parent company | (7,233) | 1,972 |
| Receivable from parent company for income taxes | - | (1,028) |
| Advances to parent company | 98,304 | 44,099 |
| Inventories | (10,489) | (10,035) |
| Deposits and prepaid expenses | 93 | (1,021) |
| Accounts payable | (6,210) | (217) |
| Payable to parent company for income taxes | (124) | (1,640) |
| Accrued liabilities and other | 2,364 | 8,934 |
| Total | <u>78,181</u> | <u>37,490</u> |
| INCREASE (DECREASE) IN CASH AND MARKETABLE SECURITIES | <u>\$ (1,139)</u> | <u>\$ 194</u> |

The accompanying notes are an
integral part of this statement.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation-

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Inventories-

Inventories are valued at the lower of cost or market. The cost of product inventories is determined by the first-in, first-out method and materials and supplies are valued using an average cost. Inventory carrying values include material costs, labor, and indirect manufacturing expense associated therewith.

Property, Plant, and Equipment-

Property, plant, and equipment is stated at original cost less reserves for depreciation, depletion, and amortization sustained to date. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the life of existing property are capitalized. Property, plant, and equipment is depreciated, depleted, or amortized over its estimated life by application of the straight-line method. The cost and related depreciation, depletion, and amortization reserves are removed from the respective accounts upon retirement or sale of property, plant, and equipment. The resulting gain or loss is included in income.

Income Taxes-

Kerr-McGee Corporation and its subsidiaries, including the company, file a consolidated income tax return. The amount of income taxes is recorded by the company as directed by Kerr-McGee Corporation, but is generally calculated as though a separate tax return were filed. The company and the parent company believe that adequate provisions have been made for income taxes that may become payable. Certain deductions or benefits generated by one company may not be utilized by that individual company, such as, the benefit for an operating loss. For this reason, the current tax payable or receivable is reflected as a payable or receivable

from the parent company in the accompanying Consolidated Balance sheet. Deferred income taxes are provided for all material items of income and expense that are recognized in different time periods for financial reporting and income tax reporting purposes. Investment tax credits are included as a reduction of income tax expense in the year the credit is earned.

Interest Capitalized-

The company has a policy of capitalizing interest costs on major projects that require a considerable length of time to complete. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the asset's estimated useful life. The company capitalized interest of \$93,000 and \$767,000 in 1986 and 1985, respectively.

Lease Commitments-

The company utilizes various leased properties, primarily for marketing facilities and railroad cars. Net lease rentals expensed in 1986 totaled \$4,199,000 compared to \$4,745,000 a year earlier. The aggregate minimum annual rentals under noncancelable leases in effect at December 31, 1986, totaled \$6,559,000, of which \$2,852,000 is due in 1987, \$1,376,000 in 1988, \$1,090,000 in 1989, \$655,000 in 1990 and \$586,000 in 1991.

2. CENTRAL FLORIDA PHOSPHATE OPERATIONS

The company owns 3,633 acres of phosphate lands near Lakeland, Florida. These lands were dedicated to and were being mined through a partnership with American Cyanamid Company, named Brewster Phosphates. The company's share of the production was 25 percent.

In late 1986, the company and American Cyanamid Company finalized an agreement with International Minerals and Chemical Corporation for the long-term lease of Brewster Phosphate's plants and acquisition of the rights to Brewster's phosphate rock reserves.

3. TRANSACTIONS WITH AFFILIATES

The company has certain transactions with its parent or other subsidiaries of its parent. During 1986 and 1985, the company made no sales to these affiliates; however, certain products (mainly fuel) were purchased from certain subsidiaries of the parent. These purchases totaled \$2,014,000 and \$3,745,000 in 1986 and 1985, respectively, and were at prices which management believes approximate prices which would have been paid to an unrelated party for the same products. The parent company provides certain services for all of its subsidiaries which are billed monthly to each subsidiary based generally on usage. The total amount of such billings to the company for 1986 was approximately \$56

5. NOTES AND ACCOUNTS RECEIVABLE

Summarized below are notes and accounts receivable, net of receivables sold to the parent company, together with the related allowance for doubtful accounts, at December 31, 1986 and 1985 (thousands of dollars):

| | <u>1986</u> | <u>1985</u> |
|---------------------------------|-----------------|-----------------|
| Notes receivable | \$ 388 | \$ 1,669 |
| Accounts receivable | 3,295 | 1,882 |
| Total | <u>3,683</u> | <u>3,551</u> |
| Allowance for doubtful accounts | <u>(254)</u> | <u>(1,598)</u> |
| Net | <u>\$ 3,429</u> | <u>\$ 1,953</u> |

6. INVENTORIES

The major types of product inventories, mostly finished goods and materials and supplies, are as follows (thousands of dollars):

| | <u>1986</u> | <u>1985</u> |
|------------------------|------------------|------------------|
| Industrial chemicals | \$ 56,441 | \$ 52,868 |
| Forest | 28,472 | 31,863 |
| Agricultural | - | 9,048 |
| Total | <u>84,913</u> | <u>93,779</u> |
| Materials and supplies | <u>32,332</u> | <u>33,955</u> |
| Total | <u>\$117,245</u> | <u>\$127,734</u> |

7. LONG-TERM DEBT

Long-term debt, excluding current maturities, consisted of the following at December 31, 1986 and 1985 (thousands of dollars):

| | <u>1986</u> | <u>1985</u> |
|---|-----------------|-----------------|
| 4-3/4% note payable to insurance companies, due in annual installments 1988 | \$ 1,950 | \$ 3,200 |
| Note payable to Kerr-McGee Corporation in annual installments 1988-1990 | 1,381 | 1,842 |
| Other | <u>110</u> | <u>164</u> |
| Total long-term debt | <u>\$ 3,441</u> | <u>\$ 5,206</u> |

The note to the parent company does not provide an interest rate; however, the company pays interest based on prime lending rates, which ranged from 7.5% to 9.5% in 1986 and from 9.5% to 10.5% during 1985.

Maturities of long-term debt due after one year from December 31, 1986, are (thousands of dollars):

| | |
|----------------|----------------|
| 1988 | \$2,414 |
| 1989 | 465 |
| 1990 | 465 |
| 1991 and later | 97 |
| | <u>\$3,441</u> |

8. RETIREMENT PLANS

Most of the company's employees are covered under noncontributory retirement plans of the company and certain of its subsidiaries. Pension expense was a credit of \$1,271,675 in 1986 compared to a credit expense of \$124,000 in 1985. The company uses the projected unit-credit method in determining pension costs. The company's policy is to fund the minimum amounts as permitted by ERISA. Accumulated plan benefits and plan net assets are presented below (thousands of dollars):

| | <u>As of January 1,</u> | |
|--|-------------------------|------------------|
| | <u>1986</u> | <u>1985</u> |
| Actuarial present value of accumulated plan benefits (1)- | | |
| Vested | \$ 36,096 | \$ 30,925 |
| Nonvested | 2,427 | 2,577 |
| Total | <u>\$ 38,523</u> | <u>\$ 33,502</u> |
| Net assets available for benefits | <u>\$ 69,464</u> | <u>\$ 59,458</u> |

(1) The assumed rate of return was 8 percent.

9. DEFERRED CREDITS AND RESERVES

The major portion of the other deferred credits and reserves are reserves set up for decontamination and reclamation at certain of the company's plants based on estimates from engineering studies. These reserves total approximately \$33 million at December 31, 1986, and \$41 million at December 31, 1985.

10. CONTINGENCIES

A number of court and administrative proceedings are currently pending that relate to the former operations of the company's facility located in West Chicago, Ill. This facility, which was closed in 1973, processed thorium ores. These proceedings seek to (1) establish the method of decommissioning the facility, (2) impose liability upon the company for the cleanup of areas near the plant site, and in and along Kress Creek, (3) obtain civil penalties and removal of waste from the West Chicago site, and (4) impose liabilities upon the company for alleged personal injury and property damage resulting from the operation of the facility. The company and the parent company have accrued reserves by charges to income for its estimate of expenditures required to carry out its decommissioning plan of the facility. No reserves have been accrued for the other proceedings.

A number of other legal proceedings are pending in various courts or agencies in which the company or a subsidiary appears as plaintiff or defendant. It is not possible to determine the ultimate disposition of all litigation; however, after taking into consideration the company's insurance coverages and its existing reserves with respect to potential liability in certain matters, management, after consultation with general counsel, is of the opinion that the final resolution of all of the currently pending or threatened litigation, including the matters referred to in the preceding paragraph, is not likely to have a material adverse effect on the consolidated financial position of the company.

ARTHUR
ANDERSEN
& CO.

KERR-McGEE CHEMICAL CORPORATION
=====

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 1984

TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN & Co.
OKLAHOMA CITY, OKLAHOMA

To Kerr-McGee Corporation:

We have examined the consolidated balance sheet of KERR-McGEE CHEMICAL CORPORATION (a Delaware corporation and a wholly owned subsidiary of Kerr-McGee Corporation) and subsidiary companies as of December 31, 1984, and the related consolidated statements of income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kerr-McGee Chemical Corporation and subsidiary companies as of December 31, 1984, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Oklahoma City, Oklahoma,
March 5, 1985.

Arthur Andersen & Co.

KERR-McGEE CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1984

(In Thousands of Dollars)

A S S E T S

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | | |
|--|----|-----------|-----------|
| CURRENT ASSETS: | | | |
| Cash | \$ | 854 | |
| Marketable securities, at cost which approximates market | | 6,200 | |
| Notes and accounts receivable | | 5,527 | |
| Accounts receivable sold to parent company | | 64,057 | |
| Receivable from parent company for income taxes | | 1,028 | |
| Inventories- | | | |
| Product inventory | | 96,112 | |
| Materials and supplies | | 41,657 | |
| Deposits and prepaid expenses | | 2,542 | |
| | | 217,977 | |
| Total current assets | | | \$ 31,290 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Advances to parent company | | 33,128 | |
| Long-term notes receivable | | 2,741 | |
| Other | | 681 | |
| | | 36,550 | |
| Total investments and other assets | | | 5,529 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| Fee lands and timberlands | | 7,174 | |
| Development costs | | 15,194 | |
| Plant and mining facilities | | 662,764 | |
| Other | | 66,103 | |
| | | 751,235 | |
| Less- Reserve for depreciation, depletion and amortization | | 342,021 | |
| Total property, plant and equipment, net | | 409,214 | |
| | | 2,704 | |
| DEFERRED CHARGES | | | |
| | | \$666,445 | |
| | | | 1,722 |
| | | | 18,404 |
| | | | 56,945 |
| | | | 7,168 |
| | | | 2,031 |
| | | | 4,761 |
| | | | 51,207 |
| | | | 55,968 |
| | | | 74,643 |
| | | | 163,832 |
| | | | \$316,697 |
| | | | (10,839) |
| | | | 305,858 |
| | | | 544,333 |
| | | | \$666,445 |

Total stockholder's equity (net worth)
total assets - total debt

intangible assets

The accompanying notes are an integral part of this financial statement.

KERR-McGEE CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1984

(In Thousands of Dollars)

| | |
|---|-------------|
| REVENUE: | |
| Sales and services | \$ 519,574 |
| | ----- |
| COSTS AND EXPENSES: | |
| Costs and operating expenses | 400,598 |
| Selling, general and administrative expenses | 33,206 |
| Depreciation, depletion and amortization | 43,051 |
| Exploration | 504 |
| Provisions for the write-down of and estimated future losses from certain assets | 52,331 |
| Taxes, other than income taxes | 14,692 |
| | ----- |
| Total costs and expenses | 544,382 |
| | ----- |
| | (24,808) |
| OTHER INCOME | 2,664 |
| | ----- |
| Net loss before income tax benefit | (22,144) |
| | |
| BENEFIT FROM INCOME TAXES | (11,305) |
| | ----- |
| NET LOSS | \$ (10,839) |
| | ===== |

The accompanying notes are an integral
part of this financial statement.

KERR-McGEE CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1984
(In Thousands of Dollars)

| | |
|--|-------------|
| FUNDS PROVIDED FROM OPERATIONS: | |
| Net loss | \$ (10,839) |
| Depreciation, depletion and amortization | 43,051 |
| Deferred income taxes | (13,895) |
| Other noncash items | 52,883 |
| | ----- |
| Total | 71,200 |
| | ----- |
| PROCEEDS FROM DISPOSAL OF PROPERTIES | |
| | 507 |
| | ----- |
| FUNDS FROM FINANCING TRANSACTIONS: | |
| Production payment advances | 507 |
| Other | 51 |
| | ----- |
| Total | 558 |
| | ----- |
| UTILIZATION OF FUNDS: | |
| Capital expenditures | 31,610 |
| Repayment of long-term debt | 1,991 |
| Advances to parent company | 42,700 |
| Other | 7,913 |
| | ----- |
| Total | 84,214 |
| | ----- |
| INCREASE (DECREASE) IN WORKING CAPITAL, EXCLUDING CASH: | |
| Notes and accounts receivable | (5,487) |
| Accounts receivable sold to parent company | 4,405 |
| Receivable from parent company for income taxes | 1,822 |
| Deposits and prepaid expenses | 241 |
| Inventories | (6,745) |
| Accounts payable | 3,866 |
| Accounts payable to affiliates | (1,141) |
| Accrued liabilities and other | (6,119) |
| | ----- |
| Total | (9,158) |
| | ----- |
| DECREASE IN CASH | \$ (2,791) |
| | ===== |

The accompanying notes are an integral
part of this financial statement.

KERR-McGEE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1984

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation-

Kerr-McGee Chemical Corporation (the "Company") is a wholly owned subsidiary of Kerr-McGee Corporation. The accompanying consolidated financial statements include the accounts of all the subsidiary companies of Kerr-McGee Chemical Corporation. All material intercompany transactions among the Company and its subsidiaries have been eliminated.

Inventories-

Inventories are valued at the lower of cost or market. The cost of product inventories is determined by the first-in, first-out method and materials and supplies are valued using an average cost. Inventory carrying values include material costs, labor and indirect manufacturing expense associated therewith.

Property, Plant and Equipment-

Property, plant and equipment is stated at original cost less reserves for depreciation, depletion and amortization sustained to date. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the life of existing property are capitalized. Property, plant and equipment is depreciated, depleted or amortized over its estimated life by application of the straight-line method. The cost and related depreciation, depletion and amortization reserves are removed from the respective accounts upon retirement or sale of property, plant and equipment. The resulting gain or loss is included in income, except no gain or loss is recognized on the retirement of a part of certain properties subject to composite group depreciation where the cost of properties retired is charged against the accumulated depreciation reserve.

Income Taxes-

Kerr-McGee Corporation and its subsidiaries, including the Company, file a consolidated income tax return. The amount of income taxes is recorded by the Company as directed by Kerr-McGee Corporation, but is generally

calculated as though a separate tax return were filed. Certain deductions or benefits generated by one company may not be utilized by that individual company, such as, the benefit for an operating loss. For this reason, the current tax payable or receivable is reflected as a payable or receivable from the parent company in the accompanying consolidated balance sheet. Deferred income taxes are provided for all material items of income and expense that are recognized in different time periods for financial reporting and income tax reporting purposes. Investment tax credits are included as a reduction of income tax expense in the year the credit is earned.

Interest Capitalized-

The Company has a policy of capitalizing interest costs on major projects that require a considerable length of time to complete. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the asset's estimated useful life. The Company incurred interest cost of \$1,111,000 in 1984 (of which \$548,000 was paid to Kerr-McGee Corporation); all of the interest incurred was capitalized.

Translation of Foreign Currencies-

The U.S. dollar has been adopted as the "functional" currency for the Company's foreign operation. Foreign currency translation gains or losses are recognized in the period incurred; however, such amounts are immaterial for 1984.

Research and Development Costs-

Research and development costs, which are expensed as incurred, totaled \$205,000 during the current year.

Lease Commitments-

The Company utilizes various leased properties, primarily for marketing facilities and railroad cars. Net lease rentals expensed in 1984 totaled \$5,185,000. The aggregate minimum annual rentals under noncancelable leases in effect at December 31, 1984, totaled \$9,750,000, of which \$3,565,000 is due in 1985, \$3,012,000 in 1986, \$2,182,000 in 1987, \$763,000 in 1988 and \$228,000 in 1989.

WRITE-DOWN OF CERTAIN ASSETS

In 1984, the Company decided to shut down and write off the Hobbs, New Mexico, potash facilities and to offer its 25 percent interest in the Brewster phosphate operation in Florida for sale. In addition to the write-down of the

Hobbs properties, provision was made for estimated employee severance costs and other plant shutdown expenses and future reclamation costs not previously reserved. The Brewster phosphate operation was written down to the estimated sales value. The Hobbs provision for the write-down totaled \$45 million (\$24 million after tax benefit) and the Brewster provision was \$7 million (\$4 million after tax benefit).

TRANSACTIONS WITH AFFILIATES

The Company has certain transactions with its parent or other subsidiaries of its parent. During the year, the Company made no sales to these affiliates; however, certain products (mainly fuel) were purchased from certain subsidiaries of the parent. These purchases totaled \$1,947,000 and were at prices, all of which management believes approximate prices which would have been paid to an unrelated party for the same product. The parent company provides certain services for all of its subsidiaries (such as payroll processing, office space, insurance, data processing, telephones, etc.). These services are billed monthly to each subsidiary based generally upon their usage. The total amount of such billings to the Company for 1984 was approximately \$57 million. This amount is not necessarily the same as it might cost the Company to obtain these services from outside parties.

Other dealings with affiliates affecting operations were for interest and taxes. Refer to the accounting policy for income taxes for an explanation of how taxes are calculated and to the capitalized interest policy for a discussion of interest expense. The Company recorded interest income of \$1,258,000 (reflected in other income) from its parent for interest on long-term advances made during the year. Interest is charged on these long-term advances based on the prime rate, which ranged from 11% to 13% during 1984. These advances do not include intercompany accounts receivable or payable or the sale of accounts receivable to the parent. The parent, in turn, sells such trade accounts receivable to its wholly owned finance subsidiary. These accounts bear no interest for the Company.

TAXES

In 1984, the Company's loss before income tax benefits was \$(21,972,000) domestic and \$(172,000) foreign. Taxes on the loss for the year are summarized below:

| | |
|-----------------------|----------------|
| U.S. Federal- | |
| Current | \$ 3,936,000 |
| Investment tax credit | (2,070,000) |
| Deferred | (13,895,000) |
| | ----- |
| | (12,029,000) |
| | |
| Foreign, current | 2,000 |
| State | 722,000 |
| | ----- |
| | \$(11,305,000) |
| | ===== |

The Federal deferred income tax reduction in the current year resulted from the write-down of the Hobbs potash facilities and the Brewster phosphate operation. Since these write-downs are not deductible for tax purposes until such costs are actually incurred, a reduction of approximately \$24 million in deferred tax is reflected in the current year; however, that reduction is partially offset by other timing differences, mainly accelerated depreciation. The Company's effective tax rate in 1984 was a 51% benefit, which differs from the expected 46% rate due mainly to the investment tax credits and state tax provision reflected above.

NOTES AND ACCOUNTS RECEIVABLE

Summarized below are notes and accounts receivable, together with the related allowance for doubtful accounts, at December 31, 1984:

| | |
|---------------------------------|--------------|
| Notes receivable | \$ 2,274,000 |
| Accounts receivable | 7,685,000 |
| | ----- |
| Total | 9,959,000 |
| | |
| Allowance for doubtful accounts | (4,432,000) |
| | ----- |
| Net | \$ 5,527,000 |
| | ===== |

INVENTORIES

The major types of product inventories, mostly finished goods, are as follows:

| | |
|--------------------------|--------------|
| Industrial and inorganic | \$58,223,000 |
| Forest | 23,524,000 |
| Agricultural | 14,365,000 |
| | ----- |
| Total | \$96,112,000 |
| | ===== |

LONG-TERM DEBT

Long-term debt, excluding current maturities, consisted of the following at December 31, 1984:

| | |
|---|-------------|
| 4-3/4% note payable to an insurance company, due in annual installments 1985-1988 | \$4,450,000 |
| Note payable to Kerr-McGee Corporation in annual installments 1985-1990 | 2,302,000 |
| Other | 416,000 |
| | ----- |
| Total long-term debt | \$7,168,000 |
| | ===== |

The note to the parent company does not provide an interest rate; however, the Company pays interest based on a prime rate, which ranged from 11% to 13% during 1984.

Maturities of long-term debt during the next five years are:

| | |
|------|-------------|
| 1985 | \$1,722,000 |
| 1986 | 1,748,000 |
| 1987 | 1,731,000 |
| 1988 | 2,434,000 |
| 1989 | 485,000 |
| | ----- |
| | \$8,120,000 |
| | ===== |

ADVANCE TO BE REPAID FROM FUTURE PRODUCTION

This advance is to be repaid by the delivery of soda ash based on the market price at the date of delivery. Delivery is to be made only upon request by the customer. Interest at an average commercial paper rate is being paid on this advance.

RETIREMENT PLANS

The Company has noncontributory retirement plans covering most employees. Pension expense was \$1,791,000 in 1984. The cost of the retirement plans is funded as accrued. Unfunded past service costs are being funded over a 30-year period that began in 1966. Accumulated plan benefits and plan net assets are compared below:

| | As of <u>January 1, 1984</u> |
|--|---------------------------------|
| Actuarial present value of accumulated plan benefits- | |
| Vested | \$27,952,000 |
| Nonvested | 3,273,000 |
| | ----- |
| Total | \$31,225,000 |
| | ===== |
| Net assets available for benefits | \$56,142,000 |
| | ===== |

In determining the actuarial present value of accumulated plan benefits, the consulting actuaries assumed an 8% average rate of return.

DEFERRED CREDITS AND RESERVES

The major portion of the other deferred credits and reserves are reserves set up for decontamination and reclamation at certain of the Company's plants based on estimates from engineering studies. These reserves total approximately \$48 million.

CONTINGENCIES

In August 1979, the Company filed with the Nuclear Regulatory Commission ("NRC") its plan for decommissioning a closed facility in West Chicago, Illinois, which had processed thorium ores, leaving ore residues and process buildings with some radioactivity on the site. The plan provides for permanent on-site disposal of these ore residues, and the contaminated building materials and equipment, in a clay-lined cell. The Company has accrued reserves by charges to income for the expenditures estimated to be required to carry out the decommissioning plan.

In June 1983, the NRC published its required Final Environmental Statement ("FES") which adopted as the "preferred alternative" the construction of an on-site cell. The alternative provided that the Company's license is to continue after the cell is constructed and can be terminated, with the material remaining on the site, only after collection of at least five years of health, safety and environmental data from monitoring of the completed containment system and a final NRC determination that off-site disposal is not necessary to meet health, safety and environmental requirements. The cost of transporting the material elsewhere was estimated in the FES, in 1982 dollars, at from \$27.8 million if there should then be an available site in Illinois to \$56.9 million (which the NRC considered excessive) to transport the material to the disposal site at Hanford, Washington. This compares with the FES's estimated cost of \$16.4 million (1982 dollars) for that part of the Company's decommissioning plan associated with construction of the on-site cell. The Attorney General of the State of Illinois is opposing the FES and the issuance of the license amendment allowing the Company to construct the on-site cell, contending that this material must be moved. The Company is seeking authorization for on-site disposal rather than merely storage. The matter is now before a panel of the NRC Atomic Safety and Licensing Board for hearing of the issues. While the outcome of this matter cannot be assured, the Company believes, after consulting with outside counsel, that, given the reserve which has been provided, it is unlikely the ultimate disposition of this matter will have a material adverse effect on the Company's consolidated financial statements.

On March 2, 1984, the NRC ordered the Company to show cause why it should not be required to prepare, submit, and (if approved by the NRC) carry out a remedial action plan for the cleanup of areas in and along Kress Creek, which flows near the West Chicago plant site, and the West Branch of the DuPage River. The NRC states these areas are radiologically contaminated. In the Company's opinion, neither the creek or river water nor any drinking water supply is adversely affected, and the NRC does not assert that there is any immediate or substantial health hazard involved. The Company has filed its answer that no remedial action is needed, advisable, or required and asserting various factual, jurisdictional, and other defenses. The Attorney General and a local property owner have intervened in this proceeding. This proceeding is in discovery. The Company is unable at this time to estimate the cost of such a cleanup if it should be required due to the uncertainty as to the level of cleanup which might be imposed. An order imposing requirements that in the Company's opinion are not needed to protect health and safety and ignore any relationship of benefit to cost

could involve substantial cost. No reserves have been accrued for such a cleanup. The Company believes, after consulting with outside counsel, that for reasons which include the fact that there is no health hazard involved and that there are unresolved questions as to NRC jurisdiction to order cleanup, the ultimate disposition of this matter is unlikely to have a material adverse effect on the Company's consolidated financial statements even though a favorable outcome cannot be assured.

A series of lawsuits have been filed in California against former manufacturers and distributors of chemicals, particularly dibromochloropropane ("DBCP"), alleging liability for personal injury and property damage, including contamination of the underground water supply over wide areas of the state by chemical products manufactured and distributed there. The lawsuits, one of which purports to be a class action, make large claims for actual and punitive damages. One of the named defendants is American Potash & Chemical Corporation, a wholly owned subsidiary of Kerr-McGee Corporation (the sole stockholder of the Company). The Company is a successor to several of the lines of business of American Potash & Chemical Corporation, but as of this date has not been named a defendant in any of such cases. While the final outcome of the DBCP litigation, which is still in its early stages, cannot be predicted with certainty, management, after discussion with counsel, believes that the ultimate resolution of the litigation, assuming the Company is named a defendant, should not have a material effect upon its consolidated financial position.

It is not possible to determine the ultimate disposition of all litigation; however, after taking into consideration the Company's insurance coverages and its existing reserves with respect to potential liability in certain of these matters, management, after consultation with general counsel, is of the opinion that the final resolution of all of the currently pending or threatened litigation is not likely to have a material adverse effect on the consolidated financial statements of the Company.

ARTHUR
ANDERSEN
& CO.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES
=====

CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 1985 AND 1984

TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN & Co.
OKLAHOMA CITY, OKLAHOMA

To Kerr-McGee Corporation:

We have examined the consolidated balance sheet of KERR-McGEE CHEMICAL CORPORATION (a Delaware corporation and a wholly owned subsidiary of Kerr-McGee Corporation) and subsidiary companies as of December 31, 1985 and 1984, and the related consolidated statements of income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kerr-McGee Chemical Corporation and subsidiary companies as of December 31, 1985 and 1984, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Oklahoma City, Oklahoma,
March 17, 1986.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984
(Thousands of Dollars)

| | <u>1985</u> | <u>1984</u> |
|--|------------------|--------------------|
| SALES AND SERVICES | \$ 483,101 | \$ 519,574 |
| COSTS AND EXPENSES: | | |
| Costs and operating expenses | 355,838 | 400,598 |
| Selling, general and administrative expenses | 30,272 | 33,206 |
| Depreciation, depletion and amortization | 34,745 | 43,051 |
| Exploration | 1,555 | 504 |
| Provisions for the write-down of and estimated future losses from certain assets | - | 52,331 |
| Taxes, other than income taxes | 13,994 | 14,692 |
| Total costs and expenses | <u>436,404</u> | <u>544,382</u> |
| | 46,697 | (24,808) |
| OTHER INCOME | <u>5,805</u> | <u>2,664</u> |
| INCOME (LOSS) BEFORE INCOME TAX | 52,502 | (22,144) |
| PROVISION FOR (BENEFIT FROM) INCOME TAXES | <u>23,029</u> | <u>(11,305)</u> |
| NET INCOME (LOSS) | <u>\$ 29,473</u> | <u>\$ (10,839)</u> |

The accompanying notes are an integral part of this statement.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984
(Thousands of Dollars)

| | <u>1985</u> | <u>1984</u> |
|--|-------------|-------------|
| FUNDS PROVIDED FROM OPERATIONS: | | |
| Net income (loss) | \$ 29,473 | \$ (10,839) |
| Depreciation, depletion and amortization | 34,745 | 43,051 |
| Deferred income taxes | 16,964 | (13,895) |
| Other noncash items | 12,921 | 52,883 |
| | ----- | ----- |
| Total | 94,103 | 71,200 |
| | ----- | ----- |
| PROCEEDS FROM DISPOSAL OF PROPERTIES | 72 | 507 |
| | ----- | ----- |
| FUNDS FROM FINANCING TRANSACTIONS: | | |
| Production payment advances | - | 507 |
| Other | - | 51 |
| | ----- | ----- |
| Total | - | 558 |
| | ----- | ----- |
| UTILIZATION OF FUNDS: | | |
| Capital expenditures | 41,088 | 31,610 |
| Repayment of long-term debt | 1,962 | 1,991 |
| Advances to parent company | 41,551 | 42,700 |
| Other | 13,441 | 7,913 |
| | ----- | ----- |
| Total | 98,042 | 84,214 |
| | ----- | ----- |
| INCREASE (DECREASE) IN WORKING CAPITAL, EXCLUDING CASH: | | |
| Notes and accounts receivable | (3,574) | (5,487) |
| Accounts receivable sold to parent company | 1,972 | 4,405 |
| Receivable from parent company for income taxes | (1,028) | 1,822 |
| Inventories | (10,035) | (6,745) |
| Deposits and prepaid expenses | (1,021) | 241 |
| Accounts payable | (217) | 3,866 |
| Accounts payable to affiliates | 2,548 | (1,141) |
| Accounts payable to parent company for income taxes | (1,640) | - |
| Accrued liabilities and other | 8,934 | (6,119) |
| | ----- | ----- |
| Total | (4,061) | (9,158) |
| | ----- | ----- |
| INCREASE (DECREASE) IN CASH AND MARKETABLE SECURITIES | \$ 194 | \$ (2,791) |
| | ===== | ===== |

The accompanying notes are an integral part of this statement.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985 AND 1984

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation-

Kerr-McGee Chemical Corporation (the "Company") is a wholly owned subsidiary of Kerr-McGee Corporation (the "Parent"). The accompanying consolidated financial statements include the accounts of all the subsidiary companies of Kerr-McGee Chemical Corporation. All material intercompany transactions among the Company and its subsidiaries have been eliminated.

Inventories-

Inventories are valued at the lower of cost or market. The cost of product inventories is determined by the first-in, first-out method and materials and supplies are valued using an average cost. Inventory carrying values include material costs, labor and indirect manufacturing expense associated therewith.

Property, Plant and Equipment-

Property, plant and equipment is stated at original cost less reserves for depreciation, depletion and amortization sustained to date. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the life of existing property are capitalized. Property, plant and equipment is depreciated, depleted or amortized over its estimated life by application of the straight-line method. The cost and related depreciation, depletion and amortization reserves are removed from the respective accounts upon retirement or sale of property, plant and equipment. The resulting gain or loss is included in income.

Income Taxes-

Kerr-McGee Corporation and its subsidiaries, including the Company, file a consolidated income tax return. The amount of income taxes is recorded by the Company as directed by Kerr-McGee Corporation, but is generally calculated as though a separate tax return were filed. Certain deductions or benefits generated by one company may not be utilized by that individual company, such as, the benefit for an operating loss. For this reason, the

current tax payable or receivable is reflected as a payable or receivable from the Parent company in the accompanying Consolidated Balance sheet. Deferred income taxes are provided for all material items of income and expense that are recognized in different time periods for financial reporting and income tax reporting purposes. Investment tax credits are included as a reduction of income tax expense in the year the credit is earned.

Interest Capitalized-

The Company has a policy of capitalizing interest costs on major projects that require a considerable length of time to complete. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the asset's estimated useful life. The Company capitalized interest of \$767,000 and \$1,298,000 in 1985 and 1984, respectively.

Translation of Foreign Currencies-

The U.S. dollar has been adopted as the "functional" currency for the Company's foreign operation. Foreign currency translation gains or losses are recognized in the period incurred; however, such amounts are immaterial for 1985 and 1984.

Research and Development Costs-

Research and development costs, which are expensed as incurred, totaled \$71,000 and \$205,000 in 1985 and 1984, respectively.

Lease Commitments-

The Company utilizes various leased properties, primarily for marketing facilities and railroad cars. Net lease rentals expensed in 1985 totaled \$4,745,000 compared to \$5,185,000 a year earlier. The aggregate minimum annual rentals under noncancelable leases in effect at December 31, 1985, totaled \$6,482,000, of which \$3,130,000 is due in 1986, \$2,285,000 in 1987, \$606,000 in 1988, \$408,000 in 1989 and \$53,000 in 1990.

2. WRITE-DOWN OF CERTAIN ASSETS

In 1984, the Company decided to shut down and write off the Hobbs, New Mexico, potash facilities and to sell its 25 percent interest in the Brewster phosphate operation in Florida. In addition to the write-down of the Hobbs properties, provision was made for estimated employee severance costs and other plant shutdown expenses and future reclamation costs not previously reserved. The Brewster

phosphate facilities were written down to the estimated sales value. The Hobbs provision for the write-down totaled \$45 million (\$24 million after tax benefit) and the Brewster provision was \$7 million (\$4 million after tax benefit).

In 1985, the Company sold its potash facility at Hobbs, New Mexico, and entered into negotiations for a lease/sale agreement for its 25 percent interest in the Brewster phosphate operation in Florida.

3. TRANSACTIONS WITH AFFILIATES

The Company has certain transactions with its Parent or other subsidiaries of its Parent. During 1985 and 1984, the Company made no sales to these affiliates; however, certain products (mainly fuel) were purchased from certain subsidiaries of the Parent. These purchases totaled \$3,745,000 and \$1,947,000 in 1985 and 1984, respectively, and were at prices which management believes approximate prices which would have been paid to an unrelated party for the same products. The Parent company provides certain services for all of its subsidiaries which are billed monthly to each subsidiary based generally upon their usage. The total amount of such billings to the Company for 1985 was approximately \$58 million, compared to \$57 million in 1984. This amount is not necessarily the same as it might cost the Company to obtain these services from outside parties.

Other dealings with affiliates affecting operations were for interest and taxes. The Company recorded interest income included in the "Other Income" caption in the accompanying Consolidated Statement of Income of \$3,906,000 and \$1,445,000 in 1985 and 1984, respectively, from its Parent for interest on long-term advances made during the year. Interest is charged on these long-term advances based on prime lending rates, which ranged from 9.5% to 10.5% during 1985 and 11% to 13% during 1984. These advances do not include intercompany accounts receivable or payable related to purchases, services and income taxes or amounts attributable to the sale of accounts receivable to the Parent. The Parent sells such trade accounts receivable to its wholly owned finance subsidiary. These accounts bear no interest for the Company.

4. TAXES

In 1985, the Company's income before income taxes was \$52,382,000 domestic and \$120,000 foreign which compares with losses in 1984 of \$21,972,000 domestic and \$172,000 foreign. The components of taxes on income for 1985 and 1984 are summarized below (thousands of dollars):

| | <u>1985</u> | <u>1984</u> |
|-----------------------|-------------|-------------|
| U.S. Federal- | | |
| Current | \$ 6,409 | \$ 3,936 |
| Investment tax credit | (1,684) | (2,070) |
| Deferred | 16,964 | (13,895) |
| | ----- | ----- |
| | 21,689 | (12,029) |
| Foreign, current | 5 | 2 |
| State | 1,335 | 722 |
| | ----- | ----- |
| | \$ 23,029 | \$(11,305) |
| | ===== | ===== |

5. NOTES AND ACCOUNTS RECEIVABLE

Summarized below are notes and accounts receivable, together with the related allowance for doubtful accounts, at December 31, 1985 and 1984 (thousands of dollars):

| | <u>1985</u> | <u>1984</u> |
|---------------------------------|-------------|-------------|
| Notes receivable | \$ 1,669 | \$ 2,274 |
| Accounts receivable | 1,882 | 7,685 |
| | ----- | ----- |
| Total | 3,551 | 9,959 |
| Allowance for doubtful accounts | (1,598) | (4,432) |
| | ----- | ----- |
| Net | \$ 1,953 | \$ 5,527 |
| | ===== | ===== |

6. INVENTORIES

The major types of product inventories, mostly finished goods and materials and supplies, are as follows (thousands of dollars):

| | <u>1985</u> | <u>1984</u> |
|--------------------------|-------------|-------------|
| Industrial and inorganic | \$ 52,868 | \$ 58,223 |
| Forest | 31,863 | 23,524 |
| Agricultural | 9,048 | 14,365 |
| | ----- | ----- |
| | 93,779 | 96,112 |
| Materials and supplies | 33,955 | 41,657 |
| | ----- | ----- |
| Total | \$127,734 | \$137,769 |
| | ===== | ===== |

7. LONG-TERM DEBT

Long-term debt, excluding current maturities, consisted of the following at December 31, 1985 and 1984 (thousands of dollars):

| | <u>1985</u> | <u>1984</u> |
|--|-------------|-------------|
| 4-3/4% note payable to insurance companies, due in annual installments 1987-1988 | \$ 3,200 | \$ 4,450 |
| Note payable to Kerr-McGee Corporation in annual installments 1987-1990 | 1,842 | 2,302 |
| Other | 164 | 416 |
| | ----- | ----- |
| Total long-term debt | \$ 5,206 | \$ 7,168 |
| | ===== | ===== |

The note to the Parent company does not provide an interest rate; however, the Company pays interest based on prime lending rates, which ranged from 9.5% to 10.5% in 1985 and from 11% to 13% during 1984.

Maturities of long-term debt due after one year from December 31, 1985, are (thousands of dollars):

| | |
|------|---------|
| 1987 | \$1,714 |
| 1988 | 2,414 |
| 1989 | 465 |
| 1990 | 465 |
| | ----- |
| | \$5,058 |
| | ===== |

8. ADVANCE TO BE REPAID FROM FUTURE PRODUCTION

This advance is to be repaid by the delivery of soda ash based on the market price at the date of delivery. Delivery is to be made only upon request by the customer. Interest at an average commercial paper rate is being paid on this advance.

9. RETIREMENT PLANS

Most of the Company's employees are covered under noncontributory retirement plans of the Company and certain of its subsidiaries. Pension expense was a credit of \$124,000 in 1985 while during 1984 an expense of \$1,791,000 was recorded. Effective January 1, 1985, the Company changed its actuarial method of determining pension costs from the entry-age-normal cost method to the projected unit-credit method. This change was made in order to better match pension expense to accumulated benefits by taking into consideration the excess of the pension fund assets over accumulated benefits. The net effect of this change was to increase 1985 net income by approximately \$1,471,000. Under the new actuarial method, the Company will fund the minimum amounts as permitted by ERISA. In 1984, the cost of the retirement plans was funded as accrued. Accumulated plan benefits and plan net assets are presented below (thousands of dollars):

| | As of January 1, | |
|--|------------------|---------------|
| | ----- 1985 | ----- 1984 |
| Actuarial present value of accumulated plan benefits (1)- | | |
| Vested | \$ 30,925 | \$ 27,952 |
| Nonvested | 2,577 | 4,602 |
| | ----- | ----- |
| Total | \$ 33,502 | \$ 32,554 |
| | ===== | ===== |
| Net assets available for benefits | \$ 59,458 | \$ 56,142 |
| | ===== | ===== |

(1) The assumed rate of return was 8 percent.

10. DEFERRED CREDITS AND RESERVES

The major portion of the other deferred credits and reserves are reserves set up for decontamination and reclamation at certain of the Company's plants based on estimates from engineering studies. These reserves total approximately \$41 million at December 31, 1985, and \$48 million at December 31, 1984.

11. CONTINGENCIES

In August 1979, the Company filed with the Nuclear Regulatory Commission ("NRC") its plan for decommissioning a closed facility in West Chicago, Illinois, which had processed thorium ores, leaving ore residues and process buildings with some radioactivity on the site. The plan provides for permanent on-site disposal of these ore residues, and the contaminated building materials and equipment in a clay-lined cell. The Company has accrued reserves by charges to income for the expenditures estimated to be required to carry out the decommissioning plan.

In June 1983, the NRC published its required Final Environmental Statement ("FES") which adopted as the "preferred alternative" the construction of an on-site cell. The alternative provided that the Company's license is to continue after the cell is constructed and can be terminated, with the material remaining on the site, only after collection of at least five years of health, safety and environmental data from monitoring of the completed containment system and a final NRC determination that off-site disposal is not necessary to meet health, safety and environmental requirements. The cost of transporting the material elsewhere was estimated in the FES, in 1982 dollars, at from \$28 million if there should then be an available site in Illinois to \$57 million (which the NRC considered excessive) to transport the material to the disposal site at Hanford, Washington. This compares with the FES's estimated cost of \$16 million (1982 dollars) for that part of the Company's decommissioning plan associated with construction of the on-site cell. The Attorney General of the State of Illinois is opposing the FES and the issuance of the license amendment allowing the Company to construct the on-site cell, contending that this material must be moved. The Company is seeking authorization for permanent on-site disposal rather than merely storage. The matter is now before a panel of the NRC Atomic Safety and Licensing Board for hearing of the issues. While the outcome of this matter cannot be assured, the Company believes, after consulting with outside counsel, that, given the reserve that has been provided, it is unlikely the ultimate disposition of this matter will have a material adverse effect on the Company's consolidated financial statements.

On March 2, 1984, the NRC ordered the Company to show cause why it should not be required to prepare, submit, and (if approved by the NRC) carry out a remedial action plan for the cleanup of areas in and along Kress Creek, which flows near the West Chicago plant site, and the West Branch of the DuPage River. The NRC states these areas are radiologically contaminated. In the Company's opinion, neither

the creek or river water nor any drinking water supply is adversely affected, and the NRC does not assert that there is any immediate or substantial health hazard involved. The Company has filed its answer that no remedial action is needed, advisable or required, asserting various factual, jurisdictional and other defenses. The Attorney General and a local property owner have intervened in this proceeding, and hearings are scheduled to begin April 28, 1986. This proceeding is in discovery. The Company is unable at this time to estimate the cost of such a cleanup if it should be required due to the uncertainty as to the level of cleanup which might be imposed. An order imposing requirements that in the Company's opinion are not needed to protect health and safety and ignore any relationship of benefit to cost could involve substantial cost. No reserves have been accrued for such a cleanup. The Company believes, after consulting with outside counsel, that for reasons that include the fact that there is no health hazard involved and that there are unresolved questions as to NRC jurisdiction to order cleanup, the ultimate disposition of this matter is unlikely to have a material adverse effect on the Company's consolidated financial statements even though a favorable outcome cannot be assured.

In addition to these administrative proceedings, two cases, State of Illinois v. Kerr-McGee Chemical Corporation and Brown v. Kerr-McGee Chemical Corporation, have been filed. In the State of Illinois case filed in the Circuit Court for the 18th Judicial Circuit, DuPage County, Illinois, the Illinois Attorney General alleges common law nuisance and violations of a variety of State environmental statutes and regulations which purportedly related to the nonradioactive aspects of waste materials located at the West Chicago facility and radioactive air emissions. The State seeks civil penalties and a mandatory injunction requiring removal of the waste materials from the site. Trial commenced on March 4, 1986.

The Brown case, filed in the United States District Court for the Northern District of Illinois, Eastern Division, seeks injunction relief, actual damages in an amount of \$2,500,000 and punitive damages in an amount equal to or in excess of \$10 million for alleged personal injury and property damages from the environmental conditions at the former Lindsay Chemical Plant site located in West Chicago, Illinois. In 1984, the Chief Judge of the United States District Court granted Kerr-McGee Chemical Corporation's motion for partial dismissal as to the claims seeking injunctive relief. That partial dismissal was appealed to the United States Court of Appeals for the Seventh Circuit by plaintiffs. The Court affirmed the lower court decision granting Kerr-McGee Chemical Corporation's motion for partial summary judgment in July 1985.

The Court denied plaintiff's petition for a rehearing in October 1985 and a Petition for a Writ of Certiorari was filed with the United States Supreme Court by the plaintiffs in January 1986 which was denied on March 14, 1986. The damage claims remain pending in the federal district court.

On March 15, 1985, Kerr-McGee Chemical Corporation received service in David Ayers v. Kerr-McGee Chemical Corporation and Luella Bishop v. Kerr-McGee Chemical Corporation filed on February 6, 1985, in Los Angeles County Superior Court. A total of 34 plaintiffs, all of whom are either former employees of the Company's Searles Valley facilities or residents of Trona, California, allege physical injuries and ailments, the nature of which are not specified, as a result of exposure to toxic substances from the Company's operations of the Searles Valley facilities and seek compensatory damages according to proof, interest at the legal rate and exemplary damages, all in an unspecified amount as provided by California Civil Procedures.

In May 1985, both cases were removed from the State court to the U. S. District Court for the Central District of California on the Company's petition and are still pending in federal court. However, 28 of the initial 34 plaintiffs in these two cases have voluntarily dismissed their claims or had their claims dismissed by the court, and the number of plaintiffs in these two cases has effectively been reduced to a total of six. The two cases have been consolidated into a single action styled Bishop v. Kerr-McGee Chemical Corporation.

On March 28, 1985, Kerr-McGee Chemical Corporation received Notice of Additional Tax Proposed to be Assessed from the California Franchise Tax Board totaling \$4.6 million for additional income tax for the years 1978, 1979 and 1980. A protest was filed.

The EPA added to its Superfund National Priority List the Milwaukee, Wisconsin, site where the Company formerly operated a wood preserving plant. The EPA decided to perform the Remedial Investigation and Feasibility Study of the site rather than ordering the Company and current owners, the Chicago and Northwestern Railroad and the City of Milwaukee, to perform the study. The Company is unable to estimate the potential liability.

In June 1985, the EPA notified Kerr-McGee Chemical Corporation that it is a potentially responsible party for the Picketville Road Landfill in Jacksonville, Florida, which has been added to the Superfund list. Kerr-McGee Chemical Corporation signed a consent order to perform a Remedial Investigation and Feasibility Study, along with other companies and certain governmental agencies that were users of the site. Kerr-McGee Chemical Corporation is unable to estimate the potential liability, if any.

In October 1985, the EPA notified Kerr-McGee Chemical Corporation that it is a potentially responsible party for the Northside Sanitary Landfill in Zionsville, Indiana, which has been added to the Superfund list. Kerr-McGee Chemical Corporation may have a potential liability for cleanup costs because it, along with 220 other companies and governmental agencies, was a user of the site. Kerr-McGee Chemical Corporation is unable to estimate the potential liability, if any.

It is not possible to determine the ultimate disposition of all litigation and claims against the Company; however, after taking into consideration the Company's insurance coverages and its existing reserves with respect to potential liability in certain of these matters, management, after consultation with general counsel, is of the opinion that the final resolution of all of the currently pending or threatened litigation and claims is not likely to have a material adverse effect on the consolidated financial statements of the Company.



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

May 6, 1988

RECEIVED

MAY 12 1988

**ENVIRONMENTAL
PROTECTION**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Attention: Mr. Jeffrey C. Denison

Gentlemen:

Attached is Kerr-McGee Chemical Corporation's revised Chief Financial Officer's Letter. The Letter has been revised to correct the wording as per Mr. Denison's request in his letter dated April 11.

Our independent auditors statement and a copy of the 1987 financial statement are already on file as they were attached to our original filing.

We trust you will find the attachment in order, however, should there be any questions, please advise.

Very truly yours,

Charlotte Hix, Coordinator
Risk Management Department

CH/hs
Attachment



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

Revised

March 29, 1988

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Attention: Jeffrey C. Denison

Dear Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Nevada Administrative Code (NAC) No. 444-9055 and 444-9060.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in NAC No. 444-9060:

EPA Identification No.
Name & Address

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 53
Henderson, NV 89015
Region IX

The firm identified above guarantees, through the corporate guarantee specified in NAC 444-9055, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following subsidiaries of the firm: NONE

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 Region IX | N/A | \$125,000 |

2. The firm identified above guarantees, through corporate guarantee specified in NAC No. 444-9055, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE
3. In States where the State of Nevada Department of Conservation and Natural Resources is not administering the financial requirements of NAC 444-9055, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC 444-9055. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | | <u>Corrective Action</u> |
|---|-----------------------|---------------------|--------------------------|
| | <u>Closure</u> | <u>Post-Closure</u> | |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | N/A | \$ 706,580 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301 | N/A | \$ 706,580 | N/A |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P. O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 398,610 | \$1,048,800 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$3,766,710 | \$ 852,840 | \$4,815,250 |
| ILD 020367561 Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060 | N/A | \$2,482,300 | N/A |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803 | \$ 690,100 | \$ 980,560 | N/A |

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated

either to EPA or a State through the financial test or any other financial assurance mechanism specified in NAC 444-9070 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>EPA IDENTIFICATION NO.</u> <u>Name & Address</u> | <u>ESTIMATED COST OF</u> <u>PLUGGING & ABANDONMENT</u> <u>PER WELL</u> | <u>TOTAL</u> <u>ESTIMATED COST OF</u> <u>PLUGGING & ABANDONMENT</u> |
|---|--|---|
| Kerr-McGee Chemical Corporation Generator #CAD 048456941 Permit No. CAS 00000008 Trona, California | \$1,990 | \$129,350 |

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1987.


ALTERNATIVE I

(Thousands of Dollars)

| | | | |
|--|-------------------|-----|----|
| 1. Sum of current closure and post-closure cost estimates. | \$ <u>16,703</u> | | |
| (Total of <u>all</u> cost estimates listed above) | | | |
| 2. Amount of annual aggregate liability coverage to be demonstrated | \$ <u>8,000</u> | | |
| 3. Sum of lines 1 and 2 | \$ <u>24,703</u> | | |
| *4. Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ <u>173,916</u> | | |
| *5. Tangible Net Worth | \$ <u>670,720</u> | | |
| *6. Net Worth | \$ <u>674,449</u> | | |
| *7. Current Assets | \$ <u>434,576</u> | | |
| *8. Current Liabilities | \$ <u>49,342</u> | | |
| 9. Net Working Capital (Line 7 minus Line 8) | \$ <u>385,234</u> | | |
| *10. The sum of net income plus depreciation, depletion and amortization | \$ <u>94,396</u> | | |
| *11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) | \$ <u>N/A</u> | | |
| | | YES | NO |
| 12. Is line 5 at least \$10 million? | <u>X</u> | ___ | |
| 13. Is line 5 at least 6 times line 3? | <u>X</u> | ___ | |
| 14. Is line 9 at least 6 times line 3? | <u>X</u> | ___ | |
| *15. Are at least 90% of assets located in the U.S? (If not, complete line 16) | <u>X</u> | ___ | |
| 16. Is line 11 at least 6 times line 3? | <u>N/A</u> | ___ | |
| 17. Is line 4 divided by line 6 less than 2.0? | <u>X</u> | ___ | |
| 18. Is line 10 divided by line 4 greater than 0.1? | <u>X</u> | ___ | |
| 19. Is line 7 divided by line 8 greater than 1.5? | <u>X</u> | ___ | |

I hereby certify that the wording of this letter is identical to the wording specified in NAC No. 444-9070 as such regulations were constituted on the date shown immediately below.

March 29, 1988
DATE


John C. Linehan
Vice President

April 11, 1988.

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Oklahoma City, OK 73125

ATTENTION: Charlotte D. Hix

Dear Ms. Hix:

Thank you for your submittal of the updated Kerr-McGee Chemical Corporation's financial instruments. However, I am taking this opportunity to make you aware of some changes promulgated by the updated (July 1, 1987) 40 CFR which should have been included in your letter.

To address this issue, I have enclosed a portion of the revised regulations pertaining to your report and a draft of your letter with some of the changes made. Most of these changes are merely format technicalities that require only slight modifications in the wording. However, in an effort to be consistent, we are asking that you review this portion of your report in correlation with the current governing regulations and resubmit your report accordingly. Notice that some changes have also been made on some references to the Nevada Administrative Code (NAC).

I apologize for any inconvenience which this may have caused and insist that you contact myself or Tom Fronapfel (702-885-5872) if you have any questions.

Sincerely,

Jeffrey C. Denison

Enclosure:
JCD/1



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

RECEIVED

APR 2 1988

ENVIRONMENTAL PROTECTION

March 29, 1988

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

This submittal was later revised. Revised letter received May 12, '88. - disregard JH

Director
Department of Conservation and Natural Resources
Nevada Division of Environmental Protection
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

ATTENTION: Waste Management Section

RE: Kerr-McGee Chemical Corporation
NVD 008290330 - Henderson, NV

Dear Director:

Attached are Kerr-McGee Chemical Corporation's updated financial instruments, which demonstrate financial assurance for liability coverage and for the estimated costs of closure and/or post-closure for the facilities listed in the Chief Financial Officer's letter.

We trust you will find the attached instruments in order, however, should there be any questions, please advise me (405) 270-3138.

Very truly yours,

Charlotte D. Hix, Coordinator
RISK MANAGEMENT DEPARTMENT

lm

Attachments

0328G



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 29, 1988

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in the Nevada Administrative Code (NAC) No. 444-9055. *and 444.9060.*

The *firm* (owner or operator) identified above is *Sudden or non-sudden or both* the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in NAC No. ~~444-9070~~ *9060*.

EPA Identification No.
Name & Address

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 53
Henderson, NV 89015
Region IX

- The *firm* (owner or operator) identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.
Name and Address

Cost Estimates
Closure Post-Closure

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 53
Henderson, NV 89015
Region IX

N/A \$125,000

2. The ^{firm} owner or operator identified above guarantees, through the corporate guarantee specified in NAC No. ~~444-9070~~ ⁹⁰⁵⁵, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the State of Nevada Department of Conservation is not administering the financial requirements of NAC ~~444-9070~~ ⁹⁰⁵⁵, this (owner or operator) ^{firm} is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC ~~444-9070~~ ⁹⁰⁵⁵. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | | <u>Corrective Action</u> |
|---|-----------------------|---------------------|--------------------------|
| | <u>Closure</u> | <u>Post-Closure</u> | |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | N/A | \$ 706,580 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301 | N/A | \$ 706,580 | N/A |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P. O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 398,610 | \$1,048,800 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$3,766,710 | \$ 852,840 | \$4,815,250 |
| ILD 020367561 Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060 | N/A | \$2,482,300 | N/A |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803 | \$ 690,100 | \$ 980,560 | N/A |

4. The (owner or operator) ^{firm} identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated

either to EPA or a State through the financial test or any other financial assurance mechanism specified in NAC 444-9070 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

This (^{firm}owner or operator) is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1987.


ALTERNATIVE I

(Thousands of Dollars)

- | | | |
|--|-------------------|----|
| 1. Sum of current closure and post-closure cost estimates. | \$ <u>16,573</u> | |
| (Total of <u>all</u> cost estimates listed above) | | |
| 2. Amount of annual aggregate liability coverage to be demonstrated | \$ <u>8,000</u> | |
| 3. Sum of lines 1 and 2 | \$ <u>24,573</u> | |
| *4. Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ <u>173,916</u> | |
| *5. Tangible Net Worth | \$ <u>670,720</u> | |
| *6. Net Worth | \$ <u>674,449</u> | ✓ |
| *7. Current Assets | \$ <u>434,576</u> | ✓ |
| *8. Current Liabilities | \$ <u>49,342</u> | ✓ |
| 9. Net Working Capital (Line 7 minus Line 8) | \$ <u>385,234</u> | ✓ |
| *10. The sum of net income plus depreciation, depletion and amortization | \$ <u>94,396</u> | |
| *11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) | \$ <u>N/A</u> | |
| | YES | NO |
| 12. Is line 5 at least \$10 million? | <u>X</u> | — |
| 13. Is line 5 at least 6 times line 3? | <u>X</u> | — |
| 14. Is line 9 at least 6 times line 3? | <u>X</u> | — |
| *15. Are at least 90% of assets located in the U.S? (If not, complete line 16) | <u>X</u> | — |
| 16. Is line 11 at least 6 times line 3? | <u>N/A</u> | — |
| 17. Is line 4 divided by line 6 less than 2.0? | <u>X</u> | — |
| 18. Is line 10 divided by line 4 greater than 0.1? | <u>X</u> | — |
| 19. Is line 7 divided by line 8 greater than 1.5? | <u>X</u> | — |

I hereby certify that the wording of this letter is identical to the wording specified in NAC No. 444-9070 as such regulations were constituted on the date shown immediately below.

March 29, 1988
DATE


John C. Linehan
Vice President

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 29, 1988

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the financial statements of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") for the year ended December 31, 1987, and have expressed an unqualified opinion on those statements in our report dated March 18, 1988. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated March 29, 1988, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources. As required, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1987, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10 should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and, therefore, is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1987. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purposes.

Very truly yours,

Arthur Andersen & Co.



KERR-McGEE CHEMICAL CORPORATION

POST OFFICE BOX 55 • HENDERSON, NEVADA 89015

October 28, 1987

*Kerr-McGee file
JCS*

Certified Mail No. P-519 563 070

RECEIVED

NOV 02 1987

ENVIRONMENTAL
PROTECTION

Mr. Douglas J. Martin, Supervisor
Compliance and Planning
Waste Management
State of Nevada
Division of Environmental Protection
201 South Fall Street
Carson City, NV 89710

Dear Mr. Martin:

We have received notification from NDEP that the KMCC Henderson facility "stores or treats" hazardous waste and consequently is subject to NDEP management fees. At the present time, KMCC Henderson does not store, treat, or dispose of hazardous waste onsite.

The KMCC Henderson facility ceased operation of a hazardous waste landfill in January, 1983. There has been no waste placed in this unit since that time. The unit was closed in October 1985, following an NDEP approved Closure/Post Closure Plan and is now under Post Closure care.

Considering these facts, it is our understanding that the KMCC Henderson facility is not subject to NDEP's fee schedule for management of hazardous waste.

Please respond and let us know if this is correct. If you have any questions, please contact S. M. Crowley at (702) 565-8901.

Very truly yours,

KERR-McGEE CHEMICAL CORPORATION

P. S. Corbett
P. S. Corbett
Facility Manager

PSC:j
NDEP6-8

cc: S. M. Crowley
Tom Fronapfle/NDEP
J. C. Stauter



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 30, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

RECEIVED

APR 2 1987

**ENVIRONMENTAL
PROTECTION**

Director
Department of Conservation and Natural Resources
Nevada Division of Environmental Protection
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

ATTENTION: Waste Management Section

RE: Kerr-McGee Chemical Corporation
NVD 008290330 - Henderson, NV

Dear Director:

Attached are Kerr-McGee Chemical Corporation's updated financial instruments, which demonstrate financial assurance for liability coverage and for the estimated cost of closure and/or post-closure for the facilities listed in the Chief Financial Officer's letter.

We trust you will find the attached instruments in order, however, should there be any questions, please advise me (405) 270-3138.

Very truly yours,

Charlotte D. Hix, Coordinator
RISK MANAGEMENT & CLAIMS DEPARTMENT

lm

Attachments

0328G



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 27, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in the Nevada Administrative Code (NAC) No. 444-9055.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in NAC No. 444-9070:

EPA Identification No.
Name & Address

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 53
Henderson, NV 89015
Region IX

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 Region IX | N/A | \$ 121,000 |

2. The owner or operator identified above guarantees, through the corporate guarantee specified in NAC No. 444-9070, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the State of Nevada Department of Conservation is not administering the financial requirements of NAC 44-9055, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC 444-9070. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| EPA IDENTIFICATION NO. Name and Address | Cost Estimates | |
|---|----------------|--------------|
| | Closure | Post-Closure |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$ N/A | \$ 686,000 |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301 | \$ N/A | \$ 686,000 |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P. O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 387,000 | \$ N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$3,657,000 | \$ 828,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060 | \$3,170,000 | \$2,410,000 |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803 | \$ 670,000 | \$ 952,000 |

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated

either to EPA or a State through the financial test or any other financial assurance mechanism specified in NAC 444-9070 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1986.

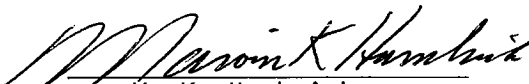
ALTERNATIVE I

(Thousands of Dollars)

- | | | | |
|--|------------|----------------|-------------|
| 1. Sum of current closure and post-closure cost estimates. | \$ | <u>13,567</u> | |
| (Total of <u>all</u> cost estimates listed above) | | | |
| 2. Amount of annual aggregate liability coverage to be demonstrated | \$ | <u>8,000</u> | |
| 3. Sum of lines 1 and 2 | \$ | <u>21,567</u> | |
| *4. Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ | <u>145,139</u> | |
| *5. Tangible Net Worth | \$ | <u>616,116</u> | |
| *6. Net Worth | \$ | <u>619,864</u> | |
| *7. Current Assets | \$ | <u>357,195</u> | |
| *8. Current Liabilities | \$ | <u>48,309</u> | |
| 9. Net Working Capital (Line 7 minus Line 8) | \$ | <u>308,886</u> | |
| *10. The sum of net income plus depreciation, depletion and amortization | \$ | <u>82,420</u> | |
| *11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) | \$ | <u>N/A</u> | |
| | | | YES NO |
| 12. Is line 5 at least \$10 million? | <u>X</u> | ___ | |
| 13. Is line 5 at least 6 times line 3? | <u>X</u> | ___ | |
| 14. Is line 9 at least 6 times line 3? | <u>X</u> | ___ | |
| *15. Are at least 90% of assets located in the U.S? (If not, complete line 16) | <u>X</u> | ___ | |
| 16. Is line 11 at least 6 times line 3? | <u>N/A</u> | ___ | |
| 17. Is line 4 divided by line 6 less than 2.0? | <u>X</u> | ___ | |
| 18. Is line 10 divided by line 4 greater than 0.1? | <u>X</u> | ___ | |
| 19. Is line 7 divided by line 8 greater than 1.5? | <u>X</u> | ___ | |

I hereby certify that the wording of this letter is identical to the wording specified in NAC No. 444-9070 as such regulations were constituted on the date shown immediately below.

March 27, 1987
DATE


M. K. Hambrick
Vice President

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 27, 1987

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") as of December 31, 1986, and the related consolidated statements of income and changes in financial position for the year then ended and have expressed an unqualified opinion on those statements in our report dated March 17, 1987. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated March 27, 1987, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources to demonstrate both liability coverage and assurance of closure and post-closure care required by EPA regulations. As further required by such regulations, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1986, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10 should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and, therefore, is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1986. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purposes.

Very truly yours,

Arthur Andersen & Co.



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

December 31, 1986

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

*Rec'd
1/2/87
JH*

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

RE: Kerr-McGee Chemical Corporation
NVD 008290330 - Henderson, NV

Dear Director:

Attached are Kerr-McGee Chemical Corporation's updated financial instruments which demonstrate financial assurance for liability coverage and for the estimated cost of closure and/or post-closure for the facilities listed in the Chief Financial Officer's letter.

We trust you will find the attached instruments in order, however, should there be any questions, please advise me (405) 270-3138.

Very truly yours,

Charlotte D. Hix, Coordinator
RISK MANAGEMENT & CLAIMS DEPARTMENT

lm

Attachments



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 31, 1986

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in the Nevada Administrative Code (NAC) No. 444-9055.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in NAC No. 444-9070:

EPA Identification No.
Name & Address

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 53
Henderson, NV 89015
Region IX

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 Region IX | N/A | \$312,000 |

2. The owner or operator identified above guarantees, through the corporate guarantee specified in NAC No. 444-9070, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE
3. In States where the State of Nevada Department of Conservation is not administering the financial requirements of NAC 44-9055, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC 444-9070. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$ 277,000 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301 | \$ 372,000 | N/A |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P. O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 376,000 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$3,550,000 | \$ 804,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060 | \$3,078,000 | \$2,340,000 |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803 | \$ 650,000 | \$ 924,000 |

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated

either to EPA or a State through the financial test or any other financial assurance mechanism specified in NAC 444-9070 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1985.

ALTERNATIVE I

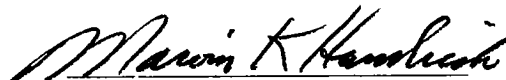
(Thousands of Dollars)

| | | |
|--|-------------------|-----|
| 1. Sum of current closure and post-closure cost estimates. . . . | \$ <u>12,683</u> | |
| (Total of <u>all</u> cost estimates listed above) | | |
| 2. Amount of annual aggregate liability coverage to be demonstrated | \$ <u>8,000</u> | |
| 3. Sum of lines 1 and 2 | \$ <u>20,683</u> | |
| *4. Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ <u>122,096</u> | |
| *5. Tangible Net Worth | \$ <u>572,992</u> | |
| *6. Net Worth | \$ <u>573,806</u> | |
| *7. Current Assets | \$ <u>204,485</u> | |
| *8. Current Liabilities | \$ <u>47,320</u> | |
| 9. Net Working Capital (Line 7 minus Line 8) | \$ <u>157,165</u> | |
| *10. The sum of net income plus depreciation, depletion and amortization | \$ <u>64,218</u> | |
| *11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) | \$ <u>N/A</u> | |
| | YES | NO |
| 12. Is line 5 at least \$10 million? | <u>X</u> | ___ |
| 13. Is line 5 at least 6 times line 3? | <u>X</u> | ___ |
| 14. Is line 9 at least 6 times line 3? | <u>X</u> | ___ |
| *15. Are at least 90% of assets located in the U.S? (If not, complete line 16) | <u>X</u> | ___ |
| 16. Is line 11 at least 6 times line 3? | <u>N/A</u> | ___ |
| 17. Is line 4 divided by line 6 less than 2.0? | <u>X</u> | ___ |
| 18. Is line 10 divided by line 4 greater than 0.1? | <u>X</u> | ___ |
| 19. Is line 7 divided by line 8 greater than 1.5? | <u>X</u> | ___ |

I hereby certify that the wording of this letter is identical to the wording specified in NAC No. 444-9070 as such regulations were constituted on the date shown immediately below.

March 31, 1986

DATE


Marvin K. Hambrick
Vice President

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 31, 1986

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") as of December 31, 1985, and the related consolidated statements of income and changes in financial position for the year then ended and have expressed an unqualified opinion on those statements in our report dated March 17, 1986. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated March 31, 1986, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources to demonstrate both liability coverage and assurance of closure and post-closure care required by EPA regulations. As further required by such regulations, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1985, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10 should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and therefore is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

ARTHUR ANDERSEN & Co.

Kerr-McGee Center

-2-

March 31, 1986

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1985. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purposes.

Very truly yours,

Arthur Andersen & Co.



Hazardous Waste Compliance Monitoring and Enforcement Log

1. EPA ID: MT2018191919191919
 2. HANDLER NAME: KERR-MCGEE CHEMICAL CORPORATION
 3. ADDRESS: HENDERSON NEVADA

4. Handler Type: Major Non-Major

5. DATE OF INITIAL EVALUATION WHICH IS THE BASIS FOR THIS REPORT: 11/20/85
 5a. AGENCY RESPONSIBLE FOR EVALUATION:
 E - EPA
 S - State
 J - Joint
 C - Contractor/EPA
 Put code in box
 Choose one

6. TYPE OF EVALUATION COVERED BY THIS REPORT:
 Put code in box
 Choose one
 1 - Evaluation Inspection
 2 - Sampling Inspection
 3 - Record Review
 4 - Ground Water Monitoring Evaluation
 5 - Follow Up
 6 - Other - Citizen Complaint
 7 - Other - Part B Call-In
 8 - Other - Withdrawal Candidate
 9 - Other - Closed Facility
 10 - Other - General

7. DATE OF EVALUATION COVERED BY THIS REPORT (enter only if different from 5): 1/1

8. AREA AND CLASS OF VIOLATION (enter 'X' in appropriate box if violations found. Enter '0' if no violations found in Area violated.)

| Class of Violation | Area of Violation | | | | |
|--------------------|-------------------|-------|----------|-------|-----------|
| | G&M | CL/PC | Fin. Res | Pt. B | Capl. Sch |
| I | | | 0 | | Manifest |
| II | | | 0 | | Other |

9. ENFORCEMENT ACTIONS: NONE - NO VIOLATIONS

| Class of Violation | Type (use code) | Date Action Taken | Compliance Dates | | Penalty Assessed | Penalty Collected | Resp. Ag. (use code) |
|--------------------|-----------------|-------------------|------------------|--------|------------------|-------------------|----------------------|
| | | | Scheduled | Actual | | | |
| | | | | | | | |

Codes for Types of Enforcement Actions:
 03 - Warning Letter
 05 - Compliance Order
 10 - Informal
 11 - Filled Civil Action
 12 - Filled Criminal Action
 (See Instructions For Additional Codes)
 14 - 3008 (H) Corrective Action Order
 15 - 3004 (V) Corrective Action, Beyond Facility Boundaries
 16 - CERCLA 106 Order

Codes For Responsible Agency: E - EPA, S - State, X - EPA Oversight
 Comments: REVIEW OF FINANCIAL ASSURANCE DOCUMENTS



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

November 7, 1985

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

RE: Kerr-McGee Chemical Corporation
NVD 008290330 - Henderson, NV

Dear Sir:

Attached is Kerr-McGee Chemical Corporation's revised and up-dated Financial Test, replacing documents submitted June 26, 1985, which evidences financial assurance for liability coverage and for the estimated cost of closure and/or post-closure for the facilities listed in the Chief Financial Officer's letter.

The estimated cost for closure and/or post-closure have been amended since our last financial assurance instruments were filed and now include the cost of groundwater remediation as now required by the Hazardous and Solid Waste Disposal Amendments of 1984.

We trust you will find the attached instruments in order, however, should there be any questions, please advise me at (405) 270-3138.

Very truly yours,

Charlotte D. Hix, Coordinator
Risk Management & Claims Department

CDH/hs
Attachments

RECEIVED

NOV 13 1985

PROTECTION





KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

November 1, 1985

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in the Nevada Administrative Code (NAC) No. 444-9055.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in NAC No. 444-9070:

EPA Identification No.
Name & Address

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 53
Henderson, NV 89015
Region IX

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 Region IX | \$ 128,000 | \$300,000 |

2. The owner or operator identified above guarantees, through the corporate guarantee specified in NAC No. 444-9070, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the State of Nevada Department of Conservation is not administering the financial requirements of NAC 44-9055, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC 444-9070. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$ 277,300 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301 | \$ 371,700 | N/A |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P. O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 376,000 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$3,570,300 | \$ 804,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060 | \$3,078,400 | \$2,340,000 |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803 | \$ 649,800 | \$ 952,270 |

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated

either to EPA or a State through the financial test or any other financial assurance mechanism specified in NAC 444-9070 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1984.

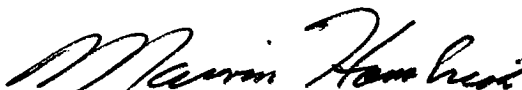
ALTERNATIVE I

(Thousands of Dollars)

- | | |
|--|--------------------|
| 1. Sum of current closure and post-closure cost estimates. . . . | \$ <u>12,848</u> ✓ |
| (Total of <u>all</u> cost estimates listed above) | |
| 2. Amount of annual aggregate liability coverage to be demonstrated | \$ <u>8,000</u> |
| 3. Sum of lines 1 and 2 | \$ <u>20,848</u> |
| *4. Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ <u>122,112</u> |
| *5. Tangible Net Worth | \$ <u>541,629</u> |
| *6. Net Worth | \$ <u>544,333</u> |
| *7. Current Assets | \$ <u>217,977</u> |
| *8. Current Liabilities | \$ <u>56,945</u> |
| 9. Net Working Capital (Line 7 minus Line 8) | \$ <u>161,032</u> |
| *10. The sum of net income plus depreciation, depletion and amortization | \$ <u>32,212</u> |
| *11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) | \$ <u>N/A</u> |
| | YES NO |
| 12. Is line 5 at least \$10 million? | <u>X</u> ___ |
| 13. Is line 5 at least 6 times line 3? | <u>X</u> ___ |
| 14. Is line 9 at least 6 times line 3? | <u>X</u> ___ |
| *15. Are at least 90% of assets located in the U.S? (If not, complete line 16) | <u>X</u> ___ |
| 16. Is line 11 at least 6 times line 3? | <u>N/A</u> ___ |
| 17. Is line 4 divided by line 6 less 2.0? | <u>X</u> ___ |
| 18. Is line 10 divided by line 4 greater than 0.1? | <u>X</u> ___ |
| 19. Is line 7 divided by line 8 greater than 1.5? | <u>X</u> ___ |

I hereby certify that the wording of this letter is identical to the wording specified in NAC No. 444-9070 as such regulations were constituted on the date shown immediately below.

November 1, 1985
DATE


Marvin Hambrick
Vice President

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

November 1, 1985

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Chemical Corporation (the "Company") as of December 31, 1984, and the related statements of income and changes in financial position for the year then ended and have expressed an unqualified opinion on those statements in our report dated March 5, 1985. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated November 1, 1985, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources to demonstrate both liability coverage and assurance of closure and post-closure care required by EPA regulations. As further required by such regulations, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1984, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10, should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and therefore is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

ARTHUR ANDERSEN & Co.

Kerr-McGee Center

-2-

November 1, 1985

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1984. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purposes.

Very truly yours,

Arthur Andersen & Co.

August 30, 1985

Charlotte D. Hix
Insurance Coordinator
Insurance and Claims Department
Kerr-McGee Corporation
Kerr-McGee Center
Oklahoma City, Oklahoma 73125

Certified Mail #P22 1673003
Return Receipt Requested

Dear Mrs. Hix:

The Division has completed its review of Kerr-McGee Chemical Corporation's submittal of June 26, 1985, which constituted the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care. This submittal adequately fulfills the requirements of Nevada Administrative Code (NAC) 444.9055 and 444.9070.

Should you have any questions concerning this matter, please contact me.

Sincerely,

Thomas J. Fronapfel

Thomas J. Fronapfel, P.E.
Environmental Engineer
Waste Management Section

TJF/pr

cc: Joe Connata, EPA, Region IX

P22 1673003

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

See Reverse
Charlotte D. Hix

| | | |
|---|---------------------------------|---------------------------------------|
| SENT TO | | Insurance Coordinator |
| STREET AND NO. | | Kerr-McGee Corp. Kerr-McGee Center |
| P.O., STATE AND ZIP CODE | | Oklahoma City, Oklahoma 73125 |
| POSTAGE | 73125 | \$ |
| CONSULT POSTMASTER FOR FEES | CERTIFIED FEE | c |
| | SPECIAL DELIVERY | c |
| | RESTRICTED DELIVERY | c |
| | OPTIONAL SERVICES | |
| | RETURN RECEIPT SERVICE | |
| | SHOW TO WHOM AND DATE DELIVERED | c |
| SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY | c | |
| SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY | c | |
| SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY | c | |
| TOTAL POSTAGE AND FEES | | \$ |
| POSTMARK OR DATE | | |

PS Form 3800, Apr. 1976

PS Form 3811, July 1983 447 945

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees, the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- Show to whom, date and address of delivery
- Restricted Delivery
- Article Addressed to Charlotte D. Hix
Insurance Coordinator
Insurance & Claims Dept.
Kerr-McGee Corp.
Kerr-McGee Center
Oklahoma City, Oklahoma 73125
- Type of Service: Registered, Insured, Certified, COD, Express Mail. Article Number: P22 1673003
- Signature: [Signature], Address: [Address]
- Signature: [Signature], Agent: [Signature]
- Date of Delivery: [Date]
- Addressee's Address: (OKL. not requested and fee paid)

OKLAHOMA CITY SEP 5 1983

DOMESTIC RETURN RECEIPT

EPA ID: NV0908299330

HANDLER NAME: Kere-McGee Chemical Corp.

ADDRESS: Henderson, NV

4. Handler Type: Major

Non-Major

DATE OF INITIAL EVALUATION WHICH IS THE BASIS FOR THIS REPORT: 08/29/85

5a. AGENCY RESPONSIBLE FOR EVALUATION: E = EPA S = State J = Joint C = Contractor/EPA

Put code in box Choose one

O = Other B = Contractor/State X = Oversight

TYPE OF EVALUATION COVERED BY THIS REPORT:

- 1 = Evaluation Inspection
- 2 = Sampling Inspection
- 3 = Record Review
- 4 = Ground Water Monitoring Evaluation
- 5 = Follow Up
- 6 = Other - Citizen Complaint
- 7 = Other - Part B Call-In
- 8 = Other - Withdrawal Candidate
- 9 = Other - Closed Facility
- 10 = Other - General

DATE OF EVALUATION COVERED BY THIS REPORT (enter only if different from 5):

___/___/___

AREA AND CLASS OF VIOLATION (enter 'X' in appropriate box if violations found. Enter '0' if no violations found in Area violated.)

| Class of Violation | Area of Violation | | | | | | |
|--------------------|-------------------|-------|----------|-------|-----------|----------|-------|
| | GWM | CL/PC | Fin. Res | Pt. B | Crpl. Sch | Manifest | Other |
| I | | | | | | | |
| II | | | | | | | |

ENFORCEMENT ACTIONS: NONE

| Class | Area of Violation (use code) | Type | Date Action Taken | | Compliance Dates | | Penalty | | Resp. Ag. (use code) |
|-------|------------------------------|------|-------------------|--------|------------------|--------|----------|-----------|----------------------|
| | | | Scheduled | Actual | Scheduled | Actual | Assessed | Collected | |
| | | | | | | | | | |

Codes for Types of Enforcement Actions: 03 = Warning Letter 11 = Filed Civil Action
 05 = Administrative Order 12 = Filed Criminal Action
 (See instruction for additional codes) 10 = Informal
 Codes for Responsible Agency: E = EPA S = State X = EPA oversight

Comments: FINANCIAL INSTRUMENT REVIEW -

(Limit each comment to 80 characters. Up to 99 comments are possible.)



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

July 30, 1985

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

RECEIVED

AUG - 8 1985

ENVIRONMENTAL
PROTECTION

Mr. LaVerne Rosse, P.E., Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Re: Kerr-McGee Chemical Corporation
NVD 008290330
Henderson, Nevada

Dear Mr. Rosse:

This is to confirm our telephone conversation of July 30 during which we discussed the duplicate instruments on file with the Nevada Department of Conservation and Natural Resources as respects the non-sudden liability coverage.

On June 26, 1985 Kerr-McGee Chemical Corporation demonstrated financial responsibility for the estimated cost of closure and post-closure and for both sudden and non-sudden liability coverage for the above numbered RCRA location through the use of the financial test specified in Subpart H of 40 CFR Parts 264 and 265.

The filing of the financial test constitutes a duplicate mechanism as respects the requirements for non-sudden liability coverage since a Certificate of Insurance evidencing non-sudden liability insurance for the February 1, 1985 to February 1, 1986 period is also on file.

Kerr-McGee Chemical Corporation elects the use of the financial test for demonstrating the required non-sudden liability coverage and requests the financial test be substituted for the Certificate of Insurance.

Since the Certificate of Insurance for non-sudden liability coverage has not been necessary for meeting the financial assurance requirements after June 26, 1985, the date the financial test was filed, Kerr-McGee Chemical Corporation plans to request cancellation of the non-sudden liability insurance coverage on August 15, 1985.

Mr. LaVerne Rosse
July 30, 1985
Page 2

I trust the financial test has met with your approval and that the cancellation of the non-sudden liability insurance is in order; however, we would appreciate your written approval prior to our initiation of the cancellation.

Sincerely,



Charlotte Hix
Insurance Coordinator
Insurance & Claims Department

CDH:dg

cc: B. Hoffman
J. Stallings
R. McKiddy



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

June 26, 1985

RECEIVED

JUL 8 - 1985

ENVIRONMENTAL PROTECTION

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in the Nevada Administrative Code (NAC) No. 444-9055.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in NAC No. 444-9070:

EPA Identification No.
Name & Address

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 53
Henderson, NV 89015
Region IX

- 1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 Region IX | \$ 128,000 | \$ 300,000 |

2. The owner or operator identified above guarantees, through the corporate guarantee specified in NAC No. 444-9070, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the State of Nevada Department of Conservation is not administering the financial requirements of NAC 44-9055, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC 444-9070. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA IDENTIFICATION NO.</u> <u>Name and Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$ 267,000 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301 | \$ 358,000 | \$ 783,506 |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P. O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 105,000 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$ 913,000 | \$ 492,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060 | \$2,960,000 | \$2,250,000 |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803 | \$ 625,000 | N/A |

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated

either to EPA or a State through the financial test or any other financial assurance mechanism specified in NAC 444-9070 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1984.

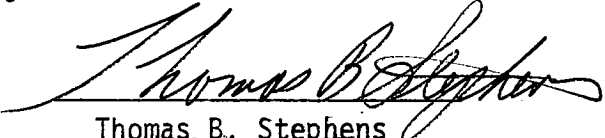
ALTERNATIVE I

(Thousands of Dollars)

- | | | |
|--|---------------------|-------------------------------|
| 1. Sum of current closure and post-closure cost estimates. | \$ <u>9,182</u> ✓ | |
| (Total of <u>all</u> cost estimates listed above) | | |
| 2. Amount of annual aggregate liability coverage to be demonstrated | \$ <u>8,000</u> ✓ | |
| 3. Sum of lines 1 and 2 | \$ <u>17,182</u> ✓ | |
| *4. Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ <u>122,112</u> | |
| *5. Tangible Net Worth | \$ <u>541,629</u> | |
| *6. Net Worth | ✓ \$ <u>544,333</u> | |
| *7. Current Assets | ✓ \$ <u>217,977</u> | 3.8 |
| *8. Current Liabilities | ✓ \$ <u>56,945</u> | |
| 9. Net Working Capital (Line 7 minus Line 8) | ✓ \$ <u>161,032</u> | |
| *10. The sum of net income plus (depreciation, depletion and amortization) | \$ <u>32,212</u> | 43051 + (2) 10827 32212 |
| *11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) | \$ <u>N/A</u> | |
| | YES | NO |
| 12. Is line 5 at least \$10 million? | <u>X</u> | ___ |
| 13. Is line 5 at least 6 times line 3? | <u>X</u> | ___ |
| 14. Is line 9 at least 6 times line 3? | <u>X</u> | ___ |
| *15. Are at least 90% of assets located in the U.S? (If not, complete line 16) | <u>X</u> | ___ |
| 16. Is line 11 at least 6 times line 3? | <u>N/A</u> | ___ |
| 17. Is line 4 divided by line 6 less 2.0? | ✓ <u>X</u> | ___ |
| 18. Is line 10 divided by line 4 greater than 0.1? | <u>X</u> | ___ |
| 19. Is line 7 divided by line 8 greater than 1.5? | ✓ <u>X</u> | ___ |

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

June 26, 1985
DATE


Thomas B. Stephens
Treasurer

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

June 26, 1985

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Chemical Corporation (the "Company") as of December 31, 1984, and the related statements of income and changes in financial position for the year then ended and have expressed an unqualified opinion on those statements in our report dated March 5, 1985. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated June 26, 1985, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources to demonstrate both liability coverage and assurance of closure and post-closure care required by EPA regulations. As further required by such regulations, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1984, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10, should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and therefore is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1984. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.

NN Risk Management Services

MEMBER ARMCO INSURANCE GROUP

May 1, 1985

RECEIVED
MAY 13 1985
ENVIRONMENTAL
PROTECTION

Hazardous Materials Branch
215 Fremont Street
San Francisco, CA 94105

RE: KERR MC GEE CORPORATION, ETAL
POLICY NO. CLA 245722 - EFFECTIVE 7/1/84 to 7/1/87

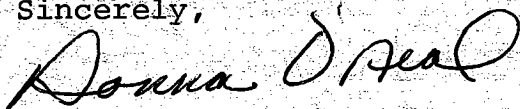
~~Please be advised that General Liability coverage for the above named insured will be cancelled effective 7/1/85, due to the company withdrawing from this type of business. Therefore at this time, pursuant to 40 CFR 265-151 (j) 2. (e), Notice of Termination of the Hazardous Waste Facility Certificate of Liability Insurance held by your region is given.~~

The location covered under this certificate is as follows:

NUD 008290330 Kerr Mc Gee Chemical Corp.
Lake Mead Drive
P.O. Box 55
Henderson, Nevada 89015

If your office has turned over the certificate to the Environmental Protection Division of the state since the original filing was made, please notify them of the termination. If your office requires any additional information on this matter, I can be reached at [414] 765-8521.

Sincerely,



Donna O'Neal
Assistant Underwriter

DO/ad



CERTIFICATE OF INSURANCE

SET TAB STOPS AT ARROWS

ISSUE DATE (MM/DD/YY)
4/23/85

PRODUCER

JOHNSON & HIGGINS
2029 CENTURY PARK EAST
LOS ANGELES, CA 90067
TEL: (213) 552-8700

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

| | | |
|----------------|----------|-----------------------------|
| COMPANY LETTER | A | TRANSCONTINENTAL INS. CO |
| COMPANY LETTER | B | ARGONAUT INS. CO |
| COMPANY LETTER | C | WESTERN EMPLOYERS |
| COMPANY LETTER | D | NATIONAL UNION FIRE INS. CO |
| COMPANY LETTER | E | |

INSURED

U.S. ECOLOGY, INC
PO BOX 578 (HWY 95, 11 Miles South)
Beatty, NV 89003
EPA ID# NVT 330Q10000

COVERAGES

THIS IS TO CERTIFY THAT POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS, AND CONDITIONS OF SUCH POLICIES.

| CO LTR | TYPE OF INSURANCE | POLICY NUMBER | POLICY EFFECTIVE DATE (MM/DD/YY) | POLICY EXPIRATION DATE (MM/DD/YY) | LIABILITY LIMITS IN THOUSANDS | | |
|--------|---|---|----------------------------------|-----------------------------------|---|-------------------------|------------------------|
| | | | | | | EACH OCCURRENCE | AGGREGATE |
| A | GENERAL LIABILITY | XSP 3584414 | 3/31/85 | 3/31/86 | BODILY INJURY | \$ | \$ |
| | <input checked="" type="checkbox"/> COMPREHENSIVE FORM | | | | PROPERTY DAMAGE | \$ | \$ |
| | <input checked="" type="checkbox"/> PREMISES/OPERATIONS UNDERGROUND EXPLOSION & COLLAPSE HAZARD | | | | BI & PD COMBINED | \$ 950, Excess | \$ 950, 50K SIR |
| | <input checked="" type="checkbox"/> PRODUCTS/COMPLETED OPERATIONS | | | | PERSONAL INJURY | | \$ |
| | <input checked="" type="checkbox"/> CONTRACTUAL | | | | Special XS Liab Form/Absolute Pollution Exclusion | | |
| | <input type="checkbox"/> INDEPENDENT CONTRACTORS | | | | | | |
| | <input type="checkbox"/> BROAD FORM PROPERTY DAMAGE | | | | | | |
| B | AUTOMOBILE LIABILITY | CA20440110673 Private Passenger Only Absolute Pollution Exclusion | 3/31/85 | 3/31/86 | BODILY INJURY (PER PERSON) | \$ | |
| | <input checked="" type="checkbox"/> ALL OWNED AUTOS (PRIV. PASS.) | | | | BODILY INJURY (PER ACCIDENT) | \$ | |
| | <input type="checkbox"/> ALL OWNED AUTOS (OTHER THAN PRIV. PASS.) | | | | PROPERTY DAMAGE | \$ | |
| | <input type="checkbox"/> HIRED AUTOS | | | | BI & PD COMBINED | \$1,000, | |
| | <input type="checkbox"/> NON-OWNED AUTOS | | | | | | |
| C | EXCESS LIABILITY | UL 10038512371 Absolute Pollution Exclusion | 3/31/85 | 3/31/86 | BI & PD COMBINED | \$5,000, Excess | \$ 5,000, Underlying |
| | <input checked="" type="checkbox"/> UMBRELLA FORM | | | | | | |
| D | WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY | | | | STATUTORY | | |
| | OTHER Auto Liability-Chemical Vehicles Only | BA9288742--(ILL&NEV) GLA9601798--(TEXAS) | 4/17/85 | 3/31/86 | | \$ | (EACH ACCIDENT) |
| | | | | | | \$ | (DISEASE-POLICY LIMIT) |
| | | | | | \$ | (DISEASE-EACH EMPLOYEE) | |
| | | | | | | \$1MM CSL Each Policy | |

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

SEE ATTACHED WORDING
THE REVISED CERTIFICATE REPLACES THE CERTIFICATE ISSUED 3/31/85.

CERTIFICATE HOLDER

Environmental Protection Agency Reg IX
215 Fremont Street
San Francisco, CA 94105
ATTN: SHEILA PRINDIVILLE

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 60 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

[Signature]

NO COVERAGE IS PROVIDED FOR NONSUDDEN OCCURRENCES, ONLY SUDDEN AND ACCIDENTAL OCCURRENCES, ALSO NO COVERAGE IS PROVIDED FOR NUCLEAR WASTE OPERATIONS.

"SEE ADDENDUM ATTACHED"

Certificate of Insurance



THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER.
THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES LISTED BELOW.

NAME AND ADDRESS OF AGENCY

JOHNSON & HIGGINS
2029 CENTURY PARK EAST
LOS ANGELES, CA 90067
TEL: (213) 552-8700

COMPANIES AFFORDING COVERAGES

| | | |
|----------------|----------|------------------------------------|
| COMPANY LETTER | A | Transcontinental Insurance Company |
| COMPANY LETTER | B | Argonaut Insurance Company |
| COMPANY LETTER | C | Mission National Insurance Company |
| COMPANY LETTER | D | |
| COMPANY LETTER | E | |

NAME AND ADDRESS OF INSURED

U S Ecology, Inc.
P.O. Box 578 (Highway 95, 11 Miles South)
Beatty, Nevada 89003
EPA ID# NVT 330010000

This is to certify that policies of insurance listed below have been issued to the insured named above and are in force at this time. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies.

| COMPANY LETTER | TYPE OF INSURANCE | POLICY NUMBER | POLICY EXPIRATION DATE | Limits of Liability in Thousands (000) | | |
|----------------|---|----------------|------------------------|--|------------------------------|------------------------------|
| | | | | | EACH OCCURRENCE | AGGREGATE |
| A | GENERAL LIABILITY | CCP 008391876 | 3/31/85 | BODILY INJURY | \$ - | \$ - |
| | <input checked="" type="checkbox"/> COMPREHENSIVE FORM | | | PROPERTY DAMAGE | \$ - | \$ - |
| | <input checked="" type="checkbox"/> PREMISES—OPERATIONS | | | BODILY INJURY AND PROPERTY DAMAGE COMBINED | \$ 1,000, CSL | \$ 1,000, CSL |
| | <input checked="" type="checkbox"/> EXPLOSION AND COLLAPSE HAZARD | | | PERSONAL INJURY | \$ - | \$ - |
| | <input checked="" type="checkbox"/> UNDERGROUND HAZARD | | | | | |
| B | AUTOMOBILE LIABILITY | CA 20428110673 | 3/31/85 | BODILY INJURY (EACH PERSON) | \$ - | \$ - |
| | <input checked="" type="checkbox"/> OWNED | | | BODILY INJURY (EACH ACCIDENT) | \$ - | \$ - |
| | <input checked="" type="checkbox"/> HIRED | | | PROPERTY DAMAGE | \$ - | \$ - |
| | <input checked="" type="checkbox"/> NON-OWNED | | | BODILY INJURY AND PROPERTY DAMAGE COMBINED | \$ 1,000, CSL | \$ - |
| C | EXCESS LIABILITY | MN 035221 | 3/31/85 | BODILY INJURY AND PROPERTY DAMAGE COMBINED | \$ 25,000, Excess Underlying | \$ 25,000, Excess Underlying |
| | <input checked="" type="checkbox"/> UMBRELLA FORM | | | | | |
| | WORKERS' COMPENSATION and EMPLOYERS' LIABILITY | | | STATUTORY | | |
| | OTHER | | | | | |

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES

See Attached Wording

Cancellation: Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail 60 days written notice to the below named certificate holder, but failure to mail such notice shall impose no obligation or liability of any kind upon the company.

NAME AND ADDRESS OF CERTIFICATE HOLDER:
Environmental Protection Agency Region IX
 215 Fremont Street
 San Francisco, California 94105
 Attn: Sheila Prindiville
 Regional Administrator

DATE ISSUED: May 1, 1984
 A: Edward F. Casey (w)
 B: Mario Gomez (w)
 C: Howard A. Mitchell (w)
AUTHORIZED REPRESENTATIVE

ADDENDUM

DATED: MAY 1, 1984

CERTIFICATE HOLDER: ENVIRONMENTAL PROTECTION AGENCY REGION IX

INSURED: U S ECOLOGY, INC.

Mission National Insurance Company, (the "Insurer"), of 2600 Wilshire Boulevard, Los Angeles, California 90057, hereby certifies that it has issued liability insurance covering bodily injury and property damage to U S Ecology, Inc. (the "insured"), of P.O. Box 578 (Highway 95, 11 Miles South), Beatty, Nevada 89003 in connection with the insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at U S Ecology, Inc., EPA ID# NVT 330010000, P.O. Box 578 (Highway 95, 11 Miles South), Beatty, Nevada 89003 for "sudden accidental occurrences." The limits of liability are \$25,000,000 "each occurrence" and "annual aggregate", in excess of \$1,000,000, exclusive of legal defense costs. The coverage is provided under policy number MN 035221 issued on March 31, 1984. The effective date of said policy is March 31, 1984

The Insurer further certifies the following with respect to the insurance described in Paragraph 1:

- (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligation under the policy.
- (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.147(f).
- (c) Whenever requested by a Regional Administrator of the U.S. Environmental Protection Agency (EPA), the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.
- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.

ADDENDUM

DATED: MAY 1, 1984

PAGE 2

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j) as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess of surplus lines insurer, in one or more States.

Howard A. Mitchell
Howard A. Mitchell

Authorized Representative for
Mission National Insurance Company
2600 Wilshire Boulevard
Los Angeles, California 90057

ADDENDUM

DATED: MAY 1, 1984

CERTIFICATE HOLDER: ENVIRONMENTAL PROTECTION AGENCY REGION IX

INSURED: U S ECOLOGY, INC.

Transcontinental Insurance Company, (the "Insurer"), c/o Stewart Smith West, Inc., 3200 Wilshire Blvd., Los Angeles, California 90010 hereby certifies that it has issued liability insurance covering bodily injury and property damage to U S Ecology, Inc., the ("insured"), of P.O. Box 578 (Highway 95, 11 miles South), Beatty, Nevada 89003 in connection with the insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at U S Ecology, Inc EPA ID# NVT 330010000, P.O. Box 578 (Highway 95, 11 miles South), Beatty Nevada 89003 for "sudden accidental occurrences". The limits of liability are \$1,000,000 CSL "each occurrence" and "annual aggregate", exclusive of legal defense costs. The coverage is provided under policy number CCP 008391876, issued on March 31, 1984. The effective date of said policy is March 31, 1984.

The Insurer further certifies the following with respect to the insurance described in Paragraph 1:

- (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
- (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.147(f).
- (c) Whenever requested by a Regional Administrator of the U.S. Environmental Protection Agency (EPA), the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.
- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.

ADDENDUM

DATED: MAY 1, 1984

PAGE 2

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j) as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.

Edward F. Casey
Edward F. Casey

Authorized Representative for
Transcontinental Insurance Company
c/o Stewart Smith West, Inc.
3200 Wilshire Boulevard
Los Angeles, California 90010

ARTHUR ANDERSEN & Co.

RECEIVED

APR 2 - 1985

ENVIRONMENTAL
PROTECTION

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 30, 1985

Kerr-McGee Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Corporation and subsidiary companies (the "Company") as of December 31, 1984, and the related statements of income, retained earnings, capital in excess of par value and changes in financial position for the year then ended and have expressed an unqualified opinion on those statements in our report dated February 25, 1985. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated March 29, 1985, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources to demonstrate assurance of closure and post-closure care required by EPA regulations. As further required by such regulations, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1984, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1984. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 29, 1985

RECEIVED

APR 2 - 1985

ENVIRONMENTAL PROTECTION

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Corporation of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of this firm's use of the financial test to demonstrate financial assurance as specified in the Nevada Administrative Code (NAC) No. 444.9055.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: NONE.

2. This firm guarantees, through the corporate guarantee specified in NAC No. 444-9070, the closure or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 Region IX | \$ 128,000 | \$ 300,000 |

3. In states where the State of Nevada Department of Conservation and Natural Resources (Department) is not administering the financial requirements of NAC No. 444-9055, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by such a test or guarantee are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$ 267,000 | \$ N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301 | \$ 358,000 | \$ 78,000 |
| OKD 000396549 Kerr-McGee Refining Corporation P.O. Box 305 Wynnewood, OK 73098 | \$ 211,000 | \$ 426,000 |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803 | \$ 625,000 | \$ N/A |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P.O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 105,000 | \$ N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$ 913,000 | \$ 492,000 |
| TXD 000807859 Southwestern Refining Company, Inc. (Landfarm) P.O. Box 9217 Corpus Christi, TX 78408 | \$ 235,000 | \$ 408,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P.O. Box 166 Madison, IL 62060 | \$2,960,000 | \$2,250,000 |

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if disposal facility, post-closure care, is not demonstrated either to Department or a State through the financial test or any other financial assurance mechanism specified in NAC No. 444-9055 or equivalent or a

substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1984.

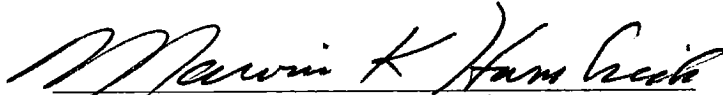
(SEE PAGE 4)

ALTERNATIVE I
(THOUSANDS OF DOLLARS)

- 1. Sum of current closure and post-closure cost estimates (total of all cost estimates shown in the four paragraphs above) \$ 9,756
- *2. Total liabilities (if any portion of the closure or post-closure ^{cost estimates} is included in total liabilities, you may deduct the amount of that portion from this line and add that amount to lines 3 and 4.) \$2,031,000
- *3. Tangible net worth \$1,700,000
- *4. Net Worth \$1,740,000
- *5. Current assets \$1,011,000
- *6. Current liabilities \$ 779,000
- 7. Net working capital (line 5 ^{minus} line 6) \$ 232,000
- *8. The sum of net income plus depreciation, depletion and amortization \$ 377,000
- *9. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) \$2,894,000

| | YES | NO |
|---|-----|----|
| 10. Is Line 3 at least \$10 million?..... | X | |
| 11. Is line 3 at least 6 times line 1?..... | X | |
| 12. Is line 7 at least 6 times line 1?..... | X | |
| 13. Are at least 90% of firm's assets located in the U.S.?..... (If not, complete line 14) | | X |
| 14. Is line 9 at least 6 times line 1?..... | X | |
| 15. Is line 2 divided by line 4 less than 2.0?..... | X | |
| 16. Is line 8 divided by line 2 greater than 0.1?..... | X | |
| 17. Is line 5 divided by line 6 greater than 1.5?..... | | X |

I hereby certify that the wording of this letter is identical to the wording specified in NAC 444.9070, as such regulations were constituted on the date shown immediately below.



Marvin K. Hambrick

Title: Executive Vice President Finance

Date: March 29, 1985

CORPORATE GUARANTEE FOR CLOSURE OR POST-CLOSURE CARE

Guarantee made this 29th day of March, 19 85 by Kerr-McGee Corporation, a business corporation organized under the laws of the State of Delaware, herein referred to as guarantor, to the State of Nevada Department of Conservation and Natural Resources (Department), obligee, on behalf of our subsidiary Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, Oklahoma 73125.

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in NAC 444.9055.
2. Kerr-McGee Chemical Corporation owns or operates the following hazardous waste management facility covered by this guarantee:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 | \$128,000 | \$300,000 |

3. "Closure plans" and "post-closure plans" as used below refer to the plans maintained as required by NAC 444.9030 and 444.9035 for the closure and post-closure care of facilities as identified above.
4. For value received from Kerr-McGee Chemical Corporation, guarantor guarantees to Department that in the event that Kerr-McGee Chemical Corporation fails to perform closure and post-closure care of the above facility in accordance with the closure or post-closure plans and other permit or interium status requirements whenever required to do so, the guarantor shall do so or establish a trust fund specified in NAC 444.9055 in the name of Kerr-McGee Chemical Corporation in the amount of the current closure or post-closure cost estimates as specified in NAC No. 444-9050.
5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the Director of the State of Nevada's Department of Conservation and Natural Resources (Director) and to Kerr-McGee Chemical Corporation that he intends to provide alternate financial assurance as specified in NAC No. 444-9055, in the name of Kerr-McGee Chemical Corporation. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless Kerr-McGee Chemical Corporation has done so.

6. The guarantor agrees to notify the Department Director by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by the Department Director of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure, or post-closure care, he shall establish alternate financial assurance as specified in NAC 444.9055, in the name of Kerr-McGee Chemical Corporation unless Kerr-McGee Chemical Corporation has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following:

amendment or modification of the closure or post-closure plan, amendment or modification of the permit, the extension or reduction of the time of performance of closure or post-closure or any other modification or alteration of an obligation of the owner or operator pursuant to NAC 444.9055.

115
→ 9. Guarantor agrees to remain bound under this guarantee for so long as Kerr-McGee Chemical Corporation must comply with the applicable financial assurance requirements of NAC 444-9055 for the above-listed facility, except that guarantor may cancel this guarantee by sending notice by certified mail to the Department Director and to Kerr-McGee Chemical Corporation, such cancellation to become effective no earlier than 120 days after receipt of such notice by both Department and Kerr-McGee Chemical Corporation, as evidenced by the return receipts.

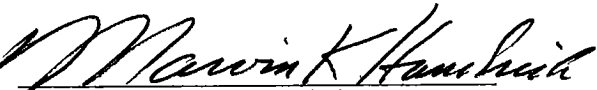
10. Guarantor agrees that if Kerr-McGee Chemical Corporation fails to provide alternate financial assurance as specified in NAC 444-9055, and obtain written approval of such assurance from the Department Director within 90 days after a notice of cancellation by the guarantor is received by the Department Director from guarantor, guarantor shall provide such alternate financial assurance in the name of Kerr-McGee Chemical Corporation.


11. Guarantor expressly waives notice of acceptance of this guarantee by the Department or by Kerr-McGee Chemical Corporation. Guarantor also expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permit(s).

I hereby certify that the wording of this guarantee is identical to the wording specified in the Nevada Administrative Code No. 444.9070 as such regulations were constituted on the date first above written.

Effective date: March 30, 1985

KERR-McGEE CORPORATION

By: 
Marvin K. Hambrick
Executive Vice President, - Finance


Signature of Witness



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

February 8, 1985

RECEIVED

FEB 12 1985

**ENVIRONMENTAL
PROTECTION**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. LaVern Rosse, P.E., Director
Nevada Department of Conservation and Natural Resources
Waste Management Program
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

RE: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada Location

Attention: Mr. Tom Fronapfel

Dear Mr. Rosse:

Attached is a Hazardous Waste Facility Certificate of Liability Insurance for Kerr-McGee Chemical Corporation. The certificate demonstrates evidence of the liability insurance specified in requirements 264.147 and 265.147 for non-sudden occurrences. This certificate will replace the one now on file as of February 1, 1985.

We trust you will find the certificate in order; however, should there be any questions, please advise.

Very truly yours,

Charlotte D. Hix
Insurance Coordinator
Insurance & Claims Department

CDH/vmr
Attachment

cc: E. T. Still

HAZARDOUS WASTE FACILITY

CERTIFICATE OF LIABILITY INSURANCE

1. National Union Fire Insurance Company
of Pittsburg, PA, the "Insurer",
Of New York, New York 10270 hereby certifies that it has issued
liability insurance covering bodily injury and property damage to
Kerr-McGee Chemical Corporation (the "Insured"), of Kerr- McGee
Center, Oklahoma City, Oklahoma in connection with the Insured's
obligation to demonstrate financial responsibility under 444.9060 of
the Nevada Hazardous Waste Disposal Regulations.

The coverage applies at:

EPA I.D. No. #NVD 008290330
Kerr-McGee Chemical Corporation
Henderson Facility
Lake Mead Drive
(P. O. Box 55)
Henderson, Nevada 89015

for nonsudden accidental occurrences.

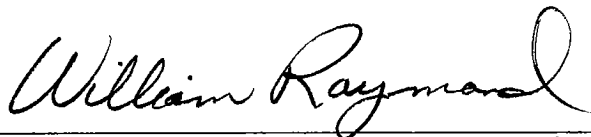
The limits of liability are: \$3,000,000 each occurrence
\$6,000,000 annual aggregate

exclusive of legal defense costs. The coverage is provided under
policy number GIA 9424465 issued on Pending Issue. The effective
date of said policy is Feb. 1, 1985.

2. The Insurer further certifies the following with respect to the
insurance described in Paragraph 1:
- (a) Bankruptcy or insolvency of the insured shall not relieve the
Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any
deductible applicable to the policy, with a right of reimburse-
ment by the Insured for any such payment made by the Insurer.
This provision does not apply with respect to that amount of any
deductible for which coverage is demonstrated as specified in 40
CFR 264.147(f) or 265.174(f).

- (c) Whenever requested by the Director of the State of Nevada's Department of Conservation and Natural Resources the Insurer agrees to furnish to the Director a signed duplicate original of the policy and all endorsements.
- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Director of the State of Nevada's Department of Conservation and Natural Resources.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Director of the State of Nevada's Department of Conservation and Natural Resources.

I hereby certify that the wording on this instrument is identical to the wording specified in 444.9060 of the Nevada Hazardous Waste Disposal Regulations, as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.



Signature of Authorized Representative of Insurer

William Raymond
Vice President and
Authorized Representative of
National Union Fire Insurance Company of Pittsburgh, Pa.
70 Pine St.
New York, New York 10270



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

RECEIVED

FEB - 1 1985

**ENVIRONMENTAL
PROTECTION**

January 31, 1985

Mr. LaVern Rosse, P.E., Director
Nevada Department of Conservation
and Natural Resources
Waste Management Program
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Re: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada, Location

Dear Mr. Rosse:

This confirms the telephone conversation of January 28, 1985, between Charlotte Hix of our Insurance and Claims Department and your office concerning non-sudden environmental liability insurance for Kerr-McGee Chemical Corporation. As we reported, our current policy will expire on February 1, 1985, and we have been unable to obtain a replacement policy.

We have made extensive efforts during the past several months to arrange the necessary coverage. To date, two insurance brokerage firms, Marsh & McLennan, Inc. and C. L. Frates and Company, have been unsuccessful in their efforts. These firms are continuing in their attempts to place the coverage for us. Enclosed are letters from both firms explaining their efforts to secure coverage.

The unavailability of traditional commercial insurance leaves the alternative of self-insurance through utilization of the Financial Test, as codified in the regulations. However, only our parent company, Kerr-McGee Corporation, has an independently audited financial statement as required by the regulations. We will proceed promptly to secure an independently audited financial statement for Kerr-McGee Chemical Corporation so that it can demonstrate liability coverage through use of the Financial Test.

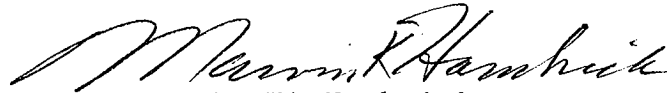
To satisfy the Financial Test requirements, enclosed herein is a letter signed by the company's chief financial officer and worded as specified in 40 C.F.R. § 264.151(g). Certain information required to be included in this letter is based on internally generated estimates, as the required

Mr. LaVern Rosse, P.E., Director
January 31, 1985
Page 2

independently audited financial statement for the latest completed fiscal year is not yet available for submittal. A financial statement should be available in mid-February. This statement can then be audited, the financial officer's letter can be supplemented, and the two certified public accountants' reports can be prepared for submittal as soon as possible, but no later than March 31, 1985.

We believe that the information and commitments contained herein demonstrate our good faith efforts to obtain non-sudden liability insurance coverage and to comply with the regulations. Therefore, we respectfully request an extension of time until March 31, 1985, in which to satisfy the Financial Test requirements.

Very truly yours,



Marvin K. Hambrick
Vice President and
Chief Financial Officer

MKH:lwp

Enclosures



KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

January 31, 1985

BY AIRBORNE

Mr. LaVern Rosse, P.E., Director
Nevada Department of Conservation and Natural Resources
Waste Management Program
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

ATTENTION: Mr. Tom Fronapfel

Dear Mr. Rosse:

I am the chief financial officer of Kerr-McGee Chemical Corporation of Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for non-sudden liability insurance as specified in Subpart H of 40 CFR Parts 264 and 265. The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 265 and 265:

EPA IDENTIFICATION NO. ,
NAME & ADDRESS

Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada Location

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

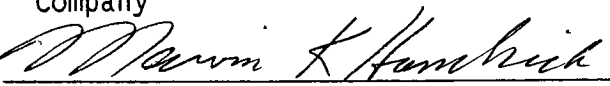
The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1984.

ALTERNATIVE I
(THOUSANDS OF DOLLARS)

| | | |
|---|------------|-----------------|
| 1. Amount of annual aggregate liability coverage to be demonstrated | \$ | <u>6,000</u> |
| 2. Current Assets - - - - - | \$ | <u>226,681</u> |
| 3. Current Liabilities - - - - - | \$ | <u>29,628</u> |
| 4. Net working capital (line 2 minus line 3) - - - - - | \$ | <u>197,053</u> |
| 5. Tangible Net Worth - - - - - | \$ | <u>532,306</u> |
| 6. If less than 90% of assets are located in the U.S., give U. S. assets | \$ | <u>N/A</u> |
| | <u>Yes</u> | <u>No</u> |
| 7. Is line 5 at least \$10 million? | <u>X</u> | <u> </u> |
| 8. Is line 4 at least 6 times line 1? | <u>X</u> | <u> </u> |
| 9. Is line 5 at least 6 times line 1? | <u>X</u> | <u> </u> |
| 10. Are at least 90% of assets located in the U.S.? If not, complete line 11 | <u>X</u> | <u> </u> |
| 11. Is line 6 at least 6 times line 1? | <u>N/A</u> | <u> </u> |

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

KERR-McGEE CHEMICAL CORPORATION

 Company


 Signature
 M. K. Hambrick

 Name
 Vice President

 Title
 January 31, 1985

 Date

**Marsh &
McLennan**

Marsh & McLennan, Inc.
1000 N.W. 50th Street
Oklahoma City, Oklahoma 73118
Telephone 405 848-7743

January 30, 1985

Mr. LaVern Rosse, P.E., Director
Nevada Department of Conservation and
Natural Resources
Waste Management Program
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Courtney Wood
Vice President
CPCU, ARM

Re: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada Location

Dear Mr. Rosse:

Marsh & McLennan, Inc. has been retained by Kerr-McGee Corporation to secure such insurance as is necessary to comply with Environmental Impairment Liability Regulations relative to Non-Sudden occurrences on behalf of Kerr-McGee Chemical Corporation and has diligently been pursuing a proper insurance market for this coverage for several months. Unfortunately, as of this date insurance in the traditional sense to satisfy the regulations in connection with this type exposure has not been located.

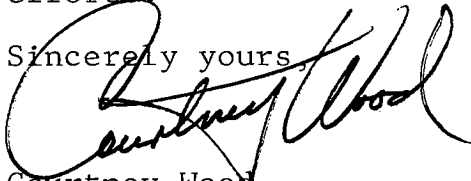
We continue to search diligently for this coverage on their behalf. However, after making submissions to Home Insurance Company, Hartford Steam Boiler Insurance and Inspection Company, Pacific Insurance Company, California Union Insurance, the American International Group, St. Paul Excess & Surplus Lines, the Evanston Insurance Company (Shand Morahan & Company) and AETna Life & Casualty Company, we remain unable to place appropriate coverage.

It is our intention to continue to labor with all resources on behalf of Kerr-McGee Chemical Corporation.

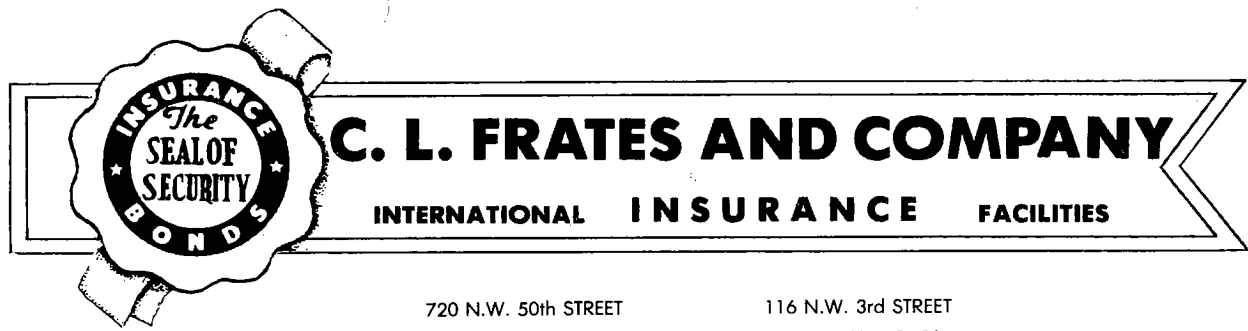
Marsh & McLennan, Incorporated

to secure the necessary traditional coverage; however, at this time we must implore authorities to suspend regulations in connection with this required coverage. As stated previously, it is the intent of Marsh & McLennan, Inc. to continue to pursue all legitimate avenues to allow posting of compliance documentation. However, we respectfully request a six-month abatement period without imposition of penalty to continue our efforts.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Courtney Wood". The signature is written in a cursive style with a large, looping initial "C".

Courtney Wood
CW:pe



720 N.W. 50th STREET 116 N.W. 3rd STREET
 Phone: Area Code 405 / 848-7661 TELEX 747-123
 P.O. BOX 18839 • OKLAHOMA CITY, OKLAHOMA 73154 • Cable Address: CLIFCO

January 28, 1985

RODMAN A FRATES
 PRESIDENT

ROGER L MILLER
 ADMINISTRATIVE
 CONSULTANT

DALE A NEIKIRK
 EXECUTIVE VICE-PRESIDENT

GARY E ISBELL
 SECY. TREASURER

DOROTHY M WILSON
 ASST'T SECRETARY

DONALD J BLAIR
 VICE-PRESIDENT

CARA J BYRNE
 VICE PRESIDENT

THOMAS W CHANDLER
 VICE-PRESIDENT

CHARLES J HARRISON
 VICE-PRESIDENT
 ACTUARIAL
 DEPARTMENT

ROBERT M HARTMAN
 VICE-PRESIDENT

THOMAS W HAYNES
 VICE-PRESIDENT

W FAY HOGUE
 VICE-PRESIDENT

WILLIAM W HOWARD
 VICE-PRESIDENT

HOWARD P LANE
 VICE-PRESIDENT

HENRY O MOORE
 VICE-PRESIDENT

GARY MURDOCK
 VICE-PRESIDENT

JOAN F SANTOS
 VICE-PRESIDENT

KAY F SMITH
 VICE-PRESIDENT
 OIL & GAS
 UNDERWRITING

CORNELIA JANE STAATS
 VICE-PRESIDENT

PATRICIA L BEASLEY
 ACCOUNT EXECUTIVE

MARSHALL R HANSEN
 ACCOUNT EXECUTIVE

ROBERT O BOWLES
 PROPERTY CASUALTY
 LIFE & SPECIAL
 ACCOUNTS

Mr. LaVern Rosse, P.E. Director
 Nevada Dept. of Conservation and Natural Resources
 Waste Management Program
 Capitol Complex
 201 South Fall Street
 Carson City, NV 89710

Re: Kerr-McGee Chemical Corporation
 EPA I.D. #NVD 008290330
 Henderson, Nevada Location

Dear Mr. Rosse:

This will confirm our telephone conversations regarding the unavailability of non-sudden liability insurance coverage for the above captioned.

To the best of our knowledge all insurers withdrew from the market as of January 1, 1985. Some insurance company filings have been made since that date but only for commitments made to and accepted by the Owner/Operator prior to January 1st.

We certify that we have contacted every known market and have been unable to secure coverage for non-sudden liability from any of them.

If we can furnish any further information, please let us know.

Very truly yours,

C. L. FRATES AND COMPANY

Roger L. Miller
 Roger L. Miller

RLM:jw



Ken Rosse



Swett & Crawford
Management Company, Ltd.
A Subsidiary of The Commercial Corporation

116 John Street
33rd Floor
New York, New York 10038
Telephone: (212) 587-9750 or
(212) 587-9751
Telex: 126702
Cable: SWETTCRAW NYK

RECEIVED

NOV - 5 1984

**ENVIRONMENTAL
PROTECTION**

October 10, 1984

Regional Administrator
Region IX E.P.A.
215 Fremont Street
San Francisco California 94105

RE: Kerr McGee Chemical Corp.
EPA ID # NVD008290330
Henderson, Nevada

Dear Sir:

Handwritten note:
No...
10/10/84

Reference is made to my letter of August 15, 1984 a copy of which is attached.

Through negotiations we have agreed to extend the captioned policy until February 1, 1985. Please accept this letter as the required 60 day notice of cancellation of the "Hazardous Waste Facility Certificate of Liability Insurance" relating thereto.

We presume that Kerr - Mc Gee will obtain replacement coverage and provide you with a new Certificate prior to February 1, 1985 but we will not be responsible for their failure to do so.

Should you require further information or documentation from us please contact the undersigned.

Very truly yours,

SWETT & CRAWFORD
MANAGEMENT COMPANY, LTD.

Dominick J. Anzalone
Vice President

DJA:gml
Enc.

RECEIVED
AUG 31 1984
**ENVIRONMENTAL
PROTECTION**

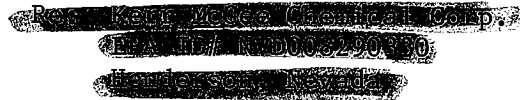


**Swett & Crawford
Management Company, Ltd.**
a subsidiary of The Continental Corporation

116 John Street
33rd Floor
New York, New York 10038
Telephone: (212) 587-9750 or
(212) 587-9751
Telex: 126702
Cable: SWETTCRAW NYK

August 15, 1984

Regional Administrator
Region IX E.P.A.
215 Fremont Street
San Francisco, California 94105



Dear Sir:

Reference is made to the captioned entity on whose behalf a "Hazardous Waste Facility Certificate of Liability Insurance" was provided to you on or about January 16, 1984. That Certificate erroneously showed the "Insurer" as the Harbor Insurance Company, Los Angeles, California. In point of fact, Swett & Crawford Management Company, as the Authorized Representative, bound coverage for the captioned in the Pacific Insurance Company, Los Angeles, which is the sister company of the Harbor Insurance Company.

In light of the above we request that you accept the attached Certificate in lieu of the previously issued one.

We wish to further advise that effective August 16, 1984, we are providing the required 60 day notice of cancellation of said Certificate. The policy of Insurance will be cancelled effective November 16, 1984. We presume that the captioned insured will avail itself of replacement coverage and supply new Certificates to you in a timely manner; however, we will take no responsibility for their failure to do so.

Should you require anything else in the way of documentation or require additional clarification of this matter, please do not hesitate to contact the undersigned.

Very truly yours,

SWETT & CRAWFORD
MANAGEMENT COMPANY, LTD.


Dominick Anzalone
Assistant Vice President

DA:hb

Att.

HAZARDOUS WASTE FACILITY
CERTIFICATE OF LIABILITY INSURANCE

- Harbor Insurance Company
- Pacific Insurance Company

The above "Insurer" of 4201 Wilshire Boulevard, Los Angeles, California hereby certifies that it has issued liability insurance covering bodily injury and property damage to:

KERR-McGEE CHEMICAL CORPORATION

(the "Insured") of KERR-McGEE CENTER, OKLAHOMA CITY, OK. in connection with the Insured's obligation to demonstrate financial responsibility under 40 CFR 264.147(f) or 265.147(f).

The coverage applies at: EPA ID#NVD 008290330
HENDERSON FACILITY, LAKE MEAD DRIVE (P.O. BOX 55)
HENDERSON , NEVADA 89015

for non-sudden accidental occurrences. The limits of liability are \$ 3,000,000.
each occurrences \$ 6,000,000. annual aggregate exclusive of defense costs.
The coverage is provided under policy number PI020084 issued June 5, 1984.

Effective date of said policy is January 16, 1984.

The Insurer further certifies the following with respect to the insurance described in Paragraph 1:

- a) Bankruptcy or insolvency of the Insured shall not relieve the Insurer of its obligation under the policy.
- b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.147(f).
- c) Whenever requested by a Regional Administrator of the U.S. Environmental Protection Agency (EPA), the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.
- d) Cancellation of the insurance, whether by the Insurer or the Insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.
- e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is (are) located.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j) as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines Insurer, in one or more states.



Authorized Representative

RECEIVED
U.S. E.P.A.
REGION 9
COMMUNITY
AUG 20 12 27 PM '84

RECEIVED

JUL - 9 1984



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

July 3, 1984

**ENVIRONMENTAL
PROTECTION**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

RECEIVED

JUL 9 1984

**Department of Conservation
and Natural Resources**

Director - State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Re: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada Location

Gentlemen:

Attached is a Hazardous Waste Facility Certificate of Liability Insurance for Kerr-McGee Chemical Corporation. The certificate demonstrates evidence of the liability insurance specified in requirements 264.147 and 265.147 for sudden and accidental occurrences. This certificate replaces the one now on file since the coverage was renewed under a new policy number as of July 1, 1984.

We trust you will find the certificate in order; however, should there be any questions, please advise.

Very truly yours,

A handwritten signature in cursive script that reads "Charlotte Hix".

Charlotte Hix
Insurance and Claims Department

CH/vmr

Attachment

cc: E. T. Still

HAZARDOUS WASTE FACILITY

CERTIFICATE OF LIABILITY INSURANCE

1. Northwestern National Insurance Company, the "Insurer, of Milwaukee, Wisconsin, hereby certifies that it has issued liability insurance covering bodily injury and property damage to Kerr-McGee Chemical Corporation, (the "insured"), of Kerr-McGee Center, Oklahoma City, Oklahoma in connection with the insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at:

NVD 008290330
Kerr-McGee Chemical Corporation
P.O. Box 53
Henderson, Nevada 89015

for sudden accidental occurrences.

The limits of liability are
\$1,000,000 each occurrence
\$2,000,000 Annual Aggregate,

exclusive of legal defense costs. The coverage is provided under policy number CLA245722, issued on July 1, 1984. The effective date of said policy is July 1, 1984.

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.147(f).
 - (c) Whenever requested by the Director of the Nevada Department of Conservation and Natural Resources (NDCNR), the Insurer agrees to furnish to the Director a signed duplicate original of the policy and all endorsements.

- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Director of the NDCNR.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Director of the NDCNR.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j), except for the substitution of State agencies for Federal agencies, as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more states.



Signature of Authorized Representative of Insurer

Rodman A. Frates
Authorized Representative of
Northwestern National Insurance Company
720 N.W. 50th Street
P.O. Box 18839
Oklahoma City, OK 73154

June 1, 1984

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

UPDATED FILING

RECEIVED

JUN 12 1984

ENVIRONMENTAL
PROTECTION

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Corporation of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of this firm's use of the financial test to demonstrate financial assurance as specified in the Nevada Administrative Code (NAC) No. 444.9055.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: NONE.

2. This firm guarantees, through the corporate guarantee specified in NAC No. 444-9070, the closure or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 Region IX | \$128,000 | \$300,000 |

3. In states where the State of Nevada Department of Conservation and Natural Resources (Department) is not administering the financial requirements of NAC No. 444-9055, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by such a test or guarantee are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$ 428,000 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301 | \$ 91,000 | \$113,000 |
| OKD 000396549 Kerr-McGee Refining Corporation P.O. Box 305 Wynnewood, OK 73098 | \$ 211,000 | \$ 95,000 |
| ALD 071937890 Kerr-McGee Chemical Corporation Mobile Facility P.O. Box 629 Theodore, AL 36590 | \$1,150,000 | \$253,000 |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P.O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 103,000 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$ 708,000 | N/A |
| TXD 000807859 Southwestern Refining Company, Inc. (Landfarm) P.O. Box 9217 Corpus Christi, TX 78408 | \$ 34,000 | \$408,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P.O. Box 166 Madison, IL 62060 | \$1,665,000 | N/A |

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if disposal facility, post-closure care, is not demonstrated either to Department or a State through the financial test or any other financial assurance mechanism specified in NAC No. 444-9055 or equivalent or

substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1983.

(SEE PAGE 4)

ALTERNATIVE I
(THOUSANDS OF DOLLARS)

| | | |
|-----|--|-------------|
| 1. | Sum of current closure and post-closure cost estimates (total of all cost estimates shown in the four paragraphs above) | \$ 5,687 |
| *2. | Total liabilities (if any portion of the closure or post-closure is included in total liabilities, you may deduct the amount of that portion from this line and add that amount to lines 3 and 4.) | \$2,074,110 |
| *3. | Tangible net worth | \$1,700,173 |
| *4. | Net Worth | \$1,732,824 |
| *5. | Current assets | \$ 929,186 |
| *6. | Current liabilities | \$ 713,169 |
| 7. | Net working capital (line 5 - line 6) | \$ 216,017 |
| *8. | The sum of net income plus depreciation, depletion and amortization | \$ 401,046 |
| 9. | Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) | \$3,001,307 |

| | | YES | NO |
|-----|---|-----|----|
| 10. | Is Line 3 at least \$10 million?..... | X | ✓ |
| 11. | Is line 3 at least 6 times line 1?..... | X | ✓ |
| 12. | Is line 7 at least 6 times line 1?..... | X | ✓ |
| 13. | Are at least 90% of firm's assets located in the U.S.?..... (If not, complete line 14) | | X |
| 14. | Is line 9 at least 6 times line 1?..... | X | ✓ |
| 15. | Is line 2 divided by line 4 less than 2.0?..... | X | ✓ |
| 16. | Is line 8 divided by line 2 greater than 0.1?..... | X | ✓ |
| 17. | Is line 5 divided by line 6 greater than 1.5?..... | | X |

I hereby certify that the wording of this letter is identical to the wording specified in NAC 444.9070, as such regulations were constituted on the date shown immediately below.



Marvin K. Hambrick

Title: Executive Vice President Finance

Date: June 1, 1984

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

June 1, 1984

Kerr-McGee Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Corporation and subsidiary companies (the "Company") as of December 31, 1983, and the related statements of income, retained earnings, capital in excess of par value and changes in financial position for the year then ended and have expressed an unqualified opinion on those statements in our report dated March 2, 1984. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated June 1, 1984, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources to demonstrate assurance of closure and post-closure care required by EPA regulations. As further required by such regulations, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1983, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1983. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.

UPDATED

CORPORATE GUARANTEE FOR CLOSURE OR POST-CLOSURE CARE

Guarantee made this 1st day of June, 1984 by Kerr-McGee Corporation, a business corporation organized under the laws of the State of Delaware, herein referred to as guarantor, to the State of Nevada Department of Conservation and Natural Resources (Department), obligee, on behalf of our subsidiary Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, Oklahoma 73125.

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in NAC 444.9055.
2. Kerr-McGee Chemical Corporation owns or operates the following hazardous waste management facility covered by this guarantee:

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 | \$128,000 | \$300,000 |

3. "Closure plans" and "post-closure plans" as used below refer to the plans maintained as required by NAC 444.9030 and 444.9035 for the closure and post-closure care of facilities as identified above.
4. For value received from Kerr-McGee Chemical Corporation, guarantor guarantees to Department that in the event that Kerr-McGee Chemical Corporation fails to perform closure and post-closure care of the above facility in accordance with the closure or post-closure plans and other permit or interium status requirements whenever required to do so, the guarantor shall do so or establish a trust fund specified in NAC 444.9055 in the name of Kerr-McGee Chemical Corporation in the amount of the current closure or post-closure cost estimates as specified in NAC No. 444-9050.
5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the Director of the State of Nevada's Department of Conservation and Natural Resources (Director) and to Kerr-McGee Chemical Corporation that he intends to provide alternate financial assurance as specified in NAC No. 444-9055, in the name of Kerr-McGee Chemical Corporation. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless Kerr-McGee Chemical Corporation has done so.

6. The guarantor agrees to notify the Department Director by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by the Department Director of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure, or post-closure care, he shall establish alternate financial assurance as specified in NAC 444.9055, in the name of Kerr-McGee Chemical Corporation unless Kerr-McGee Chemical Corporation has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following:

amendment or modification of the closure or post-closure plan, amendment or modification of the permit, the extension or reduction of the time of performance of closure or post-closure or any other modification or alteration of an obligation of the owner or operator pursuant to NAC 444.9055.

9. Guarantor agrees to remain bound under this guarantee for so long as Kerr-McGee Chemical Corporation must comply with the applicable financial assurance requirements of NAC 444-9055 for the above-listed facility, except that guarantor may cancel this guarantee by sending notice by certified mail to the Department Director and to Kerr-McGee Chemical Corporation, such cancellation to become effective no earlier than 120 days after receipt of such notice by both Department and Kerr-McGee Chemical Corporation, as evidenced by the return receipts.

10. Guarantor agrees that if Kerr-McGee Chemical Corporation fails to provide alternate financial assurance as specified in NAC 444-9055, and obtain written approval of such assurance from the Department Director within 90 days after a notice of cancellation by the guarantor is received by the Department Director from guarantor, guarantor shall provide such alternate financial assurance in the name of Kerr-McGee Chemical Corporation.

11. Guarantor expressly waives notice of acceptance of this guarantee by the Department or by Kerr-McGee Chemical Corporation. Guarantor also expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permit(s).

I hereby certify that the wording of this guarantee is identical to the wording specified in the Nevada Administrative Code No. 444.9070 as such regulations were constituted on the date first above written.

Effective date: June 1, 1984

KERR-McGEE CORPORATION

By: Marvin K. Hambrick
Marvin K. Hambrick
Executive Vice President, - Finance

Charlotte Hays
Signature of Witness



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 26, 1984

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

RECEIVED
APR 2 1984
Department of Conservation
and Natural Resources

Director
State of Nevada
Department of Conservation and Natural Resources
Capitol Complex
201 South Fall Street
Carson City, Nevada 89710

Dear Director:

I am the chief financial officer of Kerr-McGee Corporation of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of this firm's use of the financial test to demonstrate financial assurance as specified in the Nevada Administrative Code (NAC) No. 444.9055.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: NONE.

2. This firm guarantees, through the corporate guarantee specified in NAC No. 444-9070, the closure or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 Region IX | \$187,000 | \$114,000 |

3. In states where the State of Nevada Department of Conservation and Natural Resources (Department) is not administering the financial requirements of NAC No. 444-9055, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in NAC No. 444-9070. The current closure and/or post-closure cost estimates covered by such a test or guarantee are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$ 428,000 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301 | \$ 91,000 | \$113,000 |
| OKD 000396549 Kerr-McGee Refining Corpotion P.O. Box 305 Wynnewood, OK 73098 | \$ 211,000 | \$ 95,000 |
| ALD 071937890 Kerr-McGee Chemical Corporation Mobile Facility P.O. Box 629 Theodore, AL 36590 | \$1,150,000 | \$253,000 |
| MOD 007128978 Kerr-McGee Chemical Corporation Forest Products Division P.O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 103,000 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$ 708,000 | N/A |
| TXD 000807859 Southwestern Refining Company, Inc. (Landfarm) P.O. Box 9217 Corpus Christi, TX 78408 | \$ 34,000 | \$408,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P.O. Box 166 Madison, IL 62060 | \$1,665,000 | N/A |

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if disposal facility, post-closure care, is not demonstrated either to Department or a State through the financial test or any other financial assurance mechanism specified in NAC No. 444-9055 or equivalent or

substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1983.

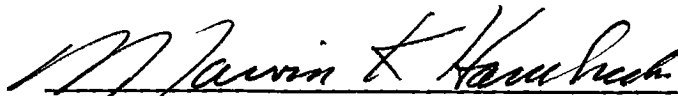
(SEE PAGE 4)

ALTERNATIVE I
(THOUSANDS OF DOLLARS)

| | | |
|-----|--|-------------|
| 1. | Sum of current closure and post-closure cost estimates (total of all cost estimates shown in the four paragraphs above) | \$ 5,560 |
| *2. | Total liabilities (if any portion of the closure or post-closure is included in total liabilities, you may deduct the amount of that portion from this line and add that amount to lines 3 and 4.) | \$2,074,110 |
| *3. | Tangible net worth | \$1,700,173 |
| *4. | Net Worth | \$1,732,824 |
| *5. | Current assets | \$ 929,186 |
| *6. | Current liabilities | \$ 713,169 |
| 7. | Net working capital (line 5 - line 6) | \$ 216,017 |
| *8. | The sum of net income plus depreciation, depletion and amortization | \$ 401,046 |
| 9. | Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) | \$3,001,307 |

| | YES | NO |
|---|-----|----|
| 10. Is Line 3 at least \$10 million?..... | X | |
| 11. Is line 3 at least 6 times line 1?..... | X | |
| 12. Is line 7 at least 6 times line 1?..... | X | |
| 13. Are at least 90% of firm's assets located in the U.S.?..... (If not, complete line 14) | | X |
| 14. Is line 9 at least 6 times line 1?..... | X | |
| 15. Is line 12 divided by line 4 less than 2.0?..... | X | |
| 16. Is line 8 divided by line 2 greater than 0.1?..... | X | |
| 17. Is line 5 divided by line 6 greater than 1.5?..... | | X |

I hereby certify that the wording of this letter is identical to the wording specified in NAC 444.9070, as such regulations were constituted on the date shown immediately below.



Marvin K. Hambrick

Title: Executive Vice President Finance

Date: March 26, 1984

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 28, 1984

Kerr-McGee Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Corporation and subsidiary companies (the "Company") as of December 31, 1983, and the related statements of income, retained earnings, capital in excess of par value and changes in financial position for the year then ended and have expressed an unqualified opinion on those statements in our report dated March 2, 1984. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated March 26, 1984, from your chief financial officer to the State of Nevada Department of Conservation and Natural Resources to demonstrate assurance of closure and post-closure care required by EPA regulations. As further required by such regulations, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1983, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1983. It is furnished solely for the use of the Company and the Company's distribution to the State of Nevada Department of Conservation and Natural Resources and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.

CORPORATE GUARANTEE FOR CLOSURE OR POST-CLOSURE CARE

Guarantee made this 26th day of March, 1984 by Kerr-McGee Corporation, a business corporation organized under the laws of the State of Delaware, herein referred to as guarantor, to the State of Nevada Department of Conservation and Natural Resources (Department), obligee, on behalf of our subsidiary Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, Oklahoma 73125.

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in NAC 444.9055.
2. Kerr-McGee Chemical Corporation owns or operates the following hazardous waste management facility covered by this guarantee:

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 | \$187,000 | \$114,000 |

3. "Closure plans" and "post-closure plans" as used below refer to the plans maintained as required by NAC 444.9030 and 444.9035 for the closure and post-closure care of facilities as identified above.
4. For value received from Kerr-McGee Chemical Corporation, guarantor guarantees to Department that in the event that Kerr-McGee Chemical Corporation fails to perform closure and post-closure care of the above facility in accordance with the closure or post-closure plans and other permit or interium status requirements whenever required to do so, the guarantor shall do so or establish a trust fund specified in NAC 444.9055 in the name of Kerr-McGee Chemical Corporation in the amount of the current closure or post-closure cost estimates as specified in NAC No. 444-9050.
5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the Director of the State of Nevada's Department of Conservation and Natural Resources (Director) and to Kerr-McGee Chemical Corporation that he intends to provide alternate financial assurance as specified in NAC No. 444-9055, in the name of Kerr-McGee Chemical Corporation. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless Kerr-McGee Chemical Corporation has done so.

6. The guarantor agrees to notify the Department Director by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by the Department Director of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure, or post-closure care, he shall establish alternate financial assurance as specified in NAC 444.9055, in the name of Kerr-McGee Chemical Corporation unless Kerr-McGee Chemical Corporation has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following:

amendment or modification of the closure or post-closure plan, amendment or modification of the permit, the extension or reduction of the time of performance of closure or post-closure or any other modification or alteration of an obligation of the owner or operator pursuant to NAC 444.9055.

9. Guarantor agrees to remain bound under this guarantee for so long as Kerr-McGee Chemical Corporation must comply with the applicable financial assurance requirements of NAC 444-9055 for the above-listed facility, except that guarantor may cancel this guarantee by sending notice by certified mail to the Department Director and to Kerr-McGee Chemical Corporation, such cancellation to become effective no earlier than 120 days after receipt of such notice by both Department and Kerr-McGee Chemical Corporation, as evidenced by the return receipts.

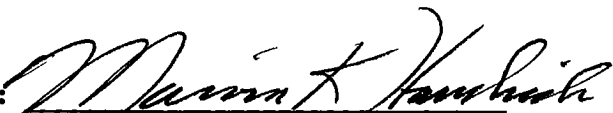
10. Guarantor agrees that if Kerr-McGee Chemical Corporation fails to provide alternate financial assurance as specified in NAC 444-9055, and obtain written approval of such assurance from the Department Director within 90 days after a notice of cancellation by the guarantor is received by the Department Director from guarantor, guarantor shall provide such alternate financial assurance in the name of Kerr-McGee Chemical Corporation.

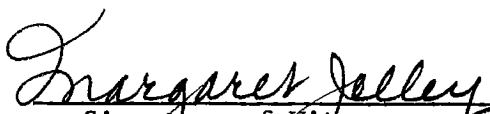
11. Guarantor expressly waives notice of acceptance of this guarantee by the Department or by Kerr-McGee Chemical Corporation. Guarantor also expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permit(s).

I hereby certify that the wording of this guarantee is identical to the wording specified in the Nevada Administrative Code No. 444.9070 as such regulations were constituted on the date first above written.

Effective date: March 31, 1984

KERR-McGEE CORPORATION

By: 
Marvin K. Hambrick
Executive Vice President, - Finance


Signature of Witness

1-17

RECEIVED
U.S.E.P.A.
REGION 9
COMM CNTR



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

JAN 17 11 00 AM '84

January 13, 1984

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

| |
|------------------------|
| RA/DRA |
| Referred to <i>T-1</i> |
| CC: _____ |
| File: _____ |

Ms. Judith E. Ayers, Regional Administrator
U. S. Environmental Protection Agency
Region IX
315 Fremont Street
San Francisco, California 94105

Re: Kerr-McGee Chemical Corporation
EPA I.D. #AVD 008290330
Henderson, Nevada Location

Dear Ms. Ayers:

Attached is a Hazardous Waste Facility Certificate of Liability Insurance for Kerr-McGee Chemical Corporation. The certificate demonstrates evidence of the liability insurance specified in requirements 264.147 and 265.147 for non-sudden (gradual) occurrences.

We trust you will find the certificate in order; however, should there be any questions, please advise.

Very truly yours,

Charlotte Hix
Insurance & Claims Department

CH/vmr

Attachment

cc: E.T. Still

RECEIVED

FEB -2 1984

ENVIRONMENTAL
PROTECTION

HAZARDOUS WASTE FACILITY

CERTIFICATE OF LIABILITY INSURANCE

1. Harbor Insurance Company, the "Insurer", of Los Angeles, California, hereby certifies that it has issued liability insurance covering bodily injury and property damage to Kerr-McGee Chemical Corporation, (the "insured"), of Kerr-McGee Center, Oklahoma City, Oklahoma in connection with the Insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147.

The coverage applies at:

EPA I.D. #NVD 008290330
Kerr-McGee Chemical Corporation
Henderson Facility
Lake Mead Drive
(P. O. Box 55)
Henderson, Nevada 89015

for nonsudden accidental occurrences.

The limits of liability are: \$3,000,000 each occurrence
\$6,000,000 annual aggregate

exclusive of legal defense costs. The coverage is provided under policy number HI 167898 issued on January 16, 1984. The effective date of said policy is January 16, 1984.

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.174(f).

- (c) Whenever requested by a Regional Administrator of the U. S. Environmental Protection Agency (EPA)
- the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.
- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Regional Administrator of the EPA Region in which the facility is located.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator of the EPA Region in which the facility is located.

I hereby certify that the wording on this instrument is identical to the wording specified in 40 CFR 264.151(j),

as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.

Rodman A. Frates

Signature of Authorized Representative of Insurer

Rodman A. Frates
Authorized Representative of
Harbor Insurance Company
720 N.W. 50th Street
P. O. Box 18839
Oklahoma City, Oklahoma 73154



KERR-MCGEE CORPORATION

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

April 20, 1983

RECEIVED
P. A. REGION IX
APR 23 10 20 AM '83

Mr. Richard Procunier
Environmental Protection Agency
215 Fremont Street
San Francisco, California 94105

RE: Financial Responsibility
Hazardous Waste

Dear Mr. Procunier:

As per our telephone conversation, I am attaching copies of the financial assurance instruments mailed to Sonia F. Crow.

Enclosed you will find copies of the following:

Chief Financial Officer's Letter
Statement of CPA
Corporate Guarantee
1982 Annual Report

We trust you will find these instruments in order, however, if further information is needed concerning the filings, please call.

Very truly yours,

Charlotte D. Hix, Coordinator
Insurance & Claims Department
(405) 270-3138

CH/hs

cc: T. Hurst



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

RECEIVED
U.S.E.P.A.
REGION 9
COMM CNTR

APR 5 10 33 AM '83

4/5

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Morris Kay, Regional Adm.
U.S. Environmental Protection Agency
Region VII
324 East Eleventh Street
Kansas City, MO 64106

| | |
|-------------|--------------|
| PA/DRA | _____ |
| Referred To | <u>I-L</u> ← |
| CC: | _____ |
| File: | _____ |

Ms. Sonia F. Crow, Regional Administrator
U.S. Environmental Protection Agency
Region IX
215 Fremont Street
San Francisco, CA 94105

I am the chief financial officer of Kerr-McGee Corporation, Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in Subpart H of 40 CFR Parts 264 and 265.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: NONE.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265 the closure or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MOD 007128978 Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126 Region VII | \$96,500 | N/A |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 Region VII | \$293,450 | N/A |

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 Region IX | \$42,000 | \$241,500 |

3. In States where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 007025117 Kerr-McGee Chemical Corporation Highway 45 North P.O. Box 368 Hamilton, MS 39746 | \$ 7,000 | N/A |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$403,200 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301 | \$ 86,110 | \$105,000 |
| IND 072081078 Kerr-McGee Chemical Corporation P.O. Box 33260 Indianapolis, IN 46203 | \$ 14,700 | N/A |
| OKD 000396549 Kerr-McGee Refining Corporation P.O. Box 305 Wynnewood, OK 73098 | \$198,380 | \$ 90,000 |

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| OKD 007188147 Cato Oil and Grease Co. P.O. Box 26868 Oklahoma City, OK 73126 | \$ 35,970 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$667,450 | N/A |
| TXD 066447376 Southwestern Refining Company, Inc. P.O. Box 9217 Corpus Christi, TX 78408 | \$ 84,574 | \$445,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P.O. Box 166 Madison, Illinois 62060 | \$1,570,400 | N/A |

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:
NONE

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1982.

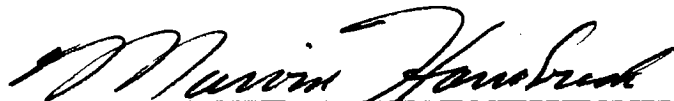
(SEE PAGE 4)

ALTERNATIVE I
(THOUSANDS OF DOLLARS)

| | |
|---|--------------|
| 1. Sum of current closure and post-closure cost estimates | \$ 4,381 |
| *2. Total liabilities | \$ 2,090,264 |
| *3. Tangible net worth | \$ 1,633,997 |
| *4. Net Worth | \$ 1,672,354 |
| *5. Current assets | \$ 1,011,245 |
| *6. Current liabilities | \$ 695,476 |
| 7. Net working capital (line 5 - line 6) | \$ 315,769 |
| *8. The sum of net income plus depreciation, depletion and amortization | \$ 461,123 |
| 9. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) | \$ 1,633,997 |

| | YES | NO |
|--|-----|----|
| 10. Is line 3 at least \$10 million? | X | |
| 11. Is line 3 at least 6 times line 1? | X | |
| 12. Is line 7 at least 6 times line 1? | X | |
| 13. Are at least 90% of firm's assets located in the U.S.? ... (If not, complete line 14) | | X |
| 14. Is line 9 at least 6 times line 1? | X | |
| 15. Is line 2 divided by line 4 less than 2.0? | X | |
| 16. Is line 8 divided by line 2 greater than 0.1? | X | |
| 17. Is line 5 divided by line 6 greater than 1.5? | | X |

I hereby certify that the wording of this letter is identical to the wording specified 40 CFR 264.151(f) as such regulations were constituted on the date shown immediately below.



Marvin K. Hambrick

Title: Executive Vice President Finance

Date: March 24, 1983

ARTHUR ANDERSEN & Co.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 25, 1983

Kerr-McGee Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Corporation and subsidiary companies (the "Company") as of December 31, 1982, and the related statements of income, retained earnings, capital in excess of par value and changes in financial position for the year then ended and have expressed an unqualified opinion in our report dated February 22, 1983. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated March 24, 1983, from your chief financial officer to the U. S. Environmental Protection Agency to demonstrate assurance of closure or post-closure care required by EPA regulations. As further required by such regulations, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1982, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1982. It is furnished solely for the use of the Company and the Company's distribution to the U. S. Environmental Protection Agency and is not to be used for any other purposes.

Very truly yours,

Arthur Andersen & Co.

CORPORATE GUARANTEE FOR CLOSURE OR POST-CLOSURE CARE

Guarantee made this 16th day of March, 1983 by Kerr-McGee Corporation, a business corporation organized under the laws of the State of Delaware, herein referred to as guarantor, to the United States Environmental Protection Agency (EPA), obligee, on behalf of our subsidiary Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, Oklahoma 73125.

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in 40 CFR 264.143(f), 264.145(f), 265.143(e), and 265.145(e)
2. Kerr-McGee Chemical Corporation owns or operates the following hazardous waste management facilities covered by this guarantee:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MOD 007128978 Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 96,500 | N/A |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 | \$293,450 | N/A |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 | \$ 42,000 | \$241,500 |

3. "Closure plans" and "post-closure plans" as used below refer to the plans maintained as required by Subpart G of 40 CFR Parts 264 and 265 for the closure and post-closure care of facilities as identified above.
4. For value received from Kerr-McGee Chemical Corporation, guarantor guarantees to EPA that in the event that Kerr-McGee Chemical Corporation fails to perform closure and post-closure care of the above facilities in accordance with the closure or post-closure plans and other permit or interium status requirements whenever required to do so, the guarantor shall do so or establish a trust fund as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation in the amount of the current closure or post-closure cost estimates as specified in Subpart H of 40 CFR Parts 264 and 265.

5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation that he intends to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless Kerr-McGee Chemical Corporation has done so.

6. The guarantor agrees to notify the EPA Regional Administrator by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by an EPA Regional Administrator of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure or post-closure care, he shall establish alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation unless Kerr-McGee Chemical Corporation has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following:

amendment or modification of the closure or post-closure plan, amendment or modification of the permit, the extension or reduction of the time of performance of closure or post-closure, or any other modification or alteration of an obligation of the owner or operator pursuant to 40 CFR Parts 264 or 265.

9. Guarantor agrees to remain bound under this guarantee for so long as Kerr-McGee Chemical Corporation must comply with the applicable financial assurance requirements of Subpart H of 40 CFR Parts 264 and 265 for the above-listed facilities, except that guarantor may cancel this guarantee by sending notice by certified mail to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation, such cancellation to become effective no earlier than 120 days after receipt of such notice by both EPA and Kerr-McGee Chemical Corporation, as evidenced by the return receipts.

10. Guarantor agrees that if Kerr-McGee Chemical Corporation fails to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, and obtain written approval of such assurance from the EPA Regional Administrators within 90 days after a notice of cancellation by the guarantor is received by an EPA Regional Administrator from guarantor, guarantor shall provide such alternate financial assurance in the name of Kerr-McGee Chemical Corporation.

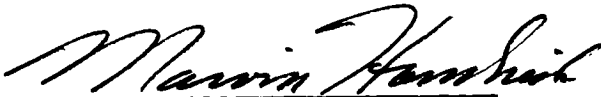
11. Guarantor expressly waives notice of acceptance of this guarantee by the EPA or by Kerr-McGee Chemical Corporation. Guarantor also expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permit(s).

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR 264.151(h) as such regulations were constituted on the date first above written.

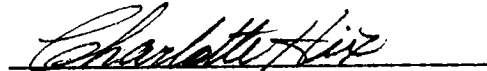
Effective date: March 31, 1983

KERR-McGEE CORPORATION

BY:



Marvin K. Hambrick
Executive Vice President, Finance



Signature of Witness



KERR-MCGEE CORPORATION

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125
March 24, 1983

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Morris Kay, Regional Adm.
U.S. Environmental Protection Agency
Region VII
324 East Eleventh Street
Kansas City, MO 64106

Ms. Sonia F. Crow, Regional Administrator
U.S. Environmental Protection Agency
Region IX
215 Fremont Street
San Francisco, CA 94105

I am the chief financial officer of Kerr-McGee Corporation, Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in Subpart H of 40 CFR Parts 264 and 265.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: NONE.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265 the closure or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MOD 007128978 Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126 Region VII | \$96,500 | N/A |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 Region VII | \$293,450 | N/A |

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 Region IX | \$42,000 | \$241,500 |

3. In States where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MSD 007025117 Kerr-McGee Chemical Corporation Highway 45 North P.O. Box 368 Hamilton, MS 39746 | \$ 7,000 | N/A |
| MSD 990866329 Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701 | \$403,200 | N/A |
| MSD 081387730 Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301 | \$ 86,110 | \$105,000 |
| IND 072081078 Kerr-McGee Chemical Corporation P.O. Box 33260 Indianapolis, IN 46203 | \$ 14,700 | N/A |
| OKD 000396549 Kerr-McGee Refining Corporation P.O. Box 305 Wynnewood, OK 73098 | \$198,380 | \$ 90,000 |

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| OKD 007188147 Cato Oil and Grease Co. P.O. Box 26868 Oklahoma City, OK 73126 | \$ 35,970 | N/A |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 | \$667,450 | N/A |
| TXD 066447376 Southwestern Refining Company, Inc. P.O. Box 9217 Corpus Christi, TX 78408 | \$ 84,574 | \$445,000 |
| ILD 020367561 Kerr-McGee Chemical Corporation P.O. Box 166 Madison, Illinois 62060 | \$1,570,400 | N/A |

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:
NONE

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1982.

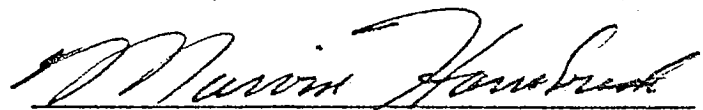
(SEE PAGE 4)

ALTERNATIVE I
(THOUSANDS OF DOLLARS)

| | | |
|---|----|-----------|
| 1. Sum of current closure and post-closure cost estimates | \$ | 4,381 |
| *2. Total liabilities | \$ | 2,090,264 |
| *3. Tangible net worth | \$ | 1,633,997 |
| *4. Net Worth | \$ | 1,672,354 |
| *5. Current assets | \$ | 1,011,245 |
| *6. Current liabilities | \$ | 695,476 |
| 7. Net working capital (line 5 - line 6) | \$ | 315,769 |
| *8. The sum of net income plus depreciation, depletion and amortization | \$ | 461,123 |
| 9. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) | \$ | 1,633,997 |

| | YES | NO |
|--|-----|----|
| 10. Is line 3 at least \$10 million? | X | |
| 11. Is line 3 at least 6 times line 1? | X | |
| 12. Is line 7 at least 6 times line 1? | X | |
| 13. Are at least 90% of firm's assets located in the U.S.? ... (If not, complete line 14) | | X |
| 14. Is line 9 at least 6 times line 1? | X | |
| 15. Is line 2 divided by line 4 less than 2.0? | X | |
| 16. Is line 8 divided by line 2 greater than 0.1? | X | |
| 17. Is line 5 divided by line 6 greater than 1.5? | | X |

I hereby certify that the wording of this letter is identical to the wording specified 40 CFR 264.151(f) as such regulations were constituted on the date shown immediately below.



Marvin K. Hambrick
Title: Executive Vice President Finance

Date: March 24, 1983

ARTHUR ANDERSEN & CO.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 25, 1983

Kerr-McGee Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have examined the consolidated balance sheet of Kerr-McGee Corporation and subsidiary companies (the "Company") as of December 31, 1982, and the related statements of income, retained earnings, capital in excess of par value and changes in financial position for the year then ended and have expressed an unqualified opinion in our report dated February 22, 1983. We have not performed any auditing procedures since that date. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have read the letter dated March 24, 1983, from your chief financial officer to the U. S. Environmental Protection Agency to demonstrate assurance of closure or post-closure care required by EPA regulations. As further required by such regulations, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements as of and for the year ended December 31, 1982, referred to above with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report relates only to the data specified above and does not extend to the financial statements of the Company, taken as a whole, for the year ended December 31, 1982. It is furnished solely for the use of the Company and the Company's distribution to the U. S. Environmental Protection Agency and is not to be used for any other purposes.

Very truly yours,

Arthur Andersen & Co.

CORPORATE GUARANTEE FOR CLOSURE OR POST-CLOSURE CARE

Guarantee made this 16th day of March, 1983 by Kerr-McGee Corporation, a business corporation organized under the laws of the State of Delaware, herein referred to as guarantor, to the United States Environmental Protection Agency (EPA), obligee, on behalf of our subsidiary Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, Oklahoma 73125.

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in 40 CFR 264.143(f), 264.145(f), 265.143(e), and 265.145(e)
2. Kerr-McGee Chemical Corporation owns or operates the following hazardous waste management facilities covered by this guarantee:

| <u>EPA Identification No.,</u> <u>Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| MOD 007128978 Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126 | \$ 96,500 | N/A |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 | \$293,450 | N/A |
| NVD 008290330 Kerr-McGee Chemical Corporation P.O. Box 53 Henderson, NV 89015 | \$ 42,000 | \$241,500 |

3. "Closure plans" and "post-closure plans" as used below refer to the plans maintained as required by Subpart G of 40 CFR Parts 264 and 265 for the closure and post-closure care of facilities as identified above.
4. For value received from Kerr-McGee Chemical Corporation, guarantor guarantees to EPA that in the event that Kerr-McGee Chemical Corporation fails to perform closure and post-closure care of the above facilities in accordance with the closure or post-closure plans and other permit or interim status requirements whenever required to do so, the guarantor shall do so or establish a trust fund as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation in the amount of the current closure or post-closure cost estimates as specified in Subpart H of 40 CFR Parts 264 and 265.

5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation that he intends to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless Kerr-McGee Chemical Corporation has done so.

6. The guarantor agrees to notify the EPA Regional Administrator by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by an EPA Regional Administrator of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure or post-closure care, he shall establish alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation unless Kerr-McGee Chemical Corporation has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following:

amendment or modification of the closure or post-closure plan, amendment or modification of the permit, the extension or reduction of the time of performance of closure or post-closure, or any other modification or alteration of an obligation of the owner or operator pursuant to 40 CFR Parts 264 or 265.

9. Guarantor agrees to remain bound under this guarantee for so long as Kerr-McGee Chemical Corporation must comply with the applicable financial assurance requirements of Subpart H of 40 CFR Parts 264 and 265 for the above-listed facilities, except that guarantor may cancel this guarantee by sending notice by certified mail to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation, such cancellation to become effective no earlier than 120 days after receipt of such notice by both EPA and Kerr-McGee Chemical Corporation, as evidenced by the return receipts.

10. Guarantor agrees that if Kerr-McGee Chemical Corporation fails to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, and obtain written approval of such assurance from the EPA Regional Administrators within 90 days after a notice of cancellation by the guarantor is received by an EPA Regional Administrator from guarantor, guarantor shall provide such alternate financial assurance in the name of Kerr-McGee Chemical Corporation.

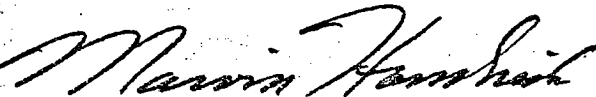
11. Guarantor expressly waives notice of acceptance of this guarantee by the EPA or by Kerr-McGee Chemical Corporation. Guarantor also expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permit(s).

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR 264.151(h) as such regulations were constituted on the date first above written.

Effective date: March 31, 1983

KERR-McGEE CORPORATION

BY:



Marvin K. Hambrick
Executive Vice President, Finance



Signature of Witness

RECEIVED

DEC 20 1982

ENVIRONMENTAL
PROTECTION



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

December 13, 1982

Mr. H. LaVerne Rosse, P.E., Director
Waste Management Program
Nevada Department of Conservation and Natural Resources
Capitol Complex
Carson City, Nevada 89710

Re: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada Location

Dear Mr. Rosse:

For your information, attached is a copy of the Hazardous Waste Facility Certificate of Liability Insurance issued to the Federal Environmental Protection Agency in behalf of Kerr-McGee Chemical Corporation.

The certificate has been issued to comply with EPA requirements 264.147 and 265.147 for non-sudden (gradual) occurrences.

We trust you will find the certificate in order; however, should there be any questions, please advise.

Very truly yours,

A handwritten signature in cursive script that reads "Charlotte Hix".

Charlotte Hix
Insurance & Claims Department

CH:kt
Attachment

cc: T. L. Hurst

CERTIFICATE OF INSURANCE

(This Certificate of Insurance neither affirmatively or negatively amends, extends or alters the coverage, limits, terms or conditions of the policies it certifies.)

This certificate is executed by Northwestern National Insurance Company
731 N. Jackson Street, Milwaukee, Wisconsin 53201

1. Name and address of party to whom this certificate is issued

Sonia Crow
 Regional Administrator
 U. S. Environmental Protection Agency
 Region IX
 315 Fremont Street
 San Francisco, California 94105

2. Name and address of Insured

Kerr-McGee Chemical Corporation
 Kerr-McGee Center
 Oklahoma City, Oklahoma 73125

DESCRIPTION AND LOCATION OF OPERATIONS COVERED

See separate two page attachment for the:

HAZARDOUS WASTE FACILITY CERTIFICATE OF LIABILITY INSURANCE

SPECIAL PROVISIONS:

| POLICY NUMBER | KIND OF INSURANCE | EXPIRATION DATE | LIMITS OF LIABILITY |
|---------------|------------------------------------|-----------------|---|
| GL 001765 | Environmental Protection Liability | Jan. 16, 1984 | \$3,000,000 Each Occurrence \$6,000,000 Annual Aggregate |
| | | | |
| | | | |
| | | | |
| | | | |

This is to certify that the above Insurance Policies are in force in this company as of the date of this certificate. In the event of any material change in or cancellation of the above insurance, we will give you 60 days prior written notice of such change or cancellation.

C.L. FRATES & CO.
 P.O. Box 18839—Okla. City, Okla. 73154

12-13-82
 DATED

Robert J. Frates
 AUTHORIZED REPRESENTATIVE

HAZARDOUS WASTE FACILITY

CERTIFICATE OF LIABILITY INSURANCE

1. Northwestern National Insurance Company, the "Insurer" of Milwaukee, Wisconsin, hereby certifies that it has issued liability insurance covering bodily injury and property damage to Kerr-McGee Chemical Corporation, (the "insured"), of Kerr-McGee Center, Oklahoma City, Oklahoma in connection with the Insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at:

EPA I.D. #NVD 008290330
Kerr-McGee Chemical Corporation
Henderson Facility
Lake Mead Drive
(P. O. Box 55)
Henderson, Nevada 89015

for nonsudden accidental occurrences.

The limits of liability are

\$3,000,000 each occurrence

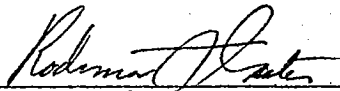
\$6,000,000 Annual Aggregate,

exclusive of legal defense costs. The coverage is provided under policy number GL001765, issued on December 10, 1982. The effective date of said policy is January 16, 1983.

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.174(f).
 - (c) Whenever requested by a Regional Administrator of the U. S. Environmental Protection Agency (EPA) the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.

- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Regional Administrator of the EPA Region in which the facility is located.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator of the EPA Region in which the facility is located.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j), as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.



Signature of Authorized Representative of Insurer

Rodman A. Frates
Authorized Representative of
Northwestern National Insurance Company
720 N.W. 50th Street
P.O. Box 18839
Oklahoma City, Oklahoma 73154



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

RECEIVED
U.S.E.P.A.
REGION 9
COMM CNTR

December 13, 1982

Dec 20 11 13 AM '82

T-2

405 270 1313

FTS 736 4011

| | |
|--------|--|
| RA/DRA | |
| Action | |
| CC: | |
| File: | |

Ms. Sonia Crow, Regional Administrator
U. S. Environmental Protection Agency
Region IX
315 Fremont Street
San Francisco, California 94105

Re: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada Location

Dear Ms. Crow:

Attached is a Hazardous Waste Facility Certificate of Liability Insurance for Kerr-McGee Chemical Corporation. The certificate demonstrates evidence of the liability insurance specified in requirements 264.147 and 265.147 for non-sudden (gradual) occurrences.

We trust you will find the certificate in order; however, should there be any questions, please advise.

Very truly yours,

Charlotte Hix
Insurance & Claims Department

CH:kt
Attachment

cc: T. L. Hurst

CERTIFICATE OF INSURANCE

(This Certificate of Insurance neither affirmatively or negatively amends, extends or alters the coverage, limits, terms or conditions of the policies it certifies.)

This certificate is executed by Northwestern National Insurance Company
731 N. Jackson Street, Milwaukee, Wisconsin 53201

| | |
|---|---|
| 1. Name and address of party to whom this certificate is issued <div style="border: 1px solid black; padding: 5px; min-height: 100px;"> Sonia Crow Regional Administrator U. S. Environmental Protection Agency Region IX 315 Fremont Street San Francisco, California 94105 </div> | 2. Name and address of Insured Kerr-McGee Chemical Corporation Kerr-McGee Center Oklahoma City, Oklahoma 73125 |
|---|---|

DESCRIPTION AND LOCATION OF OPERATIONS COVERED

See separate two page attachment for the:

HAZARDOUS WASTE FACILITY CERTIFICATE OF LIABILITY INSURANCE

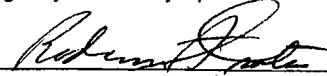
SPECIAL PROVISIONS:

| POLICY NUMBER | KIND OF INSURANCE | EXPIRATION DATE | LIMITS OF LIABILITY |
|---------------|------------------------------------|-----------------|---|
| GL 001765 | Environmental Protection Liability | Jan. 16, 1984 | \$3,000,000 Each Occurrence \$6,000,000 Annual Aggregate |
| | | | |
| | | | |
| | | | |
| | | | |

This is to certify that the above Insurance Policies are in force in this company as of the date of this certificate. In the event of any material change in or cancellation of the above insurance, we will give you 60 days prior written notice of such change or cancellation.

C.L. FRATES & CO.
 P.O. Box 18839—Okla. City, Okla. 73154

12-13-82
 DATED


 AUTHORIZED REPRESENTATIVE

HAZARDOUS WASTE FACILITY

CERTIFICATE OF LIABILITY INSURANCE

1. Northwestern National Insurance Company, the "Insurer" of Milwaukee, Wisconsin, hereby certifies that it has issued liability insurance covering bodily injury and property damage to Kerr-McGee Chemical Corporation, (the "insured"), of Kerr-McGee Center, Oklahoma City, Oklahoma in connection with the Insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at:

EPA I.D. #NVD 008290330
Kerr-McGee Chemical Corporation
Henderson Facility
Lake Mead Drive
(P. O. Box 55)
Henderson, Nevada 89015

for nonsudden accidental occurrences.

The limits of liability are

\$3,000,000 each occurrence

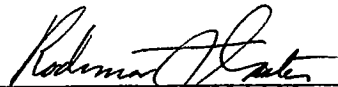
\$6,000,000 Annual Aggregate,

exclusive of legal defense costs. The coverage is provided under policy number GL001765, issued on December 10, 1982. The effective date of said policy is January 16, 1983.

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.174(f).
 - (c) Whenever requested by a Regional Administrator of the U. S. Environmental Protection Agency (EPA) the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.

- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Regional Administrator of the EPA Region in which the facility is located.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator of the EPA Region in which the facility is located.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j), as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.



Signature of Authorized Representative of Insurer

Rodman A. Frates
Authorized Representative of
Northwestern National Insurance Company
720 N.W. 50th Street
P.O. Box 18839
Oklahoma City, Oklahoma 73154



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

I-3
7/14
T-2
10 11 10 20 AM '82

July 9, 1982

Ms. Sonia Crow, Regional Administrator
U.S. Environmental Protection Agency
Region IX
315 Fremont Street
San Francisco, CA 94105

RE: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
Henderson, Nevada Location

Dear Ms. Crow:

Attached is a Hazardous Waste Facility Certificate of Liability Insurance for Kerr-McGee Chemical Corporation. The certificate demonstrates evidence of the liability insurance specified in requirements 264.147 and 265.147 for sudden and accidental occurrences.

We trust you will find the certificate in order, however, should there be any questions, please advise.

Very truly yours,

Charlotte Hix
Insurance & Claims Department

CH:cd

Attachment

CERTIFICATE OF INSURANCE

(This Certificate of Insurance neither affirmatively or negatively amends, extends or alters the coverage, limits, terms or conditions of the policies it certifies.)

This certificate is executed by Northwestern National Insurance Company
731 North Jackson, Milwaukee, Wisconsin 53201

1. Name and address of party to whom this certificate is issued

Sonia Crow, Regional Administrator
U. S. Environmental Protection Agency
Region IX
315 Fremont Street
San Francisco, CA 94105

2. Name and address of Insured

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Oklahoma City, Oklahoma 73125

DESCRIPTION AND LOCATION OF OPERATIONS COVERED

See separate two page attachment for the:

HAZARDOUS WASTE FACILITY CERTIFICATE OF LIABILITY INSURANCE

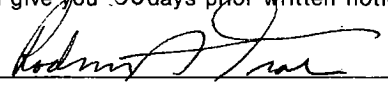
SPECIAL PROVISIONS:

| POLICY NUMBER | KIND OF INSURANCE | EXPIRATION DATE | LIMITS OF LIABILITY |
|---------------|---------------------------------|-----------------|---|
| CLA 224377 | Comprehensive General Liability | July 1, 1984 | \$1,000,000 Each Occurrence \$2,000,000 Annual Aggregate |
| | | | |
| | | | |
| | | | |
| | | | |

This is to certify that the above Insurance Policies are in force in this company as of the date of this certificate. In the event of any material change in or cancellation of the above insurance, we will give you 60 days prior written notice of such change or cancellation.

C. L. FRATES & CO., INC.
P.O. Box 18839 Okla. City, Okla. 73154

7-8-82
DATED


AUTHORIZED REPRESENTATIVE

HAZARDOUS WASTE FACILITY

CERTIFICATE OF LIABILITY INSURANCE

1. Northwestern National Insurance Company, the "Insurer", of Milwaukee, Wisconsin, hereby certifies that it has issued liability insurance covering bodily injury and property damage to Kerr-McGee Chemical Corporation, (the "insured"), of Kerr-McGee Center, Oklahoma City, Oklahoma in connection with the Insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at:

EPA I.D. # NVD 008290330
Kerr-McGee Chemical Corporation
Henderson Facility
Lake Mead Drive
(P. O. Box 55)
Henderson, Nevada 89015

for sudden accidental occurrences.

The limits of liability are

\$1,000,000 each occurrence

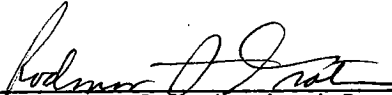
\$2,000,000 Annual Aggregate,

exclusive of legal defense costs. The coverage is provided under policy number CLA 224377 issued on July 1, 1981. The effective date of said policy is July 1, 1981.

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.174(f).
 - (c) Whenever requested by a Regional Administrator of the U.S. Environmental Agency (EPA) the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.

- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Regional Administrator(s) of the Region in which the facility is located.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator of the EPA in which the facility is located.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j), as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.



Signature of Authorized Representative of Insurer

Rodman A. Frates
Authorized Representative of
Northwestern National Insurance Company
720 N.W. 50th Street
P. O. Box 18839
Oklahoma City, Oklahoma 73154

K-M RCRA
FILE



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

RECEIVED

JUL 14 1982

**ENVIRONMENTAL
PROTECTION**

July 9, 1982

Mr. H. LaVerne Rosse, P.E., Director
Waste Management Program
Nevada Department of Conservation and Natural Resources
Capitol Complex
Carson City, NV 89710

RE: Kerr-McGee Chemical Corporation
EPA I.D. #NVD 008290330
(Henderson, Nevada Location)

Dear Mr. Rosse:

For your information, attached is a copy of the Hazardous Waste Facility Certificate of Liability Insurance issued to the federal Environmental Protection Agency in behalf of Kerr-McGee Chemical Corporation.

The certificate has been issued to comply with EPA requirements 264.147 and 265.147 for sudden and accidental occurrences.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Charlotte Hix'.

Charlotte Hix
Insurance & Claims Department

CH:cd

Attachment

cc: Tom Hurst

CERTIFICATE OF INSURANCE

(This Certificate of Insurance neither affirmatively or negatively amends, extends or alters the coverage, limits, terms or conditions of the policies it certifies.)

This certificate is executed by Northwestern National Insurance Company
731 North Jackson, Milwaukee, Wisconsin 53201

1. Name and address of party to whom this certificate is issued

[Sonia Crow, Regional Administrator]
 U. S. Environmental Protection Agency
 Region IX
 315 Fremont Street
 San Francisco, CA 94105

2. Name and address of Insured

Kerr-McGee Chemical Corporation
 Kerr-McGee Center
 Oklahoma City, Oklahoma 73125

DESCRIPTION AND LOCATION OF OPERATIONS COVERED

See separate two page attachment for the:

HAZARDOUS WASTE FACILITY CERTIFICATE OF LIABILITY INSURANCE

SPECIAL PROVISIONS:

| POLICY NUMBER | KIND OF INSURANCE | EXPIRATION DATE | LIMITS OF LIABILITY |
|---------------|---------------------------------|-----------------|---|
| CLA 224377 | Comprehensive General Liability | July 1, 1984 | \$1,000,000 Each Occurrence \$2,000,000 Annual Aggregate |
| | | | |
| | | | |
| | | | |
| | | | |

This is to certify that the above Insurance Policies are in force in this company as of the date of this certificate. In the event of any material change in or cancellation of the above insurance, we will give you 60 days prior written notice of such change or cancellation.

C. L. FRATES & CO., INC.
 P.O. Box 18839 Okla. City, Okla. 73154

7-8-82
 DATED

[Signature]
 AUTHORIZED REPRESENTATIVE

HAZARDOUS WASTE FACILITY

CERTIFICATE OF LIABILITY INSURANCE

1. Northwestern National Insurance Company, the "Insurer", of Milwaukee, Wisconsin, hereby certifies that it has issued liability insurance covering bodily injury and property damage to Kerr-McGee Chemical Corporation, (the "insured"), of Kerr-McGee Center, Oklahoma City, Oklahoma in connection with the Insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at:

EPA I.D. # NVD 008290330
Kerr-McGee Chemical Corporation
Henderson Facility
Lake Mead Drive
(P. O. Box 55)
Henderson, Nevada 89015

for sudden accidental occurrences.

The limits of liability are

\$1,000,000 each occurrence

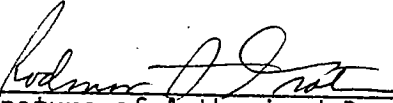
\$2,000,000 Annual Aggregate,

exclusive of legal defense costs. The coverage is provided under policy number CLA 224377 issued on July 1, 1981. The effective date of said policy is July 1, 1981.

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the Insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 264.147(f) or 265.174(f).
 - (c) Whenever requested by a Regional Administrator of the U.S. Environmental Agency (EPA)
the Insurer agrees to furnish to the
Regional Administrator a signed duplicate
original of the policy and all endorsements.

- (d) Cancellation of the insurance, whether by the Insurer or the insured, will be effective only upon written notice and only after the expiration of sixty (60) days after a copy of such written notice is received by the Regional Administrator(s) of the Region in which the facility is located.
- (e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator of the EPA in which the facility is located.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 264.151(j), as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.



Signature of Authorized Representative of Insurer

Rodman A. Frates
Authorized Representative of
Northwestern National Insurance Company
720 N.W. 50th Street
P. O. Box 18839
Oklahoma City, Oklahoma 73154



KERR-MCGEE CORPORATION

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

U.S.E.P.A.
REGION 9
COMM CNTR

JUL 7 7 59 AM '82

Valdas V. Adamkus, Regional Administrator
U. S. Environmental Protection Agency
Region V
Federal Building
230 S. Dearborn
Chicago, IL 60604

John H. Franke, Jr., Regional Administrator
U.S. Environmental Protection Agency
Region VII
324 East Eleventh Street
Kansas City, MO 64106

Sonia Crow, Regional Administrator
U.S. Environmental Protection Agency
Region IX
315 Fremont Street
San Francisco, CA 94105

John R. Spencer, Regional Administrator
U.S. Environmental Protection Agency
Region X
1200 6th Avenue
Seattle, WA 98101

I am the chief financial officer of Kerr-McGee Corporation of Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in Subpart H of 40 CFR Parts 264 and 265.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: None.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 Region IX | \$27,500 | \$228,000 |
| IDD 041310707 Kerr-McGee Chemical Corporation P. O. Box 478 Soda Springs, ID 83276 Region X | 38,150 | 19,500 |
| IND 072081078 Kerr-McGee Chemical Corporation P. O. Box 33260 Indianapolis, IN 46203 Region V | 14,700 | -- |
| MOD 007128978 Kerr-McGee Chemical Corporation P. O. Box 6208 2300 Oakland Kansas City, MO 64126 Region VII | 96,500 | -- |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 Region VII | 293,450 | -- |

3. In States where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| OKD 00396549 Kerr-McGee Refining Corporation P. O. Box 305 Wynnewood, OK 73098 Region VI | \$198,380 | \$ 43,500 |

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| OKD 007188147 Cato Oil and Grease Co. P. O. Box 26868 Oklahoma City, OK 73126 Region VI | \$ 35,970 | \$ -- |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 Region VI | 677,450 | -- |
| TXD 066447376 Southwestern Refining Company, Inc. P. O. Box 9217 Corpus Christie, TX 78408 Region VI | 101,370 | 251,700 |

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: None.

This firm is required to file a form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

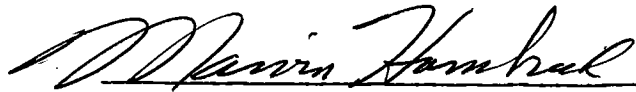
The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1981.

ALTERNATIVE I
 (THOUSANDS OF DOLLARS)

| | | |
|---|----|------------------|
| 1. Sum of current closure and post-closure cost estimates | \$ | <u>2,026</u> |
| * 2. Total liabilities | \$ | <u>1,913,680</u> |
| * 3. Tangible net worth | \$ | <u>1,453,117</u> |
| * 4. Net Worth | \$ | <u>1,501,224</u> |
| * 5. Current assets | \$ | <u>925,746</u> |
| * 6. Current liabilities | \$ | <u>555,617</u> |
| 7. Net working capital (line 5 - line 6) | \$ | <u>370,129</u> |
| * 8. The sum of net income plus depreciation, depletion, and amortization | \$ | <u>395,116</u> |
| 9. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) | \$ | <u>2,795,511</u> |

| | YES | NO |
|---|-----|----|
| 10. Is line 3 at least \$10 million?..... | X | |
| 11. Is line 3 at least 6 times line 1? | X | |
| 12. Is line 7 at least 6 times line 1? | X | |
| 13. Are at least 90% of firm's assets located in the U.S.?..... (If not, complete line 14) | | X |
| 14. Is line 9 at least 6 times line 1? | X | |
| 15. Is line 2 divided by line 4 less than 2.0? | X | |
| 16. Is line 8 divided by line 2 greater than 0.1? | X | |
| 17. Is line 5 divided by line 6 greater than 1.5? | X | |

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(f) as such regulations were constituted on the date shown immediately below.



Marvin K. Hambrick

Title: Executive Vice President, Finance

Date: July 6, 1982

FORM APPROVED
 ... 314 ...
 LAW DEPT.

ARTHUR ANDERSEN & Co.
OKLAHOMA CITY, OKLAHOMA

June 30, 1982

Kerr-McGee Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We, as independent public accountants, have examined the financial statements of Kerr-McGee Corporation and subsidiary companies as of December 31, 1981 and for the year then ended and have issued our report thereon dated February 23, 1982. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have compared the data which the letter from the chief financial officer specifies as having been derived from the financial statements referred to above with such financial statements. This letter is in support of Kerr-McGee Corporation's use of the financial test to demonstrate financial assurance, as specified in Subpart H of 40 CFR parts 264 and 265.

In performing this comparison, nothing came to our attention that caused us to believe the specified data contained in the letter from the chief financial officer should be adjusted.

Very truly yours,

Arthur Andersen & Co.

CORPORATE GUARANTEE FOR CLOSURE OR POST-CLOSURE CARE

Guarantee made this 1st day of JULY, 19 82 by Kerr-McGee Corporation, a business corporation organized under the laws of the State of Delaware, herein referred to as guarantor, to the United States Environmental Protection Agency (EPA), obligee, on behalf of our subsidiary Kerr-McGee Chemical Corporation of Kerr-McGee Center, Oklahoma City, Oklahoma 73125.

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in 40 CFR 264.143(f), 264.145(f), 265.143(e), and 265.145(e).

2. Kerr-McGee Chemical Corporation owns or operates the following hazardous waste management facilities covered by this guarantee:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 | \$27,500 | \$228,000 |
| IDD 041310707 Kerr-McGee Chemical Corporation P. O. Box 478 Soda Springs, ID 83276 | 38,150 | 19,500 |
| IND 072081078 Kerr-McGee Chemical Corporation P. O. Box 33260 Indianapolis, IN 46203 | 14,700 | -- |
| MOD 007128978 Kerr-McGee Chemical Corporation P. O. Box 6208, 2300 Oakland Kansas City, MO 64126 | 96,500 | -- |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 | 293,450 | -- |

3. "Closure plans" and "post-closure plans" as used below refer to the plans maintained as required by Subpart G of 40 CFR Parts 264 and 265 for the closure and post-closure care of facilities as identified above.

4. For value received from Kerr-McGee Chemical Corporation, guarantor guarantees to EPA that in the event that Kerr-McGee Chemical Corporation fails to perform "closure and post closure care" of the above facilities in accordance with the closure or post-closure plans and other permit or interium status requirements whenever required to do so, the guarantor shall do so or establish

a trust fund as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation in the amount of the current closure or post-closure cost estimates as specified in Subpart H of 40 CFR Parts 264 and 265.

5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation that he intends to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless Kerr-McGee Chemical Corporation has done so.

6. The guarantor agrees to notify the EPA Regional Administrator by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by an EPA Regional Administrator of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure or post-closure care, he shall establish alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation unless Kerr-McGee Chemical Corporation has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following:

- amendment or modification of the closure or post-closure plan,
- amendment or modification of the permit,
- the extension or reduction of the time of performance of closure or post-closure,
- or any other modification or alteration of an obligation of the owner or operator pursuant to 40 CFR Parts 264 or 265.

9. Guarantor agrees to remain bound under this guarantee for so long as Kerr-McGee Chemical Corporation must comply with the applicable financial assurance requirements of Subpart H of 40 CFR Parts 264 and 265 for the above-listed facilities, except that guarantor may cancel this guarantee by sending notice by certified mail to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation, such cancellation to become effective no earlier than 120 days after receipt of such

notice by both EPA and Kerr-McGee Chemical Corporation, as evidenced by the return receipts.

10. Guarantor agrees that if Kerr-McGee Chemical Corporation fails to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, and obtain written approval of such assurance from the EPA Regional Administrators within 90 days after a notice of cancellation by the guarantor is received by an EPA Regional Administrator from guarantor, guarantor shall provide such alternate financial assurance in the name of Kerr-McGee Chemical Corporation.

11. Guarantor expressly waives notice of acceptance of this guarantee by the EPA or by Kerr-McGee Chemical Corporation. Guarantor also expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permits.

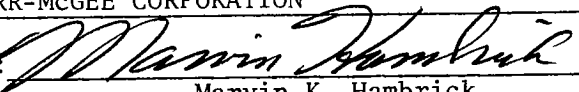
I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR 264.151(h) as such regulations were constituted on the date first above written.

Effective date: July 6, 1982.

FORM
APPROVED
BLH...
LAW DEPT.

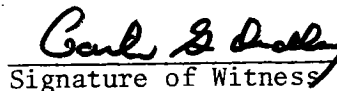
KERR-McGEE CORPORATION

BY:



Marvin K. Hambrick

Executive Vice President, Finance



Signature of Witness

K-M RCRA Permit
file



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

July 7, 1982

RECEIVED

JUL 9 - 1982

**ENVIRONMENTAL
PROTECTION**

H. Laverne Rosse, P. E., Director
Waste Management Program
Department of Conservation and Natural Resources
Capitol Complex
Carson City, NV 89710

RE: Financial Assurance of
Closure and Post-Closure
Kerr-McGee Chemical Corporation

Dear Mr. Rosse:

Attached for your records is a copy of the Financial Test and Corporate Guarantee issued to the U.S. Environmental Protection Agency demonstrating financial assurance of closure and post-closure for various waste management locations.

You will note that Kerr-McGee Chemical Corporation's Henderson, Nevada location has been declared on each instrument.

Should additional information be needed, please advise.

Sincerely,

A handwritten signature in cursive script that reads "Charlotte Hix".

Charlotte Hix
Insurance & Claims Department

CH:cd

Enclosures



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

Valdas V. Adamkus, Regional Administrator
U. S. Environmental Protection Agency
Region V
Federal Building
230 S. Dearborn
Chicago, IL 60604

John H. Franke, Jr., Regional Administrator
U.S. Environmental Protection Agency
Region VII
324 East Eleventh Street
Kansas City, MO 64106

Sonia Crow, Regional Administrator
U.S. Environmental Protection Agency
Region IX
315 Fremont Street
San Francisco, CA 94105

John R. Spencer, Regional Administrator
U.S. Environmental Protection Agency
Region X
1200 6th Avenue
Seattle, WA 98101

I am the chief financial officer of Kerr-McGee Corporation of Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in Subpart H of 40 CFR Parts 264 and 265.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: None.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 Region IX | \$27,500 | \$228,000 |
| IDD 041310707 Kerr-McGee Chemical Corporation P. O. Box 478 Soda Springs, ID 83276 Region X | 38,150 | 19,500 |
| IND 072081078 Kerr-McGee Chemical Corporation P. O. Box 33260 Indianapolis, IN 46203 Region V | 14,700 | -- |
| MOD 007128978 Kerr-McGee Chemical Corporation P. O. Box 6208 2300 Oakland Kansas City, MO 64126 Region VII | 96,500 | -- |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 Region VII | 293,450 | -- |

3. In States where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| OKD 00396549 Kerr-McGee Refining Corporation P. O. Box 305 Wynnewood, OK 73098 Region VI | \$198,380 | \$ 43,500 |

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|--|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| OKD 007188147 Cato Oil and Grease Co. P. O. Box 26868 Oklahoma City, OK 73126 Region VI | \$ 35,970 | \$ -- |
| TXD 057111403 Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501 Region VI | 677,450 | -- |
| TXD 066447376 Southwestern Refining Company, Inc. P. O. Box 9217 Corpus Christie, TX 78408 Region VI | 101,370 | 251,700 |

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: None.

This firm is required to file a form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1981.

ALTERNATIVE I
 (THOUSANDS OF DOLLARS)

| | |
|---|--------------|
| 1. Sum of current closure and post-closure cost estimates | \$ 2,026 |
| * 2. Total liabilities | \$ 1,913,680 |
| * 3. Tangible net worth | \$ 1,453,117 |
| * 4. Net Worth | \$ 1,501,224 |
| * 5. Current assets | \$ 925,746 |
| * 6. Current liabilities | \$ 555,617 |
| 7. Net working capital (line 5 - line 6) | \$ 370,129 |
| * 8. The sum of net income plus depreciation, depletion, and amortization | \$ 395,116 |
| 9. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) | \$ 2,795,511 |

| | YES | NO |
|---|-----|----|
| 10. Is line 3 at least \$10 million?..... | X | |
| 11. Is line 3 at least 6 times line 1? | X | |
| 12. Is line 7 at least 6 times line 1? | X | |
| 13. Are at least 90% of firm's assets located in the U.S.?..... (If not, complete line 14) | | X |
| 14. Is line 9 at least 6 times line 1? | X | |
| 15. Is line 2 divided by line 4 less than 2.0? | X | |
| 16. Is line 8 divided by line 2 greater than 0.1? | X | |
| 17. Is line 5 divided by line 6 greater than 1.5? | X | |

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(f) as such regulations were constituted on the date shown immediately below.

Marvin K. Hambrick

Marvin K. Hambrick

FORM APPROVED
 ...*BLH*...
 LAW DEPT.

Title: Executive Vice President, Finance

Date: July 6, 1982

ARTHUR ANDERSEN & Co.

OKLAHOMA CITY, OKLAHOMA

June 30, 1982

Kerr-McGee Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We, as independent public accountants, have examined the financial statements of Kerr-McGee Corporation and subsidiary companies as of December 31, 1981 and for the year then ended and have issued our report thereon dated February 23, 1982. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have compared the data which the letter from the chief financial officer specifies as having been derived from the financial statements referred to above with such financial statements. This letter is in support of Kerr-McGee Corporation's use of the financial test to demonstrate financial assurance, as specified in Subpart H of 40 CFR parts 264 and 265.

In performing this comparison, nothing came to our attention that caused us to believe the specified data contained in the letter from the chief financial officer should be adjusted.

Very truly yours,

Arthur Andersen & Co.

CORPORATE GUARANTEE FOR CLOSURE OR POST-CLOSURE CARE

Guarantee made this 1st day of JULY, 1982 by Kerr-McGee Corporation, a business corporation organized under the laws of the State of Delaware, herein referred to as guarantor, to the United States Environmental Protection Agency (EPA), obligee, on behalf of our subsidiary Kerr-McGee Chemical Corporation of Kerr-McGee Center, Oklahoma City, Oklahoma 73125.

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in 40 CFR 264.143(f), 264.145(f), 265.143(e), and 265.145(e).

2. Kerr-McGee Chemical Corporation owns or operates the following hazardous waste management facilities covered by this guarantee:

| <u>EPA Identification No., Name & Address</u> | <u>Cost Estimates</u> | |
|---|-----------------------|---------------------|
| | <u>Closure</u> | <u>Post-Closure</u> |
| NVD 008290330 Kerr-McGee Chemical Corporation P. O. Box 53 Henderson, NV 89015 | \$27,500 | \$228,000 |
| IDD 041310707 Kerr-McGee Chemical Corporation P. O. Box 478 Soda Springs, ID 83276 | 38,150 | 19,500 |
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| MOD 007128978 Kerr-McGee Chemical Corporation P. O. Box 6208, 2300 Oakland Kansas City, MO 64126 | 96,500 | -- |
| MOD 007129406 Kerr-McGee Chemical Corporation 2800 W. High St. Springfield, MO 65803 | 293,450 | -- |

3. "Closure plans" and "post-closure plans" as used below refer to the plans maintained as required by Subpart G of 40 CFR Parts 264 and 265 for the closure and post-closure care of facilities as identified above.

4. For value received from Kerr-McGee Chemical Corporation, guarantor guarantees to EPA that in the event that Kerr-McGee Chemical Corporation fails to perform "closure and post closure care" of the above facilities in accordance with the closure or post-closure plans and other permit or interim status requirements whenever required to do so, the guarantor shall do so or establish

a trust fund as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation in the amount of the current closure or post-closure cost estimates as specified in Subpart H of 40 CFR Parts 264 and 265.

5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation that he intends to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless Kerr-McGee Chemical Corporation has done so.

6. The guarantor agrees to notify the EPA Regional Administrator by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by an EPA Regional Administrator of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure or post-closure care, he shall establish alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of Kerr-McGee Chemical Corporation unless Kerr-McGee Chemical Corporation has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following:

- amendment or modification of the closure or post-closure plan,
- amendment or modification of the permit,
- the extension or reduction of the time of performance of closure or post-closure,
- or any other modification or alteration of an obligation of the owner or operator pursuant to 40 CFR Parts 264 or 265.

9. Guarantor agrees to remain bound under this guarantee for so long as Kerr-McGee Chemical Corporation must comply with the applicable financial assurance requirements of Subpart H of 40 CFR Parts 264 and 265 for the above-listed facilities, except that guarantor may cancel this guarantee by sending notice by certified mail to the EPA Regional Administrators for the Regions in which the facilities are located and to Kerr-McGee Chemical Corporation, such cancellation to become effective no earlier than 120 days after receipt of such

notice by both EPA and Kerr-McGee Chemical Corporation, as evidenced by the return receipts.

10. Guarantor agrees that if Kerr-McGee Chemical Corporation fails to provide alternate financial assurance as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, and obtain written approval of such assurance from the EPA Regional Administrators within 90 days after a notice of cancellation by the guarantor is received by an EPA Regional Administrator from guarantor, guarantor shall provide such alternate financial assurance in the name of Kerr-McGee Chemical Corporation.

11. Guarantor expressly waives notice of acceptance of this guarantee by the EPA or by Kerr-McGee Chemical Corporation. Guarantor also expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permits.

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR 264.151(h) as such regulations were constituted on the date first above written.

Effective date: July 6, 1982.

KERR-McGEE CORPORATION

BY:

Marvin K. Hambrick

Marvin K. Hambrick
Executive Vice President, Finance

Carole G. Kelly
Signature of Witness