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March 3, 1988
Our Ref. No. : Hou-179

Waller Marine, Inc.
100 Glenborough Dr.
Suite 340
Houston, Tx 77067

Attention : Mr. David B. Waller, President

Subject : New Building of methanol Plant Barge for Yankee Energy

Dear Sir,

With reference to your kind letter of December 30, 1987 for new building of the captioned vessel, we are pleased to submit our revised price indication for the same as follows .

1. Type and no. of Vessel :
Methanol Plant Barge X one (1) Unit
2. Price (Ex-yard basis and net receivable) :
cash basis ; \$ 54,370,000,- only
credit basis ; \$ 56,230,000,- only
3. Payment Terms
 - A) cash basis
 - 10 % of the contract price - upon signing contract
 - 20 % of the contract price - upon work commencement
 - 20 % of the contract price - upon keel laying
 - 20 % of the contract price - upon launching
 - 30 % of the contract price - upon delivery
 - B) credit basis
 - 1) down payment
 - 5 % of the contract price - upon contract signing
 - 4 % of the contract price - 6 months after contract signing
 - 4 % of the contract price - upon keel laying
 - 4 % of the contract price - upon launching
 - 3 % of the contract price - upon delivery
 - 2) post-delivery payment
Remaining eighty(80) percent of the contract price shall be paid over a period of eight and half(8.5) years from the date of the delivery of the vessel in thirteen(13) equal semi-annual installments commencing with the date thirty(30) months after the date of the delivery of the

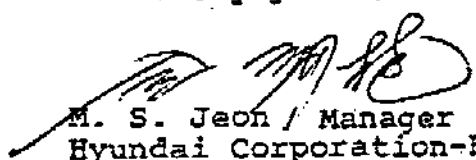
vessel together with the interest of the unpaid balance of the contract price, payable semi-annually from six(6) months after the date of the delivery of the vessel at the fixed rate of eight(8) percent per annum against a letter of guarantee issued by a first class international bank acceptable to Export-Import Bank of Korea and the builder.

4. Delivery (ex-yard and subject to prior sale) :
during the 1st quarter of 1990
5. Other Condition :
The terms and conditions may be altered and are on non-commitment basis. Our firm offer will be provided later upon clarification of the technical and commercial requirements.
6. Quotation Basis :
Above quotation is based on the specification (Ref. No. D-292-G-16) and drawings provided by owner on Dec. 30, 1987 with the following reservations/clarifications.
 - 1) Basic drawings to be provided by owner by the time of signing the contract after model test and class approval.
 - 2) Builder bears no responsibility about basic design as long as no significant departure is made through developing construction drawings.
 - 3) Builder's well established practice in designing and building can be incorporated to the maximum extent as long as the intended performance and quality of the barge is ensured.
 - 4) Materials and standards is based on Japanese standards and Korean standards/builder's standards.
 - 5) Owner furnished equipments to be delivered to the yard for its installation according to the construction schedule of the barge.
 - 6) The above quotation is based on hull weight of 40,003 L.T.

We sincerely hope that our proposal will receive your favorable consideration. If any further information or clarification would be needed, please do not hesitate in contacting us.

Looking forward to hearing from you.

Sincerely yours,


M. S. Jeon / Manager
Hyundai Corporation-Houston

Tel : 713) 578-9322
Fax : 713) 578-9325
Tlx : 166041 HD HOU UT

cc: Mr. J. H. Nam

MSJ/sy

A-2 PROCESS PLANT CAPITAL COST SUMMARY

The process plant capital cost estimate is prepared on an "instant" or "overnight" basis; the estimated values represent 4th quarter 1987 costs with no allowance for escalation, before or during construction.

Inquiries were issued for the majority of the process equipment on a world-wide basis; the value for total process equipment is approximately 90% supported by quotations.

Material take-offs were prepared for the major categories of bulk materials, i.e.; for piping, instruments, electrical, insulation, fireproofing and for structured steel. These were priced out and checked against historical factors for this kind of process plant to verify and arrive at individual values.

Shipyard fabrication and assembly of process plant modules and installation of these on the vessel were investigated and the construction estimate developed accordingly.

The offsite facilities costs, Area 10, have been incorporated into the respective plant and ship estimates according to the agreed work split: (Davy McKee, Waller Marine). The site specific Trinidad plantship process plant is estimated as follows:

Most Probable Cost	126,520,000
Accuracy Estimate, %	+19.1; -6.4
Estimated Cost Range	118,510,000 to 150,660,000

ESTIMATING DEPARTMENT

DAVY MCKEE CORP.

METHANOL PLANT ESTIMATE SUMMARY

EQUIPMENT & MATERIALS

ESTIMATED VALUES	Accuracy "±"	Range "±"	- Value	+ Value
PROCESS EQUIPMENT	-2.00%	10.00%	(990,000)	4,970,000
PIPING	-10.00%	25.00%	(1,370,000)	3,410,000
INSTRUMENTATION	-5.00%	20.00%	(170,000)	670,000
ELECTRICAL	-5.00%	20.00%	(90,000)	340,000
INSULATION	-10.00%	25.00%	(160,000)	400,000
PAINTING, COATINGS & FIREPROOF	-10.00%	25.00%	(250,000)	630,000
STRUCTURAL STEEL	-10.00%	25.00%	(270,000)	670,000
ENCLOSURES	-5.00%	20.00%	(10,000)	40,000

75,370,000

TOTAL MATERIALS & EQUIPMENT

21,080,000 (3,160,000) 8,420,000

CONSTRUCTION

ENGINEERING & PROCUREMENT SERVICES, LICENSE FEES & CATALYSTS	-5.00%	15.00%	(1,190,000)	3,570,000
PRECOMMISSIONING & COMMISSIONING	-10.00%	25.00%	(110,000)	270,000
PACKINGS, CHEMICALS & LUBRICANTS	-5.00%	15.00%	(90,000)	230,000

CAPITALIZED SPARE PARTS

3,090,000 (150,000) 460,000

TOTAL METHANOL PLANT ESTIMATE

126,220,000 19.13% (\$8,010,000) \$24,140,000

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DAVY MCKEE CORP.

ESTIMATING DEPARTMENT

LAKELAND, FLORIDA

AREA	DESCRIPTION	EQUIP. ITEMS	F.A.S. SHIPYARD
01	CPO REACTOR W/HEAT RECOVERY	12	3,638,550
02	COMPRESSION	12	6,297,290
03	METHANOL SYNTHESIS LOOP	9	7,850,920
04	METHANOL DISTILLATION	18	2,248,970
05	STEAM/CONDENSATE SYSTEM	14	489,520
06	PACKAGE BOILER	2	2,338,280
07	GASEOUS OXYGEN PLANT	1	23,895,000
10	OFFSITES	12	1,495,150
	DESIGN ALLOWANCE		1,447,500
	TOTAL MAJOR PROCESS EQUIPMENT	80	49,695,190

ESTIMATING DEPARTMENT

DAVY MCKEE CORP.

ACCT. NO.	DESCRIPTION	QUAN- TITY	F.A.S. SHIPYARD
1110	ASB PROCESS CONDENSATE PUMP	2	\$1,610
1510	CPO REACTOR	1	936,000
1511	START-UP HEATER	1	360,000
1510	OXYGEN HEATER	1	78,760
1511	CPO BOILER	1	713,000
1512	CPO FEED HEATER	2	924,350
1513	DEAERATOR WATER HEATER	1	162,100
1514	CPO COOLER	1	256,000
2210	CPO STEAM DRUM	1	w/1611
2211	PROCESS CONDENSATE KO DRUM	1	171,730
=====			
	TOTAL MAJOR PROCESS EQUIPMENT -	12	3,633,550
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DAVY MCKEE CORP.

ESTIMATING DEPARTMENT

LAKELAND, FLORIDA

ACCT. NO.	DESCRIPTION	QUAN- TITY	F.A.S. SHIPYARD
1120	AAB TURBINE CONDENSATE PUMP	2	15,890
1320	SYNGAS COMPRESSOR 2 Stage	1	1,755,100
1321	CIRCULATOR 1 Stage	1	746,800
1320T	SG COMP/CIRC. TURBINE	1	1,462,480
1520	SYNGAS INTERCOOLER	1	196,890
1521	SG COMP SPILLBACK COOLER	1	212,130
1523	SG COMP/CIRC TURB. CONDENSER	1	178,860
2220	SYNGAS SUCTION SEPARATOR	1	179,450
2221	SYNGAS INTERSTAGE SEPARATOR	1	208,540
2222	GUARD BED	1	944,250
2523	LUBE/SEAL OIL SYSTEM	1	396,850
=====			
TOTAL MAJOR PROCESS EQUIPMENT -		12	6,297,290
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ESTIMATING DEPARTMENT

DAVY MCKEE CORP.

ACCT. NO.	DESCRIPTION	QUAN- TITY	F.A.S. SHIPYARD
1131	A&B SATURATOR CIRCULATION PUMP	2	16,410
1630	LOOP INTERCHANGER	1	2,313,200
1632	LOOP START-UP HEATER	1	207,280
1634	LOOP CONDENSER	1	1,015,750
2230	METHANOL CONVERTOR	1	2,700,000
2231	METHANOL SEPARATOR	1	900,000
2232	LETDOWN VESSEL	1	96,300
2233	FALLING FILM SATURATOR	1	602,000
2530	PSA UNIT		0
TOTAL MAJOR PROCESS EQUIPMENT -		9	7,350,920

DAVY MCKEE CORP.

ESTIMATING DEPARTMENT

LAKELAND, FLORIDA

ACCT. NO.	DESCRIPTION	QUAN- TITY	F. A. S. SHIPYARD
1140 A&B	COLUMN REFLUX PUMP	2	32,480
1141 A&B	COLUMN BOTTOMS PUMP	2	41,400
1142 A&B	COLUMN FUSEL OIL PUMP	2	21,280
1540	COLUMN REBOILER	1	335,000
1541	COLUMN STEAM REBOILER	1	92,900
1542	COLUMN PRIMARY CONDENSER	1	472,500
1543	COLUMN SECONDARY CONDENSER	1	117,620
1544 A&B	PRODUCT COOLER	2	58,750
1545	FUSEL OIL COOLER	1	23,060
1546 A&B	COLUMN BOTTOMS COOLER	2	46,350
2240	PRODUCT COLUMN	1	900,000
2241	COLUMN REFLUX DRUM	1	91,750
2540	CAUSTIC DOSING SET	1	15,880
=====			
TOTAL MAJOR PROCESS EQUIPMENT -		18	2,248,970
=====			

ESTIMATING DEPARTMENT

DAVY MCKEE CORP

ACCT. NO.	DESCRIPTION	QUAN- TITY	F.A.S. SHIPYARD
1150 A	BFW PUMP	1	118,600
1150 B	BFW PUMP	1	88,400
1150 T	BFW PUMP TURBINE	1	124,350
1151 A&B	AIR COMP TURB. COND. PUMP	2	W/AREA 07
1351 T	AIR COMPRESSOR TURBINE	1	W/AREA 07
1651	STEAM DESUPERHEATER	1	15,800
1652	AIR COMP TURB. CONDENSER	1	W/AREA 07
2250	BOILER B.D.FLASH DRUM	1	21,850
2251	HP STEAM FLASH DRUM	1	9,820
2252	LP STEAM FLASH DRUM	1	20,460
2253	DEAERATOR	1	57,880
2550	SODIUM SULFITE DOSING SET	1	16,180
2551	AMINE DOSING SET	1	16,180
TOTAL MAJOR PROCESS EQUIPMENT -		14	489,520

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DAVY MCKEE CORP.

ESTIMATING DEPARTMENT

LAKELAND, FLORIDA

ACCT. NO.	DESCRIPTION	QUAN- TITY	F.A.S. SHIPYARD
1661	PACKAGE BOILER	1	2,310,000
2561	PHOSPHATE DOSING SET	1	28,200
TOTAL MAJOR PROCESS EQUIPMENT -		2	2,338,200

ESTIMATING DEPARTMENT

DAVY MCKEE CORP.

ACCT. NO.	DESCRIPTION	QUAN- TITY	F.A.S. SHIPYARD
2571	OXYGEN PLANT	1	23,895,000
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	TOTAL MAJOR PROCESS EQUIPMENT -	1	23,895,000
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DAVY MCKEE CORP.

ESTIMATING DEPARTMENT

LAKELAND, FLORIDA

ACCT. NO.	DESCRIPTION	QUAN- TITY	F. A. S. SHIPYARD
1100 A&B	BLOWDOWN WASTE PUMP	2	11,260
1101	CRUDE HOLD TANK PUMP		BY WALLER M.
1102	MEOH SHIFT TANK PUMP		BY WALLER M.
1103 A-L	SEA WATER PUMP		BY WALLER M.
1104 A	COOLING WATER PUMP	2	432,930
1105 A-C	FRESH WATER PUMP	2	626,160
1106 A&B	SEA WATER BOOSTER PUMP		BY WALLER M.
1200	INSTRUMENT AIR COMPRESSOR UNIT	1	157,400
1400	WASTE CENTRIFUGE		BY WALLER M.
1401 A-F	SEA WATER STRAINER	1	33,680
1600	BLOWDOWN WASTE COOLER	1	61,720
1601	FLARE STACK VAPORIZER COIL		BY WALLER M.
1602 A-J	SEA WATER INTERCOOLER	1	3,070
2200	OIL RECEIVER		BY WALLER M.
2201	INSTRUMENT AIR RECEIVER		BY WALLER M.
2202	CRUDE HOLD TANK		BY WALLER M.
2203	MEOH SHIFT TANK		BY WALLER M.
2204	COOLING WATER SURGE TANK	1	46,000
2205	FRESH WATER RESEVOIR		BY WALLER M.
2400	FLARE STACK	1	122,880
2500	INSTRUMENT AIR DRYER		BY WALLER M.
2501 A&B	DESALINATION UNIT		BY WALLER M.
TOTAL MAJOR PROCESS EQUIPMENT -		12	1,495,160

A-3 GAS FIELD DEVELOPMENT CAPITAL COST SUMMARY

Cost estimation was conducted at the sub-element level in each of four major task areas that define field development and the gas collection/delivery systems; these four major areas are:

- a) Drilling
- b) Pipelines
- c) Process Equipments
- d) Project Management

Text material descriptive of these activities appear in Section 9.0 of this report. The results of the cost estimating performed for development of the Trinidad Poinsetta Gas Field for exploitation by plantship are:

MOST PROBABLE COST	48,814,000
ACCURACY ESTIMATE %	+18.1;-8.2
ESTIMATED COST RANGE	39,963,000 to 57,665,000

TRINIDAD METHANOL PLANTSHIP DEVELOPMENT COSTS AND SENSITIVITY

<u>Item</u>	<u>Sensitivity %</u>	<u>M\$</u>		
		<u>Low</u>	<u>Likely</u>	<u>High</u>
I. Drilling				
A. Drilling	20	12,336	15,420	18,504
B. Pre-Completion	20	2,493	3,116	3,739
C. Completion	20	8,090	10,112	12,134
Total Drilling and Completion Cost		22,919	28,648	34,377
II. Pipeline				
A. Presurvey	15	309	363	417
B. Engineering	20	200	250	300
C. Linepipe	15	1,071	1,260	1,449
D. Risers	15	1,326	1,560	1,794
E. Subsea Controls	20	1,754	2,192	2,630
F. Installation	15	8,478	9,974	11,470
G. Inspection	15	213	250	287
H. Testing	25	113	150	187
I. Contingency	0	1,000	1,000	1,000
Total Pipeline Cost		14,464	16,999	19,534

<u>Item</u>	<u>Sensitivity %</u>	<u>M\$</u>		
		<u>Low</u>	<u>Likely</u>	<u>High</u>
III. Process Equipment				
A. Engineering	15	34	40	46
B. Manifold	15	111	130	149
C. Line Heaters	15	187	220	253
D. Reverse Flow Coalescers	10	475	528	581
E. Methanol Pump Skid	20	24	30	36
F. Safety System Panels	15	179	210	241
G. Onshore Hookup	20	80	100	120
H. Installation and Startup Assistance	20	140	175	210
I. Spare Parts	20	547	684	821
J. Automation and Controls	25	563	750	937
Total Process Equipment Cost		2,340	2,867	3,394
IV. Project Management	20	240	300	360
TOTAL PROJECT COST		39,963	48,814	57,665

The cost sensitivities are defined as follows:

10% Contingency:	Price contractor would accept as lump sum for executing the work.
15% Contingency:	Well defined work scope; written quotes from suppliers; good historical cost data.
20% Contingency:	Well defined work scope; certain rough order of magnitude estimates from suppliers; includes conventional offshore work.
25% Contingency:	Work scope not fully developed; limited historical cost or work scope data; work procedures proven, but new to the majority of contractor work force.
30% Contingency:	Work scope to be fully developed, possibly during operations; work contractor would strongly prefer reimbursable contract; some costs based on extrapolation of historical data or non-final project costs; requires non-routine practices; may require development of hardware or new procedures.

A-4 OWNER'S EXPENSE CAPITAL COST SUMMARY

To implement the Trinidad Plantship Project the costs which it is estimated Yankee will incur, are as follows

Annual Expense (+/- 15 percent)

PAYROLL

\$1,031,237

Program Managers (Administrative and Technical)	(2)
Assistant Program Managers	(2)
Accountants/Clerks	(3)
Personnel Administrator	(1)
Contract Administrators	(2)
Secretaries	(7)
Engineers	(6)
Planner; Schedule/Expediter	(2)

OUTSIDE LEGAL ASSISTANCE	300,000
PRE-CONTRACT ENGINEERING	1,000,000
OVERHEAD ELEMENTS	1,018,763

President and Secretary	150,000
Rent; Space and Equipments	100,000
Insurance & Benefits including Vacation	90,638
Taxes (FICA; Fed/State, Workman's Comp.; etc)	88,125
Contingency incl; Phones, Electronic Mail	250,000
Entertaining (business)	120,000
Indirect Travel	120,000

\$3,350,000

The estimated value of Owner's Expense for the 3 1/2 years to first operation are:

MOST PROBABLE COST	9,225,000
ACCURACY ESTIMATE, %	+/- 15
ESTIMATED COST RANGE	7,840,000 to 10,600,000

A-5 WORKING CAPITAL AND CONTINGENCY

The working capital requirement will be approximately 2 months of the operating expenses or \$4,500,000.

Further, it is deemed prudent by Yankee that the Project Financing make provision for the on-demand availability of a sum of monies that can be used to cover 'unplanned/unprogrammed' expenses should these arise. The appropriate 'contingent' capital requirement planned for is 10 percent of the total project "hard" costs.

Construction Contingency Reserve	\$22,506,000
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A-6 INTEREST EXPENSE

Interest expense in the course of construction is a function of the debt financed, the rate at which financed and the periods over which financed. The table below derives the amount and schedule of debt to be serviced.

QUARTER	EXIM LOAN	KOREAN LOAN	BANK LOAN	EQUITY	TOTAL SOURCE
closing	\$8,729		\$11,738		\$20,467
1	\$0		\$204		\$204
2	\$850		\$647		\$1,497
3	\$0		\$522		\$522
4	\$5,029		\$1,426		\$6,456
5	\$0		\$669		\$669
6	\$11,533		\$5,129		\$16,662
7	\$0		\$991		\$991
8	\$26,919		\$11,223		\$38,141
9	\$0		\$1,773		\$1,773
10	\$27,911		\$15,600		\$43,511
11	\$0		\$2,751		\$2,751
12	\$36,199	\$45,000	\$21,593		\$102,792
13	\$0		\$4,056		\$4,056
14	\$16,695		\$9,711		\$26,406
15	\$0		\$6,212		\$6,212
16	\$10,115		\$10,115		\$20,676
completion	\$0		\$60,854		\$60,854
	\$143,979	\$45,000	\$165,661	\$0	\$354,000

The table below lists the corresponding quarterly interest payments:

QUARTER	EXIM LOAN INTEREST	KOREAN LOAN INTEREST	COMMERCIAL LOAN INTEREST
1	\$0	\$0	\$0
2	\$204	\$0	\$0
3	\$204	\$0	\$293
4	\$224	\$0	\$299
5	\$224	\$0	\$315
6	\$341	\$0	\$328
7	\$341	\$0	\$363
8	\$611	\$0	\$380
9	\$611	\$0	\$508
10	\$1,240	\$0	\$533
11	\$1,240	\$0	\$814
12	\$1,893	\$0	\$858
13	\$1,893	\$0	\$1,248
14	\$2,739	\$0	\$1,317
15	\$2,739	\$1,125	\$1,857
16	\$3,129	\$1,125	\$1,958
17	\$3,129	\$1,125	\$2,201
18	\$3,366	\$1,125	\$2,356
	\$24,128	\$4,500	\$15,628

A7 SCHEDULE OF CASH FLOW DURING CONSTRUCTION

The Schedule for Capital is premised on commencement of methonal production for sale forty-two (42 months after initiation of Pre-Contract Engineering.

The plantship system is estimated to cost as follows (see A-1,2,3 and 4):

Most Probable Cost, Plant Vessel	\$98,540,000
Most Probable Cost, Process Plant	\$128,519,000
Most Probable Cost, Field Development	\$48,814,000
Most Probable Cost, Owner's Expense	\$9,225,000
Most Probable Cost, Pre-Operating Costs	\$6,237,000
Most Probable System Cost	\$289,335,000

Estimated Range of Cost \$266,767,000 to \$335,340,000

Accuracy Estimate, Percent +15.9; -7.8

The table below lists the quarterly cash flow needs by categories:

Quarter	Vessel Expense	Plant Expense	Deploy Expense	Sub-sea Expense	Pre-Con Expense	Owner Expense	Finance Expense	Conting. Expense	Total Use
Closing	\$2,811	\$300				\$1,500	\$15,856		\$20,467
1							\$204		\$204
2	\$0					\$1,000	\$497		\$1,497
3	\$0						\$522		\$522
4	\$0	\$4,756				\$1,161	\$539		\$6,456
5							\$669		\$669
6	\$2,389	\$12,293				\$1,275	\$705		\$16,662
7							\$991		\$991
8	\$5,353	\$30,394				\$1,275	\$1,119		\$38,141
9							\$1,773		\$1,773
10	\$8,336	\$31,448			\$285	\$1,388	\$2,054		\$43,511
11							\$2,751		\$2,751
12	\$56,352	\$36,705	\$4,494		\$712	\$1,388	\$3,141		\$102,792
13		\$0					\$4,056		\$4,056
14	\$140	\$5,270	\$12,948		\$904	\$1,423	\$5,721		\$26,406
15							\$6,212		\$6,212
16	\$70	\$5,353	\$5,647		\$2,251	\$900	\$6,455	\$0	\$20,676
Completion							\$38,348	\$22,506	\$60,854
TOTAL	\$75,451	\$126,519	\$23,089	\$0	\$4,152	\$11,310	\$91,613	\$22,506	\$354,640