

Extract from a Letter dated 10 September 1994
from ARCO China Inc.

**Subject: ARCO Yacheng 13-1 Gas Project Gas Pipeline Project
ACE Letter to China Light & Power Dated September 5, 1994**

ARCO will address your questions, as presented in the subject letter:

- a) The installation engineering of the pipeline in Hong Kong waters has gone according to plan and the technical complexities have not changed. Construction has slipped from the EIS schedule due to project operational changes. These changes allowed the Contract start date for the Pearl River Estuary work to slip to August 1, 1994. This date supports gas supply date of January 1, 1996 to C L & P. The recent seabed survey and soils profile confirmed the design and quantified the magnitude of resource deployment to support the project schedule.
- b) The project schedule for this work had sufficient time for consultation prior to work commencement. The original date for the ACE presentation was late July. The meeting was cancelled because of unexpected requirements being requested by the Peoples Republic of China's Ministry of Communication on the Urmston Road pipeline design in Hong Kong waters. This cross border requirement was totally unexpected but had to be accommodated within schedule. The gas delivery requirements to Black Point remained unchanged.
- c) The requirements of the PRC dictated the pipeline to be deeper in the Eastern Urmston Road area, therefore, increased the work scope with regard to dredging. As the project schedule did not change because of the additional requirements, greater resources were deployed to complete the work within the schedule. The contracted start of work was August 1, 1994 and that was the date when the Pearl River Estuary actual commenced.