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July 7, 2006

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PUBLIC WORKS

Mr. Chuck Soules, Director of Public Works
Public Works Department
City of Lawrence
P.O. Box 708
Lawrence, Kansas 66044

Dear Chuck:

I am writing to advise you of recent developments that will affect the availability of asphalt oil and which may as a result affect our ability to produce hot mix asphalt. As explained in the attached letter from ConocoPhillips water levels on the Missouri River have dropped to the point that it is no longer possible for barges to reach the ConocoPhillips terminal in Kansas City from their Wood River (East St. Louis) refinery. As the letter further explains ConocoPhillips is attempting to supply their Kansas City terminal by rail, however, that method will not allow them to meet their regular weekly demand. As stated in their letter ConocoPhillips has initiated a sales control program that will provide a significantly reduced amount of asphalt oil to their customers.

This situation will impact to a currently unknown degree our ability to supply hot mix asphalt to projects that we have under contract with the City of Lawrence. In accordance with General Condition 46 of your contract documents we are hereby notifying you of potential delays in the completion of the work on the following contracts and requesting appropriate extensions of the contract completion requirements:

2006 Overlay program, Phase 1, Project No. 9-SR3-206(C)
2006 KLINK Resurfacing, Project No. 1-SR1-106(S)

The water levels in the Missouri River have decreased due to unanticipated weather that is severe enough to cause the river to become un-navigable for the ConocoPhillips vessels. This drought and the management of the waterway are out of the control of LRM and could not be anticipated or avoided. Accordingly, extensions of time to compensate for the delay are appropriate. Nevertheless, LRM is working to find replacement sources, and we hope that these efforts will allow timely completion.

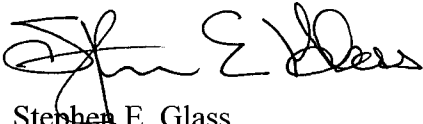
At this point in time we anticipate that this situation will not impact our ability to continue on the current schedule on the KLINK Project as that oil is being supplied by Ergon Asphalt & Emulsions. They have assured me that they are currently in position to supply our needs for this project and do not anticipate that their situation will change.

They have also informed me that they are not in position at this time to accept any additional orders for asphalt oil.

The Overlay Project is being supplied by ConocoPhillips and we anticipate delays in receiving enough oil to complete this project in accordance with the contract requirements. We are continuing to pursue solutions to this situation and will keep your office advised of any changes. I asked your staff yesterday to prioritize the remaining work on this project so that we are aware of those streets that are considered most critical which, to the extent oil is available, will allow us to complete the most critical streets first.

We were just notified of this situation on July 5, 2006 and are continuing to pursue all alternatives that we can identify. We will keep your office informed of any changes as they occur. Please contact me at any time with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen E. Glass", written over a horizontal line.

Stephen E. Glass
President

Encl.

Steve Glass

From: "Clark, Doug-KC Asphalt Sales" <Doug.Clark@conocophillips.com>
To: "Steve Glass" <sglass@lrmindust.com>
Sent: Wednesday, July 05, 2006 2:43 PM
Subject: FW: COP Letterhead Template



William H. Haverland
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July 5, 2006

Dear ConocoPhillips Asphalt Customer:

Magnolia Marine, our contract-towing provider, has advised that due to low water levels in the Missouri River it is no longer safe to navigate from Wood River to Kansas City. Low water levels in the reservoir system north of Kansas City, plus below normal rainfall in the region have caused water levels to drop to a point where Magnolia is unable to operate. Until such time that the river raises to levels where it is safe to operate, our ability to resupply the Kansas City terminal will be greatly impaired.

We are continuing to ship asphalt to the terminal in rail cars. However, the number of rail cars the terminal can spot and off-load will not meet our regular weekly demand. Because of this, we are forced to limit the number of weekly shipments to each customer. In order to distribute our limited supply equitably, we will be initiating a sales control program based on volume committed to each customer as of July 1, 2006. The program will be administered as follows:

We will determine the remainder of the committed volumes for each customer.

The volumes will be totaled and each customer's portion will be calculated as a percentage of the total.

Each customer will be allotted that percentage of the available volume on a weekly basis.

The total weekly volume available for shipment will be based on current inventory plus rail shipments received.

7/5/2006

If water levels raise, allowing us to bring in material by water, the weekly allotments may be increased. If we find we cannot keep up with weekly allotments due to slow rail service, they may be decreased.

This sales control program may be discontinued and implemented again, based on water levels.

We will be offering a freight allowance program from the Wood River refinery, the Granite City (PMA) and St. Louis terminals during the time this situation persists. Doug Clark will advise as to the amounts allowed. This allowance will be available until we notify you that adequate inventories are available at Kansas City.

We regret having to take these measures, but we believe this program treats all our customers as fairly as possible. We are attempting to meet all our supply commitments without having to take extreme measures such as invoking Force Majeure. Doug will be working closely with each of you, keeping you apprised as the situation evolves and answering any of your questions.

Yours truly,

W.H. Haverland
Manager – Asphalt Marketing & Sales