

EXHIBIT 19

Diamond Shamrock Corporation Reorganization Proposal

This memorandum summarizes the steps necessary to reorganize DSC so that a new holding company ("Parent Holding") will become the parent corporation of the following subsidiaries:

- Diamond Shamrock Corporation ("DSC") which will be stripped of all assets and liabilities other than those relating to the chemical business, plus
- Sigmor Corporation ("Sigmor") to which will be added all refining and marketing assets now owned by DSC;
- A new exploration and production subsidiary ("E&P Sub"), to which all E&P assets will be transferred; and
- A new coal holding company ("Coal Holding") which will own all the existing subsidiaries comprising our coal business.

The memorandum also sets forth the procedures to be followed to transfer all of the existing debt of DSC to Parent Holding, and also considers the alternative of leaving in DSC certain outstanding public debentures.

Step I

1. Form Parent Holding in Delaware.
2. Parent Holding forms a wholly owned subsidiary ("Merger Sub").
3. DSC forms new subsidiary holding company ("Subsidiary Holding") wholly owned by DSC.

4. Coal Holding formed.
5. E&P Sub formed.

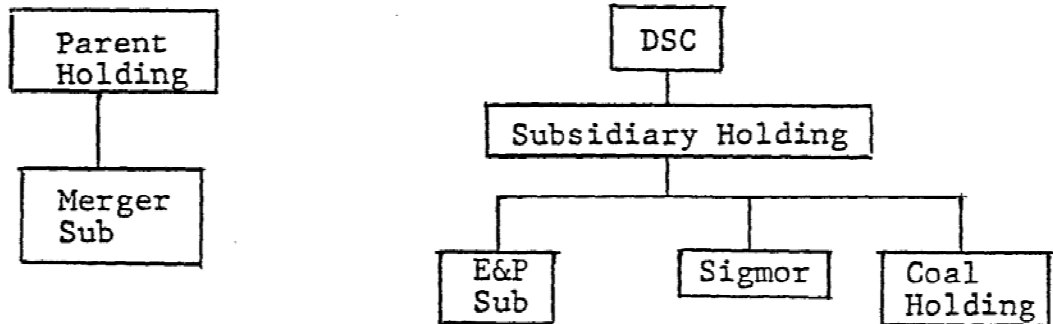
Step II

1. All assets of DSC not related to chemical business to be identified and scheduled for transfer to E&P, Sigmor, Coal Holding or Parent Holding.
2. DSC contributes stock of all existing first tier coal subsidiaries to Coal Holding as a contribution to its capital in exchange for 100% of Coal Holding's capital stock. Coal Holding, because it will not own directly assets used "primarily for producing, refining or manufacturing" would not be a Restricted Subsidiary for indenture purposes.
3. All E&P assets are contributed to E&P Sub, which would become a Restricted Subsidiary, in exchange for all capital stock of E&P Sub.
4. All refining and marketing assets are contributed to Sigmor, which is already a Restricted Subsidiary since it owns refining assets.
5. All "corporate" assets owned by DSC, and DSC's equity interests in Eltech and other non-operating subsidiaries are transferred to Parent Holding. (The mechanics of this transfer need further study, and possible indenture restrictions need to be explored.)
6. DSC contributes all shares of E&P Sub, Coal Holding and Sigmor to Subsidiary Holding. Since Subsidiary Holding

I would suggest doing this in conjunction w/ operations transfer & assets to hold "independently all"

does not own assets used "primarily for producing, refining or manufacturing," it is not a Restricted Subsidiary.

At the end of Step II, the corporate structure appears as follows:



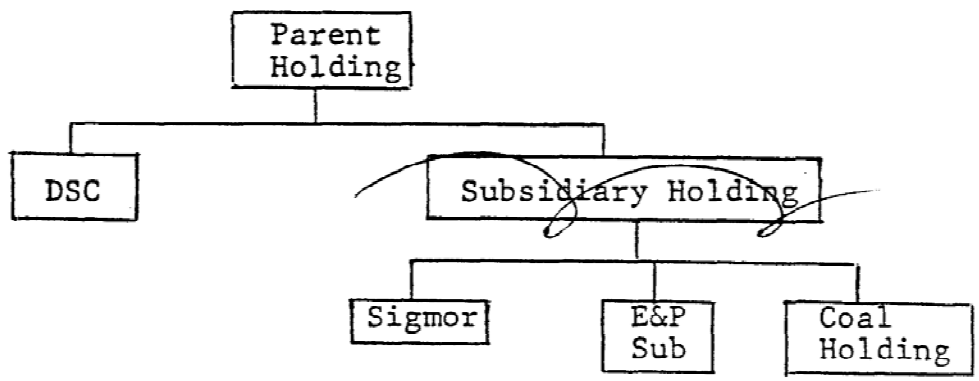
Step III

1. Parent Holding, Merger Sub and DSC enter into an agreement of merger pursuant to which Merger Sub will be merged into DSC in a reverse triangular merger under 251(b) of the Delaware Code. Pursuant to the terms of the agreement of merger:
 - (a) Merger Sub is merged into DSC.
 - (b) Each outstanding share of Merger Sub is converted into one new share of DSC common.
 - (c) Each outstanding common share of DSC is converted into one share of Parent Holding, and each share of DSC \$2.07 preferred is converted into one share of Parent Holding \$2.07 preferred.

(d) As a result of the merger, DSC becomes a first tier wholly owned subsidiary of Parent Holding, with Subsidiary Holding as a second tier subsidiary and the operating companies as third tier subsidiaries.

2. The approval of the shareholders of DSC to this merger is required under Sec. 251(c) of the Delaware Code.
3. The merger agreement would be part of an agreement and plan of reorganization pursuant to which, following approval of the merger, Parent Holding would cause DSC to transfer all of the outstanding shares of Subsidiary Holding to Parent Holding. This appears permissible under the indentures because ~~there is no prohibition on DSC transferring a non-Restricted Subsidiary.~~ The resulting structure is as follows:

① it will be a transfer of "substantially all" DSC's assets in conjunction with the assumption of its public debt by Parent Holding (see ~~from~~ Step IV) and/or (2)



(Subsidiary Holding can later be eliminated by a merger into Parent Holding under Sec. 253 of the Delaware Code, which does not require shareholder approval, although it

may be preferable not to do so since Subsidiary Holding is not a Restricted Subsidiary).

Step IV:

1. Simultaneously with the closing of the merger of Merger Sub into DSC, DSC will transfer to Parent Holding all of DSC's publicly-held debentures and all of DSC's other outstanding debt (except for debt secured by assets retained by DSC or tax-exempt bonds issued to finance pollution control or other types of industrial equipment owned by DSC). This transfer will be accomplished by having Parent Holding execute a supplemental indenture assuming the obligations on the publicly-held debentures, and by securing consents from the lenders of the non-public debt to the transfer.
 - a. Under the terms of the indentures, we believe that the transfer by DSC of shares of Subsidiary Holding to Parent Holding constitutes a transfer of "substantially all" of DSC's assets. Such a transfer is permitted if Parent Holding as the successor corporation assumes the obligations under these indentures.
 - b. Since Parent Holding has become the owner of ~~the~~ assets of the existing DSC, there should be no problem in complying with covenants of the assumed debt.

approx 70% of the

- c. Specific consent from the lenders of the non-public debt will be required for the upstream transfer of this debt and the shares of Subsidiary Holding, since these agreements flatly prohibit the transfer of "substantially all" of the assets of DSC.
 - d. There is a risk that the holders of low coupon public debentures will argue that the transfer of shares of Subsidiary Holding to Parent Holding is not a transfer of "substantially all" of DSC's assets, and therefore are entitled to be paid off. This could result in litigation, which if we lose would mean that we have defaulted the public indentures and therefore cross-defaulted our other debt. Our best judgment is that we will prevail in such a suit.
2. Prior to the completion of the merger DSC (as the restructured chemical company) will enter into bank loan agreements providing for the borrowing of approximately \$600,000,000, on a non-recourse basis to Parent Holding.
3. Simultaneously with the closing of the merger and the transfer of the debt described above, DSC will pay a dividend to Parent Holding in the amount of the total bank borrowing (which will be closed immediately prior to the payment of the dividend).

permitted
under
\$1 BB
limit

4. The debt instruments covering the tax-exempt bonds discussed above will remain in DSC as the restructured chemical company even though some of them relate to equipment used in the energy businesses. It is possible that an agreement can be worked out with the trustees of the debt related to assets transferred out of DSC so that the obligations will follow the asset.

In addition, the lenders on these revenue bonds will argue that their security has been substantially diminished because of the removal of the energy assets. To resolve this problem Parent Holding may have to execute indemnification agreements with the trustee to ensure payment of the bonds in the event of default by DSC.

IDRB's allow
free assignment,
but DSC
remains
liable