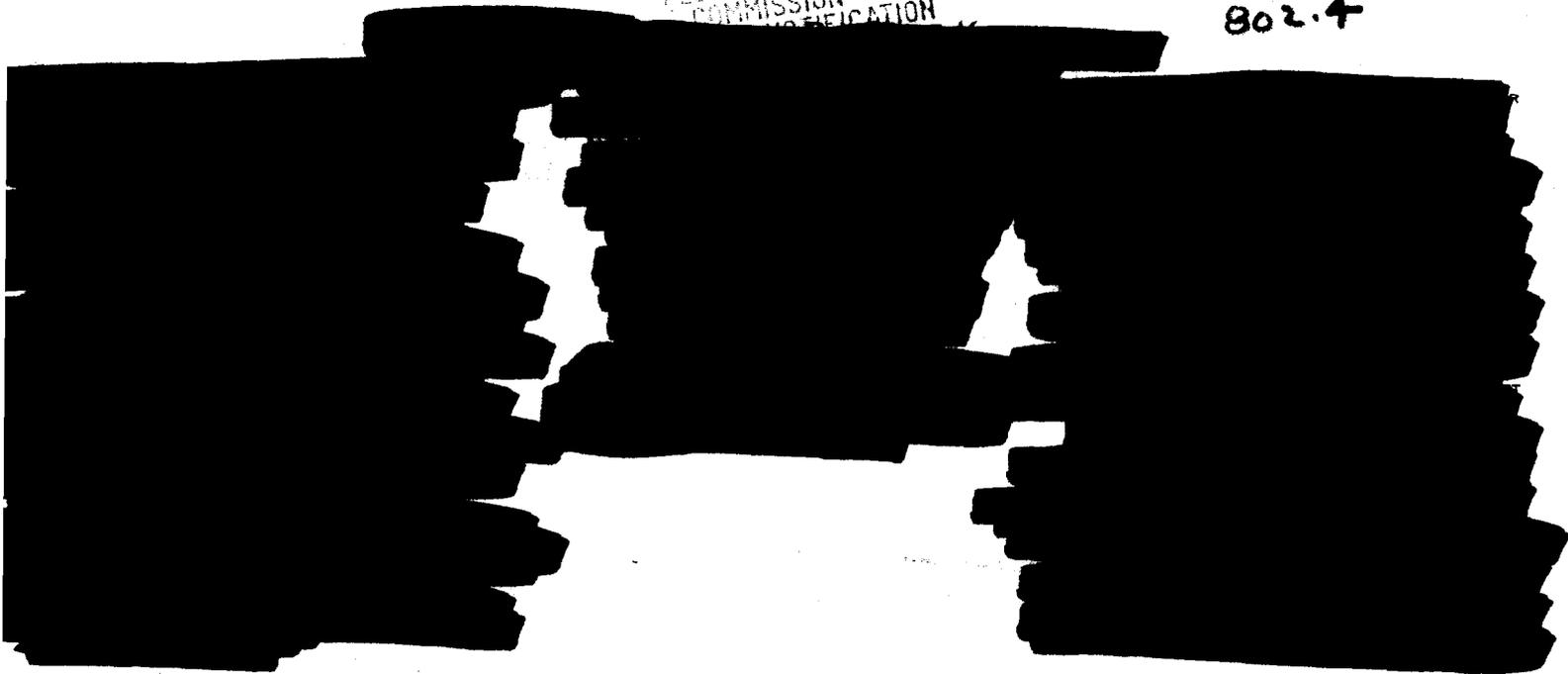


802.2  
802.3  
802.4

FEDERAL TRADE  
COMMISSION  
REGULATION



February 12, 2001

VIA FACSIMILE

Michael Verne, Esq.  
Staff Attorney, Bureau of Competition  
Federal Trade Commission  
600 Pennsylvania Avenue, N.W.  
Room S-2612  
Washington, D.C. 20580

Re: HSR Issue

Dear Mike:

We would like to confirm our understanding that the following transaction, discussed earlier this afternoon, would be exempt from reporting under the HSR Act:

Company A, a U.S. person, proposes acquiring 100% of the outstanding voting securities of Company B, a foreign person, for cash consideration of approximately \$775 million. Company B is in the oil and gas exploration and production business. Company A believes that its fair market allocation of the cash purchase price to Company B's assets (not including approximately \$250 million in assumed debt) is as follows: (i) approximately \$400 million is for producing oil and gas reserves, together with associated exploration and production assets; and (ii) approximately

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Michael Verne, Esq.

February 12, 2001

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\$230 million is for unproductive oil and gas reserves and associated exploration and production assets (having generated either no income, or income below \$5 million in the last 36 months).<sup>1</sup> The remainder of the allocation (approximately \$145 million) is in recognition of certain tax pools that reduce taxes payable to the foreign taxation authority. The tax pools were generated as a result of Company B's historical capital expenditures relating to exploration and production of these properties, and typically run with the land.

Based on our conversation earlier today, we understand that this transaction should be exempt under 16 C.F.R. §802.4, given that if the assets were acquired directly, the producing reserves would be exempt under 16 C.F.R. §802.3(a), and the unproductive reserves would be exempt under 16 C.F.R. §802.2(c). The remainder of the consideration, attributable to the tax pools, would be accorded treatment as cash or cash equivalents, and would not count toward the \$50 million threshold for non-exempt assets in §802.4.<sup>2</sup>

Please let me know as soon as possible if I have in any way misunderstood the non-reportability of the above-described transaction. As always, I appreciate your assistance in these matters.

Sincerely,

~~\_\_\_\_\_~~

WITH A NEXUS  
TO THE EXEMPT  
RESERVES.

<sup>1</sup> Even if one were to include the approximately \$250 million in assumed debt in the valuation, Company A would still value the producing oil and gas reserves and associated exploration and production assets at approximately \$400 million.

<sup>2</sup> We also note that such tax pools might properly be characterized as "other obligations which are not voting securities," acquisition of which is exempt under Section 7A(c)(2) of the HSR Act.

AGREE -  
Michael Verne  
2/13/01