

October 26, 1999

Nancy Ovuka, E56, FEDERAL TRADE COMMISSION Bureau of Competition Premerger Notification Office Room 303 Washington, D. C. 20580

Re: Exemption From Filing Requirements Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") Pursuant to Rule 802.50(a)

Dear Ms. Ovuka:

Thank you for speaking with and me on October 22, 1999 about the exemption for acquisitions of foreign assets by a U. S. person set forth in Rule 802, 50(a) under the HSR Act. Specifically, we were inquiring with respect to an asset acquisition from the ultimate parent entity of which is subsidiary of a U. S. person.

all located in Canada. Section 802.50(a) of the Federal Trade Commission's rules and regulations under the HSR Act exempts from reporting the acquisition of assets located outside of the United States unless there have been sales attributable to the acquired assets aggregating \$25 million or more during the acquired person's most recent fiscal year, 16 C.F.R. \$802.50(a)(2).

All of the assets that the list acquiring from the relocated in Canada. The crude oil that is produced from the assets is sold to a filliate which refines it in Canada, thus converting it to different products. We have no information as to where the resulting products are sold. You indicated that since the refining process causes the crude oil to change into other products, sales into the United States, if any, are no longer attributable to the assets being acquired by

Most of the natural gas is sold to another filliate. That affiliate sells approximately one-third of all of its natural gas, including natural gas purchased from the other affiliates or third



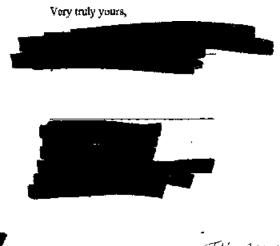
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parties, into the United States. Once the gas is commingled of course, it is no longer possible to distinguish from which source each of the gas molecules originated. We therefore suggested that a logical way to allocate sales into the United States is to assume that one-third of the natural gas produced by the assets to be acquired is sold into the United States. You agreed that this is an acceptable method of determining the amount of natural gas sold into the United States attributable to the assets being acquired. Since one-third of the sales of natural gas produced last year from the assets being acquired totaled less than \$25 million, this acquisition, though in excess of the \$500 million oil and gas reserve threshold set forth in Rule 802.3(a), would not trigger a filing under the HSR Act.

Please call to confirm that this letter accurately reflects our conversation and that the methodology for determining both sales attributable to the assets with respect to oil as well as the amount of sales into the United States attributable to the natural gas is correct.

Thank you for your assistance.



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