

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)	
)	
PHILLIPS PETROLEUM COMPANY,)	File No. 961-0056
)	
a corporation.)	
)	

AGREEMENT CONTAINING CONSENT ORDER

The Federal Trade Commission (“Commission”), having initiated an investigation of the proposed acquisition by Phillips Petroleum Company (“Phillips”), through its subsidiary GPM Gas Corporation (“GPM”), of certain gas-gathering assets of ANR Pipeline Company, a subsidiary of the Coastal Corporation (“Coastal”), and it now appearing that Phillips, hereinafter sometimes referred to as “Proposed Respondent,” is willing to enter into an agreement containing an Order to cease and desist engaging in certain activities, and providing for other relief:

IT IS HEREBY AGREED by and between Proposed Respondent, by its duly authorized officers and attorneys, and counsel for the Commission that:

1. Proposed Respondent Phillips is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at Phillips Building, Bartlesville, Oklahoma 74004.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the Proposed Respondent, and the proceeding is in the public interest.
3. Proposed Respondent admits all the jurisdictional facts set forth in the draft of complaint here attached.
4. Proposed Respondent waives:
 - a. any further procedural steps;
 - b. the requirement that the Commission's decision contain a statement of findings of fact and conclusions of law;
 - c. all rights to seek judicial review or otherwise to challenge or contest the validity of the Order entered pursuant to this agreement; and
 - d. any claim under the Equal Access to Justice Act.
5. This agreement shall not become part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission, it, together with the draft of complaint contemplated thereby, will be placed on the public record for a period of sixty (60) days and information in respect thereto publicly released. The Commission thereafter may either withdraw its acceptance of this agreement and so notify the Proposed Respondent, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision, in disposition of the proceeding.

6. This agreement is for settlement purposes only and does not constitute an admission by Proposed Respondent that the law has been violated as alleged in the draft of complaint here attached, or that the facts as alleged in the draft complaint, other than jurisdictional facts, are true.

7. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of § 2.34 of the Commission's Rules, the Commission may, without further notice to the Proposed Respondent, (1) issue its complaint corresponding in form and substance with the draft of complaint here attached and its decision containing the following Order to cease and desist in disposition of the proceeding and (2) make information public with respect thereto. When so entered, the Order to cease and desist shall have the same force and effect and may be altered, modified or set aside in the same manner and within the same time provided by statute for other Orders. The Order shall become final upon service. Delivery by the U.S. Postal Service of the complaint and decision containing the agreed-to-Order to Proposed Respondent's address as stated in this agreement shall constitute service. Proposed Respondent waives any right it may have to any other manner of service. The complaint may be used in construing the terms of the Order, and no agreement, understanding, representation, or interpretation not contained in the Order or the agreement may be used to vary or contradict the terms of the Order.

8. Proposed Respondent has read the proposed complaint and Order contemplated hereby. Proposed Respondent understands that once the Order has been issued, it will be required to file one or more compliance reports showing that it has fully complied with the Order. Proposed

Respondent further understands that it may be liable for civil penalties in the amount provided by law for each violation of the Order after it becomes final.

Order

I

IT IS ORDERED that, as used in this Order, the following definitions shall apply:

- A. “Phillips” or "Respondent" means Phillips Petroleum Company, its directors, officers, employees, agents and representatives, predecessors, successors, and assigns, its subsidiaries, divisions, groups and affiliates controlled by Phillips, and the respective directors, officers, employees, agents and representatives, successors, and assigns of each.
- B. “Coastal” means The Coastal Corporation, its directors, officers, employees, agents and representatives, predecessors, successors, and assigns, its subsidiaries, divisions, groups and affiliates controlled by Coastal, and the respective directors, officers, employees, agents and representatives, successors, and assigns of each.
- C. The “Acquisition” means the proposed acquisition by GPM Gas Corporation, a subsidiary of Phillips, of certain gas-gathering assets of ANR Pipeline Co., a subsidiary of Coastal, pursuant to the purchase agreement executed on January 12, 1996, by and between Phillips and Coastal as subsequently modified and amended.
- D. “Gas Gathering” means pipeline transportation, for oneself or other persons, of natural gas over any part or all of the distance between a well and a gas transmission pipeline or gas processing plant.

E. “Person” means any natural person, partnership, corporation, company, association, trust, joint venture or other business or legal entity, including any governmental agency.

F. “Related Person” means a person controlled by, controlling, or under the common control with, another person.

G. “Relevant Geographic Area” means all portions of Harper County, Oklahoma, within fifteen miles of the Kansas border; all portions of Beaver County, Oklahoma, within twenty miles of the Harper County border; all portions of Ellis County, Oklahoma, within eighteen miles of the northwest corner of Ellis County; and Townships T23N/R14W, T23N/R15W, T23N/ R16W, T23N/R17W, T23N/R18W, T22 N/R16W, T22N/R17W, T22N/R18W, T21N/R17W, and T21N/R18W of Woodward, Major and Woods Counties, Oklahoma.

H. “Schedule A assets” means the whole and any part of the assets listed in Schedule A of this Order.

I. “Commission” means the Federal Trade Commission.

II

IT IS FURTHER ORDERED that:

A. Following completion of the Acquisition, Phillips shall divest the Schedule A assets, absolutely and in good faith, at no minimum price, consistent with the provisions of this Order.

B. The divestiture shall be made only to an acquirer or acquirers that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission.

C. Pending divestiture of the Schedule A assets, Phillips shall take such actions as are necessary to maintain the viability and marketability of the Schedule A assets and to prevent the destruction, removal, wasting, deterioration, or impairment of any of the Schedule A assets except for ordinary wear and tear.

D. Phillips shall comply with the Asset Maintenance Agreement, attached hereto and made a part hereof as Appendix I.

E. The purpose of the divestiture is to ensure the continued use of the Schedule A assets in the same type of business in which the Schedule A assets are used at the time of the Acquisition, and to remedy the lessening of competition resulting from the Acquisition as alleged in the Commission's complaint.

III

IT IS FURTHER ORDERED that:

A. If Phillips has not divested the Schedule A assets consistent with Paragraph II of this Order by the later of April 30, 1997, or thirty days after Phillips consummates the Acquisition, the Commission may appoint a trustee to divest the Schedule A assets.

B. In the event that the Commission or the Attorney General brings an action pursuant to § 5(1) of the Federal Trade Commission Act, 15 U.S.C. § 45(1), or any other statute enforced by the Commission, Phillips shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this Paragraph III shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee, pursuant to § 5(1) of the Federal Trade

Commission Act, or any other statute enforced by the Commission, for any failure by Phillips to comply with this Order.

C. If a trustee is appointed by the Commission or a court pursuant to Paragraph III.A., Phillips shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee, subject to the consent of Phillips, which consent shall not be unreasonably withheld. The trustee shall preferably be a person with experience and expertise in acquisitions and divestitures of gas gathering assets. If Phillips has not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after notice by the staff of the Commission to Phillips of the identity of any proposed trustee, Phillips shall be deemed to have consented to the selection of the proposed trustee.

2. Subject to the prior approval of the Commission, the trustee shall have the exclusive power and authority to divest the Schedule A assets. The trustee may, in his or her discretion, or at the direction of the Commission, effect such arrangements and divest (a) any additional gas gathering assets (including, but not limited to, gas gathering lines, compressors, surface equipment, and gas purchase and gathering contracts) of the Respondent located in the Relevant Geographic Area and (b) any additional assets necessary to connect the divested assets to the buyer's existing systems or to a third-party transmission line. The trustee may select such assets pursuant to clauses (a) and (b) of this paragraph to assure the marketability, viability, and competitiveness of the Schedule A assets so as to accomplish expeditiously the remedial purposes of this order.

3. Within ten (10) days after appointment of the trustee, Phillips shall execute a trust agreement that, subject to the prior approval of the Commission and, in the case of a court-

appointed trustee, of the court, transfers to the trustee all rights and powers necessary to permit the trustee to effect the divestiture required by this Order.

4. The trustee shall have twelve (12) months from the date the Commission approves the trust agreement described in Paragraph III.C.3. to accomplish the divestiture(s), which shall be subject to the prior approval of the Commission. If, however, at the end of the twelve month period, the trustee has submitted a plan of divestiture or believes that divestiture can be achieved within a reasonable time, the divestiture period may be extended by the Commission, or, in the case of a court-appointed trustee, by the court; provided, however, the Commission may extend this period only two (2) times.

5. Phillips shall provide the trustee full and complete access to the personnel, books, records and facilities related to the Schedule A assets, or to any other relevant information, as the trustee may request. Phillips shall develop such financial or other information as the trustee may request and shall cooperate with the trustee. Phillips shall take no action to interfere with or impede the trustee's accomplishment of the divestiture(s). Any delays in divestiture caused by Phillips shall extend the time for divestiture under this Paragraph in an amount equal to the delay, as determined by the Commission or, for a court-appointed trustee, by the court.

6. The trustee shall make reasonable efforts to negotiate the most favorable price and terms available in each contract that is submitted to the Commission, subject to Phillips' absolute and unconditional obligation to divest at no minimum price. The divestiture(s) shall be made to an acquirer or acquirers that receive the prior approval of the Commission, provided, however, if the trustee receives bona fide offers for any of the assets to be divested from more than one acquiring entity, and if the Commission determines to approve more than one such

acquiring entity, the trustee shall divest that particular assets to the acquiring entity or entities selected by Phillips from among those approved by the Commission.

7. The trustee shall serve at the cost and expense of Phillips, without bond or other security unless paid for by Phillips, on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have the authority to employ, at the cost and expense of Phillips, such consultants, accountants, attorneys, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Commission and, in the case of a court-appointed trustee, by the court, of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of Phillips, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's divesting the Schedule A assets.

8. Phillips shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in Paragraph III.A. of this Order.

10. The Commission or, in the case of a court-appointed trustee, the court, may on its own initiative or at the request of the trustee issue such additional Orders or directions as may be necessary or appropriate to accomplish the divestiture required by this Order.

11. The trustee shall have no obligation to operate or maintain the Schedule A assets.

12. The trustee shall report in writing to Phillips and the Commission every sixty (60) days concerning the trustee's efforts to accomplish divestiture.

IV

IT IS FURTHER ORDERED that, for a period of ten (10) years from the date this Order becomes final, Phillips shall not, without prior notification to the Commission, directly or indirectly:

A. Acquire the Schedule A assets after their divestiture, or any assets the trustee may divest pursuant to paragraph III.C.2 of this order.

B. Acquire any stock, share capital, equity, or other interest in any person engaged in gas gathering within the Relevant Geographic Area at any time within the two years preceding such acquisition, provided, however, that an acquisition of securities will be exempt from the requirements of this paragraph (IV.B) if after the acquisition Phillips will hold cumulatively no more than two (2) percent of the outstanding shares of any class of security of such person; and provided further, that this Paragraph (IV.B) shall not apply to the acquisition of any interest in a person that is not at the time of the acquisition engaged in gas gathering within the Relevant Geographic Area due to the sale within the preceding two years of all assets used for gas

gathering within the Relevant Geographic Area to another party who intended to operate said assets for gas gathering within the Relevant Geographic Area; or

C. Enter into any agreements or other arrangements with any person or with two or more related persons to obtain, within any 18 month period, direct or indirect ownership, management, or control of more than five (5) miles of pipeline previously used for gas gathering and suitable for use for gas gathering within the Relevant Geographic Area.

V

IT IS FURTHER ORDERED that the prior notifications required by Paragraph IV of this Order shall be given on the Notification and Report Form set forth in the Appendix to Part 803 of Title 16 of the Code of Federal Regulations as amended (hereinafter referred to as “the Notification”), and shall be prepared and transmitted in accordance with the requirements of Part 803, except that no filing fee will be required for any such notification, notification shall be filed with the Secretary of the Commission, notification need not be made to the United States Department of Justice, and notification is required only of Phillips. In lieu of furnishing (1) documents filed with the Securities and Exchange Commission, (2) annual reports, (3) annual audit reports, (4) regularly prepared balance sheets, or (5) Standard Industrial Code (SIC) information in response to certain items in the Appendix to Part 803 of Title 16 of the Code of Federal Regulations, Phillips shall provide a map showing the location of the pipeline whose acquisition is proposed and other pipelines used for gas gathering in the Relevant Geographic Area and a statement showing, for the most recent 12 month period for which volume information is available, the quantity of gas that flowed through pipeline whose acquisition is proposed.

Respondent shall provide the Notification to the Commission at least thirty days prior to consummating any such transaction (hereinafter referred to as the “first waiting period”). If, within the first waiting period, representatives of the Commission make a written request for additional information, Respondent shall not consummate the transaction until twenty days after substantially complying with such request for additional information. Early termination of the waiting periods in this paragraph may be requested and, where appropriate, granted by letter from the Bureau of Competition.

Provided, however, that prior notification shall not be required by Paragraph IV of this Order for a transaction for which notification is required to be made, and has been made, pursuant to Section 7A of the Clayton Act, 15 U.S.C. § 18a.

VI

IT IS FURTHER ORDERED that:

A. Within sixty (60) days after the date this Order becomes final and every sixty (60) days thereafter until Phillips has fully complied with the provisions of Paragraphs II or III of this Order, Phillips shall submit to the Commission a verified written report setting forth in detail the manner and form in which it intends to comply, is complying, and has complied with Paragraphs II and III of this Order. Phillips shall include in its compliance reports, among other things that are required from time to time, a full description of the efforts being made to comply with Paragraphs II and III of the Order, including a description of all substantive contacts or negotiations for the divestiture and the identity of all parties contacted. Phillips shall include in its compliance reports

copies of all written communications to and from such parties, all internal memoranda, and all reports and recommendations concerning divestiture.

B. One (1) year from the date this Order becomes final, annually for the next nine (9) years on the anniversary of the date this Order is entered, and at such other times as the Commission may require, Phillips shall file a verified written report with the Commission setting forth in detail the manner and form in which it has complied and is complying with this Order.

VII

IT IS FURTHER ORDERED that Phillips shall notify the Commission at least thirty (30) days prior to any proposed change in Phillips, such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change that may affect compliance obligations arising out of the Order.

VIII

IT IS FURTHER ORDERED that, for the purpose of determining or securing compliance with this Order, and subject to any legally recognized privilege, upon written request and on reasonable notice to Respondent, Respondent shall permit any duly authorized representative of the Commission:

A. Access, during office hours and in the presence of counsel, to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of Respondent relating to any matters contained in this Order; and

B. Without restraint or interference from it, to interview officers, directors, or employees of Respondent, who may have counsel present, relating to any matters contained in this Order.

IX

IT IS FURTHER ORDERED that this Order shall terminate ten (10) years from the date this Order becomes final.

Dated:

PHILLIPS PETROLEUM COMPANY,

a corporation

FEDERAL TRADE COMMISSION

James L. Gallogly
Vice President, North America
Production Division, Phillips Petroleum
Company

Frank Lipson
W. Stephen Sockwell, Jr.
Attorneys
Bureau of Competition

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Assistant Director
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George S. Cary
Senior Deputy Director
Bureau of Competition

William J. Baer
Director
Bureau of Competition

SCHEDULE A

[Exhibit p. 1 - see paper copy]

[Exhibit p. 2 - see paper copy]

[Exhibit p. 3 - see paper copy]

[Exhibit p. 4 - see paper copy]

[Exhibit p. 5 - see paper copy]

[Exhibit p. 6 - see paper copy]

[Exhibit p. 7 - see paper copy]

[Exhibit p. 8 - see paper copy]

[Exhibit p. 9 - see paper copy]

[Exhibit p. 10 - see paper copy]

[Exhibit p. 11 - see paper copy]

[Exhibit p. 12 - see paper copy]

[Exhibit p. 13 - see paper copy]

[Exhibit p. 14 - see paper copy]

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)	
)	
PHILLIPS PETROLEUM COMPANY,)	Asset Maintenance
a corporation,)	Agreement
)	

This Asset Maintenance Agreement ("Agreement") is by and between Phillips Petroleum Company ("Phillips"), a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business at Phillips Building, Bartlesville, Oklahoma 74004; and the Federal Trade Commission ("Commission"), an independent agency of the United States Government, established under the Federal Trade Commission Act of 1914, 15 U.S.C. § 41, et seq. (collectively "the Parties").

PREMISES

WHEREAS, Phillips through its subsidiary GPM Gas Corporation ("GPM"), agreed to acquire certain gas-gathering assets of ANR Pipeline Company ("ANR"), a subsidiary of the Coastal Corporation ("Coastal"), pursuant to an agreement dated January 12, 1996, hereinafter "Acquisition"; and

WHEREAS, the Commission is investigating the Acquisition to determine if it would violate any of the statutes enforced by the Commission; and

WHEREAS, if the Commission accepts the Agreement Containing Consent Order attached hereto, the Commission is required to place it on the public record for a period of sixty (60) days for public comment and may subsequently withdraw such acceptance pursuant to the provisions of Section 2.34 of the Commission's Rules;

WHEREAS, Phillips and Coastal may consummate the acquisition upon provisional acceptance by the Commission of the attached

Agreement Containing Consent Order; and

WHEREAS, the Commission is concerned that if an agreement is not reached preserving the status quo ante of the assets to be divested pursuant to the attached Agreement Containing Consent Order ("the Schedule A assets") during the period prior to their divestitures, that any divestiture resulting from any administrative proceeding challenging the legality of the Acquisition might not be possible, or might produce a less than effective remedy; and

WHEREAS, the Commission is concerned that prior to divestiture to the acquirer, it may be necessary to preserve the continued viability and competitiveness of the Schedule A assets; and

WHEREAS, the purpose of this Agreement and of the Consent Order is to preserve the Schedule A assets pending the divestiture to the acquirer approved by the Federal Trade Commission under the terms of the Order, in order to remedy any anticompetitive effects of the Acquisition; and

WHEREAS, Phillips entering into this Agreement shall in no way be construed as an admission by Phillips that the Acquisition is illegal; and

WHEREAS, Phillips understands that no act or transaction contemplated by this Agreement shall be deemed immune or exempt from the provisions of the antitrust laws, or the Federal Trade Commission Act by reason of anything contained in this Agreement;

NOW, THEREFORE, in consideration of the Commission's agreement that, unless the Commission determines to reject the Consent Order, it will not seek further relief from the parties with respect to the Acquisition, except that the Commission may exercise any and all rights to enforce this Agreement and the Consent Order annexed hereto and made a part thereof, and, in the event the required divestiture is not accomplished, to appoint a trustee to seek divestiture of the Schedule A assets, the Parties agree as follows:

TERMS OF AGREEMENT

1. Phillips agrees to execute the attached Agreement Containing Consent Order and, upon its issuance, to be bound by

the Consent Order. The Parties further agree that each term defined in the Consent Order shall have the same meaning in this Agreement.

2. Unless the Commission brings an action to seek to enjoin the proposed Acquisition pursuant to Section 13(b) of the Federal Trade Commission Act, 15. U.S.C. s 53(b), and obtains a temporary restraining order or preliminary injunction blocking the proposed Acquisition, Phillips and Coastal will be free to close the Acquisition any time after the Commission has provisionally accepted the Agreement Containing Consent Order.

3. Phillips agrees that from the date this Agreement is accepted until the earlier of the dates listed in subparagraphs 3.a. - 3.b., it will comply with the provisions of this Agreement:

a. three business days after the Commission withdraws its acceptance of the Consent Order pursuant to the provisions of Section 2.34 of the Commission's Rules; or

b. on the day the divestiture set out in the Consent Order has been completed.

4. From the later of the date of this Agreement or from the date of their acquisition, until the divestiture set out in the Consent Order has been completed, Phillips shall maintain the viability, competitiveness and marketability of the Schedule A assets and shall not cause the wasting or deterioration of the Schedule A assets, nor shall Phillips encumber or otherwise impair their viability.

5.a. From the time that Phillips acquires the Schedule A assets that are currently owned by ANR until their divestiture has been completed in pertinent part, Phillips will offer to gather gas on those Schedule A assets on the same terms and conditions offered by ANR on the date of their transfer.

b. From the time that this Agreement is accepted by the Commission until Phillips divests in pertinent part the Schedule A assets that it owns as of the date of the Agreement, Phillips will continue to purchase or gather gas from wells connected to those assets on the same terms and conditions in effect as of the date of this Agreement.

c. If a producer, operator, or shipper executes a waiver of its rights under this paragraph, Phillips may contract on such

other terms and conditions as it may deem appropriate.

6. Should the Commission seek in any proceeding to compel Phillips to divest itself of the assets to be acquired from Coastal or to seek any other injunctive or equitable relief, Phillips shall not raise any objection based upon the expiration of the applicable Hart-Scott-Rodino Antitrust Improvements Act waiting period or the fact that the Commission has not sought to enjoin the Acquisition. Phillips also waives all rights to contest the validity of this Agreement.

7. For the purpose of determining or securing compliance with this Agreement, subject to any legally recognized privilege, and upon written request with reasonable notice to Phillips and to their principal offices, Phillips shall permit any duly authorized representative or representatives of the Commission:

a. access during the office hours of Phillips, in the presence of counsel, to inspect and copy all books; ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of Phillips relating to compliance with this Agreement; and

b. upon five (5) days' notice to Phillips and without restraint or interference from them, to interview officers or employees of Phillips, who may have counsel present, regarding any such matters.

8. This Agreement shall not be binding until approved by the Commission.

Dated: December 27, 1996

PHILLIPS PETROLEUM COMPANY,
a corporation

FEDERAL TRADE COMMISSION

James L. Gallogly
Vice President, North America
Production Division, Phillips Petroleum
Company

Stephen G. Calkins
General Counsel

FEDERAL TRADE COMMISSION

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)	
))
PHILLIPS PETROLEUM COMPANY,)	
a corporation.)	
)	Docket No.
)	
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COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that respondent Phillips Petroleum Company ("Phillips"), through its subsidiary GPM Gas Corporation ("GPM"), is subject to the jurisdiction of the Commission and that Phillips' acquisition of certain gas-gathering assets of ANR Pipeline Company ("ANR"), a subsidiary of the Coastal Corporation, is in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act ("FTC Act"), as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint pursuant to Section 11 of the Clayton Act, as amended, 15 U.S.C. § 21, and Section 5(b) of the FTC Act, as amended, 15 U.S.C. § 45(b), stating its charges as follows:

I. PHILLIPS

PARAGRAPH ONE: Respondent Phillips is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business at Phillips Building, Bartlesville, Oklahoma 74004.

PARAGRAPH TWO: Respondent Phillips is, and at all times relevant herein has been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affects commerce, as "commerce" is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

II. THE PROPOSED ACQUISITION

PARAGRAPH THREE: Respondent Phillips, through its subsidiary GPM, entered into a Purchase and Sale Agreement dated January 12, 1996, with ANR to acquire the gas gathering assets currently owned by ANR.

III. THE RELEVANT MARKETS

PARAGRAPH FOUR: The relevant line of commerce in which to analyze the effects of the merger is natural gas gathering services i.e., the transportation, for the respondent's own account or for other persons, of natural gas from the wellhead or producing area to a natural gas transmission pipeline or a natural gas processing plant.

PARAGRAPH FIVE: The relevant sections of the country in which to analyze the effects of the acquisition are the areas in and around the following townships:

- a. T28N/R24W in Harper County, Oklahoma;
- b. T5N/R28E in Beaver County, Oklahoma;
- c. T29N/R21W in Woods County, Oklahoma;
- d. T24N/R25W in Ellis County, Oklahoma;
- e. T23N/R26W in Ellis Country, Oklahoma;
- f. T1N/R26E in Beaver, Oklahoma; and
- g. T23N/R18W in Woodward, Oklahoma.

PARAGRAPH SIX: The relevant line of commerce is highly concentrated in the relevant geographic markets. The acquisition will significantly increase concentration in the relevant geographic markets set forth in Paragraph Five a-g.

PARAGRAPH SEVEN: Respondent Phillips is an actual and potential competitor of ANR in the relevant line of commerce in the relevant geographic markets.

PARAGRAPH EIGHT: Effective entry in the relevant line of commerce in the relevant geographic markets is unlikely.

IV. EFFECTS OF THE MERGER

PARAGRAPH NINE: The effects of the acquisition may be substantially to lessen competition or to tend to create a monopoly in the relevant markets in the following ways, among others:

a. actual and potential competition between Phillips and ANR to provide natural gas gathering services to existing natural gas wells will be eliminated;

b. actual and potential competition between Phillips and ANR to provide natural gas gathering services for new natural gas wells will be eliminated; and

c. the respondent is likely to exact anticompetitive price increases from producers in the relevant geographic market for performance of natural gas gathering services in the relevant geographic markets; and

d. producers may be less likely to do exploratory and developmental drilling for new natural gas in the relevant geographic markets than prior to the merger.

V. VIOLATIONS CHARGED

PARAGRAPH TEN: The acquisition agreement described in Paragraph Five constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

PARAGRAPH ELEVEN: The acquisition described in Paragraph Five, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

IN WITNESS WHEREOF, the Federal Trade Commission, having caused this Complaint to be signed by the Secretary and its official seal affixed, at Washington, D.C., this day of 1996, issues its Complaint against respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL:

ISSUED:

**ANALYSIS TO AID PUBLIC COMMENT ON
THE PROVISIONALLY ACCEPTED CONSENT ORDER**

The Federal Trade Commission ("Commission") has accepted for public comment from Phillips Petroleum Co. ("Phillips") an agreement containing consent order. This agreement has been placed on the public record for sixty (60) days for reception of comments from interested persons.

Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement. The comments received, and will decide whether it should withdraw from the agreement or make final the agreement's order.

The Commission's investigation of this matter concerns Phillips' proposed acquisition, through its wholly-owned subsidiary, GPM Gas Services Corp., of certain pipeline gathering systems owned by ANR Pipeline Co. ("ANR"), a subsidiary of Coastal Corporation. Phillips and ANR are engaged in gas gathering -- the transportation of natural gas, for their own or for others' use, from a wellhead or producing area to a gas transmission pipeline or a gas processing plant. The Commission's investigation of this matter found potential

anticompetitive problems in certain areas within the following Oklahoma counties: Beaver, Ellis, Harper, Woods, and Woodward ("the Oklahoma counties"). For certain gas and oil producers in the Oklahoma counties, Phillips and ANR are the only, or two of very few, choices available to provide gas gathering services. The Commission was concerned that the proposed merger would eliminate competition between Phillips and ANR in providing gas gathering services. The Commission was also concerned that the proposed merger would lead to anticompetitive increases in gathering rates to these producers, and an overall reduction in gas drilling and production.

The Agreement Containing Consent Order would, if finally issued by the Commission, settle charges alleged in the Commission's Complaint that Phillips' acquisition of ANR's gas gathering systems substantially lessened competition in the gathering of natural gas in the Oklahoma counties. The nature of such competition to be preserved is the actual and potential competition to provide gas gathering services to producers and other customers. The Commission's Complaint further alleges that Phillips' acquisition agreement with ANR violates Section 7 of the Clayton Act and Section 5 of the Federal Trade Commission Act.

The order accepted for public comment contains provisions that would require Phillips to divest seven parts of a pipeline system, consisting of approximately 160 miles of pipe within the Oklahoma counties. The gas gathering assets to be divested are listed, with accompanying maps showing the locations of the pipelines, in Schedule A of the proposed Consent Order. Phillips must divest the assets by April 30, 1997 or 30 days following the consummation of the acquisition, whichever is later. The divestiture must be made to a person approved by the Commission and in a manner approved by the Commission. The purposes of the divestiture are to ensure the continued use of the Schedule A assets in the same type of business in which the assets are used at the time of the acquisition, and to remedy the lessening of competition resulting from the acquisition.

If Phillips does not divest the assets to a buyer acceptable to the Commission by the deadline, the Commission may appoint a trustee to sell the assets. The trustee may include additional assets with those specified in Schedule A to assure the marketability, viability, and competitiveness of the Schedule A assets so as to accomplish expeditiously the remedial purposes of the order.

For ten (10) years from the date that the order becomes final, the order would require prior Commission notification before Phillips could acquire from any one person during any 18-month period more than five miles of gas gathering pipelines located within certain portions of the Oklahoma counties.

In a separate agreement with Phillips, the Commission expressed concern that it might not have an adequate legal remedy if the proposed acquisition were consummated prior to Commission action. Phillips has agreed to maintain the assets that are being divested in their current condition and provide gathering service at existing terms and conditions to customers under contract with ANR until the Schedule A assets are either sold or the Commission decides not to accept this order.

The purpose of this analysis is to invite public comment concerning the consent order. This analysis is not intended to constitute an official interpretation of the agreement and order or to modify their terms in any way.