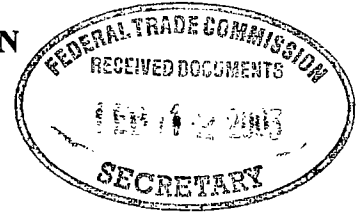


UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION



In the Matter of)
Conoco Inc.,)
a corporation,)
)
and)
)
Phillips Petroleum Company,)
a corporation.)
_____)

Docket No. C-4058
File No. 021-0040

**PETITION OF CONOCOPHILLIPS FOR APPROVAL OF
PROPOSED DIVESTITURE OF THE NEW MEXICO ASSETS**

Pursuant to Section 2.41(f) of the Federal Trade Commission (“Commission”) Rules of Practice and Procedure, 16 C.F.R. § 2.41(f) (2002), and Paragraph VII.B of the Decision and Order contained in the Agreement Containing Consent Orders accepted for public comment in this matter (“Decision and Order”), ConocoPhillips Company (“ConocoPhillips”) hereby petitions the Commission to approve the divestiture of the New Mexico Assets (as defined in the Decision and Order) to Frontier Field Services, LLC, a newly formed affiliate of Frontier Energy Services, LLC (“Frontier”).¹

Background

On August 2, 2002, Conoco Inc. (“Conoco”) and Phillips Petroleum Company (“Phillips”) (individually and collectively, “Respondents”) executed an Agreement Containing

¹ Capitalized terms that are not defined within this petition shall have the meanings set forth in the Decision and Order.

Consent Orders that included the Decision and Order and an Order to Hold Separate and Maintain Assets (collectively, the “Consent Agreement”) to settle the Commission’s charges that the proposed merger of Conoco and Phillips, if consummated, would violate Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18. On August 30, 2002, the Commission accepted the Consent Agreement for public comment, and Conoco and Phillips thereafter consummated their merger, thereby forming a new entity, ConocoPhillips.² The Consent Agreement is presently before the Commission for final approval and issuance of the orders contained therein.

Because this petition and its attachments contain confidential and competitively sensitive business information relating to the divestiture of the New Mexico Assets – the disclosure of which may prejudice ConocoPhillips and Frontier, cause harm to the ongoing competitiveness of the New Mexico Assets, and impair ConocoPhillips’ ability to comply with its obligations under the Consent Agreement – ConocoPhillips has redacted such confidential information from the public version of this petition and its attachments. Pursuant to Sections 2.41(f)(4) and 4.9(c) of the Commission’s Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(4) & 4.9(c) (2002), ConocoPhillips requests that the confidential version of this petition and its attachments and the information contained herein be accorded confidential treatment. The confidential version of this petition should be accorded such confidential treatment under 5 U.S.C. § 552 and Section 4.10(a)(2) of the Commission’s Rules of Practice and Procedure, 16 C.F.R. § 4.10(a)(2) (2002). The confidential version of this petition is also exempt from disclosure under Exemptions 4, 7(A), 7(B), and 7(C) of the Freedom of Information Act, 5 U.S.C. §§ 552(b)(4),

² After the merger, Conoco and Phillips remain as corporate entities, but both are now wholly-owned subsidiaries of and included within ConocoPhillips.

552(b)(7)(A), 552(b)(7)(B), & 552(b)(7)(C), and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, 15 U.S.C. § 18a(h).

ConocoPhillips desires to complete the proposed divestiture of the New Mexico Assets as soon as possible following Commission approval, and by no later than May 2, 2003. Prompt consummation will further the purposes of the Decision and Order and is in the interests of the public, Frontier, and ConocoPhillips, because it will allow Frontier to move forward with its business plans for the competitive operation of the assets to be divested. It will also allow ConocoPhillips to fulfill its obligations under the Consent Agreement. ConocoPhillips accordingly requests that the Commission promptly commence the period of public comment pursuant to Section 2.41(f)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(2) (2002), limit the public comment period to the customary 30-day period, and grant this petition by approving the divestiture of the New Mexico Assets to Frontier Field Services, LLC and the execution and initiation of the other required agreements as soon as practicable after the close of the public comment period.

I. The Proposed Divestiture is Consistent with the Terms of the Decision and Order

Paragraph VII of the Decision and Order requires Respondents to divest the New Mexico Assets to the acquirer by May 2, 2003 (nine (9) months from the date Respondents executed the Agreement Containing Consent Orders). Pursuant to this requirement, Respondents have diligently sought a buyer that would be acceptable to the Commission and have negotiated and executed all appropriate agreements.

On _____, ConocoPhillips entered into an Asset Purchase and Sale Agreement (the "Sale Agreement") with Frontier Field Services, LLC, which, subject to Commission approval, requires ConocoPhillips to sell the New Mexico Assets to Frontier Field Services, LLC. The Sale Agreement is attached at Confidential Exhibit 1. ConocoPhillips and Frontier Field Services, LLC have also entered into a number of agreements that are ancillary to the Sale Agreement. The ancillary agreements are attached hereto as exhibits to the Sale Agreement.

1. Paragraphs VII.A. and VII.B. of the Decision and Order require that Respondents divest the New Mexico Assets absolutely and in good faith to an acquirer within nine (9) months from the date Respondents executed the Agreement Containing Consent Orders. Pursuant to the Sale Agreement, Frontier Field Services, LLC will acquire the New Mexico Assets. Sale Agreement _____ The assets described in the Sale Agreement comprise all of the New Mexico Assets as defined in Paragraph I.A.M. of the Decision and Order.

2. Paragraph VII.D. of the Decision and Order provides that the purpose of the Decision and Order's provisions concerning the divestiture of the New Mexico Assets is to ensure the continued use of the New Mexico Assets in the same business in which they were

engaged at the time of the announcement of the proposed merger, and to remedy the lessening of competition in Gas Gathering alleged in the Commission's complaint. As discussed in greater detail below, Frontier, who will control operate and manage the New Mexico Assets, is an active gatherer, processor, and marketer of natural gas. The Frontier management team consists of a small group of multi-disciplined professionals whose backgrounds together comprise more than 70 years of upstream and midstream natural gas industry experience with major gas companies and successful independents. Frontier's management team has a strong mix of engineering, operations, accounting, administrative, merger and acquisition, and financial experience. In addition, the management team has helped create six successful natural gas entities over the past 22 years. Moreover, neither Frontier nor Frontier Field Services, LLC have any gas gathering or processing assets in or near the vicinity of the New Mexico Assets. Accordingly, the proposed divestiture will accomplish the Commission's goals.

II. The Proposed Acquirer Will be a Strong and Effective Competitor

Frontier is an established, experienced competitor in gas gathering and processing.

While Frontier has only been in operation since December 2001, it is managed by a successful team of entrepreneurs with extensive experience in gas gathering and processing. President, CEO, and major interest owner, Dave Presley has served with highly successful gas gathering, processing, and marketing companies for more than 27 years, most recently serving as President and Chief Executive Officer of CMS Field Services, Inc., a subsidiary of CMS Energy Corporation. Mr. Presley has directed more than \$300 million in asset acquisitions involving natural gas gathering, processing, and marketing. A copy of Mr. Presley's resume is attached hereto at Exhibit 3.

Executive Vice President James E. Lind has more than 19 years of experience in the natural gas industry, including six years as President and owner of Mercury Energy, Inc. Mr. Lind has evaluated, directed, and managed over \$900 million in midstream natural gas acquisition projects, including most recently the Transok system in Oklahoma, the Belvan and

Benedum systems in West Texas, and the Noark Gas Transmission system in Arkansas. A copy of Mr. Lind's resume is attached hereto at Exhibit 3.

Controller Kelly Wood has over 20 years of financial control and oversight experience, including 9 years with established midstream natural gas gathering and processing companies, including American Central Gas Technologies, Inc. and Encore Energy, Inc. A copy of Mr. Wood's resume is attached hereto at Exhibit 3.

Director of Gas Supply Mindy Stephens spent seven years as Manager of Gas Supply for two successful gas gathering and processing companies, CMS Field Services, Inc. and Heritage Gas Services, prior to which she spent six years as a gas supply and storage analyst. A copy of Ms. Stephens' resume is attached hereto at Exhibit 3.

Lew Ward, founder and owner of Frontier's other major interest holder, Ward Petroleum Corporation, serves as Chairman and Chief Executive Officer of Ward Petroleum Corporation. Ward Petroleum Corporation was listed in Inc. Magazine as one of America's 500 fastest growing private companies in 1991, 1992 and 1993. A copy of Mr. Ward's resume is attached hereto at Exhibit 3.

Following are brief descriptions of some of the companies that have been successfully founded and operated by members of Frontier's management team:

- Colony Energy Corporation was founded by Mr. Presley in 1982.
- Centennial Natural Gas Corp. was founded by Mr. Presley in 1988.
- Ward Gas Services, Inc. was founded in 1985 by Mr. Ward.
- Gale Force Compression Corp. was founded in 1989 by Mr. Ward.
- Heritage Gas Services, LLC was founded in 1995 by Mr. Presley.
- Mercury Energy, Inc. was founded in 1996 by Mr. Lind, who is currently its owner and operator.

Following the divestiture, Impact Energy Services, LLC (“Impact”) will hold, through a ten percent (10%) ownership in Frontier Field Services, LLC, an ownership interest in the New Mexico Assets. Impact was formed as an Oklahoma limited liability company in October, 2001. The ownership of Impact is split between The GHK Company (“GHK”) and Impact Partners, L.L.C. (“Impact Partners”). GHK is a privately held oil and gas exploration company headquartered in Oklahoma City, Oklahoma. Impact Partners was formed as an Oklahoma limited liability company in October, 2001 and is owned by the three principals that started the company: Don Jacobsen, President; Greg Brooks, Vice President; and Larry Woodson, Vice President. The principals of Impact Energy have over seventy-five (75) years in the natural gas industry with an emphasis in the gathering, treating, compression, and marketing segments of the business.

Impact owns a substantial interest in the Potato Hills Gas Gathering System located in Latimer County, Oklahoma. Impact also owns the remaining interests in the San Bois Treating Facility LLC and the Kelton Gas Services, LP, which are not owned by Frontier. Moreover, Impact has no gathering or processing assets in or near the vicinity of the New Mexico Assets.

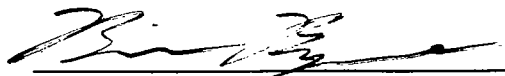
* * *

ConocoPhillips and Frontier Field Services, LLC have entered into agreements for the divestiture of the New Mexico Assets that fully comply with the Commission’s Decision and Order. Accordingly, ConocoPhillips hereby seeks expeditious Commission approval of the proposed divestiture to Frontier Field Services, LLC pursuant to Paragraph VII.B. of the Decision and Order.

Conclusion

For the foregoing reasons, ConocoPhillips respectfully requests that the Commission expeditiously approve the proposed divestiture of the New Mexico Assets to Frontier Field Services, LLC, as in the manner provided in the Agreements, as soon as practicable after expiration of the public comment period.

Respectfully submitted,



George S. Cary
Brian Byrne
Wesley B. Brown
Cleary, Gottlieb, Steen & Hamilton
2000 Pennsylvania Ave., NW
Washington, DC 20006
(202) 974-1500

Counsel for ConocoPhillips
Dated: February 12, 2003

Confidential Exhibit 1
Purchase and Sale Agreement

[REDACTED]

Confidential Exhibit 2

Map of Chaves and Santa Niño Gathering Systems

[REDACTED]

Dave Presley President and CEO

January 2002 to present, President, CEO and majority shareholder of Frontier Energy Services, LLC

From November of 1998 to May 2001, Dave Presley served as President and CEO of CMS Field Services, Inc., a wholly owned subsidiary of CMS Energy Corporation. CMS Field Services functions as the natural gas midstream business unit of CMS Energy. Mr. Presley's responsibilities involved overseeing the operations and business development activities, and the financial results of CMS' natural gas gathering, compression, treating, processing, and natural gas and natural gas liquids marketing business. CMS Field Services has operations in the Gulf Coast, Mid-Continent, Permian, and Rocky Mountain Regions of the United States, and owns more than 4,400 miles of natural gas gathering systems, five active natural gas processing plants, 100,000 hp of compression, and assets of approximately \$300 million. CMS Energy Corporation has assets throughout the United States and around the world with businesses in electric and natural gas utility operations, independent power production, natural gas pipelines, gathering, processing, and storage, oil and gas exploration and production, and energy marketing.

Prior to joining CMS, Mr. Presley successfully founded Heritage Gas Services, LLC, a privately held, full-service natural gas gathering, processing, treating, compression and marketing company. Heritage was formed in 1995, profitable within its first year of operation, and participated in the acquisition and installation of more than \$100 million worth of gathering and processing related projects within its first three years. Entrepreneur Magazine named Heritage as the third fastest growing small business in America in 1998. CMS Energy acquired Heritage in November 1998.

From 1991 to 1994, Mr. Presley served as President of Grand Valley Gathering Company and Director of Grand Valley Gas Company, a publicly owned natural gas gathering, processing, and marketing company with annual revenue in excess of \$300 million. Preceding Grand Valley, Mr. Presley successfully founded Centennial Natural Gas Corp. and served as its CEO and majority shareholder from 1988 through 1991. Centennial was acquired by Grand Valley in 1991.

The first company founded by Mr. Presley was Colony Energy Corporation, where he served as CEO and majority shareholder. Colony was a privately held natural gas company whose primary business activity was the marketing of natural gas. Following deregulation of the natural gas industry, Colony became one of the first companies to successfully market natural gas from the wellhead to the burnertip. Colony was acquired by a large gas utility in 1986.

Mr. Presley earned his Bachelor's degree from Angelo State University, San Angelo, Texas, and performed his graduate work at the University of Texas of the Permian Basin. He and his wife, Darla, reside in Tulsa, Oklahoma and have two children.

James E. Lind
Vice President, Business Development

April 2002 to present: Vice President, Business Development for Frontier Energy Services, LLC

James Lind has more than 18 years of experience in the natural gas industry. Since 1996, he has been President and owner of Mercury Energy, Inc. and has initiated contractual relationships with all four major natural gas industry segments (production, pipeline, marketing and utility) to fund corporate development of engineering and investment opportunities. In its initial year of operation, Mercury Energy exceeded 200% growth of original invested capital. Completed projects involved engineering, business evaluation, and acquisition due diligence ranging from \$600 thousand to \$50 million in the upstream and midstream sectors. Mr. Lind has also negotiated a long-term funding relationship for partnership interest in the development of domestic 500MW natural gas fired electric generation facilities. Significant projects have included:

- **Project Manager - Interstate Natural Gas Pipeline**
Responsible for coordination, engineering and environmental management, and project development of a \$100 million interstate pipeline, including the engineering design, environmental assessment, and FERC 7c application. Coordinated and managed the filing of a 10,000-hp and 749-mile pipeline project from conception through approval stage on time and under budget. Project was filed with the FERC in March and approved the following June.
- **Business Development and Acquisition - Permian Basin G&P Assets**
Responsible for initiation, negotiation and subsequent acquisition of a 345-mile natural gas gathering pipeline with two natural gas processing facilities on behalf of client.
- **Business Development and Acquisition - West Texas Properties**
Responsible for initiation, evaluation and subsequent acquisition of 200 miles of natural gas gathering, treating and 140 MMcf/d gas processing facilities on behalf of client.
- **Evaluation - Mid-Continent Natural Gas Storage**
Responsible for the engineering and economic feasibility of a natural gas storage field for expansion and integration with an interstate pipeline facility. Project evaluated with a net present value of \$30 million on behalf of client.

Prior to starting Mercury, Mr. Lind held numerous progressive positions with Delhi Gas Pipeline Corp., Sun Pipe Line Company, Duke Energy, and American Central Gas Corp., involving natural gas pipeline and processing plant operations, engineering management, and business development roles. In 1983, Mr. Lind graduated from Texas A&M University with a Bachelor of Science degree in Mechanical Engineering. He and his wife, Jennifer, reside in Tulsa and have one daughter.

Kelly Wood Controller

August 2002 to present, Controller of Frontier Energy Services, LLC

From July 1997 to August 2002, Kelly Wood served as Controller and Assistant Controller for American Central Gas Technologies, Inc. American Central Gas Technologies owns and operates regional low-pressure gathering systems and processing facilities. Mr. Wood's responsibilities included financial reporting to the management, board of directors and financial institutions. His other responsibilities involved operational accounting, preparation of models for acquisition due diligence, and evaluation of project economics and contract scenarios. Mr. Wood coordinated preparation of cash flow forecasts, and corporate and partnership tax returns. His additional duties included preparation of annual operating budgets, and monitoring and reporting Authority For Expenditure activity between operational groups and management. Mr. Wood was also responsible for accounting system design and implementation.

Since 1997, American Central Gas Technologies' inlet volumes from its regional low-pressure gathering systems have grown from 100 MMcf/d to a level in excess of 250 MMcf/d. Facilities include a 75 MMcf/d cryogenic processing plant. Additional business segments included a natural gas marketing subsidiary and a Web-based information technology company.

From October 1993 to August 1997, Mr. Wood was the Controller for Encore Energy, Inc., a natural gas marketing company. Encore actively aggregated and marketed natural gas from wellhead supply contracts. Mr. Wood developed Encore's accounting and administrative systems. He also directed the company's financial operations and investor reporting, including financial statements and weekly cash flow projections. His other duties included monitoring gas control status, trading activity and risk positions on a daily basis.

From June 1985 to October 1993, Mr. Wood was Accounting Manager and Manager of Budget and Planning for Vesta Energy and Esco Energy. These entities included a natural gas marketing subsidiary, a natural gas exploration and production company, and a natural gas pipeline company. Mr. Wood was responsible for operational and tax accounting, and developed accounting procedures for the accounting department. Mr. Wood also designed and implemented all elements of the accounting segment of the companies' information system. The extensive system design and implementation was completed on budget and within the nine-month schedule.

From June 1982 to June 1985, Mr. Wood was a staff member in both audit and tax divisions of Arthur Andersen & Co., participating in various oil and gas audits and tax issues.

Mr. Wood earned his Bachelor's degree in Accounting and a Master's degree in Business Administration from Oklahoma State University. Mr. Wood and his wife, Diane, live in Tulsa and have two children.

Mindy Stephens Director of Gas Supply

April 2002 to present, Director of Gas Supply for Frontier Energy Services, LLC

Mindy Stephens served as Manager of Gas Supply for CMS Field Services, Inc., a wholly owned subsidiary of CMS Energy Corporation, from November 1998 through March 2002. As Manager of Gas Supply, Ms. Stephens was responsible for the connection of new gas supply sources to five of CMS' gathering and processing systems; negotiating new gas purchase, gathering, and processing agreements; and developing and maintaining customer relations. The systems consisted of 3,600 miles of natural gas gathering lines, 100 MMbbl/d of processing capacity, and assets of approximately \$100 million. In addition to gas supply, she was responsible for generating economic analysis for new supply projects, and a budget for each system.

Prior to joining CMS, Ms. Stephens served as Manager of Gas Supply for Heritage Gas Services, LLC from May of 1995 until CMS Energy acquired Heritage in November 1998. In addition to locating and securing new supply sources for connection to Heritage's gas gathering and processing systems, Ms. Stephens was responsible for Gas Control, Contract Administration, and assisted with the marketing of Heritage's natural gas and natural gas liquids.

From July 1994 to May 1995, Ms. Stephens served as Gas Storage Analyst for Associated Natural Gas, Inc.

From March 1993 to June 1994, Ms. Stephens served as Gas Storage Analyst for Grand Valley Gas' Richfield Gas Storage System and was involved in the development through the completion of the storage project. As Storage Analyst, she interfaced with Richfield Gas Storage customers and field personnel to properly process all nominations and maintain operational balancing with interconnecting pipelines, prepared and submitted all regulatory reporting for the facility, and implemented and maintained gas accounting procedures for Richfield customers. Grand Valley Gas was acquired by Associated Natural Gas, Inc. in July of 1994.

Ms. Stephens served as Contract Analyst for Centennial Natural Gas from March 1991 through February 1993. As Contract Analyst, she was responsible for generating and maintaining all gas gathering, processing, purchase and sale agreements. Centennial was acquired by Grand Valley Gas Company in 1991.

Ms. Stephens earned her Bachelor's degree in Business Management from the University of Phoenix. She and her husband, Craig, reside in Broken Arrow, Oklahoma and have two children.

L.O. (Low) Ward

L.O. Ward, Oil and Gas Operator, Chairman and Chief Executive Officer of Ward Petroleum Corporation. Ward Petroleum Corporation was listed in Inc. Magazine as one of America's 500 fastest growing private companies in 1991, 1992 and 1993.

Mr. Ward is currently a member of the Energy Advocates and the National Petroleum Council. Previously, he served as Governor Henry Bellmon's Oklahoma Representative to the Interstate Oil Compact Commission (1988-1990), a member of the Governor's Advisory Council on Energy (1978), Director and Past President of the Oklahoma Independent Petroleum Association (1979-1980), and is one of the founders of the University of Oklahoma Energy Center. A former Director and Area Vice President of the Independent Petroleum Association of America, Mr. Ward served as Chairman of the Independent Petroleum Association of America from 1995-1997.

Mr. Ward is currently a member of the University Board of Pepperdine University, the Board of Visitors for the College of Engineering and the Advisory Board for the School of Business Administration at the University of Oklahoma. Mr. Ward was inducted into the University of Oklahoma College of Engineering Distinguished Graduates Society in 1996, was named Energy Leader of the Year in 1996 by the National Association of Royalty Owners and received Lone Star Steels' "Chief Roughneck" Award in 1999 for lifetime achievement in the oil and gas industry. He also serves as a board member of the Institute of Nautical Archaeology.

Mr. Ward also served as Director of the Oklahoma State Chamber of Commerce and President of the Enid Chamber of Commerce. He has served as President of the Enid Rotary Club and the American Business Club. The Enid Chamber of Commerce named him "Businessman of the Year." Long interested in politics, Mr. Ward has served as Oklahoma State Finance Chairman and Republican National Committeeman for Oklahoma and is a Republican Eagle.

Mr. Ward was born on July 24, 1930, in Oklahoma City, Oklahoma. He received his B.S. degree in Petroleum Engineering from the University of Oklahoma in 1953. He is a Registered Professional Engineer in the state of Oklahoma and a graduate of the Owner/President Management Program at Harvard University.