

ChevronTexaco. On January 2, 2002, the Commission finally accepted the Consent Agreement and issued the Decision and Order ("Order").

Because this petition contains confidential and competitively sensitive business information, disclosure of which would run counter to the public interest, ChevronTexaco has redacted such confidential information from the public version of the petition and further requests that the non-public version of the petition and the information contained therein be accorded confidential treatment under 5 U.S.C. § 552 and Section 4.10(a)(2) of the Commission's Rules, 16 C.F.R. § 4.10(a)(2).

Description of the Proposed Divestiture

Paragraph V of the Order requires ChevronTexaco to divest Texaco's interest in the Discovery System ("Discovery") within six (6) months from the date of the merger consummation. Pursuant to this requirement, ChevronTexaco had diligently sought a buyer that would be acceptable to the Commission. On January 14, 2002, Texaco Discovery System Inc., the entity within ChevronTexaco that holds the Texaco interest in Discovery, executed a Purchase and Sale Agreement with DEFS. A copy of the executed Purchase and Sale Agreement including ancillary schedules and exhibits is attached to this petition as Confidential Exhibit 1.

The Discovery Operating Agreement provides

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Therefore, ChevronTexaco will divest its interest in Discovery to DEFS promptly after obtaining the Commission's approval.

As part of the proposed divestiture, ChevronTexaco and DEFS also agreed to a Form of NGL Agreement that will be executed shortly before closing. This agreement is designed to satisfy Paragraph V.C. of the Order, which requires ChevronTexaco to "enter into an agreement with the acquirer of Texaco's interest in the Discovery System for the purchase, sale or exchange of natural gas liquids that is no less favorable for the acquirer than the terms of the Texaco-Williams Contract . . ." A copy of this Form of NGL Agreement is included in the Purchase and Sale Agreement, and is attached to this petition as part of Confidential Exhibit 1.

The Proposed Divestiture Fully Complies with the Order

Paragraph V.F. of the Order provides that "[t]he purpose of the divestiture of Texaco's interest in the Discovery System is to eliminate the overlap of ownership between the Discovery System and the Venice System and to remedy the lessening of competition resulting from the proposed Merger as alleged in the Commission's Complaint." The proposed divestiture would resolve the Commission's competitive concerns and preserve competition that existed prior to the Chevron-Texaco merger, as alleged in the Commission's Complaint.

The Proposed Buyer

The proposed buyer, DEFS, is a joint venture between Duke Energy and Phillips Petroleum Company. DEFS is one of the nation's largest natural gas gatherers, the largest natural gas liquids producer, and one of the largest natural gas liquids marketers. Duke Energy is a diversified multi-national energy company engaged in natural gas and electric supply, delivery and trading businesses. Phillips Petroleum Company is an integrated petroleum company engaged in oil and gas exploration and production worldwide, refining, marketing and transportation operations mainly in the U.S., and worldwide chemicals and plastics manufacturing and sales.

DEFS has the requisite experience and expertise in all aspects of natural gas gathering, processing, fractionating, marketing, storage and transportation businesses. It gathers and transports approximately 7.3 billion cubic feet of raw natural gas, produces approximately 400,000 barrels of natural gas liquids, and markets and trades approximately 486,000 barrels of natural gas liquids per day. Therefore, DEFS should have no problem in preserving the Discovery System as a viable and competitive going concern.

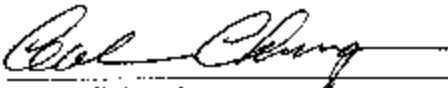
The Proposed Divestiture Does Not Raise Any Competitive Concerns

The proposed divestiture does not present any competitive concerns. While it is a major midstream natural gas company, DEFS does not compete with Discovery in gathering and transporting natural gas in the relevant area in which the Commission alleged competitive harm in the Complaint and Order. Furthermore, there is no overlap between Discovery and any of the DEFS-owned natural gathering pipelines in the Gulf of Mexico. Therefore, the proposed divestiture does not raise the type of competitive harm the Commission alleged in the merger between Chevron and Texaco, or any other types of competitive concerns.

Conclusion

For the foregoing reasons, ChevronTexaco respectfully requests that the Commission approve the proposed divestiture as soon as practicable after expiration of the public comment period.

Respectfully submitted,

 Dated March 8, 2002

Terry Calvani
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Confidential Exhibit 1

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