

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT
OF TEXAS
(HOUSTON DIVISION)

THE STATE OF TEXAS

and

THE STATE OF NEW MEXICO

Plaintiffs,

vs.

CONOCO INC.,

and

PHILLIPS PETROLEUM COMPANY,

Defendants.

Civil Action Number: H-02-3266

United States Courts
Southern District of Texas
ENTERED

AUG 30 2002

Michael N. Milby, Clerk of Court

Entered:
Filed:

FINAL CONSENT JUDGMENT

Plaintiffs, the State of Texas ("Texas") and the State of New Mexico ("New Mexico"), filed their Complaint herein on 08-30-02 in regards to the proposed merger of Defendants, Conoco Inc., ("Conoco") and Phillips Petroleum Company ("Phillips") (hereinafter collectively referred to as "Defendants"). Defendants were duly served with copies of the Complaint and have waived service of summons and enter their appearance in this action.

Plaintiffs filed their Complaint to ensure that competition is not substantially lessened upon the consummation of the Merger. Without admitting any facts or conclusion in Plaintiffs' Complaint, other than jurisdictional facts, Defendants have agreed to divest, or otherwise cause to be sold, certain assets and provide for other relief in certain areas of New Mexico and Texas.

Plaintiffs and Defendants, by and through their attorneys by their signatures appearing below, have consented to the entry of this Final Consent Judgment. This Final Consent Judgment does not constitute evidence against, or an admission by, any party that the law has been violated as alleged in Plaintiffs' Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts,

are true.

Prompt and certain divestitures of assets are the essence of this Final Consent Judgment. Defendants have represented to Plaintiffs that Defendants can comply with the obligations set forth in this Final Consent Judgment, that full relief as provided in this Final Consent Judgment can be accomplished, and that the Defendants will later raise no claims of hardship or difficulty as grounds for asking the Court to modify any of the divestiture provisions or provisions regarding the terms and conditions contained below.

NOW, THEREFORE, without trial or adjudication of any issue of fact or law alleged in the Complaint and upon the consent of the parties,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

I.
JURISDICTION AND VENUE

A. This Court has jurisdiction over the subject matter of this action and each of the parties hereto pursuant to 28 U.S.C. §§ 1331 and 1337(a) and §§ 15 and 16 of the Clayton Act, as amended, 15 U.S.C. §§ 25 and 26. This Court has jurisdiction of the pendent state claims pursuant to 28 U.S.C. § 1367(a). Venue is proper in this Court under Section 12 of the Clayton Act, 15 U.S.C. § 22, and under 28 U.S.C. § 1391(b).

B. The Complaint states claims against Defendants under Section 7 of the Clayton Act as amended, 15 U.S.C. § 18; Section 1 of the Sherman Act, 15 U.S.C. § 1; and under the state antitrust and unfair competition laws alleged in the aforesaid Complaint. The Attorneys General for Texas and New Mexico have authority to bring this action pursuant to Section 16 of the Clayton Act, 15 U.S.C. § 26; the Texas Free Enterprise and Antitrust Act of 1983, TEX. BUS. & COM. CODE § 15.01 et seq. (the "Texas Antitrust Act"); and the New Mexico Antitrust Act, § 57-1-1 et seq., N.M.S.A. 1978 (the "New Mexico Antitrust Act").

II.
APPLICABILITY

A. The provisions of this Final Consent Judgment shall apply to Defendants, and their successors and assigns, their subsidiaries, affiliates, directors, officers, managers, agents,

representatives, employees and all other persons in active concert or participation with any of them who receive actual notice of this Final Consent Judgment by personal service or otherwise.

B. Nothing herein is or has been created for the benefit of any third party, and nothing herein shall be construed to provide any rights to any third parties.

III. **DEFINITIONS**

As used in this Final Consent Judgment:

- A. "Conoco" means Conoco Inc., its directors, officers, employees, agents and representatives, predecessors, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by Conoco, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each. Conoco does not include Phillips.
- B. "Phillips" means Phillips Petroleum Company, its directors, officers, employees, agents and representatives, predecessors, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by Phillips, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each. Phillips does not include: (1) Conoco or (2) DEFS as long as Phillips' proportionate ownership and other interests and rights in DEFS do not increase relative to what they were at the time Defendants executed the FTC Consent Agreement.
- C. "ConocoPhillips" means the entity resulting from the merger involving Conoco and Phillips, its directors, officers, employees, agents and representatives, predecessors, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by ConocoPhillips, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each. ConocoPhillips does not include DEFS as long as ConocoPhillips' proportionate ownership and other interests and rights in DEFS do not increase relative to what Phillips' proportionate ownership and other interests and rights were at the time Defendants executed the FTC Consent Agreement.

- D. "Defendants" means Conoco and Phillips, individually and collectively, and, after the Merger, ConocoPhillips.
- E. "The State of New Mexico" or "New Mexico" means the State of New Mexico, by and through the Office of the Attorney General of New Mexico.
- F. "The State of Texas" or "Texas" means the State of Texas, by and through the Office of the Attorney General of Texas.
- G. "Assets To Be Divested" means (1) New Mexico Assets, and (2) Texas Assets.
- H. "Commission" or "FTC" means the Federal Trade Commission.
- I. "ConocoPhillips DEFS Board Members" means all board members appointed by ConocoPhillips, Conoco, or Phillips to the board of directors of DEFS.
- J. "ConocoPhillips Non-Public GCF Information" means Non-Public Information relating to GCF.
- K. "Cost" means all direct costs, including raw materials, labor, utilities, and third-party contract services actually used to provide services to the acquirer of the relevant business. "Cost" also includes the pro rata share of the cost of the capital employed in the relevant facility and those indirect costs related to operating the relevant facility, including taxes, depreciation, overhead, and third-party contracts. When calculating the pro rata shares of the costs of a facility, Defendants shall use the following formula: the amount of capacity used by the acquirer of the relevant business divided by the then-current total capacity utilization of the relevant facility.
- L. "DEFS" means Duke Energy Field Services, LLC, a limited liability company, organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its offices and principal place of business located at 370 17th Street, Suite 900, Denver, Colorado 80202, its directors, officers, employees, agents and representatives.
- M. "DEFS Non-Public Fractionation Information" means Non-Public Information relating to Enterprise or Mont Belvieu I.
- N. "Duke" means Duke Energy Corporation, a corporation, organized, existing and

doing business under and by virtue of the laws of the State of North Carolina, with its offices and principal place of business located at 526 South Church Street, Charlotte, North Carolina 28202, its directors, officers, employees, agents and representatives.

- O. "Duke DEFS Board Members" means all board members appointed by Duke to the board of directors of DEFS.
- P. "Effective Date of Divestiture" means the date on which the applicable divestiture is consummated. Each Asset To Be Divested may have its own Effective Date of Divestiture.
- Q. "Enterprise" means the fractionating facility located at 10207 Farm Road, FM 1942, Mont Belvieu, Chambers County, Texas.
- R. "FTC Consent Agreement" means the valid and final Agreement Containing Consent Orders, executed on August 2, 2002, by and between Defendants and the Commission in respect to the Merger.
- S. "FTC Decision and Order" means the valid and final Decision and Order contained in the FTC Consent Agreement.
- T. "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.
- U. "GCF" means the fractionating facility owned by Gulf Coast Fractionators and located 1.5 miles west of Highway 146 on Farm Road FM 1942, Mont Belvieu, Chambers County, Texas.
- V. "Maljamar Processing Plant" means Conoco's gas processing facility located at 1001 Conoco Road, Maljamar, New Mexico, and includes:
 - 1. all of Conoco's interest in all tangible assets used in the operation of the facility, including, but not limited to, all facilities, physical assets and pipelines used in the operation of the facility;
 - 2. all books, records, and documents relating to the facility and to the products

processed at the facility; provided, however, that if any such books, records, or documents also include matters not related to the facility or to products processed at the facility, then only those portions of the books records and documents that relate to the facility or to the products processed at the facility shall be included;

3. on an exclusive basis, all easements, rights of way, or other rights used solely in the operation of the facility, and on a non-exclusive basis, all other easements, rights of way, or other rights used in the operation of the facility;
4. all licenses and permits used in the operation of the facility;
5. an exclusive right to all intellectual property used solely at the facility, and a non-exclusive right to use at the facility all other intellectual property used at the facility; and
6. all contracts, agreements or understandings relating to the operation of the facility and relating to the operation of any physical assets or pipelines used in the operation of the facility; provided, however, that if any such contract, agreement or understanding includes matters or terms not relating to the operation of the facility or to the operation of the other physical assets or pipelines used in the operation of the facility, then only those provisions relating to the Maljamar Processing Plant shall be included.

“Maljamar Processing Plant” does not include the assets listed on Exhibit A, the public version of which is attached hereto. (The non-public version of Exhibit A is filed with the FTC Decision and Order as Exhibit B, Non-Public Version, and is incorporated herein by reference for all purposes.)

- W. “Merger” means the proposed merger of Conoco and Phillips.
- X. “Merger Date” means the date on which the Merger is consummated.
- Y. “Mertzson Facility” means Conoco’s gas processing facility located seven miles southwest of Mertzson, Texas, on Highway 67, Irion County, Texas 76941.
- Z. “Mont Belvieu I” means the fractionating facility located at 9900 Farm Road FM

1942, Mont Belvieu, Chambers County, Texas.

- AA. "New Mexico Assets" means (1) all of Conoco's tangible assets located in the New Mexico Specified Area used for the gathering, compression, processing, transportation, or sale of natural gas; (2) all contracts, agreements and understandings relating to the tangible assets defined in (1), above; provided, however, that if any such contract, agreement or understanding includes matters or terms not related to the tangible assets defined in (1), above, then only those provisions relating to the tangible assets defined in (1), above, shall be included; (3) the Maljamar Processing Plant; and (4) on an exclusive basis, all easements, rights of way, or other rights used solely in the operation of the New Mexico Assets, and on a non-exclusive basis, all other easements, rights of way, or other rights used in the operation of the New Mexico Assets. "New Mexico Assets" does not include: (1) the assets listed on Exhibit A; or (2) any of Conoco's ownership interest in real estate related to the assets described in (1), above, provided that Defendants shall grant the acquirer of the New Mexico Assets all easements, rights of way, or other rights necessary to operate the New Mexico Assets.
- AB. "New Mexico Specified Area" means, in the State of New Mexico, all sections within the township and ranges of 16S/30E-33E; all sections within 17S/31E-33E; all sections within 18S/32E-33E; sections 3-10, 15-22 and 27-34 of 16S-17S/34E; sections 3-10, 15-22 and 27-32 of 18S/34E; sections 3-7 and 17-20 of 19S/34E; section 6 of 20S/34E; section 1 of 20S/33E; sections 1-12, 14-23, 26-32 and 35-36 of 19S/33E; sections 1-6, 8-17, 22-26, 30-31 and 36 of 19S/32E; sections 1-3, 12-13, 15-17, 19-25 and 27-28 of 19S/31E; sections 1-18, 20-27 and 34-36 of 18S/31E; sections 1-17, 20-26 and 34-36 of 17S/30E; sections 1-4, 9-16 and 21-23 of 18S/30E; sections 1, 12, 13, 24, 25, and 36 of 16S/29E; sections 1 and 12 of 17S/29E; section 35 of 15S/33E; sections 9, 16, 21, 28, 29, 32 and 33 of 15S/32E; sections, 4-9, 15-22 and 27-34 of 15S/30E; sections 1-5, 8-17, 20-29 and 32-36 of 15S/29E; sections 20-29 and 32-36 of 14S/29E; and sections 19-21 and 28-33 of 14S/30E.

“New Mexico Specified Area” is depicted on the map that is filed with the FTC Decision and Order as Confidential Exhibit B-1, and is incorporated herein by reference for all purposes.

- AC. “Non-Public Information” means any information not in the public domain. “Non-Public Information” shall not include information that was publicly available prior to the date Defendants executed the FTC Consent Agreement or that thereafter becomes publicly available or is disclosed to Defendants without any violation of this Final Consent Judgment by Defendants and without violation of law or regulation by or known to Defendants.
- AD. “Person” means any individual, partnership, association, company or corporation.
- AE. “Specified Gas Gathering Areas” means the New Mexico Specified Area and the Texas Specified Area, individually and collectively.
- AF. “Texas Assets” means (1) all of Conoco’s tangible assets located in the Texas Specified Area used for the gathering, compression, processing, transportation, or sale of natural gas; (2) all contracts, agreements and understandings relating to the tangible assets defined in (1), above; provided, however, that if any such contract, agreement or understanding includes matters or terms not related to the tangible assets defined in (1), above, then only those provisions relating to the tangible assets defined in (1), above, are included; and (3) on an exclusive basis, all easements, rights of way, or other rights used solely in the operation of the Texas Assets, and on a non-exclusive basis, all other easements, rights of way, or other rights used in the operation of the Texas Assets. “Texas Assets” does not include (1) the assets listed on Exhibit B, the public version of which is attached hereto; or (2) any of Conoco’s ownership interest in real estate related to the assets described in (1), above, provided that Defendants shall grant the acquirer of the Texas Assets all easements, rights of way, or other rights necessary to operate the Texas Assets. (The non-public version of Exhibit B is filed with the FTC Decision and Order as Exhibit E, Non-Public Version, and is incorporated herein by reference for all purposes.)

AG. "Texas Specified Area" means:

1. in Sutton County, Texas: T.W.N.G.R.R. Co. Block A-9, sections 7, 8 and 10; T.W.N.G.R.R. Co. Block 9, sections 26-29, 31-39, 43-46, 72 and 100; H.E.&W.T.R.R. Block A, sections 1, 31-35 and 63; G.C.&S.F.R.R. Co., sections 10-15; H.E.&T.R.R. Co. Block B, sections 14, 15, 23, 24, 48, 59, 69-72 and 134-138; E.L.&R.R.R.R. Co., sections 13-20; and G.C.&S.F.R.R. Co. Block D, sections 68-74;
2. in Schleicher County, Texas: G.C.&S.F.R.R. Co. Block 2, sections 18, 23, 24 and 27; G.C.&S.F.R.R. Co. Block 5, sections 4-8; G.C.&S.F.R.R. Co. Block A, sections 4, 13-28, 31-37, 40-44 and 56½; G.C.&S.F.R.R. Co. Block D, sections 5, 57, 59-61 and 64-68; E.L.&R.R.R.R. Co., sections 2 and 194½; H.E.&W.T.R.R. Block A, sections 1, 2, 5-7, 25-29, 41-51, 75-82, 104-112, 136-141, 161, 165-172, 176, 191 and 195-202; G.H.&S.A.R.R. Co., section 23; G.H.&S.A.R.R. Co. Block L, sections 34, 36 and 37; G.H.&S.A.R.R. Co. Block EEE, section 6; G.H.&S.A.R.R. Co. Block I, sections 4, 5, 8, 21, 24, 36, 37, 39-41, 53-55, 70 and 71; G.H.&S.A.R.R. Co. Block M, sections 3, 10, 11, 14-16, 19-23, 25-35, 37-42, 48, 67 and 78-80; G.H.&S.A.R.R. Co. Block H, sections 65, 67-70, 72-74 and 79; T.W.N.G.R.R. Block 8, section 39; Block TT, sections 3-27, 32-51, 53, 54 and 58-84; Block LL, sections 1-56, 59, 61, 63, 75, 76, 83 and 84; University Land Block 54, sections 20-22; TC R.R. Co., section 1213; Tom Green Co. School Land, sections 3, 3½ and 5; G. Roeder, section 1891; F. Kloepper, section 1892; M.E. Ratcliff, section 16; and Concho School Land, sections 2, 7, and 8;
3. in Schleicher County, Texas: the following sections, for which survey references are not available: sections 79½ and 1, located south of G.H.&S.A.R.R. Co. Block M, section 80; sections 3 ¼, 99, 100, 7, 7¼, 20¾, 1031 and two adjoining sections labeled 7¾, all of which are located to the west of Block LL and to the east of Block AA; section 41, located to the

north of H.E.&W.T.R.R. Block A, sections 199, 198, 169, 168, 139, 138, 109, 108, 79, 78, 49 and 48; and

4. in Tom Green County, Texas: G. Roeder, sections 1890 and 1891; M.E. Ratcliff, section 16; and Tom Green Co. School Land, section 3.

“Texas Specified Area” is depicted on the map that is filed with the FTC Decision and Order as Confidential Exhibit E-1, and is incorporated herein by reference for all purposes.

IV.
DIVESTITURE OF NEW MEXICO ASSETS

A. Defendants shall divest the New Mexico Assets absolutely and in good faith and at no minimum price within nine (9) months from the date Defendants executed the FTC Consent Agreement.

B. Defendants shall divest the New Mexico Assets to an acquirer that receives the prior approval of New Mexico and only in a manner that receives the prior approval of New Mexico.

C. Until the Effective Date of Divestiture of the New Mexico Assets, Defendants shall take such actions as are necessary to maintain the viability and marketability of such assets and to prevent the destruction, removal, wasting, deterioration or impairment of such assets, except for ordinary wear and tear.

D. The purpose of this Section 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 resulting from the Merger, as alleged in Texas’s and New Mexico’s Complaint.

V.
DIVESTITURE OF TEXAS ASSETS

A. Defendants shall divest the Texas Assets absolutely and in good faith and at no minimum price within nine (9) months from the date Defendants executed the FTC Consent Agreement.

B. Defendants shall divest the Texas Assets to an acquirer that receives the prior approval of Texas and only in a manner that receives the prior approval of Texas.

C. Defendants shall, at the acquirer's option and subject to the prior approval of Texas, enter into an agreement with the acquirer of the Texas Assets to process natural gas gathered by the Texas Assets, such agreement to include, without limitation, the following terms:

1. the natural gas shall be processed at the Mertzon Facility;
2. the processing fee shall not exceed Cost of processing;
3. the amount to be processed on a daily basis shall be up to the amount gathered on the Texas Assets as of the date Defendants executed the FTC Consent Agreement;
4. the term shall be no less than seven (7) years;
5. the agreement shall be subject to cancellation by the acquirer with no more than twelve (12) months' notice; and
6. at the acquirer's option and subject to the prior approval of Texas, the agreement shall provide for the transportation at Cost to the Mertzon Facility of natural gas gathered on the Texas Assets.

D. Until the Effective Date of Divestiture of the Texas Assets, Defendants shall take such actions as are necessary to maintain the viability and marketability of such assets and to prevent the destruction, removal, wasting, deterioration or impairment of such assets, except for ordinary wear and tear.

E. The purpose of this Section is to ensure the continued use of the Texas 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 resulting from the Merger, as alleged in Texas's and New Mexico's Complaint.

VI. NOTIFICATION OF CERTAIN ACQUISITIONS

A. For a period of ten (10) years from the date this Final Consent Judgment becomes final, Defendants shall not, without thirty (30) days prior written notification to Texas and New Mexico, directly or indirectly, through subsidiaries, partnerships or otherwise:

1. Acquire any ownership, leasehold or other interest, controlling or otherwise, in the Texas Assets or the New Mexico Assets after their divestiture pursuant

to this Final Consent Judgment;

2. Acquire any stock, share capital, equity, or other interest in any Person engaged in, or in any assets used in, Gas Gathering within the Specified Gas Gathering Areas at any time within the two (2) years preceding the acquisition. Provided, however, that this paragraph shall not apply to the acquisition of any interest that is not at the time of the acquisition engaged in Gas Gathering within the Specified Gas Gathering Areas due to the sale within the preceding two years of all assets used for Gas Gathering within the Specified Gas Gathering Areas to another party who intended to operate said assets for Gas Gathering within the Specified Gas Gathering Areas; or
3. Enter into any agreements or other arrangements with any person, within any eighteen (18) month period, that would confer direct or indirect ownership or control of more than five (5) miles of pipeline previously used for Gas Gathering and suitable for use for Gas Gathering within the Specified Gas Gathering Areas.

B. Such written notice will contain information sufficient to inform New Mexico and Texas of the asset, interest or entity whose acquisition is proposed and shall include, but not be limited to, a map showing the location of the pipeline(s) whose acquisition is proposed and other pipelines used for Gas Gathering in the Specified Gas Gathering Area and a statement showing, for the most recent twelve (12) month period for which volume information is available, the quantity of gas that flowed through the pipeline whose acquisition is proposed.

VII. **FRACTIONATION**

A. Beginning at the date of execution of the FTC Consent Agreement, Defendants shall not provide, disclose or otherwise make available to Duke, DEFS, or any member of the DEFS board of directors any ConocoPhillips Non-Public GCF Information.

B. Beginning at the date of execution of the FTC Consent Agreement, Defendants and ConocoPhillips DEFS Board Members shall not receive from Duke, DEFS, or any individual member of the DEFS board of directors any DEFS Non-Public Fractionation Information.

C. ConocoPhillips DEFS Board Members shall not participate in any discussions with DEFS or Duke relating to GCF, Enterprise, or Mont Belvieu I.

D. ConocoPhillips DEFS Board Members shall not participate, directly or indirectly, in any vote of the DEFS board of directors pertaining to Enterprise or Mont Belvieu I; provided, however, with respect to any matter to be voted on by the DEFS Board Members pertaining to Enterprise or Mont Belvieu I that requires the approval of one or more of the ConocoPhillips DEFS Board Members, the ConocoPhillips DEFS Board Members may participate in such vote and shall cast their votes in the same way as the majority of the Duke DEFS Board Members.

E. No later than twenty (20) days after Defendants executed the FTC Consent Agreement, Defendants shall institute procedures and guidelines to comply with this Section.

F. No later than ten (10) days after Defendants executed the FTC Consent Agreement, Defendants shall submit to Texas and New Mexico a copy of written procedures and guidelines that will be instituted by Defendants pursuant to Section VII.E. above.

VIII. DIVESTITURE TRUSTEE

A. If Defendants fail to complete one or more of the divestitures required by Sections IV and V of this Final Consent Judgment within the time period specified therein, New Mexico or Texas may request the Court to appoint one or more trustees to divest the Assets To Be Divested that have not been divested to an acquirer or acquirers approved by New Mexico and Texas in a manner approved by New Mexico and Texas (the "Divestiture Trustee"). The Divestiture Trustee will have the authority and responsibility to divest the Assets To Be Divested absolutely and in good faith at no minimum price, and with New Mexico's and Texas's prior approval. Neither the decision of New Mexico and Texas to request appointment of a Divestiture Trustee, nor the decision of New Mexico and Texas not to request appointment of a Divestiture Trustee to divest any of the assets under this Section VIII, shall preclude New Mexico or Texas from seeking civil penalties or any other relief available to them.

B. If a Divestiture Trustee is appointed by the Court pursuant to this Section VIII, Defendants shall consent to the following terms and conditions regarding the Divestiture Trustee's powers, duties, authority, and responsibilities:

1. New Mexico and Texas shall nominate the Divestiture Trustee, subject to the consent of Defendants, which consent shall not be unreasonably withheld. The Divestiture Trustee shall be a person with experience and expertise in acquisitions and divestitures. If Defendants have not opposed, in writing, including the reasons for opposing, the nomination of any proposed Divestiture Trustee within ten (10) days after notice by New Mexico or Texas to Defendants of the identity of any proposed Divestiture Trustee, Defendants shall be deemed to have consented to the nomination of the proposed Divestiture Trustee.
2. Subject to the prior approval of New Mexico and Texas, the Divestiture Trustee shall have the exclusive power and authority to divest the Assets To Be Divested.
3. Within ten (10) days after appointment of the Divestiture Trustee by the Court, Defendants shall execute a trust agreement that, subject to the prior approval of New Mexico and Texas, transfers to the Divestiture Trustee all rights and powers necessary to permit the Divestiture Trustee to effect the divestitures required by this Final Consent Judgment.
4. The Divestiture Trustee shall have twelve (12) months from the date New Mexico and Texas approve the trust agreement described in Section VIII. B.3. to accomplish the divestiture, which shall be subject to the prior approval of New Mexico and Texas. If, however, at the end of the twelve-month period, the Divestiture 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 Court; provided, however, the Court may extend this period only two (2) times.
5. The Divestiture Trustee shall have full and complete access to the personnel, books, records and facilities related to the Assets To Be Divested or to any other relevant information, as the Divestiture Trustee may request.

Defendants shall develop such financial or other information as such Divestiture Trustee may request and shall cooperate with the Divestiture Trustee. Defendants shall take no action to interfere with or impede the Divestiture Trustee's accomplishment of the divestiture.

6. The Divestiture Trustee shall use his or her best efforts to negotiate the most favorable price and terms available in each contract that is submitted to New Mexico and Texas, subject to Defendants' absolute and unconditional obligation to divest expeditiously at no minimum price. The divestiture shall be made in the manner and to the acquirer or acquirers as set out in Sections IV and V of this Final Consent Judgment, as applicable; provided, however, if the Divestiture Trustee receives bona fide offers from more than one acquiring entity, and if New Mexico and Texas determines to approve more than one such acquiring entity, the Divestiture Trustee shall divest to the acquiring entity or entities selected by Defendants from among those approved by New Mexico and Texas.
7. The Divestiture Trustee shall serve, without bond or other security, at the cost and expense of Defendants, on such reasonable and customary terms and conditions as the Court may set. The Divestiture Trustee shall have the authority to employ, at the cost and expense of Defendants, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the Divestiture Trustee's duties and responsibilities. The Divestiture Trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by New Mexico and Texas and the Court of the account of the Divestiture Trustee, including fees for his or her services, all remaining monies shall be paid at the direction of the Defendants, and the Divestiture Trustee's power shall be terminated. The Divestiture Trustee's compensation shall be based at least in significant part on a commission arrangement contingent on

the Divestiture Trustee's divesting the Assets To Be Divested.

8. Defendants shall indemnify the Divestiture Trustee and hold the Divestiture Trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the Divestiture 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 Divestiture Trustee.
9. If the Divestiture Trustee ceases to act or fails to act diligently, a substitute Divestiture Trustee shall be appointed in the same manner as provided in this Section VIII.
10. New Mexico or Texas or the Court, may on its own initiative, or at the request of the Divestiture Trustee, issue such additional orders or directions as may be necessary or appropriate to accomplish the divestitures required by this Final Consent Judgment.
11. The Divestiture Trustee shall have no obligation or authority to operate or maintain the Assets To Be Divested.
12. The Divestiture Trustee shall report in writing to Defendants and New Mexico and Texas every sixty (60) days concerning the Divestiture Trustee's efforts to accomplish the divestitures.
13. Defendants may require the Divestiture Trustee to sign a customary confidentiality agreement; provided, however, such agreement shall not restrict the Divestiture Trustee from providing any information to New Mexico and Texas.

IX.
COMPLIANCE REPORTS

- A. Within sixty (60) days from the date this Final Consent Judgment becomes final and every sixty (60) days thereafter until Defendants have fully complied with the provisions of Sections

IV, V, VII.E. and VII F. of this Final Consent Judgment, Defendants shall submit to New Mexico and Texas a verified written report setting forth in detail the manner and form in which they intend to comply, are complying, and have complied with Sections IV, V, VII.E. and VII.F. of this Final Consent Judgment. Defendants shall include in their compliance reports a full description of the efforts being made to comply with these Sections, including a description of all substantive contacts or negotiations for the divestitures and the identity of all parties contacted. Defendants shall include in their 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 Final Consent Judgment becomes final, annually for the next nine (9) years on the anniversary of the date this Final Consent Judgment becomes final, and at other times as New Mexico or Texas may require, Defendants shall file a verified written report with New Mexico and Texas, setting forth in detail the manner and form in which Defendants have complied and are complying with each provision of this Final Consent Judgment.

C. Notwithstanding Sections IX.A. and IX.B., above, to comply with the provisions of this Section IX, Defendants may, on the same dates as required under the FTC Decision and Order, submit the portions of their compliance reports required under Paragraph XI of the FTC Decision and Order that relate to Defendants' compliance with Paragraphs VII, VIII and IX of the FTC Decision and Order.

X.
CORPORATE STRUCTURE CHANGE

Defendants shall notify New Mexico and Texas at least thirty (30) days prior to any proposed change in the corporate Defendants, such as bankruptcy, liquidation, dissolution, assignment, merger or sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation that may affect Defendants' compliance obligations arising out of this Final Consent Judgment.

XI.
COMPLIANCE INSPECTION

For the purpose of determining or securing compliance with this Final Consent Judgment, and subject to any legally recognized privilege, and upon written request with reasonable notice to

Defendants, Defendants shall permit any duly authorized representative of New Mexico or Texas:

A. Access, during office hours of Defendants and in the presence of counsel, to all facilities, and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda and all other records and documents in the possession or under the control of each Defendant relating to any matters contained in this Final Consent Judgment; and

B. Upon five (5) days' notice to each Defendant and without restraint or interference from it, to interview officers, directors, or employees of Defendant(s), who may have counsel present, regarding any such matters.

XII.

ATTORNEYS' FEES AND INVESTIGATIVE COSTS

A. Within ten (10) business days of the entry of this Final Consent Judgment, Defendants shall pay the sum of \$ 419,644.00 to the Office of the Texas Attorney General for the payment of investigative costs and attorneys' fees for Texas and New Mexico.

B. Within two (2) business days of the entry of this Final Consent Judgment, the Office of the Texas Attorney General shall provide Defendants with written instructions for payment of such investigative costs and attorneys' fees.

C. Upon receipt of such investigative costs and attorneys' fees, the Office of the Texas Attorney General shall allocate such investigative costs and attorneys' fees between itself and the Office of the New Mexico Attorney General, as those two Offices may agree. The Office of the New Mexico Attorney General, upon receipt of its share, shall deposit such investigative costs and attorneys' fees in its Consumer Protection Fund for use by the Attorney General in her discretion and consistent with the purpose of the Fund.

XIII.

STATE FEDERAL COOPERATION

New Mexico and Texas will consult with each other and with the Commission on all decisions relating to the divestiture of the Texas Assets and New Mexico Assets as provided in this Final Consent Judgment and will exercise best efforts to resolve any inconsistent enforcement positions among the state and federal agencies relating to such divestitures.

XIV.
MISCELLANEOUS

A. When final, this Final Consent Judgment 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 federal rules for other decrees and judgments. Defendants may be liable for civil penalties in the amount provided by law for each violation of this Final Consent Judgment after it becomes final.

B. By signing this Final Consent Judgment, Defendants represent and warrant that all parents, subsidiaries, affiliates, and successors necessary to effectuate the full relief contemplated by this Final Consent Judgment are parties to the Final Consent Judgment and are bound thereby as if they had signed this Final Consent Judgment and were made parties to this proceeding and to the Final Consent Judgment.

C. The statutory lien pursuant to Article 1302-5.08 of the Texas Revised Civil Statutes on all property of Defendants is hereby dissolved.

XV.
NOTICES

Any notices required by the Final Consent Judgment shall be delivered to the parties at the following addresses:

- A. For ConocoPhillips:
ConocoPhillips
Office of the General Counsel
600 North Dairy Ashford
Houston, Texas 77079-1175
Attn: R.A. Harrington, Esq.

- B. For the State of Texas:
Antitrust Section, Consumer Protection Division
Office of the Texas Attorney General
P.O. Box 12548, Austin, Texas 78711-2548
Attn: Rebecca Fisher

- C. For the State of New Mexico:
Office of the Attorney General of New Mexico
111 Lomas Blvd. N.W., Suite 300
Albuquerque, New Mexico 87102
Attn: Deyonna Young

XVI.
EFFECTIVE DATE AND TERMINATION

This Final Consent Judgment shall become effective on the date of its entry by the Court. This Final Consent Judgment will expire and terminate ten (10) years from the date of its entry.

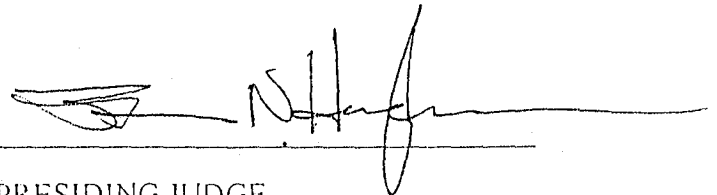
XVII.
RETENTION OF JURISDICTION

The Court shall retain jurisdiction over the parties for the purpose of enabling any of the parties to this Final Consent Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction, implementation, enforcement, or modification of any of the provisions in this Final Consent Judgment, and for the punishment of any violations of this Final Consent Judgment.

XVIII.
PUBLIC INTEREST

Entry of this Final Consent Judgment is in the public interest. All orders and relief not expressly granted herein are denied.

SIGNED this 30th day of AUG., 2002.



PRESIDING JUDGE

TRUE COPY I CERTIFY
ATTEST: 8-30-02
MICHAEL N. MILBY, CLERK
By DBankson
Deputy Clerk

APPROVED AS TO FORM AND SUBSTANCE AND ENTRY OF
FINAL CONSENT JUDGMENT REQUESTED

FOR THE STATE OF TEXAS:

JOHN CORNYN
Attorney General of Texas

HOWARD G. BALDWIN, JR.
First Assistant Attorney General

JEFFREY S. BOYD
Deputy Attorney General for Litigation

PAUL D. CARMONA
Assistant Attorney General
Chief, Consumer Protection Division


~~REBECCA FISHER~~

Assistant Attorney General
Antitrust Section
Attorney-in-Charge
State Bar No 07057800
Southern District Bar No.: *Pro Hac Vice*

Office of the Attorney General
P. O. Box 12548
Austin, Texas 78711-2548
512/463-1265
512/320-0975 (Facsimile)

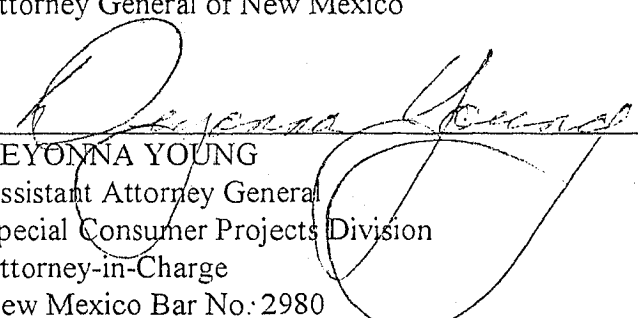


Attorneys for the State of Texas

APPROVED AS TO FORM AND SUBSTANCE AND ENTRY
OF FINAL CONSENT JUDGMENT REQUESTED


FOR THE STATE OF NEW MEXICO

PATRICIA A. MADRID
Attorney General of New Mexico



DEYONNA YOUNG
Assistant Attorney General
Special Consumer Projects Division
Attorney-in-Charge
New Mexico Bar No.: 2980
Southern District Bar No.: *Pro Hac Vice*

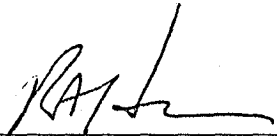
Office of the Attorney General of New Mexico
111 Lomas Boulevard NW, Suite 300
Albuquerque, New Mexico 87102
(505) 222-9089
(505) 222-9006



APPROVED AS TO FORM AND SUBSTANCE AND ENTRY
OF FINAL CONSENT JUDGMENT REQUESTED

FOR CONOCO INC.

By:



R. A. Harrington
Senior Vice President, Legal,
and General Counsel
Attorney-in-Charge

Conoco Inc.
600 North Dairy Ashford
Houston, Texas 77079-1175
Tel: (281) 293-1000
Fax: (281) 293-1446

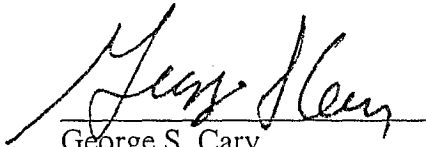
Dated: AUGUST 30, 2002



APPROVED AS TO FORM AND SUBSTANCE AND ENTRY OF FINAL CONSENT
JUDGMENT REQUESTED

FOR CONOCO INC.

Cleary, Gottlieb, Steen & Hamilton



George S. Cary
Attorney in Charge
CA No.: 73858
DC No.: 285411
Pro Hac Vice
Cleary, Gottlieb, Steen & Hamilton
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
Tel: (202) 974-1500
Fax: (202) 974-1999

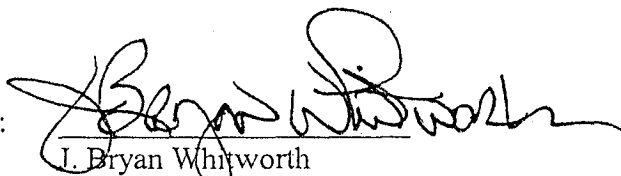
Dated: August 30, 2002



APPROVED AS TO FORM AND SUBSTANCE AND ENTRY OF FINAL CONSENT
JUDGMENT REQUESTED

FOR PHILLIPS PETROLEUM COMPANY

By:



J. Bryan Whitworth
Executive Vice President/
General Counsel &
Chief Administrative Officer

Phillips Petroleum Company
18 Phillips Building
Fourth & Keeler
Bartlesville, Oklahoma 74004
Phone: 918-661-5634
Fax: 918-662-1617



Dated: August 30, 2002

EXHIBIT A
Public Version

The following assets are not included in the definition of "New Mexico Assets."

1. cash, receivables and cash equivalents;
2. any insurance policies, insurance coverage, except as otherwise agreed between Respondents and the Commission-approved acquirer, and bonds, and reserves, and claims payable under the same;
3. any books and records that Respondents are required by law to retain, provided that Conoco delivers at least one copy thereof to the acquirer of the New Mexico Assets;
4. all refunds, rebates or similar payments of taxes, and claims for or rights to receive the same, to the extent such taxes were paid or payable by or on behalf of Conoco prior to the Effective Date of Divestiture of the New Mexico Assets;
5. Conoco's proprietary tradenames and trademarks;
6. any system-wide software, databases, operations centers, know-how, patents, or, intellectual property rights that are not unique to the New Mexico Assets (except to the extent that patents, know-how, or intellectual property are required to be licensed on a non-exclusive basis, provided, however, that Conoco shall not be required to divest, license or otherwise transfer any intangible or other intellectual property rights to its Supervisory Control and Data Acquisition ("SCADA") system or the FCC-issued license used to operate it);
7. all hardware used to operate Conoco's SCADA system, except for the SCADA system radios and antennas located on the meters and compressors to be divested in the New Mexico Specified Area, and the master radio and the radio frequency for the North Tower;
8. any agreements for the transportation of residue gas or natural gas liquids;
9. any tangible and intangible assets used solely for the exploration, operation, or production of mineral interests, including for the gathering, compression, transportation or sale of Conoco's equity production related to such mineral interests;
10. Conoco's Zia facility, located at Highway 126, 18 miles south of Maljamar, New Mexico 88264, including any of Conoco's facilities and assets used in the operation of the Zia facility; and
11. Conoco's interests in the assets listed below, including any facilities and assets used solely for the operation of the assets listed below: [REDACTED]



EXHIBIT B
Public Version

The following assets are not included in the definition of "Texas Assets."

1. cash, receivables and cash equivalents;
2. any insurance policies, insurance coverage, except as otherwise agreed between Respondents and the Commission-approved acquirer, and bonds and reserves, and claims payable under the same;
3. any books and records that Respondents are required by law to retain, provided that Conoco delivers at least one copy thereof to the acquirer of the Texas Assets;
4. all refunds, rebates or similar payments of taxes, and claims for or rights to receive the same, to the extent such taxes were paid or payable by or on behalf of Conoco prior to the Effective Date of Divestiture of the Texas Assets;
5. Conoco's proprietary tradenames and trademarks;
6. any tangible and intangible assets used solely for the exploration, operation, or production of mineral interests, including for the gathering, compression, transportation, or sale of Conoco's equity production related to such mineral interests;
7. any system-wide software, databases, operations centers, know-how, patents, or, intellectual property rights that are not unique to the Conoco Texas Assets (except to the extent that patents, know-how, or intellectual property are required to be licensed on a non-exclusive basis, provided, however, that Conoco shall not be required to divest, license or otherwise transfer any intangible or other intellectual property rights to its Supervisory Control and Data Acquisition ("SCADA") system or the FCC-issued license used to operate it);
8. all hardware used to operate Conoco's SCADA system, except for the SCADA system radios and antennas located on the meters and compressors to be divested in the Texas Specified Area;
9. any agreements for the transportation of residue gas or natural gas liquids;
10. Conoco's Bailey facility, located 10 miles northwest of Eldorado, Texas, on Highway 915, in Schleicher County, Texas 76936, including any of Conoco's facilities and assets used in the operation of the Bailey facility;
11. Conoco's Mertzson Facility, including any of Conoco's facilities and assets used in the operation of the Mertzson Facility; and
12. Conoco's interests in the assets listed below, including any facilities and assets used for the operation of the assets listed below: [REDACTED]

