

PLAINTIFF'S EXHIBIT

PP-79

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ACCESSION NUMBER: 0000898822-00-000456

CONFORMED SUBMISSION TYPE: 8-K

PUBLIC DOCUMENT COUNT: 2

CONFORMED PERIOD OF REPORT: 20000701

ITEM INFORMATION:

ITEM INFORMATION:

FILED AS OF DATE: 20000714

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME:

PHILLIPS PETROLEUM CO

CENTRAL INDEX KEY:

0000078214

STANDARD INDUSTRIAL CLASSIFICATION:

[2911

IRS NUMBER:

730400345

STATE OF INCORPORATION:

DE

FISCAL YEAR END:

1231

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FILING VALUES:

FORM TYPE:

8-K

SEC ACT:

SEC FILE NUMBER:

001-00720

FILM NUMBER:

673266

</FILING-VALUES>

BUSINESS ADDRESS:

STREET 1:

PHILLIPS BUILDING

STREET 2:

900 PLAZA OFFICE BUILDING

CITY:

BARTLESVILLE

STATE:

OK

ZIP:

74004

BUSINESS PHONE:

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
JULY 1, 2000

PHILLIPS PETROLEUM COMPANY
(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

1-720
(Commission
File Number)

73-0400345
(IRS Employer
Identification No.)

Phillips Building, Bartlesville, Oklahoma
(Address of principal executive offices)

74004
(Zip Code)

Registrant's telephone number, including area code:
918-661-6600

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On July 1, 2000, Phillips Petroleum Company, a Delaware corporation (Phillips), Chevron Corporation, a Delaware corporation (Chevron), and Chevron Phillips Chemical Company LLC, a Delaware limited liability company (CPC) consummated the combination of certain of Phillips' and Chevron's chemicals businesses in CPC. Phillips and Chevron, directly or through direct or indirect wholly owned subsidiaries, each own 50 percent of the voting and economic interests in CPC.

In connection with the combination, CPC borrowed \$1.67 billion. The proceeds of the borrowing were used to make cash distributions of \$835 million each to both Phillips and Chevron. Also in connection with the combination, Phillips made a \$70 million cash advance to CPC. This non-interest-bearing advance is subject to adjustment depending upon the production volume thresholds achieved by the K-Resin styrene-butadiene copolymer (K-Resin) operations. The net amount of the advance will be treated as part of Phillips' initial capital contribution.

The Amended and Restated Limited Liability Company Agreement of Chevron Phillips Chemical Company LLC, dated as of July 1, 2000, by and between Phillips, Chevron, Chevron U.S.A. Inc., Chevron Overseas Petroleum Inc., Chevron Pipe Line Company, Drilling Specialties Co., WestTex 66 Pipeline Co., and Phillips Petroleum International Corporation, is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(b) Pro Forma Financial Information.

Basis of Presentation

The following unaudited pro forma financial statements have been prepared from the historical financial statements of Phillips, adjusted to reflect the contribution to, and participation in, CPC. For presentation purposes, the transaction has been reflected in two parts--Phillips' disposition of its Chemicals business and simultaneous acquisition of a 50 percent equity interest in CPC.

The unaudited pro forma income statements were prepared assuming the combination occurred January 1, 1999, while the unaudited pro forma balance sheet was prepared as if the combination occurred March 31, 2000.

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Phillips' historical consolidated income statements for the year ended December 31, 1999, and the three months ended March 31, 2000, have been adjusted on a pro forma basis to reflect:

- o The March 31, 2000, disposition of Phillips' gas gathering, processing and marketing business and its acquisition of 30.3 percent of Duke Energy Field Services LLC. The unaudited pro forma impact of this transaction on the year ended December 31, 1999, was reported in Phillips' Current Report on Form 8-K filed on April 13, 2000. The impact on the three months ended March 31, 2000, was reported in Phillips' Current Report on Form 8-K filed on May 18, 2000.
- o The acquisition of all of Atlantic Richfield Company's Alaskan businesses (ARCO Alaska). On April 26, 2000, Phillips completed the purchase of all of ARCO's Alaskan oil and gas properties and those related to marine assets that were operating at that time. Phillips expects to complete the balance of the acquisition in the third quarter of 2000. The unaudited pro forma impact of the total acquisition on the year ended December 31, 1999, and the three months ended March 31, 2000, was reported in Phillips' Current Report on Form 8-K filed on May 18, 2000.

Phillips' historical consolidated balance sheet at March 31, 2000, was adjusted on a pro forma basis to reflect the total ARCO Alaska acquisition, as reported in Phillips' Current Report on Form 8-K filed on May 18, 2000.

This pro forma financial information is not intended to reflect results from operations or the financial position which would have actually resulted had the combination been effected on the dates indicated. Moreover, this pro forma information is not intended to be indicative of results of operations or financial position which may be obtained in the future.

This pro forma financial information should be read in conjunction with the historical financial statements included in Phillips' Annual Report on

Form 10-K for the year ended December 31, 1999, as amended, and its Quarterly Report on Form 10-Q for the three months ended March 31, 2000. The pro forma adjustments use estimates and assumptions based on currently available information. Management believes that the estimates and assumptions are reasonable, and that the significant effects of the transactions are properly reflected. However, actual results may differ from the estimates and assumptions used.

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This pro forma financial information does not include anticipated synergies from operating efficiencies which Phillips expects to result from the formation of CPC, nor does it include any anticipated benefit from Phillips' receipt of \$835 million in cash upon the closing of the transaction. Management estimates that if debt bearing an estimated interest rate of 7 percent had been paid off on January 1, 1999, using the \$835 million cash receipt, it would have increased 1999 pro forma net income by approximately \$44 million and first quarter 2000 pro forma net income by approximately \$11 million.

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 UNAUDITED PRO FORMA CONSOLIDATED
 STATEMENT OF INCOME

PHILLIPS PETROLEUM COMPANY

Millions of Dollars

Year Ended	Phillips As Adjusted	Pro Forma Adjustments Increase/ (Decrease)		As Adjusted for Chemicals Joint Venture
		Disposition	Acquisition	
December 31, 1999	-----	-----	-----	-----
	(a)	(b)		

REVENUES

Sales and other operating revenues	\$14,637	(2,608)	-	12,029
Equity in earnings of affiliated companies	168	(31)	203 (c)	340
Other revenues	219	(23)	-	196

Total Revenues	15,024	(2,662)	203	12,565
----------------	--------	---------	-----	--------

COSTS AND EXPENSES

Purchased crude oil and products	7,852	(1,415)	-	6,437
Production and operating expenses	2,215	(593)	-	1,622
Exploration expenses	282	-	-	282
Selling, general and administrative expenses	719	(276)	-	443
Depreciation, depletion and amortization	1,279	(103)	-	1,176
Property impairments	69	-	-	69
Taxes other than income taxes	452	(37)	-	415
Interest expense	618	-	-	618
Foreign currency transaction losses	33	(1)	-	32
Preferred dividend requirements of capital trusts	53	-	-	53

Total Costs and Expenses	13,572	(2,425)	-	11,147
--------------------------	--------	---------	---	--------

Income before income taxes	1,452	(237)	203	1,418
Provision for income taxes	672	(90)	77 (c)	659

NET INCOME	\$ 780	(147)	126 (d)	759
------------	--------	-------	---------	-----

NET INCOME PER SHARE
OF COMMON STOCK

Basic	\$ 3.09	(.58)	.49	3.00
Diluted	3.07	(.58)	.49	2.98

AVERAGE COMMON SHARES

OUTSTANDING

(in thousands)

Basic	252,827	252,827	252,827	252,827
Diluted	254,433	254,433	254,433	254,433

See Notes to Unaudited Pro Forma Financial Statements.

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STATEMENT OF INCOME

Millions of Dollars

Three Months Ended March 31, 2000	Phillips As Adjusted	Pro Forma Adjustments Increase/ (Decrease)		As Adjusted for Chemicals Joint Venture
		Disposition	Acquisition	
	(a)	(b)		
REVENUES				
Sales and other operating revenues	\$5,209	(881)	-	4,328
Equity in earnings of affiliated companies	62	(7)	41 (c)	96
Other revenues	15	(1)	-	14
Total Revenues	5,286	(889)	41	4,438
COSTS AND EXPENSES				
Purchased crude oil and products	3,028	(574)	-	2,454
Production and operating expenses	552	(162)	-	390
Exploration expenses	69	-	-	69
Selling, general and administrative expenses	196	(71)	-	125
Depreciation, depletion and amortization	323	(29)	-	294
Taxes other than income taxes	142	(10)	-	132
Interest expense	146	-	-	146
Foreign currency transaction losses	18	(1)	-	17
Preferred dividend requirements of capital trusts	13	-	-	13
Total Costs and Expenses	4,487	(847)	-	3,640
Income before income taxes	799	(42)	41	798
Provision for income taxes	395	(15)	16 (c)	396
NET INCOME	\$ 404	(27)	25 (d)	402
NET INCOME PER SHARE OF COMMON STOCK				
Basic	\$ 1.59	(.11)	.10	1.58
Diluted	1.59	(.11)	.10	1.58
AVERAGE COMMON SHARES OUTSTANDING (in thousands)				
Basic	253,718	253,718	253,718	253,718
Diluted	254,677	254,677	254,677	254,677

See Notes to Unaudited Pro Forma Financial Statements.

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UNAUDITED PRO FORMA CONSOLIDATED
CONDENSED BALANCE SHEET

PHILLIPS PETROLEUM COMPANY

Millions of Dollars

At March 31, 2000	Phillips As Adjusted	Pro Forma Adjustments Increase/ (Decrease)		As Adjusted for Chemicals Joint Venture
		Disposition	Acquisition	
	(a)	(b)		
ASSETS				
Cash and cash equivalents	\$ 331	-	765 (e)	1,096
Accounts and notes receivable	1,690	(513)	-	1,177
Inventories	811	(305)	-	506
Deferred income taxes	129	-	-	129
Prepaid expenses and other current assets	188	(20)	-	168
Total Current Assets	3,149	(838)	765	3,076
Investments and long-term receivables	1,178	(73)	1,763 (e) (f)	2,868
Properties, plants and equipment (net)	16,400	(1,888)	-	14,512
Deferred income taxes	83	(65)	-	18
Deferred charges	108	(4)	-	104
Total	\$20,918	(2,868)	2,528	20,578
LIABILITIES				
Accounts payable	\$1,832	(241)	-	1,591
Notes payable and long-term debt due within one year	4,013	-	-	4,013
Accrued income and other taxes	662	(18)	-	644
Other accruals	320	(26)	-	294
Total Current Liabilities	6,827	(285)	-	6,542
Long-term debt	5,413	-	-	5,413
Accrued dismantlement, removal and				

environmental costs	661	(3)	-	658
Deferred income taxes	1,419	(2)	-	1,417
Employee benefit obligations	524	(6)	-	518
Other liabilities and deferred credits	768	(36)	-	732
Total Liabilities	15,612	(332)	-	15,280

COMPANY-OBLIGATED

MANDATORILY REDEEMABLE
PREFERRED SECURITIES
OF PHILLIPS 66 CAPITAL
TRUSTS I AND II

650 - - 650

TOTAL COMMON

STOCKHOLDERS' EQUITY 4,656 (2,536) 2,528 4,648

Total \$20,918 (2,868) 2,528 20,578

See Notes to Unaudited Pro Forma Financial Statements.

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NOTES TO UNAUDITED PRO FORMA
FINANCIAL STATEMENTS

PHILLIPS PETROLEUM COMPANY

- (a) Phillips' historical income statements for the year ended December 31, 1999, and the three months ended March 31, 2000, have been adjusted on a pro forma basis to reflect the disposition of Phillips' gas gathering, processing and marketing business, and its acquisition of a 30.3 percent interest in Duke Energy Field Services LLC; and the acquisition of ARCO Alaska. Phillips' historical balance sheet at March 31, 2000, has been adjusted for the ARCO Alaska acquisition. See pages 1 and 2 of this Form 8-K for further information on these adjustments.
- (b) Adjustment to remove Phillips' Chemicals business from consolidation.
- (c) Adjustment to include \$42 million and \$205 million in earnings from Phillips' 50 percent equity interest in CPC for the three months ended March 31, 2000, and the year ended December 31, 1999, respectively. The estimate of 1999 and first quarter 2000 earnings for CPC is based upon pro forma financial results of CPC as if Phillips' and Chevron's chemicals businesses had been contributed to it on January 1, 1999. Earnings have been reduced by \$1 million and \$2 million adjustments for the amortization of the basis difference between the book value of Phillips' contribution to CPC and its 50 percent interest in the equity of CPC for the three months ended March 31, 2000, and the year ended December 31, 1999, respectively. This difference is expected to be amortized over 20 years. Income taxes on these adjustments to earnings were calculated at an estimated rate of 38 percent.
- (d) The company estimates that if debt bearing an estimated interest rate of 7 percent had been paid off on January 1, 1999, using the \$835 million

cash receipt, it would have increased 1999 pro forma net income by approximately \$44 million and first quarter 2000 pro forma net income by approximately \$11 million. However, that benefit is not reflected as a pro forma adjustment since it is not directly attributable to the transaction presented.

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- (e) Adjustment to reflect Phillips' receipt of \$835 million in cash from CPC upon the closing of the transaction. In connection with the combination, Phillips advanced \$70 million to CPC. This non-interest-bearing advance is subject to adjustment depending upon the production volume thresholds achieved by the K-Resin operations. The net amount of the advance will be treated as part of Phillips' initial capital contribution.
- (f) Adjustment to reflect acquisition of investment in CPC at carryover value and impacts of cash activity described in note (e).

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- (c) Exhibits.

EXHIBIT NUMBER

DESCRIPTION

99.1

Amended and Restated Limited Liability Company Agreement of Chevron Phillips Chemical Company LLC, dated as of July 1, 2000, by and between Phillips, Chevron, Chevron U.S.A. Inc., Chevron Overseas Petroleum Inc., Chevron Pipe Line Company, Drilling Specialties Co., WestTex 66 Pipeline Co., and Phillips Petroleum International Corporation.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHILLIPS PETROLEUM COMPANY

July 14, 2000

/s/ Rand C. Berney

Rand C. Berney
Vice President and Controller

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EXHIBIT INDEX

EXHIBIT NUMBER

DESCRIPTION

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99.1	Amended and Restated Limited Liability Company Agreement of Chevron Phillips Chemical Company LLC, dated as of July 1, 2000, by and between Phillips, Chevron, Chevron U.S.A. Inc., Chevron Overseas Petroleum Inc., Chevron Pipe Line Company, Drilling Specialties Co., WestTex 66 Pipeline Co., and Phillips Petroleum International Corporation.

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Exhibit 99.1

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
CHEVRON PHILLIPS CHEMICAL COMPANY LLC

DATED: JULY 1, 2000

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AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
CHEVRON PHILLIPS CHEMICAL COMPANY LLC

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") is made and entered into as of the 1st day of July, 2000 by and between Chevron Corporation, a Delaware corporation ("Chevron"), Phillips Petroleum Company, a Delaware corporation ("Phillips," or the "Initial Phillips Member"), Chevron U.S.A. Inc., a Pennsylvania corporation ("CUSA," or the "Initial Chevron Member"), Chevron Pipe Line Company, a Delaware corporation ("CPL"), Chevron Overseas Petroleum Inc., a Delaware corporation ("COPI"), Drilling Specialties Co., a Delaware corporation ("Drilling Specialties"), WestTex 66 Pipeline Co., a Delaware corporation ("WestTex 66"), and Phillips Petroleum International Corporation, a Delaware corporation ("PPIC").

W I T N E S S E T H:

WHEREAS, on May 23, 2000, a Certificate of Formation (the "Certificate") for Chevron Phillips Chemical Company LLC (the "Company"), a limited liability

company organized under the laws of the State of Delaware, was filed with the Secretary of State of the State of Delaware; and

WHEREAS, the Initial Chevron Member and the Initial Phillips Member entered into the original Limited Liability Company Agreement of the Company (the "Original LLC Agreement") on May 23, 2000; and

WHEREAS, the purpose of the Company is to hold and manage its interests in entities which in aggregate will combine the existing chemicals businesses of Chevron and certain of its affiliates with the existing chemicals businesses of Phillips and certain of its affiliates and thereafter to conduct the combined businesses; and

WHEREAS, Chevron and Phillips envision that the Company (together with its Subsidiaries and Affiliates) will be a competitive, growing chemical venture meeting or exceeding the financial return expectations of the owners on their investment in petrochemicals, plastics, and selected specialties; and

WHEREAS, Chevron and Phillips intend that the Company will be a self-financing entity, premised on an investment grade credit rating, without the benefit of corporate guarantees; and

WHEREAS, the Members (as defined herein), including the Initial Chevron Member and the Initial Phillips Member, now desire to amend and restate the limited liability company

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agreement of the Company in its entirety to reflect the consummation of the transactions contemplated by the Contribution Agreement (as defined herein) and to more particularly provide for their respective rights, powers, duties and obligations as Members, and the management, operations and activities of the Company; and

WHEREAS, Chevron and Phillips desire to agree to the undertaking set forth in Section 10.8 of this Agreement:

NOW, THEREFORE, the Members by this Agreement set forth the limited liability company agreement for the Company under the Delaware Limited Liability Company Act (6 Del.C. ss. 18-101 et seq., the "Act") upon the following terms and conditions:

ARTICLE 1

DEFINITIONS

Capitalized terms used in this Agreement without other definition shall, unless expressly stated otherwise, have the meanings specified in this Article 1.

"Adjusted Capital Account Balance" means each Member's Capital Account, increased by the amount of such Member's share of "minimum gain" and "partner nonrecourse debt minimum gain" as such terms are defined in Treasury Regulation 1.704-2 and such other amounts as such Member is unconditionally obligated to contribute hereunder.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) Credit such Capital Account by any amounts which such Member is

obligated to restore pursuant to this Agreement (including any note obligations) or is deemed to be obligated to restore pursuant to the penultimate sentence of each of sections 1.704-2(i)(5) and 1.704-2(g)(1) of the Income Tax Regulations; and

(b) Debit such Capital Account by the items described in sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Income Tax Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of section 1.704-1(b)(2)(ii)(d) of the Income Tax Regulations and shall be interpreted consistently therewith.

"Adjusted Class C Financial Statement Net Contribution" has the meaning set forth in Section 8.1(c)(ii).

"Adjusted Class P Financial Statement Net Contribution" has the meaning set forth in Section 8.1(c)(ii).

"Adjusted Taxable Income" means, for a Fiscal Year, Fiscal Quarter or other period, the federal taxable income allocated by the Company to the Member for such Fiscal Year, Fiscal

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Quarter or other period; PROVIDED, that such taxable income shall be computed by taking into account any special basis adjustment with respect to such Member resulting from an election by the Company under Code Section 754.

"Affiliate" has the meaning set forth in Rule 405 under the Securities Act of 1933, as amended.

"Agreement" means this Amended and Restated Limited Liability Company Agreement, as originally executed and as amended, modified or supplemented from time to time. Words such as "herein," "hereinafter," "hereof," "hereto," "hereby" and "hereunder," when used with reference to this Agreement, refer to this Agreement as a whole, unless the context otherwise requires.

"Basket" has the meaning set forth in Article I of the Contribution Agreement.

"Board of Directors" has the meaning set forth in Section 4.1.

"Cap" has the meaning set forth in Article I of the Contribution Agreement.

"Capital Account" has the meaning set forth in Section 8.5.

"Capital Contributions" means the contributions made by the Members to the Company pursuant to Section 8.1 or 8.2 hereof and, in the case of all the Members, the aggregate of all such Capital Contributions.

"Carrying Value" means, with respect to any Company asset, such asset's adjusted basis for federal income tax purposes, except as follows:

(a) The fair market value as agreed by the Members, when contributed, of an asset contributed to the Company by any Member. The aggregate Carrying Value effective as of the Closing of the assets initially contributed by each Member to the Company pursuant to Section 8.1(a), shall be the amount determined in accordance with Section 8.1(c), which amount shall be set forth opposite such Member's name on Schedule 3 hereto.

(b) The Carrying Values of all Company assets shall be adjusted to equal their respective fair market values as agreed to by the Board of Directors, and the resulting unrecognized gain or loss allocated to the Capital Accounts of the Members as though such assets had been sold for their respective fair market values as of the following times: (i) immediately before the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution; (ii) upon the distribution by the Company to a Member of more than a de minimis amount of Company assets, unless all Members receive simultaneous distributions of either undivided interests in the distributed property or identical Company assets in proportion to their interests in the Company; (iii) the date the Company is liquidated within the meaning of section 1.704-1(b)(2)(ii)(g) of the Income Tax Regulations; and (iv) the termination of the Company pursuant to the provisions of this Agreement.

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(c) The Carrying Value of the Company assets shall be increased or decreased to the extent required under section 1.704-1(b)(2)(iv)(m) of the Income Tax Regulations in the event that the adjusted tax basis of Company assets are adjusted pursuant to section 732, 734 or 743 of the Code, PROVIDED, HOWEVER, that the Carrying Value shall not be adjusted pursuant to this subparagraph (c) to the extent that an adjustment pursuant to subparagraph (b) is required in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (c).

(d) The Carrying Value of a Company asset that is distributed (whether in liquidation of the Company or otherwise) to one or more Members shall be adjusted to equal its fair market value at the time of such distribution as determined by the Board of Directors, and the resulting unrecognized gain or loss shall be allocated to the Capital Accounts of the Members as though such asset had been sold for such fair market value.

(e) The Carrying Value of a Company asset shall be adjusted by the Depreciation attributable to such asset.

"Chemicals Business" means the lines of business comprising P Chem and C Chem (as defined in the Contribution Agreement), other petrochemicals businesses and related businesses; PROVIDED, HOWEVER, that Chemicals Business shall not include any specific businesses comprising Chevron Excluded Assets or Phillips Excluded Assets (as defined in the Contribution Agreement).

"Chevron Pipe Line Contribution" shall have the meaning set forth in Exhibit A-2 of the Contribution Agreement.

"Class C Financial Statement Net Contribution" has the meaning set forth in Section 8.1(c)(i).

"Class C Member" includes CUSA, CPL and COPI, and any other Member to whom a Class C Member Transfers a Membership Interest in accordance with this Agreement; PROVIDED, HOWEVER, that a Class C Member shall cease to be a Class C Member upon the Transfer of all of such Person's Membership Interest in accordance with this Agreement.

"Class C Members Aggregate Allocable Share" means, for each Fiscal Year, Fiscal Quarter or other period of the Company, the sum of the Adjusted Taxable Income of the Company allocated to all Class C Members for such Fiscal Year, Fiscal Quarter or other period.

"Class P Financial Statement Net Contribution" has the meaning set forth in Section 8.1(c)(i).

"Class P Member" includes Phillips, Drilling Specialties, WestTex 66 and PPIC, and any other Member to whom a Class P Member Transfers a Membership Interest in accordance with this Agreement; PROVIDED, HOWEVER, that a Class P Member shall cease to be a Class P

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Member upon the Transfer of all of such Person's Membership Interest in accordance with this Agreement.

"Class P Members Aggregate Allocable Share" means, for each Fiscal Year, Fiscal Quarter or other period of the Company, the sum of the Adjusted Taxable Income of the Company allocated to all Class P Members for such Fiscal Year, Fiscal Quarter or other period.

"Class Membership Interest" means the aggregate Membership Interest of all of the Class C Members or all of the Class P Members, as the case may be.

"Closing" has the meaning provided for in the Contribution Agreement.

"Closing Date" means the date of the Closing.

"Code" means the United States Internal Revenue Code of 1986, as amended, or any corresponding provision or provisions of any succeeding law.

"Company Indemnifiable Payment" has the meaning set forth in Section 8.7.

"Company Minimum Gain" has the meaning set forth in sections 1.704-2(b)(2) and 1.704-2(d) of the Income Tax Regulations for the phrase "partnership minimum gain."

"Contribution Agreement" means that certain Contribution Agreement, dated as of May 23, 2000, by and among Chevron Corporation, Phillips Petroleum Company and the Company.

"Costs" means the sum of all cash expenditures made by the Company in connection with the ownership of the Company's assets and the operation of the Company's business, including, without limitation, the cost of all materials purchased, goods returned, services provided and other similar fees, costs and expenses; all real estate and sales taxes; all insurance premiums; all payments of principal and interest on Company indebtedness; any distributions to Members, and other similar expenditures.

"Depreciation" means, for a Fiscal Year or other period, an amount equal to the federal income tax depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Fiscal Year or other period, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year or other period, Depreciation shall be an amount that bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis; PROVIDED, HOWEVER, that if the federal income tax depreciation, amortization or other cost recovery deduction for such Fiscal Year or other period is zero, then Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the Board of Directors.

"Director" means a Person who is elected as a Director of the Company pursuant to Section 4.3 or 4.4 of this Agreement.

"Fiscal Quarter" means the three (3) month period beginning on the first day of the Company's Fiscal Year, and each subsequent (3) month period within the Company's Fiscal Year.

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"Fiscal Year" means the Company's tax year for U.S. federal income tax purposes specified in Section 9.3.

"Income Tax Regulations" means the regulations issued with respect to the Code.

"Indemnified Party" and "Indemnifying Party" shall have the meanings set forth in Article I of the Contribution Agreement.

"K-Resin Accident" means the fire and explosion on March 27, 2000 that took place at the Phillips K-Resin plant located in Pasadena, Texas.

"Leverage Ratio Deficit" means, as of any relevant date, the amount, if any, by which the book value of the indebtedness for money borrowed would need to increase, without the Company's receiving and holding an asset of corresponding value, to cause the Company's Total Debt to Total Capitalization Ratio, as of such date, to increase to 20%.

"Member" has the meaning set forth in Section 3.1.

"Member Nonrecourse Debt Minimum Gain" means an amount, with respect to each Member, equal to the Company Minimum Gain that would result if all such Member's Member Nonrecourse Debt were treated as a Nonrecourse Liability, as determined in accordance with section 1.704-2(i)(3) of the Income Tax Regulations.

"Member Nonrecourse Debt" has the meaning set forth in section 1.704-2(b)(4) of the Income Tax Regulations for the phrase "partner nonrecourse debt."

"Member Nonrecourse Deduction" has the meaning set forth in section 1.704-2(i)(2) of the Income Tax Regulations for the phrase "partner nonrecourse deduction."

"Member's Proportionate Tax Share" means (i) with respect to a Class C Member, the product of (X) the Tax Distribution for the Fiscal Year, Fiscal Quarter or other period, as applicable, and (Y) a fraction, the numerator of which is the Percentage Interest of such Class C Member for such Fiscal Year, Fiscal Quarter or other period and the denominator is the sum of the Percentage Interests for all Class C Members for such Fiscal Year, Fiscal Quarter or other period and (ii) with respect to a Class P Member, the product of (X) the Tax Distribution for the Fiscal Year, Fiscal Quarter or other period, as applicable, and (Y) a fraction, the numerator of which is the Percentage Interest of such Class P Member for such Fiscal Year, Fiscal Quarter or other period and the denominator is the sum of the Percentage Interests for all Class P Members for such Fiscal Year, Fiscal Quarter or other period. In the event that the Percentage Interest of a Member changes during any Fiscal Year, Fiscal Quarter or other period, the Member's Proportionate Tax Share of such Member and the other Class P Members or Class C Members, as the case may be, for such Fiscal Year, Fiscal Quarter or other period shall be appropriately adjusted to take into account the Class P Members' or Class C Members', as the case may be, varying interests. In no event shall the application of the foregoing formula

result in the Class C Members in the aggregate or the Class P Members in the aggregate receiving an amount in excess of the Tax Calculation Share applicable to such Fiscal Year, Fiscal Quarter or other period.

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"Membership Interest" means the ownership interest of a Member in the Company, including a Member's right to share in the Company's items of income, gain, loss, deduction, credits and similar items, and the right to receive distributions from the Company, as well as a Member's rights to vote and otherwise participate in the operation or affairs of the Company as provided for herein and under the Act.

"Minimum Leverage Distribution" means the lesser of (x) five (5) times the amount of the Leverage Ratio Deficit or (y) the Net Cash Available for Distribution.

"Net Cash Available for Distribution" means (i) the excess, for each semi-annual period ending on the last day of the second and fourth Fiscal Quarter of each Fiscal Year, of Revenues for such period over Costs for such period; plus (ii) cash and cash equivalent securities on hand at the beginning of such period; minus (iii) adequate reserves for working capital, approved future expenditures and known liabilities.

"Net Profit" or "Net Loss" means for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such Fiscal Year or period determined in accordance with section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profit or Net Loss pursuant to this definition shall be added to such taxable income or loss;

(b) Any expenditure of the Company described in section 705(a)(2)(B) of the Code or treated as such expenditure pursuant to section 1.704-1(b)(2)(iv)(i) of the Income Tax Regulations, and not otherwise taken into account in computing Net Profit or Net Loss, shall be subtracted from such taxable income or loss;

(c) Gain or loss resulting from any disposition of Company assets where such gain or loss is recognized for federal income tax purposes shall be computed by reference to the Carrying Value of the Company assets disposed of, notwithstanding that the adjusted tax basis of such Company assets differs from its Carrying Value;

(d) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year;

(e) To the extent an adjustment to the adjusted tax basis of any asset included in Company assets pursuant to section 734(b) of the Code or section 743(b) is required pursuant to section 1.704-1(b)(2)(iv)(m)(4) of the Income Tax Regulations to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's Membership Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the

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asset) from the disposition of the asset and shall be taken into account for the purposes of computing Net Profit and Net Loss;

(f) If the Carrying Value of any Company asset is adjusted in accordance with either of clauses (b) or (d) of the definition of "Carrying Value," the amount of such adjustment shall be taken into account in the Fiscal Year of such adjustment as gain or loss from the disposition of such asset for purposes of computing Net Profit or Net Loss; and

(g) Notwithstanding any other provision of this definition, any items that are specially allocated pursuant to Section 9.1(b) shall not be taken into account in computing Net Profit or Net Loss.

"Nonrecourse Deductions" has the meaning set forth in section 1.704-2(c) of the Income Tax Regulations.

"Nonrecourse Liability" has the meaning set forth in section 1.704-2(b) (3) of the Income Tax Regulations.

"Parent" means, when used with respect to any Person, any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which owns or controls, directly or indirectly, 50% or more of the outstanding voting securities (or equivalent voting interests) of such Person.

"Percentage Interest" means a Member's percentage interest in the Company determined in the manner set forth in Section 8.1 (a), provided, however, that the aggregate percentage interests of the Class C Members shall be 50% and the aggregate percentage interests of the Class P Members shall be 50%. After the Percentage Interests of each Member has been determined in accordance with Section 8.1(a), each such Member's Percentage Interest shall be set forth opposite such Members name on Schedule 3 hereto.

"Person" means any general partnership, limited partnership, joint venture, association, corporation, limited liability company, trust or other entity and, where the contexts so permits or requires, a natural person.

"Pre-Adjustment Excess" has the meaning set forth in Section 8.1(b).

"Quarterly Tax Distribution" means, for each Member for each of the first three Fiscal Quarters of the Company during the term of the Company, such Member's Proportionate Tax Share for such Fiscal Quarter.

"Revenues" means revenues and receipts of every kind and nature (from both cash and credit transactions), including sales proceeds, rental, license, lease or other income, net proceeds from issuance of indebtedness, proceeds from insurance and all other similar items, but excluding (i) payments received as an advance or deposit, until actually applied by the Company; and (ii) except as otherwise expressly agreed by the Members, the amount of any Capital Contributions.

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"Subsidiary" means, when used with respect to any Person, any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, of which such Person owns or controls, directly or indirectly, 50% or more of the outstanding voting securities (or equivalent

voting interests).

"Tax Basket Amount" shall have the meaning set forth in Section 1.11 of Annex B to the Contribution Agreement.

"Tax Calculation Share" means, for each Fiscal Year, Fiscal Quarter or other period, the greater of (i) the Class P Members Aggregate Allocable Share for such Fiscal Year, Fiscal Quarter or other period and (ii) the Class C Members Aggregate Allocable Share for such Fiscal Year, Fiscal Quarter or other period.

"Tax Distribution" means, for each Fiscal Year, Fiscal Quarter or other period of the Company during the term of the Company, the product of (i) the Tax Calculation Share for such Fiscal Year, Fiscal Quarter or other period and (ii) the Tax Rate for such Fiscal Year, Fiscal Quarter or other period.

"Tax Rate" means the marginal blended tax rate determined by assuming that (i) such Person is a corporation subject to the highest marginal corporate United States federal income tax rate applicable for the applicable period, (ii) such Person is subject to franchise and other income taxes at a combined rate initially determined to be 5% (which rate may be periodically changed to such rate as shall be agreed upon by the Class C Member(s) and Class P Member(s)), and (iii) the franchise and other income taxes described in the preceding clause (ii) are deductible for United States federal income tax purposes.

"Total Debt to Total Capitalization Ratio" means the ratio, the numerator of which is the sum of the Company's long-term debt plus current maturities, commercial paper and other short-term borrowings, and the denominator of which is the sum of the Company's long-term debt plus current maturities, commercial paper and other short-term borrowings plus members' equity plus minority interest, if any.

"Ultimate Parent" means, with respect to any Person, a Parent who is not a Subsidiary of any other Person.

"Wholly-Owned Affiliate" means a wholly-owned Subsidiary of the Ultimate Parent of a Member.

ARTICLE 2

OFFICES AND STATUTORY AGENT

2.1 Registered Office and Statutory Agent. The registered office and statutory agent in Delaware required by the Act shall be as set forth in the Certificate until such time as the registered office or statutory agent is changed in accordance with the Act.

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2.2 Principal Executive Office. The location of the principal executive office for the transaction of the business of the Company shall be Houston, Texas, or such other location as determined by the Board of Directors from time to time.

2.3 Business. The Company may carry on any lawful business, purpose or activity which is permitted to be carried on by a limited liability company under the Act. The actual business of the Company shall be determined by the Board of Directors.

ARTICLE 3

MEMBERS; CLASSES; VOTING RIGHTS; MEETINGS OF MEMBERS

3.1 Members. Each party to this Agreement, except for Chevron, and each person admitted as a Member pursuant to this Agreement shall be a member of the Company until they cease to be a member in accordance with the provisions of the Act, the Certificate or this Agreement (the "Members"). The names of the Members shall be set forth on Schedule 1 hereto.

3.2 Classes of Members. The Membership Interests in the Company shall be divided into two (2) classes of members, such classes being designated as Class C Members and Class P Members.

3.3 Duties of Members. Members shall not owe duties, fiduciary or otherwise, or obligations to the Company or other Members, except as expressly set forth herein.

3.4 Voting Rights

(a) Except as may otherwise be provided by this Agreement or the Act or the Certificate, the unanimous vote of the Members on a matter shall constitute the act of the Members.

(b) The Members shall have the right to elect Directors in accordance with Sections 4.3 and 4.4 of this Agreement.

(c) Only Persons whose names are listed as Members on the records of the Company at the close of business on the business day immediately preceding the day on which notice of the meeting is given or, if such notice is waived, at the close of business on the business day immediately preceding the day on which the meeting of Members is held (except that the record date for Members entitled to give consent to action without a meeting shall be determined in accordance with Section 3.9) shall be entitled to receive notice of and to vote at such meeting, and such day shall be the record date for such meeting. Any Member entitled to vote on any matter shall be entitled to cast that number of votes equal to such Member's Percentage Interest and may cast part of the votes in favor of the proposal and refrain from exercising the remaining votes or vote against the proposal (other than elections of a Director), but if the Member fails to specify the number of votes such Member is exercising affirmatively, it will be conclusively presumed that the Member's approving vote is with respect to all votes such Member is entitled to cast. Such vote may be viva voce or by ballot; provided, however, that all elections for Directors must be by ballot upon demand made by a Member at any election and before the voting begins.

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3.5 Place of Meetings. All meetings of the Members shall be held at any place within or without the State of Delaware which may be designated either by the Board of Directors or by the written consent of all Members entitled to vote thereat given either before or after the meeting and filed with the secretary. In the event of any inconsistency in the places designated by the Board of Directors or the Members as herein provided, or in the absence of any such designation, Members' meetings shall be held at the principal executive office of the Company.

3.6 Meetings of Members; Notice of Meetings. Meetings of the Members for the purpose of taking any action permitted to be taken by the Members may be called by a majority of the Directors or by Members holding a majority of the Percentage Interests. Upon request in writing that a meeting of Members be called for any proper purpose, the Secretary forthwith shall cause notice to be given to the Members entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than

thirty-five (35) nor more than sixty (60) days after receipt of the request. Except in special cases where other express provision is made by statute, notice of such meetings shall be given personally, in writing, via electronic means or via facsimile to each Member entitled to vote not less than thirty-five (35) nor more than sixty (60) days before the meeting. Such notices shall state:

- (a) The place, date and hour of the meeting;
- (b) Those matters which the Directors, at the time of the mailing of the notice, intend to present for action by the Members; and
- (c) The names of the Directors intended at the time of the notice to be presented for election.

3.7 Quorum. The presence at any meeting in person or by proxy of Members holding one-hundred percent (100%) of the aggregate Percentage Interests entitled to vote at such meeting shall constitute a quorum for the transaction of business.

3.8 Waiver of Notice. The actions of any meeting of Members, however called and noticed, and wherever held, shall be as valid as if taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes thereof. The waiver of notice, consent or approval need not specify either the business to be transacted or the purpose of any regular or special meeting of Members. All such waivers, consents or approvals shall be filed with the Company records and made a part of the minutes of the meeting.

Attendance of a Member at a meeting shall also constitute a waiver of notice of and presence at such meeting, except when the Member objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice but not so included, if such objection is expressly made at the meeting.

3.9 Action by Members Without a Meeting. Directors may be elected or removed without a meeting by a consent in writing, setting forth the action so taken, signed by Members

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entitled to elect or remove Directors in accordance with Section 4.3; in addition, a Director may be elected at any time to fill a vacancy by a written consent signed by Members entitled to elect or remove Directors in accordance with Section 4.3. Notice of such election shall be promptly given to nonconsenting Members.

Any other action which, under any provision of the Act or the Certificate or this Agreement, may be taken at a meeting of the Members, may be taken without a meeting, and without notice except as hereinafter set forth, if a consent in writing, setting forth the action so taken, is signed by Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted. All such consents shall be filed with the secretary of the Company and shall be maintained in the Company's records.

Unless the consents of all Members entitled to vote have been solicited in writing, prompt notice shall be given of the taking of any action approved by

Members without a meeting by less than unanimous written consent to those Members entitled to vote who have not consented in writing.

Unless the Board of Directors sets a record date for the determination of Members entitled to notice of and to give such written consent, the record date for such determination shall be the day on which the first written consent is given.

Any Member giving a written consent, or the Member's proxyholders, or a personal representative of the Member or their respective proxyholders, may revoke the consent by a writing received by the secretary prior to the time that written consents of the number of votes required to authorize the proposed action have been filed with the secretary, but may not do so thereafter. Such revocation is effective upon its receipt by the secretary or, if there shall be no person then holding such office, upon its receipt by any other officer or Director of the Company.

ARTICLE 4

BOARD OF DIRECTORS

4.1 General. Subject to the provisions of the Act and any limitations in the Certificate and this Agreement as to action required to be authorized or approved by the Members, the business and affairs of the Company shall be managed and all its powers shall be exercised by the Members, who have in turn delegated their authority to manage the business and affairs of the Company and to exercise all of the Company's powers to the board of directors of the Company (the "Board of Directors"), who have in turn delegated to the Officers (as defined herein) such portions of the authority of the Board of Directors as set forth herein (and as may be set forth in resolutions of the Board of Directors), provided that any delegation of authority to the Officers set forth herein or otherwise is subject to the discretion of the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board of Directors shall have the following powers:

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(a) To conduct, manage and control the business and affairs of the Company, including, to the extent determined by the Board of Directors, managing any Subsidiary limited liability company and to make such rules and regulations therefor not inconsistent with law or with the Certificate or with this Agreement, as the Board of Directors shall deem to be in the best interests of the Company;

(b) To appoint and remove at pleasure the officers, agents and employees of the Company, prescribe their duties and fix their compensation;

(c) To borrow money and incur indebtedness for the purposes of the Company and to cause to be executed and delivered therefor, in the Company's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor;

(d) To designate an executive and other committees, each consisting of two or more Directors, to serve at the pleasure of the Board of Directors, and to prescribe the manner in which proceedings of such committees shall be conducted; and

(e) To acquire real and personal property, arrange financing, enter into contracts and complete all other arrangements needed to effectuate the business of the Company.

4.2 Number and Classes of Directors. The Board of Directors shall consist of four (4) voting Directors (the "Voting Directors") and two (2) non-voting Directors (the "Non-Voting Directors").

4.3 Election and Removal of Directors. The Directors shall be elected as follows:

(a) The Class C Member(s) shall elect two (2) Voting Directors (individually, a "Class C Director", and together, the "Class C Directors").

(b) The Class P Member(s) shall elect two (2) Voting Directors (individually, a "Class P Director", and together, the "Class P Directors").

(c) The Class C Member(s) may remove, at any time, either or both of the Class C Directors, with or without cause. The Class P Member(s) may remove, at any time, either or both of the Class P Directors, with or without cause.

(d) The chief executive officer and the chief financial officer of the Company shall be ex officio the two Non-Voting Directors. The Non-Voting Directors may be removed at any time by the Board of Directors. If either the office of chief executive officer or the office of chief financial officer is vacant, the Non-Voting Director position associated with such office shall also be vacant.

4.4 Vacancies; Resignations, Replacements.

(a) Upon the death, resignation or removal of any Voting Director, the Member(s) that elected such Voting Director is authorized to fill the vacancy and shall have power to elect a successor to take office when the resignation, removal or deemed vacancy becomes effective.

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(b) Any Voting Director may resign effective upon giving thirty (30) days written notice to each Member of the Company, unless the notice specifies a later time for the effectiveness of such resignation.

4.5 Initial Directors. The names and addresses of the initial Class C Directors and Class P Directors are set forth in Schedule 2. The initial Class C Directors and Class P Directors shall hold office from and after the date of this Agreement until their removal pursuant to this Agreement or until their respective successors are elected and qualified pursuant to this Agreement.

4.6 Compensation of Directors. Directors of the Company, as such, shall not be entitled to compensation, unless otherwise unanimously approved by the Members.

4.7 Fiduciary Duties of Directors. The Class C Directors shall owe fiduciary duties exclusively to the Class C Member(s), and the Class P Directors shall owe fiduciary duties exclusively to the Class P Member(s). No person shall be authorized to institute an action against a Voting Director for breach of fiduciary duty other than a Member to whom a fiduciary duty is owed pursuant to the previous sentence.

4.8 Limitation of Liability. The Voting Directors shall not be liable to the Company or its Members for actions taken in good faith.

ARTICLE 5

MEETINGS OF BOARD OF DIRECTORS

5.1 Place of Meetings. Meetings of the Board of Directors shall be held at any place within or without the State of Delaware that has been designated from time to time by the Board of Directors. In the absence of such designation, meetings of the Board of Directors shall be held at the principal executive office of the Company, except as provided in Section 5.2.

5.2 Meetings of Directors. The Board of Directors shall meet at least eight (8) times per year, pursuant to a schedule established by the Board of Directors as early as practicable each year. In addition, meetings of the Board of Directors for any purpose or purposes may be called at any time by any Director. Notice of the time and place of meetings shall be delivered personally or by telephone to each Director, or sent by first-class mail or by telex, telegram, electronic mail or facsimile transmission, charges prepaid, addressed to him or her at his or her address as it appears upon the records of the Company or, if it is not so shown on the records and is not readily ascertainable, at the place at which the meetings of the Board of Directors are regularly held. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the time of the holding of the meeting. In case such notice is telegraphed or sent by telex, electronic mail or facsimile transmission, it shall be delivered to a common carrier for transmission to the Director or actually transmitted by the person giving the notice by electronic means to the Director at least forty-eight (48) hours prior to the time of the holding of the meeting. In case such notice is delivered personally or by telephone as above provided, it shall be so delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. Any notice given personally or by telephone shall be communicated directly to

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the Director. Such deposit in the mail, delivery to a common carrier, transmission by electronic means or delivery, personally or by telephone, as above provided, shall be due, legal and personal notice to such Directors. The notice need not specify the purpose of the meeting.

5.3 Quorum; Alternates; Participation in Meetings By Conference Telephone Permitted; Vote Required for Action.

(a) The presence of at least one Class C Director and at least one Class P Director constitutes a quorum for the transaction of business. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place (other than adjournments until the time fixed for the next regular meeting of the Board of Directors, as to which no notice is required) shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

(b) Each Voting Director may, by written notice given to the chief executive officer, appoint an alternate to attend and vote at meetings, or at any particular meeting, if the Voting Director is unable to attend. The presence of an alternate at any meeting shall be deemed to be presence of the Director at such meeting for all purposes, and the vote of such alternate shall be deemed to be the vote of the relevant Director. No Director may retract the vote of any duly appointed alternate on behalf of such Director after the close of the meeting at which such vote is made. In the event that the Director who appointed an alternate attends a meeting, the appointment of such alternate shall be ineffective for such meeting, and the alternate shall have no right to be present or to participate in that meeting.

(c) Directors may participate in a meeting through use of conference telephone or similar communications equipment, so long as all Directors participating in such meeting can communicate with and hear one another.

(d) Every act or decision done or made the Board of Directors shall require the unanimous consent of all Voting Directors present at a meeting duly held at which a quorum is present.

5.4 Waiver of Notice; Consent to Meeting. Notice of a meeting need not be given to any Director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the Company's records and made a part of the minutes of the meeting.

5.5 Action by Board of Directors Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if at least one Class C Director and at least one Class P Director (or their alternates who have been appointed pursuant to Section 5.3(b) above) shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors.

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5.6 Committees and Subcommittees. The provisions of this Article 5 shall also apply, with necessary changes in points of detail, to committees and subcommittees of the Board of Directors, if any, and to actions by such committees or subcommittees (except for the first sentence of Section 5.2, which shall not apply, and except that special meetings of a committee or subcommittee may also be called at any time by any two members of the committee or subcommittee), unless otherwise provided by this Agreement or by the resolution of the Board of Directors designating such committee or subcommittee. For such purpose, references to the Directors collectively shall be deemed to refer to each such committee or subcommittee, and references to "Directors" shall be deemed to refer to members of the committee or subcommittee. In addition, the Members intend that the Board of Directors appoint a separate committee responsible for taxes and that such committee at least be given the authority to make routine and/or recurring decisions with respect to taxes.

ARTICLE 6

OFFICERS

6.1 General. Subject to the provisions of the Act, the Certificate and this Agreement, the Board of Directors shall from time to time to appoint one or more individuals who shall be termed officers of the Company (the "Officers"). Subject to the decision and control of the Board of Directors, the Officers of the Company shall manage the day-to-day activities and affairs and will have discretion with regard to all matters not otherwise reserved to the Board of Directors of the Company. Each Officer shall hold his or her respective office at the pleasure of the Board of Directors. Except as otherwise specifically provided for below, an Officer need not be a Member or Director of the Company, and any number of offices may be held by the same person. The Officers of the Company shall include a president and chief executive officer, a chief financial officer, and a secretary. The Company may also have, at the discretion of the Board of Directors, one or more vice presidents, and such other Officers as may be designated from time to time by the Board of Directors.

6.2 Appointment and Removal. Officers shall be appointed by the Board of Directors. Each Officer, including an Officer elected to fill a vacancy, shall hold office until his or her successor is elected, except as otherwise provided

by the Act or the Certificate, unless earlier removed pursuant to this Section 6.2. Any Officer may be removed, with or without cause, at any time by the Board of Directors.

6.3 Chief Executive Officer and President. The chief executive officer and president shall, subject to the oversight and control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Company. Subject to Section 7.1 hereof, the chief executive officer and president shall have all of the powers which are ordinarily inherent in the office of the chief executive officer and president of a corporation, and he shall have such further powers and shall perform such further duties, as may be prescribed for him by the Board of Directors.

6.4 Vice Presidents. In the absence or disability of the president, the vice presidents in order of their rank as fixed by the chief executive officer, or, if not ranked, the vice president designated by the chief executive officer, shall perform all of the duties of the chief executive

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officer and when so acting shall have all the powers of and be subject to all the restrictions upon the chief executive officer. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them, respectively, by president or by this Agreement or by the Board of Directors.

6.5 Secretary. The secretary shall keep or cause to be kept at the principal executive office of the Company, or such other place as the president may order, a book of minutes of all proceedings of the Members and of the Board of Directors, with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those present and the number of votes present or represented at Members' or Board of Directors meetings. The secretary or an assistant secretary, or, if they are absent or unable or refuse to act, any other officer of the Company, shall give or cause to be given notice of all the meetings of the Members required by the Agreement or by law to be given, and he shall keep the seal of the Company, if any, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the president or by this Agreement or by the Board of Directors.

6.6 Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of account of the Company. The chief financial officer shall keep or cause to be kept at the principal executive office a record of Members in the form of Schedule 3 hereto showing the names of the Members and their addresses, their initial and all subsequent Capital Contributions and their respective Percentage Interests, as they may vary from time to time. The chief financial officer shall receive and deposit all moneys and other valuables belonging to the Company in the name and to the credit of the Company and shall disburse the same only in such manner as the chief executive officer or the appropriate officers of the Company may from time to time determine, shall render, whenever requested, an account of all his transactions as chief financial officer and of the financial condition of the Company, and shall perform such further duties as the chief executive officer or this Agreement or the Board of Directors may prescribe.

6.7 Initial Officers. The initial Officers of the Company are set forth in Schedule 4 hereto. These initial Officers shall be appointed for a term of three years from the Closing, which term may be renewed by the Board of Directors. Notwithstanding the foregoing sentence, the initial Officers shall serve at the pleasure of the Board of Directors and may be removed by the Board of Directors

in its discretion at any time prior to the end of their three year terms pursuant to Section 6.2 hereof.

ARTICLE 7

OPERATIONAL MATTERS

7.1 Board of Director Approval.

(a) Unless otherwise determined by the Board of Directors pursuant to subsection (b) below, the Company shall not have the authority to approve or undertake any of the following matters without the approval of the Board of Directors (obtained as set forth in Section 5.3(d)):

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(i) The hiring, firing, renewal, compensation, evaluation and planning for succession of the chief executive officer and president, the chief financial officer and senior vice presidents and other Officers of similar rank.

(ii) Compensation policies for Company employees, including specific compensation and benefit plans and programs.

(iii) Annual strategic and business plans and amendments thereto (including entering into any unrelated new lines of business) in accordance with Section 7.2, Company-wide financing plans, and Company-wide risk management plans (including a program of insurance).

(iv) Any distribution to the Members in excess of, or in an amount less than, the Minimum Tax Distributions and Minimum Leverage Distributions (both of which are deemed automatically approved by the Board of Directors).

(v) The following material transactions:

(A) Projects, long-term contracts (including cancellation thereof), mergers, consolidations, re-capitalization, acquisitions, divestitures, joint ventures or alliances involving the commitment or transfer by the Company of value in excess of \$25 million and shut-downs of material facilities; and

(B) Investments and transactions outside the normal lines of business in excess of \$10 million.

(vi) Capital expenditures in excess of 110% of the approved capital expenditure budget or overruns on major projects greater than 10%.

(vii) Individual borrowings and leasing arrangements in excess of \$25 million, or if the Board of Directors in its discretion sets a debt ceiling, any borrowing in excess of such debt ceiling.

(viii) Unusual, non-recurring uses of Company credit in support of operations above a \$10 million exposure.

(ix) The settlement of actions or claims against the Company involving more than \$10 million.

(x) Related-party transactions involving the receipt or payment of more than \$5 million in any one transaction or \$10 million in any series of related transactions, irrespective of individual amounts (other than

transactions reflected by the agreements referred to on Schedules 6.11(b) and 6.11(c) of each of the Phillips Disclosure Schedule to the Contribution Agreement and the Chevron Disclosure Schedule to the Contribution Agreement).

(xi) Any amendment to the Certificate or this Agreement.

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(xii) Except as otherwise specifically provided for in Article X, the admission of an additional Member or other equity holder of the Company.

(xiii) Any redemption of an equity interest in the Company.

(xiv) Any adoption of or change in the Company's form of business or accounting principles.

(xv) Any material consolidation or relocation of the Company's research and development facilities, or the exercise or waiver of any right affecting the term of any leasehold for research and development facilities.

(xvi) The commencement of voluntary bankruptcy proceedings for the Company.

(xvii) Any material decision regarding repair, replacement or startup relating to the K-Resin Accident.

(xviii) The liquidation or dissolution of the Company.

(xix) Any use by the Company of the "Chevron" or "Phillips" name, by itself.

(b) The Board of Directors shall review periodically the appropriateness of the list of items contained in Section 7.1(a) (including the related threshold dollar amounts contained therein) which must be brought before the Board of Directors, and will implement changes if and when appropriate. Any such changes shall be set forth in a written resolution, and, to the extent that such written resolution is inconsistent with Section 7.1(a), the written resolution will control.

7.2 Strategic and Business Plans; Reports.

(a) The Board of Directors and the Officers will conduct an interactive strategic planning process on an annual basis. In connection with this process, the Officers shall prepare and submit to the Board of Directors and the Board of Directors shall review, consider and adopt:

(i) a strategic plan for the Company; and

(ii) a three (3) year business plan, including capital and operating budgets.

Such process shall be conducted in accordance with the strategic planning processes of the Members, as determined by the Board of Directors.

(b) In the event that the Board of Directors fails to timely approve capital or operating budgets for any period, the Officers will be authorized to spend such amounts as are necessary or appropriate to meet the Company's prior commitments and obligations and to conduct and

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maintain the Company's operations and properties in a safe and efficient manner in accordance with industry practice.

(c) The Officers shall provide the Board of Directors with monthly reports of the operating results of the Company compared with the strategic and business plan, including the capital and operating budgets, and annual and periodic reports of compliance matters (e.g. financial controls, environmental, human resources, etc.).

ARTICLE 8

CAPITAL CONTRIBUTIONS AND PERCENTAGE INTERESTS

8.1 Capital Contributions and Percentage Interests.

(a) Effective as of the Closing, each of the Members shall make a Capital Contribution to the Company as contemplated by Article II of the Contribution Agreement and the credit balance in the Capital Account of each Member, as a result of such contribution, shall be determined in accordance with Sections 8.1(b). The Percentage Interest of each Class C Member shall be equal to the product, expressed as a percentage, of (i) a fraction, the numerator of which is the credit balance in the Capital Account of such Class C Member determined as set forth in Section 8.1(b) and the denominator of which is the sum of the credit balances in the Capital Accounts of all Class C Members determined as set forth in Section 8.1(b), and (ii) 50. The Percentage Interest of each Class P Member shall be equal to the product of (i) a fraction, the numerator of which is the credit balance in the Capital Account of such Class P Member as determined in accordance with Section 8.1(b) and the denominator of which is the sum of the credit balances in the Capital Accounts of all Class P Members determined as set forth in Section 8.1(b), and (ii) 50. It is the agreement of the parties that (i) the aggregate Percentage Interests of all Class C Members shall equal 50% and the aggregate Percentage Interests of all Class P Members shall equal 50%, (ii) such aggregate Percentage Interests shall not change unless otherwise agreed by the Members and (iii) such aggregate Percentage Interests shall not be affected by the Chevron Pipe Line Contribution.

(b) As soon as practicable after the Closing, Chevron and Phillips shall determine the Capital Account balance of each Member as of the Closing Date which shall be equal to the excess of (x) the Carrying Value of the assets contributed by such Member as of the Closing Date determined in accordance with Section 8.1(c) over (y) the liabilities of the Member that are assumed by the Company in connection with such contribution or to which such assets are subject.

(c) As soon as practicable after the Closing, (i) Chevron and Phillips shall determine the Capital Account balance of each Member as of the Closing Date by determining in accordance with this Section 8.1(c) the Carrying Values as of the Closing Date of the assets contributed effective as of the Closing Date to the Company by each Member pursuant to Article II of the Contribution Agreement and the liabilities of such Member assumed by the Company effective as of the Closing Date and the liabilities that are secured by assets contributed effective as of the Closing Date to the Company by such Member pursuant to Article II of the Contribution Agreement, (ii) Chevron and Phillips shall determine in accordance with Section 8.1(a) the Percentage Interest as of the Closing Date of each Member, (iii) Schedule 3 hereto shall be completed so that it reflects such Capital Account Balances and Percentage Interests of

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each Member, and (iv) Chevron and Phillips shall agree to schedules setting forth the Carrying Values specified in clause (i) of this sentence. Except to the extent the Members otherwise unanimously agree, the Carrying Value of the assets contributed by each Member pursuant to Article II of the Contribution Agreement shall be determined as follows:

(i) Chevron and Phillips shall compute (x) the excess of the net book value for financial reporting purposes as of the Closing Date of the assets contributed pursuant to Article II of the Contribution Agreement by the Class P Members in the aggregate over the aggregate amount of liabilities of such Members that are assumed by the Company in connection with such contribution or to which the such assets are subject ("Class P Financial Statement Net Contribution") and (y) the excess of the net book value for financial reporting purposes as of the Closing Date of the assets contributed pursuant to Article II of the Contribution Agreement by the Class C members in the aggregate over the amount of liabilities of such Members that are assumed by the Company in connection with such contribution or to which such assets are subject ("Class C Financial Statement Net Contribution").

(ii) If (x) the Class P Financial Statement Net Contribution reduced by the aggregate amount to be distributed to the Class P Members pursuant to Section 9.2(f) ("Adjusted Class P Financial Statement Net Contribution") and (y) the amount of the Class C Financial Statement Net Contribution reduced by the aggregate amount to be distributed to the Class C Members pursuant to Section 9.2(f) ("Adjusted Class C Financial Statement Net Contribution") are not equal, an amount equal to the difference between the Adjusted Class P Financial Statement Net Contribution and the Adjusted Class C Financial Statement Net Contribution shall, unless the Members otherwise unanimously agree, be allocated among the assets included in the Class P Financial Statement Net Contribution or Class C Financial Statement Net Contribution, whichever is smaller after reduction of each as provided above in this Section 8.1(c)(ii) by the amounts to be distributed pursuant to Section 9.2(f). The allocation of such difference between the Adjusted Class P Financial Statement Net Contribution and the Adjusted Class C Financial Statement Net Contribution shall be made among such assets in the ratio of each such asset's net book value to the aggregate net book values of all such assets. For purposes of the preceding sentence, the net book value for each such asset shall be the net book value for such asset used in computing the Class P Financial Statement Net Contribution or Class C Financial Statement Net Contribution, as applicable.

(d) Section 8.1(b) and (c) are designed to result in the aggregate credit balances in the Capital Accounts of the Class C Members being equal to the aggregate credit balances in the Capital Accounts of the Class P Members after giving effect to the distributions provided for in Section 9.2(f) which is consistent with the agreement of the Members that the fair market value of the net assets being contributed to the Company by the Class C Members and the fair market value of the net assets being contributed to the Company by the Class P Members are equal after giving effect to the distributions provided for in Section 9.2(f), and this result shall not be affected by the Chevron Pipe Line Contribution.

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8.2 Additional Capital Contributions. No Member may make additional Capital Contributions other than pursuant to its obligations under the Contribution Agreement without the consent of the Board of Directors. The Board of Directors shall approve all material terms of any such Capital Contribution,

including its effect on the Members' relative Capital Accounts and Percentage Interests.

8.3 Withdrawal or Reduction of Capital Contributions.

(a) Except as expressly provided in this Agreement, no Member shall have the right to withdraw from the Company all or any part of its Capital Contribution.

(b) A Member, irrespective of the nature of its Capital Contribution, shall not have the right to demand and receive a distribution in kind in return for its Capital Contribution, unless the Members shall have otherwise unanimously agreed.

8.4 No Interest on Capital Contributions. No interest shall be payable on or with respect to the Capital Contributions or Capital Accounts of Members.

8.5 Capital Accounts. A single Capital Account shall be maintained for each Member (regardless of the class of interests owned by such Member and regardless of the time or manner in which such interests were acquired) in accordance with the capital accounting rules of section 704(b) of the Code and the Income Tax Regulations thereunder (including without limitation section 1.704-1(b)(2)(iv) of the Income Tax Regulations) and as further described in this Section 8.5.

(a) There shall be established for each Member a Capital Account reflecting the excess (or deficit) of (a) the sum of (i) the Carrying Value of assets contributed to the Company by such Member and the amount of cash contributed to the Company or paid pursuant to a note contributed to the Company by such Member, (ii) such Member's share of Net Profits and any items in the nature of income or gain that are specifically allocated to such Member and (iii) the amount of any Company liabilities assumed by such Member or which are secured by any property distributed to such Member over (b) the sum of (i) such Member's share of Net Losses and any items in the nature of losses or expenses that are specifically allocated to such Member, (ii) any distributions to such Member and (iii) liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member. In determining the amount of any liability for purposes of this section, there shall be taken into account section 752(c) of the Code and any other applicable provisions of the Code and Income Tax Regulations.

(b) In the event of a transfer of all or any portion of a Member's interest in the Company pursuant to Article 10 hereof, the Capital Account of any transferee shall include the appropriate portion of the Capital Account of the Member from which the transferee's interest in the Company was obtained.

(c) When Company property is distributed in kind (whether in connection with liquidation and dissolution or otherwise), the Capital Accounts of the Members shall first be adjusted to reflect the manner in which the unrealized income, gain, loss and deduction inherent in such property (that has not been reflected in the Capital Account previously) would be allocated among the Members if there were a taxable disposition of such property for the fair

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market value of such property (taking into account section 7701(g) of the Code) on the date of distribution.

(d) The appropriate Officers shall make or cause to be made all necessary adjustments in each Member's Capital Account as required by the capital accounting rules of section 704(b) of the Code and the regulations thereunder.

8.6 Loans by Members to the Company. No Member shall be obligated to lend money to the Company. No Member may lend money to the Company without the consent of the Board of Directors. The Board of Directors shall approve all material terms of such a loan, including, without limitation, the interest rate and term. Any loan by a Member to the Company with the required consent of the Board of Directors shall be separately entered on the books of the Company as a loan to the Company and not as a Capital Contribution, and shall be evidenced by a promissory note duly executed by at least one Class C Director and one Class P Director on behalf of the Company and delivered to the lending Member.

8.7 Treatment of Certain Indemnity Payments.

(a) If Company makes any payment to a third party that is subject to indemnification by a Class C Member or a Class P Member (or any Affiliate thereof) pursuant to the Contribution Agreement or Annex B or C thereto (a "Company Indemnifiable Payment"), the Members intend such payment to be treated as preserving the value of the contribution made pursuant to Article II of the Contribution Agreement by the Member liable for the indemnity payment. Toward that end, each indemnity obligation arising in respect of a Company Indemnifiable Payment will be treated as having arisen immediately prior to such contribution of assets by the Indemnifying Party, the Indemnifying Party will be treated as if it had originally contributed assets with a Carrying Value increased by the amount of the Company Indemnifiable Payment, and the Company will be treated as having assumed an additional liability in the amount of the Company Indemnifiable Payment. As a result, the amounts credited to the Capital Accounts of the Class C Members in the aggregate and the Class P Members in the aggregate will remain equal. The Members also intend that the tax consequences of such Company Indemnifiable Payment and the indemnification payment itself shall inure to the Indemnifying Party, but, except as otherwise agreed by the Members, only to the extent that such tax result can be achieved without causing the Capital Accounts of the Class C Members in the aggregate and the Capital Accounts of the Class P Members in the aggregate to fail to be equal.

(b) If a Member makes any payment to a third party that is subject to indemnification by the Company pursuant to the Contribution Agreement or Annex B or C thereto (a "Member Indemnifiable Payment"), the Members intend that the tax consequences of such Member Indemnifiable Payment and the indemnification payment itself shall inure to the Company and be shared by the Members in accordance with their respective Percentage Interests, but, except as otherwise agreed by the Members, only to the extent that such tax results can be achieved without causing the Capital Accounts of the Class C Members in the aggregate and the Capital Accounts of the Class P Members in the aggregate to fail to be equal.

8.8 Treatment of Certain Deferred Capital Contributions. As a result of the K-Resin Accident, the value of certain assets contributed by the Class P Members has declined from that

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which existed when the Members were first agreeing on the economic terms of the arrangement described in this Agreement. The Members cannot agree on the amount of the decline in value, in part because they are currently unable to reach an agreement on the likely time and expense involved in repairing the damage caused by the K-Resin Accident and the degree and permanence of any loss of customers that the K-Resin Accident may cause. In order to resolve the issue, one or more of the Class P Members may have to make capital contributions to the Company after the Closing under the circumstances and in the amounts calculated under the provisions of the Contribution Agreement. The Members view such deferred capital contributions as necessary to preserve the pre K-Resin Accident

value of the business and assets contributed by the Class P Members. The Members agree that any deferred contributions are capital contributions and will not be reported as income by the Company.

8.9 Special Rule. An Indemnifying Party will indemnify the Indemnified Party on a Net After-Tax Basis against any income or franchise tax incurred in the event that any indemnification payment is treated as taxable income to the Indemnified Party. For purposes of this paragraph, "Net After-Tax Basis" means after any U.S. federal, state or local income or franchise taxes (computed using the Tax Rate) incurred as a result of such indemnification (assuming the deductibility of such state and local income and franchise taxes in calculating federal income tax), reduced by any tax benefit arising as a result of such indemnification.

8.10 Application of the Basket, Tax Basket Amount and Cap. No provision of this Agreement or the Contribution Agreement (including the Annexes thereto) shall be applied or interpreted in a manner that would cause any indemnification payment to be made that otherwise would not be payable because of application of the Basket, Tax Basket Amount or the Cap.

ARTICLE 9

ALLOCATION OF PROFITS AND LOSSES; DISTRIBUTIONS; TAX AND ACCOUNTING MATTERS

9.1 Allocations. Net Profit and Net Loss of the Company shall be determined and allocated with respect to each Fiscal Year, Fiscal Quarter or other period of the Company as follows:

(a) General Allocation. Except as otherwise provided in this Article 9, Net Profit and Net Loss for each Fiscal Year, Fiscal Quarter or other period shall be allocated to the Members in accordance with their Percentage Interests.

(b) Regulatory Allocations. Notwithstanding the foregoing, the following special allocations shall be made for each Fiscal Year or other period in the following order of priority:

(i) If there is a net decrease in Company Minimum Gain during a Company taxable year, then each Member shall be allocated items of Company income and gain for such taxable year (and, if necessary, for subsequent years) in an amount equal to such Member's share of net decrease in Company Minimum Gain, determined in accordance with section 1.704-2(g)(2) of the Income Tax Regulations. This subsection (b)(i) is intended to comply with the minimum gain chargeback

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requirement of section 1.704-2(f) of the Income Tax Regulations and shall be interpreted consistently therewith.

(ii) If there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Company taxable year, each Member who has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with section 1.704-2(i)(5) of the Income Tax Regulations, shall be specially allocated items of Company income and gain for such taxable year (and, if necessary, subsequent years) in the amount equal to such Member's share of net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in a manner consistent with the provisions of section 1.704-2(i)(4) of the Income Tax Regulations. This subsection (b)(ii) is intended to comply with the partner nonrecourse debt minimum gain chargeback requirement of section 1.704-2(i)(4) of the Income

Tax Regulations and shall be interpreted consistently therewith.

(iii) If any Member unexpectedly receives (or Members unexpectedly receive) an adjustment, allocation or distribution of the type contemplated by section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Income Tax Regulations, items of income and gain shall be allocated to such Member (or if more than one Member receives such an adjustment, allocation or distribution, items of income and gain shall be allocated to such Members in proportion to the amounts of their respective Adjusted Capital Account Deficits) in an amount (or amounts) and manner sufficient to eliminate the Adjusted Capital Account Deficit of such Member (or deficits of such Members) as quickly as possible. It is intended that this subsection (b)(iii) qualify and be construed as a "qualified income offset" within the meaning of section 1.704-1(b)(2)(ii)(d) of the Income Tax Regulations.

(iv) If the allocation of Net Loss to a Member as provided in Section 9.1(a) would create or increase an Adjusted Capital Account Deficit and one or more other Members would have a positive Capital Account balance, there shall be allocated to such Member only that amount of Net Loss as will not create or increase an Adjusted Capital Account Deficit. The Net Loss that would, absent the application of the preceding sentence, otherwise be allocated to such Member shall, subject to the Adjusted Capital Account Deficit limitations of such sentence, be allocated to those Members having positive Capital Account balances up to the amount of such positive Capital Account balances in the ratios that each such Member's positive Capital Account Balance bears to the sum of such positive Capital Account balances. To the extent that allocations of Net Losses have been made pursuant to this subsection (b)(iv), future allocations of Net Profits, notwithstanding anything to the contrary in this Agreement, shall be made first to restore such Net Losses.

(v) Member Nonrecourse Deductions for any Fiscal Year or other period shall be allocated each year to the Member that bears the economic risk of loss (within the meaning of section 1.752-2 of the Income Tax Regulations) for the

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Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable.

(vi) Nonrecourse Deductions for any Fiscal Year or other period shall be allocated to the Members in proportion to their respective Percentage Interests.

(vii) To the extent an adjustment to the adjusted tax basis of any Company asset, pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to section 1.704-1(b)(2)(iv)(M)(2) or 1.704-1(b)(2)(iv)(M)(4) of the Income Tax Regulations, to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of such Member's interest in the Company, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in accordance with their interests in the Company in the event section 1.704-1(b)(2)(iv)(M)(2) of the Income Tax Regulations applies, or to the Member to whom such distribution was made in the event section 1.704-1(b)(2)(iv)(M)(4) of the Income Tax Regulations applies

viii. The allocations set forth in subsections (b)(i) through

(b)(vii) (the "Regulatory Allocations") are intended to comply with certain requirements of sections 1.704-1(b), 1.704-2(f) and 1.704-2(i) of the Income Tax Regulations. Notwithstanding the provisions of Section 9.1(a), the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each Member if the Regulatory Allocations had not occurred.

(c) Tax Allocations.

(i) Except as provided in subsection (c)(ii), for income tax purposes under the Code and the Income Tax Regulations, Company taxable income and loss shall be allocated to each Member in the same manner that Company Net Profit and Net Loss (and items entering into the determination thereof) are allocated.

(ii) Section 704(c). In accordance with section 704(c) of the Code and the Income Tax Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for income tax purposes, be allocated so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and the initial Carrying Value of such property. If the Carrying Value of any Company property is adjusted as described in the definition of "Carrying Value", subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and the Carrying Value of such asset in the manner prescribed under Sections 704(b) and 704(c) of the Code and the

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Income Tax Regulations thereunder. With respect to assets contributed or required to be contributed by the Members at the Closing pursuant to the Contribution Agreement, for purposes of applying section 704(c) of the Code and this Section 9.1(c)(ii), the Company shall use the traditional method with curative allocations set forth in section 1.704-3(c) of the Income Tax Regulations. Any elections or other decisions relating to such allocations shall be made by the Board of Directors.

(d) Depreciation Recapture. Solely for tax purposes, a Member's share of the Company's depreciation recapture recognized for tax purposes upon the disposition of Company property shall be computed in the manner provided for in sections 1.704-3(a)(11), 1.1245-1(e) and 1.1250-1(f) of the Income Tax Regulations. The provisions of this Section 9.1(d) are intended to affect only the character of the items of gain allocated by the Company to the Members. This Section 9.1(d) shall not affect the aggregate amount of gain (including gain characterized under this Section 9.1(d) as depreciation recapture) otherwise allocable to a Member pursuant to this Section 9.1.

(e) Change in Percentage Interests. Except as otherwise required by law, if the Percentage Interests of the Members of the Company are changed during any taxable year, all items to be allocated to the Members for such entire taxable year shall be prorated on the basis of the portion of such taxable year which precedes each such change and the portion of such taxable year on and after each such change according to the number of days in each such portion, and the items so allocated for each such portion shall be allocated to the Members in the manner in which such items are allocated as provided in Section 9.1(a) during each such portion of the taxable year in question.

(f) Excess Nonrecourse Liabilities. Nonrecourse liabilities of the Company that constitute "excess nonrecourse liabilities" within the meaning of section 1.752-3(a)(3) of the Income Tax Regulations, shall be allocated among the Members in proportion to their respective Percentage Interests.

(g) Allocations Relating to Capital Transactions. In connection with the sale or other disposition of all or substantially all of the assets of the Company (including upon a liquidation of the Company), items of income, gain, loss and deduction shall, except as otherwise required by subsections (b) through (f) above, be allocated to the Members in such amounts as shall cause their relative Adjusted Capital Account Balances to equal as nearly as possible, their relative Percentage Interests.

(h) State and Local Items. Items of income, gain, loss, deduction, credit and tax preference for state and local income tax purposes shall be allocated to and among the Members in a manner consistent with the allocation of such items for federal income tax purposes in accordance with the foregoing provisions of this Section 9.1.

9.2 Distributions.

(a) The Company shall distribute to each Member as promptly as practicable (and in any event within forty-five (45) days) after the end of each of the first three (3) Fiscal Quarters of

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each Fiscal Year of the Company an amount equal to such Member's Quarterly Tax Distribution for such Fiscal Quarter. In addition, the Company shall distribute to each Member as promptly as practicable (and in any event within forty-five (45) days) after the end of each Fiscal Year an amount equal to the excess, if any, of such Member's Proportionate Tax Share for such Fiscal Year over the aggregate amount of Quarterly Tax Distributions made to such Member with respect to such Fiscal Year.

(b) At the end of each of the second Fiscal Quarter and the fourth Fiscal Quarter, the Board of Directors shall determine if a Leverage Ratio Deficit exists. If a Leverage Ratio Deficit exists, the Board of Directors, as promptly as practicable after the end of such Fiscal Quarter, shall meet and take such action as the Directors deem necessary to reduce the Leverage Ratio Deficit to zero. If the Board of Directors fails to reduce the Leverage Ratio Deficit to zero within forty-five (45) days following the end of the second or fourth Fiscal Quarter, the Chief Executive Officer shall cause the Company to distribute to the Members in proportion to their relative Percentage Interests an amount equal to the Minimum Leverage Distribution for the applicable six-month period.

(c) Any distributions by the Company to the Members, other than the Tax Distribution and the Minimum Leverage Distribution, shall be payable at the discretion of the Board of Directors.

(d) To the extent the Company is required by law to withhold or to make tax payments on behalf of or with respect to any Member, the Company may withhold such amounts and make such tax payments as so required. For purposes of this Agreement, any such payments or withholdings shall be treated as a distribution to the Member on behalf of whom the withholding or payment was made.

(e) Notwithstanding anything to the contrary contained in this Section 9.2, the Company shall not make any distribution to the Members which would render the Company insolvent or which is otherwise prohibited by applicable law.

(f) Notwithstanding anything to the contrary contained in this Agreement, in accordance with Section 6.16 of the Contribution Agreement, (i) the Company shall secure, by the Closing Date or as soon as practicable thereafter, bank credit facilities or other credit of \$1,670,000,000 (or such lesser amount as would allow the Company to maintain an investment-grade debt rating) on reasonably available commercial terms agreeable to the Members (the "Initial Financing"); and (ii) upon the funding of the Initial Financing, the Company shall distribute the net proceeds of the Initial Financing as follows: an aggregate of 50% of the net proceeds of the Initial Financing to the Class P Members (to each Class P Member in the ratio of its Percentage Interest to the sum of the Percentage Interests of all Class P Members as of the Closing Date) and an aggregate of 50% of the net proceeds of the Initial Financing to the Class C Members (to each Class C Member in the ratio of its Percentage Interest to the sum of the Percentage Interests of all Class C Members as of the Closing Date); PROVIDED, HOWEVER, that if the Percentage Interests of the Class P Members and the Class C Members have not been determined as of the date of such distribution, then the Company shall distribute the net proceeds of the Initial Financing that are distributable to the Class P Members to the Initial Phillips Member as agent for such Class P Members and shall distribute the net proceeds of the Initial

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Financing that are distributable to the Class C Members to the Initial Chevron Member as agent for such Class C Members, and the Initial Phillips Member will transfer such proceeds to each such Class P Member in the ratio of its Percentage Interest to the sum of the Percentage Interests of all Class P Members and the Initial Chevron Member will transfer such proceeds to each such Class C Member in the ratio of its Percentage Interest to the sum of the Percentage Interests of all Class C Members when such Percentage Interests are fixed; PROVIDED FURTHER, HOWEVER, that the aggregate amount distributed to the Class P Members shall be reduced by (A) the sum of any indebtedness of P Chem (as defined in the Contribution Agreement) as of the Closing Date other than indebtedness of the entities set forth on Schedule 6.16 of the Phillips Disclosure Schedule to the Contribution Agreement and other than debt incurred in the ordinary course of business (pursuant to financial arrangements or plans previously disclosed to Chevron) by such entities and (B) the SOLP adjustment amount set forth on Schedule 6.16 of the Phillips Disclosure Schedule to the Contribution Agreement, and the aggregate amount distributed to the Class C Members shall be reduced by the sum of any indebtedness of C Chem (as defined in the Contribution Agreement) as of the Closing Date other than indebtedness of the entities set forth on Schedule 6.16 of the Chevron Disclosure Schedule to the Contribution Agreement and other than debt incurred in the ordinary course of business (pursuant to financial arrangements or plans previously disclosed to Phillips) by such entities. It is the agreement of the parties that after such distributions, the aggregate Capital Accounts of the Class C Members will be equal to the aggregate Capital Accounts of the Class P Members. The Company will take steps to segregate the proceeds of the Initial Financing so that the distribution thereof to the Members can be easily traced to such proceeds.

(g) The Company will use its best efforts to avoid taking any action that, or failing to take any action the failure of which to take, is likely to cause all or part of the distribution of the proceeds of the Initial Financing to be taxable to one or more of the Members and in connection therewith the Members shall cooperate with the Company and each other. In addition, in the event that, within two years of the Closing or the contribution of an asset to the Company, the Members desire for the Company to make a distribution or payment to any of the Members or pay all or a portion of any liability, and if such distribution or payment to a Member or such payment of a liability may give rise to a disguised sale under section 707(a)(2)(B) of the Code or corresponding provision

of state or local law, the Members shall cooperate to avoid such result without changing the intended economics of the arrangement.

9.3 Accounting Matters. The Company's tax year shall be the calendar year unless otherwise required by section 706 of the Code or the Income Tax Regulations thereunder. The Board of Directors shall cause to be maintained complete books and records accurately reflecting the accounts, business and transactions of the Company on a calendar-year basis and using such cash, accrual, or hybrid method of accounting as in the judgment of the Board of Directors is most appropriate; provided, however, that books and records with respect to the Company's Capital Accounts and allocations under this Agreement of Net Profit and Net Loss (and items entering into the determination thereof) and income, gain, loss, deduction or credit (or item thereof) shall be kept on the basis of the Company's Fiscal Year and under United States federal income tax accounting principles as applied to partnerships.

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9.4 Tax Status and Returns.

(a) Any provision hereof to the contrary notwithstanding, solely for United States federal income tax purposes, each of the Members hereby recognizes that the Company will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the Code; PROVIDED, HOWEVER, that the filing of U.S. Partnership Returns of Income shall not be construed to expand the purposes of the Company or expand the obligations or liabilities of the Members.

(b) The chief financial officer shall prepare or cause to be prepared all tax returns and statements, if any, that must be filed on behalf of the Company with any taxing authority, and shall make timely filing thereof. Within one-hundred eighty (180) days after the end of each calendar year, the Company shall cause to be prepared and delivered to each Member a report setting forth in reasonable detail the information with respect to the Company during such calendar year reasonably required to enable each Member to prepare its federal, state and local income tax returns in accordance with applicable law then prevailing.

9.5 754 Election and Other Tax Elections. In the event of a distribution of property to a Member, or a transfer of any interest in the Company permitted under the Act or this Agreement, the Company, upon the written request of the transferor or transferee, shall file a timely election under section 754 of the Code and the Income Tax Regulations thereunder to adjust the basis of the Company's assets under section 734(b) or 743(b) of the Code and a corresponding election under the applicable provisions of state and local law, and the person making such request shall pay all costs incurred by the Company in connection therewith, including reasonable attorneys' and accountants' fees. Other tax elections and decisions relating to Taxes not specifically governed by any other express provision of this Agreement shall be made as agreed by the Board of Directors.

9.6 Tax Matters Partner. (a) The Initial Phillips Member shall be the Company's "tax matters partner" for purposes of subchapter C of chapter 63 of subtitle F of the Code (dealing with the tax treatment of partnership items); PROVIDED, HOWEVER, that the tax matters partner shall not take any action without the approval of the Board of Directors or its designee; and provided, further, that the tax matters partner shall receive no compensation for its services as tax matters partner but shall be reimbursed for any out-of-pocket expenses incurred in acting in such capacity.

(b) The Company shall indemnify the tax matters partner (including the officers and directors of a corporate tax matters partner) against judgments,

finances, amounts paid in settlement, and expenses (including attorney fees) reasonably incurred in any civil, criminal, or investigative proceeding in which they are involved or threatened to be involved by reason of being the tax matters partner unless the tax matters partner acted in bad faith or with gross negligence. The indemnification provided hereunder shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any applicable statute, agreement, vote of Partners, or otherwise.

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ARTICLE 10

RESTRICTIONS ON TRANSFER

10.1 Transfer of Interests. No Member may sell, assign, transfer or hypothecate ("Transfer") all or any part of its Membership Interest in the Company, or any interest therein, except in accordance with the terms and conditions set forth in this Article 10.

10.2 Conditions of Transfer. No Member may Transfer all or any part of such Member's Membership Interest, or any interest therein, except in compliance with Section 10.6, Section 10.7 or Article 11, such compliance to be jointly determined by the chief executive officer and the chief financial officer and documented by a certificate evidencing such Transfer. Moreover, no Member may Transfer all or any part of such Member's Membership Interest, or any interest therein, unless such Transfer will not (and, upon request of the Board of Directors, the transferring Member provides an opinion of counsel in form and substance reasonably satisfactory to the Board of Directors that such Transfer will not): (A) violate any applicable federal or state securities laws or regulations, subject the Company to registration as an investment company or election as a "business development company" under the Investment Company Act of 1940; (B) require any Member or any affiliate of a Member to register as an investment adviser under the Investment Advisers Act of 1940; (C) violate any other federal, state or local laws; (D) effect a termination of the Company under section 708 of the Code; (E) cause the Company to be treated as an association taxable as a corporation for federal income tax purposes; (F) cause the Company or any Member to be treated as an ERISA fiduciary; or (G) otherwise violate this Agreement.

10.3 Admission of Substitute Member. In the event of a Transfer pursuant to Section 10.6, 10.7 or Article 11, and the requirements of Section 10.2 and this Section 10.3 are met, then the transferee of the Member's Membership Interest shall be entitled to be admitted to the Company as a substitute Member, and this Agreement (and all exhibits hereto) shall be amended to reflect such admission, provided that the following conditions are complied with:

(a) The transferor and transferee shall have executed and acknowledged such instruments as the Board of Directors may deem necessary or desirable to effect the substitution;

(b) The transferee acknowledges all of the terms and provisions of this Agreement as the same may have been amended and agrees in writing to be bound by the same;

(c) The transferee reimburses the Company for all reasonable expenses connected with such admission including, but not limited to, legal fees and costs;

(d) The filing with the Company, if required by the Board of Directors, of such proof of the investment intent and financial status of the transferee as the Board of Directors may request; and

(e) Compliance with all applicable federal and state securities laws.

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10.4 Effect of Transfer without Approval. Any purported Transfer of all or any part of a Member's Membership Interest, or any interest therein, which is not in compliance with this Article 10 shall be void and, except as provided for in Section 10.5, below, shall be of no effect.

10.5 Liability for Breach. Notwithstanding anything to the contrary in this Article 10, any Member purporting to Transfer its Membership Interest, or any part thereof, in violation of this Article 10 shall be liable to the Company and the other Members for all liabilities, obligations, damages, losses, costs and expenses (including reasonable attorneys' fees and court costs) arising as a direct or consequential result of such non-complying transfer, attempted transfer or purported transfer, including specifically, any additional cost or taxes created by non-compliance with any of the requirements and conditions provided for in Section 10.2.

10.6 Permitted Transfers Subject to Right of First Refusal.

(a) At any time after the three (3) year anniversary of the Closing Date, the Class C Member(s) or the Class P Member(s) (a "Transferring Class") may Transfer not less than all of their respective Class Membership Interest to a Person for cash, subject to the Right of First Refusal provided for in this Section 10.6 and the last sentence of Section 10.2.

(b) In the event that any Transferring Class has received a bona fide written cash offer, which such Transferring Class is willing to accept, for the Transferring Class to sell not less than all of its respective Class Membership Interest (the "Transferred Interest") to any Person, the Transferring Class shall deliver a written notice (the "Transfer Notice") to all of the Members, other than the Members in the Transferring Class, (the "Non-Transferring Class") stating the Transferring Class's intent to sell the Transferred Interest pursuant to a bona fide cash offer. The Transfer Notice shall (i) specify the purchase price for and other material terms with respect to the sale of the Transferred Interest, (ii) identify the proposed purchaser of the Transferred Interest, (iii) specify the date scheduled for the transfer (which date shall not be earlier than one hundred twenty (120) days from the date the Transfer Notice is delivered), (iv) contain a statement that the offer has been accepted pending compliance with the right of first refusal set forth herein and receipt of required regulatory and other approvals, and (v) shall have attached thereto a copy of the written offer containing all of the terms and conditions on which the Transferred Interest is to be sold.

(c) The Non-Transferring Class shall have the exclusive option to purchase all (but not less than all) of the Transferred Interest on terms and conditions substantially the same in all material respects as, and at the same price, set forth in the written offer delivered pursuant to subsection (b) above. The Non-Transferring Class shall notify the Company and the Transferring Class of its intention to exercise or not to exercise the right of first refusal hereunder within forty-five (45) days of receipt by the Non-Transferring Class of a Transfer Notice.

(d) In the event that the Non-Transferring Class shall have duly elected to purchase the Transferred Interest (the "Electing Class"), the Electing Class and the Transferring Class shall diligently pursue obtaining all regulatory approvals and use best commercially reasonable efforts to consummate the closing of the purchase of the Transferred Interest as soon as practicable and in any event within one year from receipt of the Transfer Notice; provided that, if

such closing does not occur within such one-year period due to the failure to obtain any required

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regulatory approvals, the Electing Class's right to close such sale may be extended at the option of the Electing Class, until such regulatory approvals are obtained, but in no event for a period of greater than one additional year. In the event of a failure of the Non-Transferring Class to elect to purchase all of the Transferred Interest or a failure of the Electing Class to consummate such purchase in accordance herewith, the Transferring Class will be free, at any time within 120 days from the date the Non-Transferring Class elect not to exercise their purchase rights hereunder or from the date the time periods specified in this section for such election have expired, subject, in each case, to extension for up to an additional eight (8) months to the extent necessary to achieve any required regulatory approvals, to consummate the sale of the Transferred Interest to the purchaser at a price and upon terms and conditions no more favorable to the purchaser than those specified in the Transfer Notice; provided that the purchaser shall assume all of the liabilities and obligations of the Transferring Class under this Agreement by a binding written instrument which shall be enforceable by the Company and the Non-Transferring Class.

(e) A Transferring Class shall not be relieved of any of its obligations arising under this Agreement prior to such Transfer. The Transferring Class and any transferee shall execute such documents as the Non-Transferring Class shall reasonably request to evidence the Transfer and the assumption and continuing obligations under this Agreement.

(f) At the request of a Member, the Company will provide prospective purchasers of such Member's Class Membership Interest with reasonable access to financial, operating and other information of the Company, subject to customary confidentiality agreements which shall include provisions to protect competitively sensitive information. Each Member shall cooperate with, and shall not oppose, the closing of any Transfer which is in Compliance with this Section 10.6.

10.7 Permitted Transfers Among Wholly-Owned Affiliates. Notwithstanding anything contained herein to the contrary, any Member may Transfer all or any portion of its Membership Interest to a Wholly-Owned Affiliate of such Member, and such Transfer shall be deemed automatically approved by the Board of Directors; provided, however, that such Transfer otherwise meets the conditions and requirements of Sections 10.2 and 10.3.

10.8 Transfers of Equity Interests in a Member. A sale, assignment, transfer or hypothecation of any direct or indirect equity interest in a Member by a Parent of such Member shall be deemed to be a Transfer by that Member of its Membership Interest in the Company for purposes of this Article 10 and shall not be permitted except in accordance with the terms and conditions set forth in this Article 10. Chevron and Phillips shall comply with this Section 10.8 and shall take all necessary action to cause their Affiliates to comply with this Section 10.8. For the purpose of clarification of this Section 10.8, a change of control of the Ultimate Parent of any Member shall not be considered a Transfer of such Member's Membership Interest or a Transfer of the equity interest in such Member.

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ARTICLE 11

COMPETITION

11.1 General. The Members expect that the Company shall be the primary vehicle by which each the Members (together with their Affiliates) engage in the Chemicals Business. If a majority in interest of the Members of one class (the "Non-Competing Class") concludes in good faith that the Company is no longer the primary vehicle by which the Members of the other class (together with its Affiliates) (the "Competing Class") is engaged in the Chemicals Business, then the Non-Competing Class shall have the right to send written notice of such good faith conclusion ("Conflict Notice") to the Competing Class. Upon receipt of the Conflict Notice, the Competing Class shall enter into good faith negotiations with the Non-Competing Class to resolve any or all substantial conflicts of interest resulting from the ownership of businesses competing with the businesses of the Company.

11.2 Resolution of Competitive Conflicts.

(a) In the event that:

(i) A Non-Competing Class exercises its right to require a Competing Class to engage in good faith negotiations pursuant to Section 11.1;

(ii) The Non-Competing Class and Competing Class are unable to resolve the conflicts of interest within 150 days of the delivery of the Conflict Notice; and

(iii) The value (in the opinion of a nationally recognized investment bank selected by the Board of Directors) of the Competing Class's (including its Affiliates') interests in businesses competing with the businesses of the Company exceeds 50% of the enterprise value of the Company;

then, in such case, the Non-Competing Class shall have the right, within 30 days from the later of (x) the expiration of the period in (ii) above or (y) the determination in (iii) above, to state a single cash price at which it is prepared to purchase the Class Membership Interest of the Competing Class, which will constitute a binding offer to purchase (the "Initial Offer"). In the event of an Initial Offer, the Competing Class shall have 60 days to decide either to accept the Initial Offer or to make a counter-offer by stating a single cash price, which is at least 5% higher than the Initial Offer, at which it is prepared to purchase the Class Membership Interest of the Non-Competing Class (a "Counter-Offer"). In the event of a Counter-Offer, the Non-Competing Class shall have 30 days to decide either to accept the Counter-Offer or to make another offer by stating a single cash price, which is at least 5% higher than the Counter-Offer, at which it is prepared to purchase the Class Membership Interest of the Competing Class (a "Subsequent Offer"). In the event of a Subsequent Offer by the Non-Competing Class, the Competing Class shall have 30 days to decide either to accept the Subsequent Offer or to make another counter-offer by stating a single cash price, which is at least 5% higher than the Subsequent Offer, at which it is prepared to purchase the Class Membership Interest of the Non-Competing Class. The offering process described in this paragraph shall continue in this manner until a price is

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reached at which either the Competing Class or the Non-Competing Class is willing to sell its Class Membership Interest to the other class. Notwithstanding anything to the contrary in the foregoing, a Member may also sell its Class Membership Interest pursuant to the right of first refusal provisions set forth in Section 10.6.

(b) In the event that a Non-Competing Class has concluded in good faith that the Company is no longer the primary vehicle by which a Competing Class is engaged in the Chemicals Business in accordance with Section 11.1, and:

(i) a sale pursuant to subsection (a) above is not concluded (whether or not the condition expressed in subsection (a)(iii) above is satisfied); and

(ii) the Competing Class and Non-Competing Class have not been able to resolve, pursuant to Section 11.1 above, all substantial conflicts of interest resulting from the ownership by the Competing Class of a substantial business competing with the businesses of the Company;

then either the Competing Class or the Non-Competing Class may require the other class from time to time to enter into good faith negotiations to cause the Company (and/or the Members) to adopt such reasonable, mutually acceptable provisions as would mitigate the potential adverse consequences of the conflicts of interests on the continuing businesses of the Company. Such provisions could include, for example, restrictions on the dissemination and use of confidential information, greater delegation of authority to management of the Company, or modification of minimum distribution requirements or the non-involvement of the Competing Class in business decisions of the Company potentially affecting such competing businesses.

ARTICLE 12

TERM AND DISSOLUTION

12.1 Term. Except as provided in Section 12.2 hereof, the existence of the Company shall be perpetual.

12.2 Dissolution. The Company shall be dissolved and its affairs wound up upon the first to occur of the following:

(a) The approval of dissolution by the Board of Directors; or

(b) The bankruptcy or dissolution of either all of the Class C Members or all of the Class P Members.

12.3 Liquidation.

(a) Upon the occurrence of an event of dissolution as defined in the Act or in Section 12.2 of this Agreement, the Company shall cease to engage in any further business, except to the extent necessary to perform existing obligations, and shall wind up its affairs and liquidate its assets. The Board of Directors, or if there be no Directors then in office the Members, shall appoint a liquidator (who may, but need not, be a Member) who shall have sole authority and

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control over the winding up and liquidation of the Company's business and affairs and shall diligently pursue the winding up and liquidation of the Company. As soon as practicable after his appointment, the liquidator shall cause to be filed a statement of intent to dissolve as required by section 18-203 of the Act.

(b) During the course of liquidation, the Members shall continue to share profits and losses as provided in Section 9.1 of this Agreement, but there shall be no cash distributions to the Members until the Distribution Date (as defined in Section 12.4).

(c) A Member shall not have any obligation to contribute any amount to the Company in the event of a negative balance in its Capital Account.

12.4 Liabilities. Liquidation shall continue until the Company's affairs are in such condition that there can be a final accounting, showing that all fixed or liquidated obligations and liabilities of the Company are satisfied or can be adequately provided for under this Agreement. The assumption or guarantee in good faith by one or more financially responsible persons shall be deemed to be an adequate means of providing for such obligations and liabilities. When the liquidator has determined that there can be a final accounting, the liquidator shall establish a date (not to be later than the end of the taxable year of the liquidation, i.e., the time at which the Company ceases to be a going concern as provided in section 1.704-1(b)(2)(ii)(g) of the Income Tax Regulations, or, if later, ninety (90) days after the date of such liquidation) for the distribution of the proceeds of liquidation of the Company (the "Distribution Date"). The net proceeds of liquidation of the Company shall be distributed to the Members as provided in Section 12.6 hereof not later than the Distribution Date.

12.5 Settling of Accounts. Subject to section 18-804 of the Act, upon the dissolution and liquidation of the Company, the proceeds of liquidation shall be applied as follows: (a) first, to pay all expenses of liquidation and winding up; (b) second, to pay all debts, obligations and liabilities of the Company, in the order of priority as provided by law, other than debts owing to the Members or on account of Members' contributions; (c) third, to pay all debts of the Company owing to a Member; and (d) to establish reasonable reserves for any remaining contingent or unforeseen liabilities of the Company not otherwise provided for, which reserves shall be maintained by the liquidator on behalf of the Company in a regular interest-bearing trust account for a reasonable period of time as determined by the liquidator. If any excess funds remain in such reserves at the end of such reasonable time, then such remaining funds shall be distributed by the Company to the Members pursuant to Section 12.6 hereof.

12.6 Distribution of Proceeds. Subject to section 18-804 of the Act, upon final liquidation of the Company but not later than the Distribution Date, the net proceeds of liquidation remaining following the settling of accounts in accordance with Section 12.5 hereof shall be distributed to the Members in proportion to and up to the balance of their respective positive Capital Accounts as those accounts are determined after all adjustments to such Capital Accounts for the taxable year of the Company during which the liquidation occurs as are required by this Agreement and Income Tax Regulations section 1.704-1(b), such adjustments to be made within the time specified in such Income Tax Regulations.

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12.7 Certificate of Cancellation. Upon dissolution and liquidation of the Company, the liquidator shall cause to be executed and filed with the Secretary of State of the State of Delaware, a certificate of cancellation in accordance with section 18-203 of the Act.

ARTICLE 13

INDEMNIFICATION

13.1 Indemnification: Proceeding Other Than by Company. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the Company, by reason of the fact that he is or was a Director, Member or officer of the Company (and may similarly indemnify employees or agents of

the Company), or is or was serving at the request of the Company as a manager, member, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

13.2 Indemnification: Proceeding by Company.

(a) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was an officer of the Company (and may similarly indemnify employees or agents of the Company), or is or was serving at the request of the Company as a manager, member, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company.

(b) The Company will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was a Director of the Company, or is or was a Director of the Company serving at the request of the Company as a manager, member, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in

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connection with the defense or settlement of the action or suit if he acted in good faith in accordance with Section 4.8 hereof.

(c) With respect to indemnification pursuant to subsection (a) or (b) above, such indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Company or for amounts paid in settlement to the Company, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

13.3 Mandatory Advancement of Expenses. The expenses of Directors, Members and officers incurred in defending a civil or criminal action, suit or proceeding must be paid by the Company as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the Director, Member or officer to repay the

amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the Company. The provisions of this Section 13.3 do not affect any rights to advancement of expenses to which personnel of the Company other than Directors, Members or officers may be entitled under any contract or otherwise.

13.4 Effect and Continuation. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to Section 13.1 to Section 13.3, inclusive:

(a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Certificate or any limited liability company agreement, vote of Members or disinterested Directors, if any, or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to Section 13.2 or for the advancement of expenses made pursuant to Section 13.3, may not be made to or on behalf of any Member, Director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

(b) Continues for a person who has ceased to be a Member, Director, officer, employee or agent and inures to the benefit of his heirs, executors and administrators.

13.5 Insurance and Other Financial Arrangements.

(a) The Board of Directors may cause the Company to purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a Member, Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a manager, Member, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise for any liability asserted against him and liability and expenses incurred by him in his capacity as a Director, member, director, officer, employee or agent, or arising out of his status as such, whether or not the Company has the authority to indemnify him against such liability and expenses.

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(b) The other financial arrangements made by the Company pursuant to Section 13.5(a) may include:

- (i) The creation of a trust fund;
- (ii) The establishment of a program of self-insurance;
- (iii) The securing of its obligation of indemnification by granting a security interest or other lien on any assets of the Company; or
- (iv) The establishment of a letter of credit, guaranty or surety.

No financial arrangement made pursuant to this Section 13.5(b) may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

(c) In the absence of fraud:

- (i) The decision of the Company as to the propriety of the terms and

conditions of any insurance or other financial arrangement made pursuant to this Section 13.5 and the choice of the person to provide the insurance or other financial arrangement is conclusive; and

(ii) The insurance or other financial arrangement:

(A) Is not void or voidable; and

(B) Does not subject any Director or Member approving it to personal liability for his action,

even if a Director or Member approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

13.6 Notice of Indemnification and Advancement. Any indemnification of, or advancement of expenses to, a Director, Member or officer in accordance with this Article 13, if arising out of a proceeding by or on behalf of the Company, shall be reported in writing to the Members with or before the notice of the next Members' meeting.

13.7 Repeal or Modification. Any repeal or modification of this Article 13 by the Members of the Company shall not adversely affect any right of a Director, Member or officer of the Company existing hereunder at the time of such repeal or modification.

ARTICLE 14

INSPECTION OF COMPANY RECORDS; ANNUAL AND OTHER REPORTS

14.1 Records to be Kept. The Company shall keep at its registered office:

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(a) A current list of the full name and last known business, residence or mailing address of each Member and Director separately identifying the Members in alphabetical order and the Directors, if any, in alphabetical order;

(b) A copy of the filed Certificate and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any document has been executed;

(c) Copies of this Agreement, and all amendments hereto;

(d) Copies of the Company's federal income tax returns and reports, if any, for, at least, the three most recent years; and

(e) Copies of any financial statements of the Company for, at least, the three most recent years.

14.2 Access to Company Information. The accounting books and records, the record of Members, and minutes of proceedings of the Members of the Company, including, without limitation such information necessary to conduct periodic audits of various kinds (e.g. EHS, financial), shall be open to inspection upon the reasonable request of any Member at any reasonable time during usual business hours, for a purpose reasonably related to such Member's interest as a Member. Such inspection by a Member may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts. In addition, the Members shall have reasonable access to the Officers of the Company in order to discuss the Company's business.

14.3 Annual and Quarterly Reports.

(a) The Board of Directors shall within 45 days after the end of the first three Fiscal Quarters and within 90 days after the close of a Fiscal Year, deliver or mail to the Members, the quarterly and annual, respectively, financial statements of the Company.

(b) The income statements and balance sheets referred to in this Section 14.3 shall be accompanied by the report thereon, if any, of any independent accountants engaged by the Company or the certificate of an authorized officer of the Company that such financial statements were prepared without audit from the books and records of the Company.

(c) The annual financial statements of the Company shall be audited by independent accountants, and independent accountants shall participate in the preparation of quarterly financial statements of the Company, in each case consistent with the rules of the Securities and Exchange Commission relating to annual and quarterly financial statements of publicly-traded companies.

ARTICLE 15

DEFAULTS AND REMEDIES

15.1 Defaults. If a Member materially defaults in the performance of its obligations under this Agreement, and such default is not cured within ten (10) days after notice of such

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default is given by a Director to the defaulting Member for a default that can be cured by the payment of money, or within thirty (30) days after notice of such default is given by a Director to the defaulting Member for any other default, then the non-defaulting Members shall have the rights and remedies described in Section 15.2 hereunder in respect of the default.

15.2 Remedies. If a Member fails to perform its obligations under this Agreement, any other Member shall have, in addition to any rights and remedies provided hereunder, all such rights and remedies as are provided at law or in equity.

15.3 No Waiver. No consent or waiver, express or implied, by a Member to or of any breach or default by another Member in the performance by such other Member of its obligations under this Agreement shall constitute a consent to or waiver of any similar breach or default by any other Member. Failure by a Member to complain of any act or omission to act by another Member, or to declare such other Member in default, irrespective of how long such failure continues, shall not constitute a waiver by such Member of its rights under this Agreement.

ARTICLE 16

MISCELLANEOUS

16.1 Amendments.

(a) Subject to any contrary provisions of the Act, this Agreement may be amended only by the affirmative vote of Members owning all of the Class Membership Interest of both Class C and Class P. Any such amendment shall be in writing, duly executed by all the Members.

(b) Subject to any contrary provisions of the Act, the Certificate may only be amended by the affirmative vote of Members owning one hundred percent (100%) of all of the Percentage Interests entitled to vote. Any such amendment

shall be in writing, and shall be executed and filed in accordance with section 18-202 of the Act.

16.2 Representation of Shares of Companies or Interests in Other Entities. The chief executive officer, any vice president or the secretary or any assistant secretary of this Company is authorized to vote, represent and exercise on behalf of this Company all rights incident to any and all shares of any other company or companies, or any interests in any other entity, standing in the name of this Company. The authority herein granted to said officers to vote or represent on behalf of this Company any and all shares held by this Company in any other company or companies, or any interests in any other entity, may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers.

16.3 Seal. The Members or Board of Directors may adopt a seal of the Company in such form as the Members or the Board of Directors (as the case may be) shall decide.

16.4 Actions by Class P Members and Class C Members. Phillips shall ensure that each of the Class P Members, and Chevron shall ensure that each of the Class C Members, takes

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all actions necessary to be taken by such Member in order to fulfill the obligations of such Member, or of Phillips or Chevron, as the case may be, under this Agreement.

16.5 Entire Agreement. This Agreement, including the exhibits and schedules hereto, constitutes the entire agreement between the Members with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties. No party hereto shall be liable or bound to the other in any manner by any warranties, representations or covenants with respect to the subject matter hereof except as specifically set forth herein.

16.6 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except that the provisions of Article 13 are for the benefit of the persons to be indemnified by the Company.

16.7 Governing Law; Jurisdiction and Forum; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed under the substantive laws of the State of Delaware, without regard to Delaware choice of law provisions.

(b) Each party hereto irrevocably submits to the jurisdiction of any Delaware state court or any federal court sitting in the State of Delaware in any action arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such action may be heard and determined in such Delaware state or federal court. Each party hereto hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The parties hereto further agree, to the extent permitted by law, that final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a

certified copy of which shall be conclusive evidence of the fact and amount of such judgment.

(c) To the extent that any party hereto has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each party hereto hereby irrevocably waives such immunity in respect of its obligations with respect to this Agreement.

(d) Each party hereto waives, to the fullest extent permitted by applicable laws, any right it may have to a trial by jury in respect of any action, suit or proceeding arising out of or relating to this Agreement. Each party hereto certifies that it has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications set forth above in this Section 16.7.

16.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the

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same instrument, and shall become effective when there exist copies hereof which, when taken together, bear the authorized signatures of each of the parties hereto. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

16.9 Titles and Subtitles; Form of Pronouns; Construction and Definitions. The titles of the sections and paragraphs of this Agreement are for convenience only and are not to be considered in construing this Agreement. All pronouns used in this Agreement shall be deemed to include masculine, feminine and neuter forms, the singular number includes the plural and the plural number includes the singular. Unless otherwise specified, references to Sections or Articles are to the Sections or Articles in this Agreement. Unless the context otherwise requires, the term "including" shall mean "including, without limitation".

16.10 Delaware Limited Liability Company Act Prevails. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the Act and the Delaware General Corporation Law shall govern the construction of this Agreement; provided, however, that in the event of any inconsistency between such laws, the provisions of the Act shall prevail.

16.11 Severability. If one or more provisions of this Agreement are held by a proper court to be unenforceable under applicable law, portions of such provisions, or such provisions in their entirety, to the extent necessary and permitted by law, shall be severed herefrom, and the balance of this Agreement shall be enforceable in accordance with its terms.

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IN WITNESS WHEREOF, the undersigned hereby execute this Limited Liability Company Agreement as of the date first set forth above.

CHEVRON U.S.A. INC.

By /s/ H.P. Walker

Name H.P. Walker

Title Assistant Secretary

CHEVRON CORPORATION

By /s/ H.P. Walker

Name H.P. Walker

Title Assistant Secretary

CHEVRON OVERSEAS PETROLEUM INC.

By /s/ H.P. Walker

Name H.P. Walker

Title Assistant Secretary

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CHEVRON PIPE LINE COMPANY

By /s/ H.P. Walker

Name H.P. Walker

Title Assistant Secretary

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PHILLIPS PETROLEUM COMPANY

By /s/ John E. Lowe

Name John E. Lowe

Title Sr. Vice President Planning and
Stratetic Transactions

DRILLING SPECIALTIES CO.

By /s/ M.J. Hagenson

Name Mary Jane Hagenson

Title Vice President

WESTTEX 66 PIPELINE CO.

By /s/ M.J. Brenk

Name M.J. Brenk

Title President

PHILLIPS PETROLEUM INTERNATIONAL
CORPORATION

By /s/ Rand C. Berney

Name Rand C. Berney

Title Vice President and Controller

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SCHEDULE 1

NAMES AND ADDRESSES OF MEMBERS

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SCHEDULE 2

INITIAL DIRECTORS

Name	Address
Class C Directors:	

Darry W. Callahan	
Martin R. Klitten	
Class P Directors:	

James Mulva	
John E. Lowe	

Non-Voting Directors:

 James Gallogly
 Kent Potter

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SCHEDULE 3

NAMES AND ADDRESSES, CLASS OF MEMBERSHIP INTEREST, CAPITAL CONTRIBUTIONS AND
 PERCENTAGE INTERESTS OF MEMBERS

Name and Address of Members	Class of Membership Interest	Date of Contribution	Capital Account	Percentage Interest
Chevron U.S.A. Inc.	C	Closing	\$	%
Chevron Overseas Petroleum Inc.	C	Closing	\$	%
Chevron Pipe Line Company	C	Closing	\$	%
Phillips Petroleum Company	P	Closing	\$	%
Drilling Specialties Co.	P	Closing	\$	%
WestTex 66 Pipeline Co.	P	Closing	\$	%
Phillips Petroleum International Corporation	P	Closing	\$	%
Total Capital Contributions			\$	100.0%

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SCHEDULE 4

INITIAL OFFICERS

Name	Office
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Jim Gallogly	President & Chief Executive Officer
Kent Potter	Senior Vice President & Chief Financial Officer
Greg Garland	Senior Vice President, Planning & Strategic Transactions
Scott Meyer	Senior Vice President, Styrenics & Specialty Chemicals
Mike Parker	Senior Vice President, Aromatics
Tim Taylor	Senior Vice President, Olefins & Polyolefins
Bob Hunt	Vice President, Health, Environment & Safety
Sherry Richard	Vice President, Human Resources
Mary Jane Hagenson	Vice President, Technology
Jeff Taylor	Vice President, North Americas Polyethylene
Greg Maxwell	Vice President & Controller
Joe McKee	Vice President & Treasurer
Larry Frazier	Chief Information Officer
Bruce Waits	General Tax Counsel
Rick Roberts	Manufacturing Vice President

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-----END PRIVACY-ENHANCED MESSAGE-----