

From: Sullivan, Nancy E SCC-CBAR
Sent: Wednesday, September 03, 2003 11:11 AM
To: Tholstrup, Susan C SCC; Clegg, Patsy M SCC-CHSE-PC
Subject: FW: Action Requested/Final Ballot - Benzene Health Research Consortium Program
fyi-any comments? Looks like we've come up with an obstacle as BP is unwilling to pay any additional amount. The problem I see is that this could continue indefinitely for any company willing to paying additional amounts.

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-----Original Message-----

From: Red Cavaney [mailto:Rcavaney@api.org]
Sent: Wednesday, September 03, 2003 10:01 AM
To: Sullivan, Nancy E SCC-CBAR
Cc: Howard Feldman
Subject: RE: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Nancy—thank you for your response. I will try and provide you answers as best one can at this stage.

Dating back to mid-2002, various company CEOs have expressed concern about the China Benzene project, which is part of API's voluntarily funded special solicitation program structure. Those concerns focused on cost controls and the lack of additional participants beyond the original five companies. API staff was asked to provide an update at each subsequent meeting of the API Executive Committee, since all five of the participating companies were at least conveniently together at those times. Concerns continued to be raised at subsequent meetings, particularly about the inability to attract additional funders and a lack of responsiveness to concerns about costs. The Oversight Committee has consistently felt the costs were appropriate and needed in order to meet the overall program objectives: reducing costs would render the product sub-optimal and of markedly diminished value..

In June of this year, with no new funders and concerns about costs still not addressed to the satisfaction of several participating companies, the senior representatives of the five companies on the API Executive Committee felt it necessary to gain closure on the status of the program, since funding was projected to run out in a year with the funding cap limitations in place as per the Consortium Agreement.

Several companies had made it clear in the past that they were not likely to provide more funding than that set forth in the original Consortium Agreement. After discussion and several subsequent ballots, two things are clear: all the original participants feel the research has merit and would like to see the project to completion and, with BP voting to not pay more than its original capped amount, ChevronTexaco and ConocoPhillips are unwilling to go forward paying disproportionately higher share costs.

Having earlier been informed by the Oversight Committee of the Consortium that no meaningful product could be obtained if funding was restricted to the original, capped amount of \$16,500,000, my guess is that the termination option will prevail, although I have not heard yet from all participants. Faced with the prospect of termination, the Oversight Committee may come forth with an additional option not earlier provided.

I hope this helps and apologize for the lengthy recounting. Please contact me if you would like more information or background.....red

-----Original Message-----

From: Sullivan, Nancy E SCC-CBAR [mailto:nancy.sullivan@shell.com]
Sent: Thursday, August 28, 2003 3:25 PM
To: Red Cavaney
Subject: RE: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Red,

I'm not sure I like either of these options because it sounds like any original member who refuses to exceed original amount gets the benefit with the rest paying (or others now refusing to pay). If BP absolutely is unwilling to pay additional funds, perhaps we should look at the program further to see what costs can come out to keep all from having to pay an additional amount. Otherwise, we should specifically have a plan for how to make up the BP share.

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-----Original Message-----

From: Red Cavaney [<mailto:Rcavaney@api.org>]

Sent: Thursday, August 28, 2003 10:48 AM

To: David O'Reilly; Lee Raymond; jim.w.nokes@conocophillips.com; Sullivan, Nancy E SCC-CBAR

Cc: Marty Bitter; Howard Feldman; Harry Ng; Lorraine Twerdok; Charles Sandler

Subject: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Importance: High

PLEASE RESPOND BY COB THURSDAY, SEPTEMBER 4, 2003

In response to the last balloting (8/5/03), one founding member of the consortium has indicated that his company would like to see the program continue but will not pay more than the original capped amount -- in their case, this represents a three-share at \$1.5 million per share.

The other consortium members selected the following option: "Am willing to consider continuing with current plan, to include some cost reductions and a cap increase, only if all others continue." Accordingly, two remaining options appear available for the four of you....please indicate your preference:

_____ Terminate the program, with an approved exit strategy designed to minimize negatives in place.

_____ Agree to absorb your pro-rata share of the unfunded remainder after BP reaches its capped amount and any potential cost reductions are realized.

Earlier feedback indicated several among you were not likely to vote to continue the program, if the share portions were to exceed the earlier agreed-upon formula as set forth in the consortium agreement.

As soon as all ballots have been returned, I will communicate with all of the consortium contributors to determine next steps.

If you have any questions, please contact Lorraine Twerdok at 202-682-8344 or twerdokl@api.org or me at 202-682-8100 or rcavaney@api.org. Please phone or email your response to me. Thank you.